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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 CAPITAL CONTRIBUTION TO SINOMA CEMENT BY
SINOMA INTERNATIONAL**

Capital Contribution

On 4 December 2023, Tianshan Cement (a subsidiary of the Company), Sinoma International (a connected subsidiary of the Company) and Sinoma Cement (a subsidiary of the Company) entered into the Capital Contribution Agreement, pursuant to which Sinoma International agreed to make the First Capital Contribution to Sinoma Cement in cash and both Tianshan Cement and Sinoma International agreed to make the Second Capital Contribution to Sinoma Cement pro rata in cash.

Under the First Capital Contribution, Sinoma International will subscribe for the RMB1,235.52 million newly increased registered share capital of Sinoma Cement in cash, at a subscription price of RMB1.0693424 for each RMB1 newly increased registered share capital and the total subscription price of RMB1,321.1939 million, increasing the registered share capital of Sinoma Cement from RMB1,853.28 million to RMB3,088.80 million.

Under the Second Capital Subscription, Tianshan Cement and Sinoma International will subscribe for the RMB6,911.2 million further increased share capital in Sinoma Cement in cash, at a subscription price of RMB1 for each RMB1 newly increased registered share capital, further increasing the registered share capital of Sinoma Cement from RMB3,088.80 million to RMB10,000.00 million. The newly increased registered share capital will be subscribed by Tianshan Cement as to RMB4,146.72 million at the total subscription price of RMB4,146.72 million, and by Sinoma International as to RMB2,764.48 million at the total subscription price of RMB2,764.48 million.

Upon completion of the First Capital Contribution and the Second Capital Subscription, Tianshan Cement and Sinoma International will hold 60% and 40% equity interests, respectively, in Sinoma Cement which will remain to be a subsidiary of the Company.

As the Parent has direct and indirect equity interests of approximately 45.0192% in aggregate in the Company, it is a substantial shareholder of the Company. As the Parent indirectly owns approximately 17.31% equity interest in Sinoma International (excluding the equity interest held through the Company), Sinoma International is a connected subsidiary of the Company and thus a connected person of the Company. Therefore, the Capital Contribution constitutes a connected transaction of the Company.

Given that both Tianshan Cement and Sinoma International are subsidiaries of the Company, the transaction contemplated under the Capital Contribution Agreement is in substance a group reorganisation which would result in a net disposal of approximately 17.42% interests in Sinoma Cement by the Company.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules calculated on a net disposal basis are more than 0.1% but all applicable percentage ratios are less than 5%, according to Chapter 14A of the Listing Rules, the Capital Contribution 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 CONTRIBUTION AGREEMENT

Date

4 December 2023

Parties

- (1) Sinoma Cement (a subsidiary of the Company);
- (2) Tianshan Cement (a subsidiary of the Company); and
- (3) Sinoma International (a connected subsidiary of the Company).

Nature of the Transaction

The registered share capital of Sinoma Cement will increase from RMB1,853.28 million to RMB3,088.80 million, and the newly increased registered share capital of RMB1,235.52 million will be fully subscribed by Sinoma International in cash. Upon completion of the Capital Contribution, Tianshan Cement will hold 60% equity interests in Sinoma Cement, Sinoma International will hold 40% equity interests in Sinoma Cement, and Sinoma Cement will remain to be a subsidiary of the Company.

Valuation

According to the Valuation Report, as at the Valuation Reference Date, the book value of Sinoma Cement's equity included in the valuation scope is RMB2,301.5602 million (parent company basis); the book value of equity attributable to owners of the parents of Sinoma Cement included in the valuation scope is RMB2,453.4118 million (consolidated basis). The valuation adopted the asset-based approach as the final valuation conclusion: on the premise of continuing operations, the total shareholder equity value of Sinoma Cement is RMB2,568.6518 million, the value added is RMB267.0916 million (parent company basis) or RMB115.2400 million (consolidated basis) and the value-added rate is 11.60% (parent company basis) or 4.70% (consolidated basis).

The Reasons for Adopting Asset-based Approach

The financial statements of Sinoma Cement have been audited by a professional audit agency. The audit professionals can relatively easily identify various on-and off-balance sheet assets and liabilities on the balance sheet of the valuated units, and the various assets and liabilities can be inspected on-site and meet the data requirements for the assessment and estimation; at the same time, the valuated units do not include assets or liabilities that have a significant impact and are difficult to identify and value.

