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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)

VOLUNTARY ANNOUNCEMENT PROPOSED EQUITY ACQUISITION

This announcement is made by China National Building Material Company Limited* (the “**Company**”) on a voluntary basis.

PROPOSED EQUITY ACQUISITION

On 20 September 2023, Beijing New Building Material Public Limited Company* (北新集團建 材 股 份 有 限 公 司) (“**BNBM**”), a non-wholly owned subsidiary of the Company, and World Champion (Hong Kong) Limited (世 駿 (香 港) 有 限 公 司) (“**WCHK**”) entered into a memorandum of transaction terms (“**Memorandum of Transaction Terms**”) in relation to a proposed equity acquisition, where BNBM proposed to acquire the controlling equity interests of Carpoly Chemical Group Co., Ltd. (嘉 寶 莉 化 工 集 團 股 份 有 限 公 司) (“**Target Company**”, together with its subsidiaries, “**Target Group**”) from WCHK and other relevant parties that directly or indirectly hold shares in the Target Company with cash consideration (“**Proposed Equity Acquisition**”). In addition, BNBM and WCHK entered into an earnest money agreement (“**Earnest Money Agreement**”), where BNBM proposed to pay WCHK a sum of RMB10 million to reflect the sincerity of BNBM in the proposed acquisition and to facilitate due diligence and audit evaluation works related to the Proposed Equity Acquisition.

Memorandum of Transaction Terms

The main terms of the Memorandum of Transaction Terms are briefly summarised as follows:

1. The transaction is proposed to acquire the controlling equity interests of the Target Company;

2. The final valuation of the 100% equity value of the Target Group will be determined based on the appraisal report to be filed. If the final appraisal results to be filed cannot be unanimously recognized by both parties to the transaction, both parties shall negotiate amicably on whether to proceed with the transaction;
3. The consideration shall be paid in cash in installments according to the time points and relevant prerequisites agreed in the definitive transaction agreement;
4. Both parties will further negotiate and discuss other terms in relation to acquiring the Target Company, including but not limited to pre-closing special dividends, disposal of property-related assets, and other representations, warranties and indemnities, which will be specified in the definitive transaction agreement;
5. Both parties agree to stipulate other terms recognized by both parties in the definitive transaction agreement, including the rights attached to the remaining shares of the original shareholders in the Target Company, corporate governance arrangements, performance commitments, incentives and lock-in period for minority equity, etc.;
6. The Memorandum of Transaction Terms is valid for 6 months. The Memorandum of Transaction Terms will be automatically terminated if the parties fail to reach a formal agreement within the validity period (regardless of the reason), unless the parties unanimously agree to extend the validity period. In this case, neither party will be liable for breach of contract.

Earnest Money Agreement

The main terms of the Earnest Money Agreement are briefly summarised as follows:

1. Within 3 working days from the effective date of the Earnest Money Agreement, BNBM will pay the due diligence earnest money of RMB10 million to a bank account opened in the name of BNBM and jointly supervised by BNBM and WCHK;
2. Within 60 days after receiving the earnest money, WCHK will not contact, consult, negotiate or sign any agreement or letter of intent with any third party in relation to the transfer of equity interests in the Target Company. This period can be extended by amicable negotiations between BNBM and WCHK;
3. Regardless of the reason, if one party determines to terminate the equity transfer, WCHK shall lift the supervision of the abovementioned bank account within 10 working days after issuing or receiving the written notice, and neither party will be liable for breach of contract;
4. If both parties sign a formal equity transfer agreement for the transaction, WCHK shall lift the abovementioned supervision of the bank account within 10 working days, or recognize the earnest money as part of the consideration payable by BNBM.

INFORMATION ON THE RELEVANT PARTIES

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

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).

WCHK is principally engaged in investment holding and property leasing business. It holds 31.4065% of equity interests in the Target Company. The Company confirms that, having made reasonable enquiries, WCHK is not a connected person of the Company.

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

Further announcement(s) will be made by the Company as and when appropriate.

WARNING

Shareholders of the Company should be aware that the Proposed Equity Acquisition is still at the planning stage, the parties have not yet signed any definitive transaction agreements, and the specific transaction proposals are still under discussion. The implementation of the transaction will be subject to, among other things, approval by the competent regulatory authorities and fulfilment of applicable requirements under the Listing Rules. There are still uncertainties as to whether any definitive agreement will be entered into or whether they will materialise or be completed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Beijing, the PRC
20 September 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, Mr. Xiao Jiayang and Mr. Wang Bing as executive directors, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, 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*