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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 IN RELATION TO THE CAPITAL SUBSCRIPTION IN HEILONGJIANG PRIDE**

### **THE CAPITAL SUBSCRIPTION**

On 15 August 2022, Heilongjiang Pride entered into the Capital Subscription Agreement with CNBM Investment (a wholly-owned subsidiary of the Company), CNBM Joint Investment (a wholly-owned subsidiary of the Parent) and other parties, pursuant to which, CNBM Investment agreed to make a capital subscription in Heilongjiang Pride. The registered share capital of Heilongjiang Pride will increase from RMB500.00 million to RMB834.25 million and all of the newly increased registered share capital of RMB334.25 million will be subscribed by CNBM Investment at the subscription price of RMB1.765 for each RMB1 newly increased registered share capital, totalling RMB589.95125 million. Upon completion of the Capital Subscription, CNBM Investment will hold approximately 40.07% equity interests in Heilongjiang Pride, which will then become a non-wholly-owned subsidiary of the Company.

According to the Capital Subscription Agreement, Jixi SOA will transfer its 10% equity interest in Heilongjiang Pride to CNBM Joint Investment prior to the Capital Subscription. Upon completion of the Capital Subscription, the equity interest held by CNBM Joint Investment in Heilongjiang Pride will be reduced to 5.99%.

As the Parent has a direct and indirect equity interest of 44.01% in aggregate in the Company, it is a controlling shareholder of the Company. As CNBM Joint Investment held 10% in Heilongjiang Pride prior to the Capital Subscription, it was a substantial shareholder of Heilongjiang Pride prior to the Capital Subscription. Therefore, the Capital Subscription constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules. As one or more applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are higher than 0.1% but all applicable percentage ratios are less than 5%, according to Rule 14A.76 of the Listing Rules, the Capital Subscription is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under the Listing Rules.

## **PRINCIPAL TERMS OF THE CAPITAL SUBSCRIPTION AGREEMENT**

### **Date**

15 August 2022

### **Parties**

- (1) CNBM Investment, a wholly owned subsidiary of the Company;
- (2) Beijing Pride;
- (3) Jixi SOA;
- (4) CNBM Joint Investment; and
- (5) Heilongjiang Pride.

### **Nature of Transaction**

Heilongjiang Pride will increase its registered share capital from RMB500.00 million to RMB834.25 million, and all of the newly increased registered share capital of RMB334.25 million will be subscribed by CNBM Investment in cash. Upon completion of the Capital Subscription, CNBM Investment will hold approximately 40.07% equity interests in Heilongjiang Pride, which will then become a non-wholly-owned subsidiary of the Company.

According to the Capital Subscription Agreement, Jixi SOA will transfer its 10% equity interest in Heilongjiang Pride to CNBM Joint Investment prior to the Capital Subscription. Upon completion of the Capital Subscription, the percentage of equity interest held by CNBM Joint Investment in Heilongjiang Pride will be diluted to 5.99%.

## Amount and basis of the consideration

Upon completion of the Capital Subscription, the registered share capital of Heilongjiang Pride will increase from RMB500 million to RMB834.25 million and all of the newly increased registered share capital of RMB334.25 million will be subscribed by CNBM Investment at the subscription price of RMB1.765 for each RMB1 newly increased registered share capital, totalling RMB589.95125 million, among which RMB334.25 million will be recorded into the registered share capital and the rest will be recognised into the capital reserve of Heilongjiang Pride. All shareholders of Heilongjiang Pride are entitled to the capital reserve in proportion of their paid-in capital after the Capital Subscription.

The basis of the consideration of the Capital Subscription was determined with reference to the appraised value in the Valuation Report regarding the total shareholders' equity interests in Heilongjiang Pride as at 31 August 2021 (i.e. RMB854.789097 million), which was evaluated by adopting the asset-based approach, and the paid-in capital of Heilongjiang Pride of RMB484.3132 million as at the even date. On that basis, the appraisal value to each RMB paid-in capital is converted to be RMB1.765. Based on the appraisal value, on the date of the Capital Subscription Agreement, all the registered share capital of Heilongjiang Pride was paid in, and the paid-up amount exceeding the registered share capital of RMB500.00 million was fully recognised in the capital reserve of Heilongjiang Pride. All shareholders of Heilongjiang Pride are entitled to the capital reserve in proportion of their paid-in capital after the Capital Subscription. On this basis, the subscription price of the newly increased registered share capital of RMB334.25 million is agreed to be RMB589.95125 million.

