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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 DEEMED DISPOSAL OF EQUITY
INTEREST IN SINOMA LITHIUM BATTERY SEPARATOR**

THE CAPITAL CONTRIBUTION

On 25 November 2022, Sinoma Lithium Battery Separator (a non-wholly owned subsidiary of the Company) entered into the Capital Contribution Agreement with the Original Shareholders (including Sinoma Science & Technology and NRDI, the non-wholly owned subsidiaries of the Company), Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium, pursuant to which, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium agreed to make the Capital Contribution with a total amount of RMB5 billion to Sinoma Lithium Battery Separator at the price of RMB3.4013 per share, and Sinoma Science & Technology agreed to make the Capital Contribution with a total amount of RMB1.5 billion to Sinoma Lithium Battery Separator at the same price. Upon completion of the Capital Contribution, the registered capital of Sinoma Lithium Battery Separator will increase from RMB2,265,031,000 to RMB4,176,065,017. The equity interests in Sinoma Lithium Battery Separator held by Sinoma Science & Technology, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium will be approximately 48.39%, 10.56%, 9.86% and 14.78%, respectively. Upon completion of the Capital Contribution, the Company will indirectly hold approximately 50.79% equity interests in Sinoma Lithium Battery Separator. Sinoma Lithium Battery Separator will continue to be a non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

The Capital Contribution will result in a reduction in the percentage of equity interests indirectly held by the Company in Sinoma Lithium Battery Separator from approximately 74.16% to approximately 50.79%, and therefore constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios of the Capital Contribution as defined under Rule 14.07 of the Listing Rules are higher than 5% but all applicable percentage ratios are less than 25%, the Capital Contribution constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and is subject to announcement requirement.

INTRODUCTION

On 25 November 2022, Sinoma Lithium Battery Separator (a non-wholly owned subsidiary of the Company) entered into the Capital Contribution Agreement with the Original Shareholders (including Sinoma Science & Technology and NRDI, the non-wholly owned subsidiaries of the Company), Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium, pursuant to which, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium agreed to make the Capital Contribution with a total amount of RMB5 billion to Sinoma Lithium Battery Separator at the price of RMB3.4013 per share, and Sinoma Science & Technology agreed to make the Capital Contribution with a total amount of RMB1.5 billion to Sinoma Lithium Battery Separator at the same price. Upon completion of the Capital Contribution, the registered capital of Sinoma Lithium Battery Separator will increase from RMB2,265,031,000 to RMB4,176,065,017. The equity interests in Sinoma Lithium Battery Separator held by Sinoma Science & Technology, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium will be approximately 48.39%, 10.56%, 9.86% and 14.78%, respectively. Upon completion of the Capital Contribution, the Company will indirectly hold approximately 50.79% equity interests in Sinoma Lithium Battery Separator. Sinoma Lithium Battery Separator will continue to be a non-wholly owned subsidiary of the Company.

PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT

Date

25 November 2022

Parties

- (1) Sinoma Lithium Battery Separator, a non-wholly owned subsidiary of the Company;
- (2) Original Shareholders (including Sinoma Science & Technology and NRDI, both being non-wholly owned subsidiaries of the Company);
- (3) Sinopec Capital;
- (4) CNBM New Materials Fund; and
- (5) Xinyuan Lithium.

The Capital Contribution

It is proposed that Sinoma Lithium Battery Separator (as at the date of this announcement, Sinoma Lithium Battery Separator is indirectly held as to 74.16% by the Company) will increase its registered capital. On 25 November 2022, Sinoma Lithium Battery Separator (a non-wholly owned subsidiary of the Company) entered into the Capital Contribution Agreement with the Original Shareholders (including Sinoma Science & Technology and NRDI, the non-wholly owned subsidiaries of the Company), Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium, pursuant to which Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium agreed to make the Capital Contribution with a total amount of RMB5 billion to Sinoma Lithium Battery Separator at the price of RMB3.4013 per share, and Sinoma Science & Technology agreed to make the Capital Contribution with a total amount of RMB1.5 billion to Sinoma Lithium Battery Separator at the same price.

According to the Capital Contribution Agreement, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium agreed to make the Capital Contribution with the total amount of RMB1.5 billion, RMB1.4 billion and RMB2.1 billion, respectively, to Sinoma Lithium Battery Separator, among which RMB441,007,850, RMB411,607,327 and RMB617,410,990, respectively, will be included in the registered capital of Sinoma Lithium Battery Separator, and the remaining amount will be included in the capital reserve of Sinoma Lithium Battery Separator. In addition, Sinoma Science & Technology agreed to make the Capital Contribution with a total amount of RMB1.5 billion to Sinoma Lithium Battery Separator, among which RMB441,007,850 will be included in the registered capital of Sinoma Lithium Battery Separator, and the remaining amount will be included in the capital reserve of Sinoma Lithium Battery Separator. The aforesaid Capital Contribution will be made in cash.