Sinoma Cement mainly operates in cement and construction aggregate business, and its main assets are overseas subsidiaries. In the asset-based approach, the majority of the mining rights are valued using the income method. Meanwhile, Sinoma Cement's overseas subsidiaries belong to asset-heavy industries; they purchase and construct land and factories and purchase equipment for production and operation, and they have relatively large original investment in fixed assets etc. The valuated units can provide relatively complete information related to replacement costs, and the asset-based approach can reflect the value of the enterprises. Therefore, the valuation adopted the asset-based approach for the final valuation conclusion.

Amount and basis of the consideration for the First Capital Contribution

After the First Capital Contribution, the registered share capital of Sinoma Cement will increase from RMB1,853.28 million to RMB3,088.80 million, and the newly increased registered capital of RMB1,235.52 million will be fully subscribed by Sinoma International at the subscription price of RMB1.0693424 for each RMB1 newly increased registered share capital, totalling RMB1,321.1939 million. The proceed paid by Sinoma International for the Capital Contribution will be used for future overseas investments in cement business, and can also be used for other legit purposes approved by competent authorities of the company.

Based on the valuation reflected in the Valuation Report as a reference, and correspondingly deducting the dividends of RMB586.9610 million distributed to Tianshan Cement from the Valuation Reference Date to the Completion Reference Date, the net asset value corresponding to each RMB1 of registered share capital (paid-in capital) of Sinoma Cement deducting the corresponding dividends is RMB1.0693424. All parties agreed after negotiation that the price corresponding to each RMB1 of

the newly increased registered share capital under the First Capital Contribution is RMB1.0693424. The price of the newly increased registered share capital of RMB1,235.52 million of Sinoma Cement under the First Capital Contribution is RMB1,321.1939 million, of which RMB1,235.52 million will be recorded into the paid-in capital of Sinoma Cement, and the rest will be recognised into the capital reserve.

Shareholding structure of Sinoma Cement before and after the First Capital Contribution:

Shareholder	Before the First Capital Contribution		After the First Capital Contribution	
	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
Tianshan Cement	1,853.28	100%	1,853.28	60%
Sinoma International	—	—	1,235.52	40%
Total	<u>1,853.28</u>	<u>100%</u>	<u>3,088.80</u>	<u>100%</u>

Payment of the consideration for the First Capital Contribution

Sinoma Cement should complete the market supervision registration change procedures for the Capital Contribution and obtain a new business license within 15 working days from the effective date of the Capital Contribution Agreement. All parties agreed that within 15 working days from the Completion Date of Registration Change, Sinoma International will pay a lump sum of RMB1,321.1939 million to Sinoma Cement for the First Capital Contribution.

Completion of the First Capital Contribution

On the premise that Sinoma International has fully paid the consideration for the Capital Contribution payable to Sinoma Cement in accordance with the Capital Contribution Agreement, the last day of the month of Completion Date of Registration Change will be the Completion Reference Date on which Sinoma International becomes a 40% shareholder of Sinoma Cement. From the Completion Reference Date, Sinoma International becomes the shareholder corresponding to the equity subscribed as the newly increased registered capital of Sinoma Cement in accordance with the Capital Contribution Agreement, and enjoys the shareholder rights in accordance with the provisions of laws, regulations, the company's articles of association, and the Capital Contribution Agreement.

Second Capital Contribution

After the Completion Reference Date, Tianshan Cement and Sinoma International will make a further pro rata capital contribution in Sinoma Cement to increase the registered share capital of Sinoma Cement from RMB3,088.8 million to RMB10,000.00 million. The newly increased registered share capital will be RMB6,911.20 million, and the subscription price is RMB1 for each RMB1 newly increased registered capital. Tianshan Cement will subscribe for newly increased registered share capital of RMB4,146.72 million; the subscription price will be RMB4,146.72 million, and the payment method will be in cash; all will be recognised into the paid-in capital of Sinoma Cement. Sinoma International will subscribe for newly increased registered share capital of RMB2,764.48 million; the subscription price will be RMB2,764.48 million and the payment method will be in cash; all will be recognized into the paid-in capital of Sinoma Cement. Tianshan Cement and Sinoma International have agreed to complete the market supervision registration procedures for the Second Capital Contribution within one month from the Completion Date of Registration Change of the First Capital Contribution mentioned above and obtain a new business license for Sinoma Cement, Tianshan Cement and Sinoma International will complete the actual payment of the above-mentioned newly increased registered share capital by step on pro rata basis. The specific payment schedule and the use of proceeds will be determined by Tianshan Cement and Sinoma International through negotiation based on the business development needs of Sinoma Cement in due course.