## Shareholding structure of Heilongjiang Pride

Shareholders	Prior to the Share Transfer and the Capital Subscription		After the Share Transfer and prior to the Capital Subscription		After the Capital Subscription	
	Amount of subscribed registered share capital (RMB million)	Percentage of registered share capital	Amount of subscribed registered share capital (RMB million)	Percentage of registered share capital	Amount of subscribed registered share capital (RMB million)	Percentage of registered share capital
CNBM Investment	–	–	–	–	334.25	40.07%
CNBM Joint Investment	–	–	50.00	10%	50.00	5.99%
Beijing Pride	255.00	51%	255.00	51%	255.00	30.57%
Jixi SOA	245.00	49%	195.00	39%	195.00	23.37%
<b>Total</b>	<b>500.00</b>	<b>100%</b>	<b>500.00</b>	<b>100%</b>	<b>834.25</b>	<b>100%</b>

## **Payment of the consideration**

CNBM Investment has paid a deposit of RMB176,985,375 to the account designated by Beijing Equity Exchange in accordance with the announced conditions before the signing of the Capital Subscription Agreement, the amount of which will be converted into part of the Capital Subscription payment. The remaining capital contribution amount will be paid in cash within 20 business days from the subsequent date when all of the following conditions are fulfilled: (i) the Capital Subscription Agreement takes effect, and (ii) the completion of the change of industrial and business registration for the Capital Subscription evidencing the corresponding equity interest in Heilongjiang Pride is registered under CNBM Investment.

## **Completion**

The parties agreed the Completion will take place at the factory of Heilongjiang Pride on the Completion Reference Date. CNBM Investment will dispatch staffs to Heilongjiang Pride to conduct the corresponding closing works, and will appoint an auditor to conduct a closing audit and to issue a closing audit report. Beijing Pride, Jixi SOA and Heilongjiang Pride undertook to cooperate to ensure the smooth closure of the transaction, and will comply with the specific requirement from CNBM Investment in respect of the relevant standard of work.

Upon completion of the Capital Subscription, CNBM Investment and its authorised person(s) will be entitled to the corresponding shareholder rights as the controlling shareholder (or shareholder representative(s)) of Heilongjiang Pride, and will engage in the business operation and management of Heilongjiang Pride by ways of nominating directors and/or senior management, etc. to Heilongjiang Pride.

## **Profit or loss attribution**

The accumulated undistributed profits of Heilongjiang Pride as of the Audit Valuation Reference Date will be enjoyed by all shareholders of Heilongjiang Pride according to their respective proportion of paid in capital contribution after the completion of the Capital Subscription. The gain or loss realised between the day following the Audit Valuation Reference Date and the Completion Reference Date will be enjoyed or borne by all shareholders of Heilongjiang Pride according to their respective paid-in capital percentage after the completion of the Capital Subscription. The profits and losses realised by Heilongjiang Pride from the day following the Completion Reference Date will be borne and enjoyed by all shareholders of Heilongjiang Pride according to their respective proportion of paid in capital contribution after the completion of the Capital Subscription.

## **Creditor's rights treatment**

For the prepaid accounts (if any) and all uncollected claims (if any, including accounts receivable, notes receivable, interest receivable, dividends receivable and other receivables) of Heilongjiang Pride as at Audit Valuation Reference Date as confirmed by the parties, Beijing Pride and Jixi SOA should supervise and procure Heilongjiang Pride to recover the corresponding physical assets and corresponding invoices and/or uncollected claims within one year after the Completion Reference Date, and CNBM Investment or Heilongjiang Pride will cooperate. If (i) the physical assets and invoices corresponding to the prepaid accounts have not been recovered by the expiration of one-year period after the Completion Reference Date and the same are determined to be bad debt losses according to Heilongjiang Pride's financial policy; and/or (ii) the accounts receivables or corresponding bills, which belong to customers who have no business dealings with Heilongjiang Pride within one year, have not been recovered by the expiration of one-year period after the Completion Reference Date and the same are determined to be bad debt losses according to Heilongjiang Pride's financial policy, Beijing Pride and Jixi SOA should compensate Heilongjiang Pride for the corresponding losses at a ratio of 51%: 49%. If the bad debt losses that have been compensated by Beijing Pride and Jixi SOA are recovered later, the paid compensation will be proportionally returned to Beijing Pride and Jixi SOA. The aforementioned treatment is subject to arrangements otherwise stipulated in relevant business contracts.