Upon completion of the Capital Contribution, the registered capital of Sinoma Lithium Battery Separator will increase from RMB2,265,031,000 to RMB4,176,065,017. The equity interests in Sinoma Lithium Battery Separator held by Sinoma Science & Technology, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium will be approximately 48.39%, 10.56%, 9.86% and 14.78%, respectively. Upon completion of the Capital Contribution, the Company will indirectly hold approximately 50.79% equity interests in Sinoma Lithium Battery Separator. Sinoma Lithium Battery Separator will continue to be a non-wholly owned subsidiary of the Company.

Basis for determination of the amount of the Capital Contribution

The amount of the Capital Contribution was determined by the parties to the agreement with reference to the operation needs and actual circumstances with respect to Sinoma Lithium Battery Separator. The basis of the consideration of the Capital Contribution was determined with reference to the appraised value set out in the Valuation Report regarding the total shareholders' equity interests in Sinoma Lithium Battery Separator as at the Valuation Reference Date (i.e. RMB7,704,046,600), and the consideration will be ultimately based on the investment parties and capital contribution price determined by the public tender of Sinoma Lithium Battery Separator in Shanghai United Assets and Equity Exchange. The Capital Contribution of Sinoma Lithium Battery Separator was priced at RMB3.4013 per share. Sinoma Science & Technology will finance its capital contribution by its own funds.

Use of proceeds of the Capital Contribution

The parties unanimously agreed that among the proceeds raised from the Capital Contribution, RMB4,400 million will be used for the construction of 38 basement membrane lines and 122 coating lines, and the remaining proceeds will be used for replenishing working capital. The consideration and approval of the change in the use of the proceeds or the change in the investment projects by Sinoma Lithium Battery Separator shall be regarded as a special resolution of the general meeting, which shall be passed by more than two-thirds of the voting rights of the shareholders (including their proxies) present at the general meeting.

Time for settlement and way of settlement

Prior to the signing of the Capital Contribution Agreement, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium had paid deposit of RMB150 million, RMB140 million and RMB210 million, respectively, to Shanghai United Assets and Equity Exchange. According to the Capital Contribution Agreement, the parties agreed that: (i) Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium will pay the remaining capital contribution amount of RMB1.35 billion, RMB1.26 billion and RMB1.89 billion to Sinoma Lithium Battery Separator in a lump sum within eight business days upon the effective date of the Capital Contribution Agreement; (ii) Sinoma Science & Technology will pay the capital contribution amount to Sinoma Lithium Battery Separator in a lump sum, i.e. RMB1.5 billion, within eight business days upon the effective date of the Capital Contribution Agreement; and (iii) when Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium pay the remaining capital contribution amount to Sinoma Lithium Battery Separator, the deposits will be automatically converted into part of the capital contribution amount.

Completion

The date on which Sinopec Capital, CNBM New Materials Fund, Xinyuan Lithium and/or Sinoma Science & Technology have paid their respective corresponding capital contribution amount to Sinoma Lithium Battery Separator as agreed in the Capital Contribution Agreement shall be the completion date of their respective corresponding subscription of the equity interests of the new registered capital of Sinoma Lithium Battery Separator (the “**Completion Date**”, which shall be completed and interpreted respectively based on the corresponding date of payment by Sinopec Capital, CNBM New Materials Fund, Xinyuan Lithium and/or Sinoma Science & Technology). From the Completion Date, Sinopec Capital, CNBM New Materials Fund, Xinyuan Lithium and/or Sinoma Science & Technology will become the shareholders corresponding to their subscription of equity interests of the newly-added registered capital of Sinoma Lithium Battery Separator under the Capital Contribution Agreement, and shall enjoy the rights as shareholders in accordance with laws and regulations, the Articles of Association and the Capital Contribution Agreement.

Sinoma Lithium Battery Separator shall complete the change of business registration procedures for the Capital Contribution and obtain the new business license within one month from the date of receipt of all capital contribution amount. Sinoma Science & Technology, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium shall proactively cooperate in the provision of the relevant documents required by the market regulatory authorities, and the corresponding costs for the change of registration procedures shall be borne by Sinoma Lithium Battery Separator.

Undertaking of tax of the Capital Contribution and sharing or bearing of profit or loss during the transaction period

The parties unanimously agreed that the taxes and expenses arising from the Capital Contribution shall be undertaken by various parties in accordance with the provisions of laws and regulations.

The profit or loss during the transaction period is the profit and loss of the entire owner's equity interest generated by Sinoma Lithium Battery Separator during the transaction period (i.e. from the Valuation Reference Date to the Completion Date). According to the Capital Contribution Agreement, the profit or loss during the transaction period shall be shared or borne by all shareholders as at the Completion Date in accordance with the proportion of their respective paid-in capital contribution to Sinoma Lithium Battery Separator.

Conditions for taking effect

The Capital Contribution Agreement shall take effect after being signed and sealed by the legal representative (or executive partner) or authorized representatives of the parties.