Shareholding structure of Sinoma Cement before and after the Second Capital Contribution:

Shareholder	As at the Completion Reference Date		After the Second Capital Contribution	
	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
Tianshan Cement	1,853.28	60%	6,000.00	60%
Sinoma International	1,235.52	40%	4,000.00	40%
Total	3,088.80	100%	10,000.00	100%

Profit or loss attribution

The retained earnings of Sinoma Cement as of the Valuation Reference Date (but excluding the dividends of RMB586.8610 million distributed by Sinoma Cement to Tianshan Cement from the Valuation Reference Date to the Completion Reference Date) will be enjoyed by all shareholders after the Capital Contribution based on their paid-in contribution in Sinoma Cement on pro rata basis.

The profits and losses generated by Sinoma Cement from the day after the Valuation Reference Date to the Completion Reference Date (hereinafter referred to as the “**Relevant Period**”) shall be borne or enjoyed by Tianshan Cement. If there is a profit during the Relevant Period, the net profit realised during the Relevant Period shall be enjoyed by Tianshan Cement by distributing dividends from Sinoma Cement to Tianshan Cement. Tianshan Cement and Sinoma International, as shareholders of Sinoma Cement after the Capital Contribution, shall make a shareholders resolution to distribute the net profit realised during the Relevant Period to Tianshan Cement within 15 working days after relevant completion audit is completed and confirmed by both shareholders. The dividend distribution shall be completed within 15 working days from the date of the shareholders resolution. If the net profit realised during the Relevant Period is negative, Tianshan Cement shall compensate Sinoma Cement in cash equivalent to the amount of the loss within 15 working days after relevant completion audit is completed and confirmed by both shareholders. The profits and losses during the aforementioned Relevant Period shall be confirmed through completion audit, using the Completion Reference Date as the audit reference date, by an audit institution recognised by both shareholders.

The profits and losses incurred by Sinoma Cement starting from the day after the Completion Reference Date shall be borne or enjoyed by all shareholders after the Capital Contribution based on their paid-in contribution in Sinoma Cement on pro rata basis.

Corporate governance arrangement

During the period when Tianshan Cement and Sinoma International hold 60% and 40%, respectively, in Sinoma Cement, the board of directors of Sinoma Cement will comprise five directors, three of which will be nominated by Tianshan Cement and two of which will be nominated by Sinoma International, respectively, and the directors will be elected by the shareholders meeting of Sinoma Cement. There will be one chairman and one vice-chairman of the board of directors of Sinoma Cement; the candidates will be elected by the board of directors of Sinoma Cement.

Sinoma Cement will set up a supervisory committee. The supervisory committee will comprise three supervisors, among which, Tianshan Cement will nominate one supervisor, Sinoma International will nominate one supervisor, and such supervisors will be elected by the shareholders’ meeting of Sinoma Cement. The other one supervisor will be the staff supervisor, which will be democratically elected by the staff (representatives)’s meeting of Sinoma Cement. There will be one chairman of the supervisory committee, and will be elected by the supervisory committee of Sinoma Cement.

Sinoma Cement will have one general manager, which will be appointed by the board of directors of Sinoma Cement; the general manager will serve as the legal representative of Sinoma Cement. There will be several deputy general managers of Sinoma Cement, which will be nominated by the general manager of Sinoma Cement, and will be appointed or dismissed by the board of directors of Sinoma Cement. There will be one financial head of Sinoma Cement, who will be nominated by Tianshan Cement, and will be appointed or dismissed by the board of directors of Sinoma Cement.

INFORMATION ABOUT SINOMA CEMENT

Sinoma Cement is a limited liability company incorporated established under PRC law and is mainly engaged in the production of cement, cement auxiliary materials and cement products, the sales of cement, cement auxiliary materials and cement products, technical services, and leasing of office space.

According to its audited financial statements in accordance with the Chinese Accounting Standards, for the two years ended 31 December 2021 and 2022, the audited net profit (before tax) of Sinoma Cement were RMB2,309.1315 million and RMB135.5040 million, respectively, the audited net profit (after tax) of Sinoma Cement were RMB1,893.5416 million and RMB153.7896 million, respectively. As at 31 December 2021 and 2022, the audited net asset of Sinoma Cement were RMB6,755.8149 million and RMB2,803.1765 million, respectively.