## **Corporate governance arrangement**

The board of directors of Heilongjiang Pride will comprise five directors, three of which will be jointly nominated by CNBM Investment and CNBM Joint Investment and one of which will be nominated by Beijing Pride and Jixi SOA, respectively, and the directors will be elected by the shareholders meeting of Heilongjiang Pride. There will be one chairman of the board of directors of Heilongjiang Pride, and the candidate will be nominated by CNBM Investment and elected by the board of directors of Heilongjiang Pride. The chairman of the board of directors of Heilongjiang Pride will serve as the legal representative of Heilongjiang Pride.

The supervisory committee of Heilongjiang Pride will comprise three supervisors, among which, CNBM Investment and CNBM Joint Investment will jointly nominate one supervisor, and Beijing Pride and Jixi SOA will jointly nominate one supervisor, and such supervisors will be elected by the shareholders' meeting of Heilongjiang Pride. The other one supervisor will be the staff supervisor, which will be democratically elected by the staffs. There will be one chairman of the supervisory committee of Heilongjiang Pride, who will be jointly nominated by Beijing Pride and Jixi SOA and elected by the supervisory committee of Heilongjiang Pride.

The general manager of Heilongjiang Pride will be nominated by CNBM Investment, and will be appointed by the board of directors of Heilongjiang Pride. The deputy general managers of Heilongjiang Pride will be nominated by the general manager after consulting the shareholders of Heilongjiang Pride, and will be appointed by the board of directors of Heilongjiang Pride. Beijing Pride and Jixi SOA each can nominate one candidate of deputy general manager. The financial head of Heilongjiang Pride will be nominated by the general manager based on the recommendation of CNBM Investment, and will be appointed by the board of directors of Heilongjiang Pride.

## **INFORMATION ABOUT HEILONGJIANG PRIDE**

Heilongjiang Pride is a limited liability company established under PRC law and is mainly engaged in graphite mining and selection, graphite and carbon products manufacturing, etc.

According to the Capital Subscription Agreement, Jixi SOA will transfer its 10% equity interest in Heilongjiang Pride to CNBM Joint Investment prior to the Capital Subscription.

According to its audited financial statements in accordance with the Chinese Accounting Standards, for the two years ended 31 December 2020 and 2021, the audited net profit (before tax) of Heilongjiang Pride were RMB26.4314 million and RMB-20.2829 million, respectively, the audited net profit (after tax) of Heilongjiang Pride were RMB20.9251 million and RMB-20.9937 million, respectively. As at 31 December 2020 and 2021, the audited net asset of Heilongjiang Pride were RMB523.2082 million and RMB487.8326 million, respectively.

## **REASONS FOR AND BENEFITS OF THE CAPITAL SUBSCRIPTION**

Through the Capital Subscription, the Company will be able to quickly enter the field of natural graphite anode materials and build a strategic emerging advantageous industry integrating mining, deep-processing and scientific research and development. The Company plans to integrate resources to create a unified graphite industry platform and deepen the coordinated development of emerging industries of new energy materials

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Subscription Agreement are fair and reasonable, and the transaction contemplated under the Capital Subscription Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and is in the interests of the Company and its shareholders as a whole.

As Mr. Zhou Yuxian, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, Mr. Peng Shou and Mr. Fu Jinguang, being executive Directors, held position in the Parent and relevant subsidiaries, they are deemed to have a material interest in the Capital Subscription Agreement. They have abstained from voting on the relevant Board resolution in respect of the Capital Subscription Agreement. Save as the Directors mentioned above, none of the Directors has a material interest in the transaction contemplated under the Capital Subscription Agreement or is required to abstain from voting on the relevant Board resolution.