FINANCIAL IMPACT OF THE CAPITAL CONTRIBUTION TO SINOMA CEMENT

Since Sinoma Cement will remain as a subsidiary of the Company after the completion of the Capital Contribution, the financial statements of Sinoma Cement will remain to be consolidated into the financial statements of the Group. The Group does not expect to record any profits or losses from the Capital Contribution.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION TO SINOMA CEMENT

The transaction contemplated under the Capital Contribution Agreement intends to accelerate the international development of the Company, to meet the fund needs for development, and to realise the complementary advantages of the international development of the cement business segment and the engineering services segment.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Contribution Agreement are fair and reasonable, and the transaction contemplated under the Capital Contribution 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. Save for five directors, being Mr. Zhou Yuxian, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, and Mr. Wei Rushan, have abstained from voting on the relevant Board resolution in respect of the Capital Subscription Agreement as they hold position in the Parent and relevant subsidiaries other than the Company, none of the Directors has a material interest in the transaction contemplated under the Capital Contribution Agreement.

LISTING RULES IMPLICATIONS

As the Parent has direct and indirect equity interests of approximately 45.0192% in aggregate in the Company, it is a substantial shareholder of the Company. As the Parent indirectly owns approximately 17.31% equity interest in Sinoma International (excluding the equity interest held

through the Company), Sinoma International is a connected subsidiary of the Company and thus a connected person of the Company. Therefore, the Capital Contribution constitutes a connected transaction of the Company.

Given that both Tianshan Cement and Sinoma International are subsidiaries of the Company, the transaction contemplated under the Capital Contribution Agreement is in substance a group reorganisation which would result in a net disposal of approximately 17.42% interests in Sinoma Cement by the Company.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules calculated on a net disposal basis are more than 0.1% but all applicable percentage ratios are less than 5%, according to Chapter 14A of the Listing Rules, the Capital Contribution 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 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 technical services businesses.

Sinoma Cement

Sinoma Cement mainly engages in the production of cement, cement auxiliary materials and cement products, the sales of cement, cement auxiliary materials and cement products, technical services, and leasing of office space.

Tianshan Cement

Tianshan Cement is a subsidiary of the Company, primarily engaged in the development, production, sales, and technical services of cement and related products. It also engages in the import and export of building materials products. Additionally, Tianshan Cement produces and sells ready-mixed concrete, and engages in the extraction, processing, and sale of limestone and sandstone. Its A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877).

Sinoma International

Sinoma International is a subsidiary of the Company, primarily engaged in engineering technical services, operation and maintenance services, equipment manufacturing, and environmental protection. Its A-shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970).

DEFINITIONS

“Board” the board of Directors of the Company

“Capital Contribution”	the capital contribution to Sinoma Cement by Sinoma International contemplated under the Capital Contribution Agreement
“Capital Contribution Agreement”	the Capital Contribution Agreement entered into by Sinoma Cement, Tianshan Cement and Sinoma International in relation to the Capital Contribution to Sinoma Cement by Sinoma International and Tianshan Cement dated 4 December 2023
“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 First Capital Contribution
“Completion Reference Date”	the last calendar day in the month of the Completion Date of Registration Change
“Completion Date of Registration Change”	the day on which Sinoma Cement completes the market supervision registration change procedures for the First Capital Contribution within 15 working days from the effective date of the Capital Contribution Agreement and obtains a newly issued business license
“Director(s)”	the director(s) of the Company
“First Capital Contribution”	the first subscription of the newly increased registered share capital of RMB1,235.52 million in accordance with the Capital Contribution Agreement
“Group”	the Company and its subsidiaries from time to time
“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, being a controlling shareholder of the Company
“PRC”	The People’s Republic of China (which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan)

“RMB”	Renminbi, the lawful currency of the PRC
“Second Capital Contribution”	the further pro rata capital contribution by Tianshan Cement and Sinoma International after the Completion of the First Capital Contribution, increasing the registered share capital of Sinoma Cement to be RMB10,000.00 million in accordance with the Capital Contribution Agreement
“Sinoma Cement”	Sinoma Cement Company Limited* (中材水泥有限責任公司), a limited liability company established under the laws of the PRC, being a subsidiary of the Company
“Sinoma International”	Sinoma International Engineering Co., Ltd.* (中國中材國際工程股份有限公司), a joint stock limited company established under the laws of the PRC, being a subsidiary of the Company and its A shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970)
“Tianshan Cement”	Xinjiang Tianshan Cement Co., Ltd.* (新疆天山水泥股份有限公司), a joint stock limited company established under the laws of the PRC, being a subsidiary of the Company and its A shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877)
“Valuation Reference Date”	31 October 2023
“Valuation Report”	the valuation report in respect of the equity interests in Sinoma Cement prepared by Walkerson (Beijing) International Asset Appraisal Co., Ltd.* (沃克森(北京)國際資產評估有限公司)
“%”	percent

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

Beijing, the PRC
4 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 Jiexiang, 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