## **LISTING RULES IMPLICATIONS**

According to the Capital Subscription Agreement, Jixi SOA will transfer its 10% equity interest in Heilongjiang Pride, to which the corresponding subscribed and paid-in capital contribution is RMB50 million respectively, to CNBM Joint Investment prior to the Capital Subscription. Upon completion of the Capital Subscription, the percentage of equity interest held by CNBM Joint Investment in Heilongjiang Pride will be diluted to 5.99%.

As the Parent has a direct and indirect equity interest of 44.01% in aggregate in the Company, it is a controlling shareholder of the Company. As CNBM Joint Investment held 10% in Heilongjiang Pride prior to the Capital Subscription, it is a substantial shareholder of Heilongjiang Pride prior to the Capital Subscription. Therefore, the Capital Subscription constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules. As one or more applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are higher than 0.1% but all applicable percentage ratios are less than 5%, according to Rule 14A.76 of the Listing Rules, the transaction under the Capital Subscription Agreement is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under the Listing Rules.

## **INFORMATION ON THE PARTIES TO THE AGREEMENT**

### **The Group**

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

### **Beijing Pride**

The main business of Beijing Pride is sales of metal materials, product design and new energy technology promotion services. Its ultimate beneficial owner is State-owned Assets Supervision and Administration Commission of Beijing Municipal People's Government\* (北京市人民政府國有資產監督管理委員會).

## **Jixi SOA**

Jixi SOA is a state-owned enterprise directly controlled by the State-owned Assets Supervision and Administration Bureau of Jixi\* (雞西市國有資產監督管理局) which is principally engaged in investment and construction of land and infrastructure and operation of state-owned assets.

## **CNBM Joint Investment**

CNBM Joint Investment is a wholly-owned subsidiary of the Parent, and is principally engaged in asset management, investment management and corporation management.

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Beijing Pride and Jixi SOA and their ultimate beneficial owners are all third parties independent of the Company and of connected persons (as defined under the Listing Rules) of the Company.

## **DEFINITIONS**

“Audit Valuation Reference Date”	31 August 2021
“Board”	the board of Directors of the Company
“Beijing Pride”	Beijing Pride New Material Company Limited* (北京普萊德新材料有限公司)
“Beijing Equity Exchange”	China Beijing Equity Exchange Company Limited* (北京產權交易所有限公司)
“Capital Subscription”	the capital contribution contemplated under the Capital Subscription Agreement
“Capital Subscription Agreement”	the capital contribution agreement entered into by the CNBM Investment, Beijing Pride, Jixi SOA, CNBM Joint Investment and Heilongjiang Pride on 15 August 2022.
“CNBM Investment”	CNBM Investment Company Limited.* (中建材投資有限公司), a limited liability company established under the laws of the PRC
“CNBM Joint Investment”	CNBM Joint Investment Company Limited.* (中建材聯合投資有限公司), a limited liability 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 The Stock Exchange of Hong Kong Limited
“Completion”	the completion of the Capital Subscription
“Completion Reference Date”	31 August 2021, or the date separately negotiated and adjusted by the parties to the Capital Subscription Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Heilongjiang Pride”	Heilongjiang Pride New Material Company Limited* (黑龍江普萊德新材料科技有限公司), a limited liability company established under the law of PRC
“Jixi SOA”	Jixi State-owned Asset Operation and Management Company Limited* (雞西市國有資產經營管理有限公司), a state-owned limited liability company established under the law of PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“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, a controlling shareholder of the Company
“PRC”	The People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share Transfer”	Jixi SOA’s transfer of its 10% equity interest in Heilongjiang Pride to CNBM Joint Investment prior to the Capital Subscription.

“Valuation Report” the valuation report in respect of the equity interests in Heilongjiang Pride prepared by Grant Thornton China (致同會計師事務所(特殊普通合夥))

“%” percent

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

Beijing, the PRC  
15 August 2022

*As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Fu Jinguang, Mr. Xiao Jiexiang 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*