Corporate governance structure

Upon completion of the Capital Contribution, the board of directors of Sinoma Lithium Battery Separator shall comprise five directors, three of which shall be nominated by Sinoma Science & Technology, one by CNBM New Materials Fund and one by Sinopec Capital. The chairman of the board of directors of Sinoma Lithium Battery Separator shall be nominated by Sinoma Science & Technology and elected by more than half of the board of directors. The general manager and chief financial officer of Sinoma Lithium Battery Separator shall be nominated by Sinoma Science & Technology and appointed by the board of directors. The supervisory committee of Sinoma Lithium Battery Separator shall comprise three supervisors. Sinoma Science & Technology shall nominate two supervisors, which will be subject to the election by the shareholders' meeting, and the other one supervisor will be the staff representative supervisor as elected by the staff representatives' meeting. Sinoma Lithium Battery Separator shall convene a general meeting within 15 business days from the date of receipt of all capital contributions to amend its articles of association and elect directors and supervisors in accordance with the above provisions, as well as issue a capital contribution certificate and prepare a new register of shareholders.

SHAREHOLDING STRUCTURE OF SINOMA LITHIUM BATTERY SEPARATOR BEFORE AND AFTER THE CAPITAL CONTRIBUTION

The shareholding structure of Sinoma Lithium Battery Separator (i) as at the date of this announcement; and (ii) after the Completion Date is set out below:

Name of shareholder	As at the date of this announcement		Immediately upon completion of the Capital Contribution	
	Registered capital (RMB0'000)	As a percentage of registered capital (%)	Registered capital (RMB0'000)	As a percentage of registered capital (%)
Sinoma Science & Technology	157,978.8183	69.75	202,079.6033	48.39
Changyuan Phase I	18,259.8517	8.06	18,259.8517	4.37
Changyuan Phase II	17,320.2400	7.64	17,320.2400	4.15
NRDI	10,000.0000	4.41	10,000.0000	2.40
Wending Investment	8,697.6600	3.84	8,697.6600	2.08
Sinoma Group	7,060.6500	3.12	7,060.6500	1.69
Yingke Hezhong	4,000.0000	1.77	4,000.0000	0.96
Daotong Investment	2,970.8800	1.31	2,970.8800	0.71
Zixing Gongying	215.0000	0.09	215.0000	0.05
Sinopec Capital	–	–	44,100.7850	10.56
CNBM New Materials Fund	–	–	41,160.7327	9.86
Xinyuan Lithium	–	–	61,741.0990	14.78
Total	226,503.1000	100%	417,606.5017	100%

INFORMATION ON SINOMA LITHIUM BATTERY SEPARATOR

As at the date of this announcement, Sinoma Lithium Battery Separator is indirectly indirectly held as to 74.16% by the Company.

Sinoma Lithium Battery Separator is a company established under the laws of the PRC with limited liability. Sinoma Lithium Battery Separator is principally engaged in the R&D, production, sales and technical services of high-performance lithium battery diaphragm materials.

Based on the audited financial statements of Sinoma Lithium Battery Separator prepared in accordance with the China Accounting Standards, for each of the two years ended 31 December 2020 and 2021, the audited net profit/loss (before tax) of Sinoma Lithium Battery Separator was RMB-323,440,000 and RMB104,320,000, respectively, and the audited net profit/loss (after tax) was RMB-327,760,000 and RMB87,900,000, respectively. The audited net assets of Sinoma Lithium Battery Separator as at 31 December 2020 and 2021 was RMB1,512,200,000 and RMB2,737,060,000, respectively.

PROFIT FORECAST

The basis of the consideration of the Capital Contribution included the appraised value set out in the Valuation Report regarding the total shareholders' equity interests in Sinoma Lithium Battery Separator as at the Valuation Reference Date, which was evaluated by adopting the income approach. Therefore, the Capital Contribution constitutes the profit forecast under Rules 14A.06(32) and 14.61 of the Listing Rules. Therefore, Rules 14A.68(7) and 14.62 of the Listing Rules are both applicable.

Moore Stephens CPA Limited, the reporting accountant of the Company, has reported on the calculations for the forecast used in the valuation reports, 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 reports. 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 principal assumptions used in the Valuation Report of the Capital Contribution are as follows:

(I) General assumptions

The general assumptions in the Valuation Report of the Capital Contribution are as follows:

1. Transaction assumption:

The transaction assumption assumes that all the appraised assets within the scope of appraisal are already in the process of transaction, valuation of which conducted by the valuer is based on a comparable market including the conditions of transaction.

2. Open-market assumption:

An open-market assumption is an assumption on the conditions of the market to which an asset is intended to enter and what influence the asset will receive under such market conditions. An open market refers to fully developed and perfect market conditions, a competitive market with voluntary buyers and sellers, where buyers and sellers are on equal footing, both have access to adequate market information and time, and both buyers and sellers trade under voluntary, rational, non-coercive or unrestricted conditions.

3. Continuing use assumption:

The continuing use assumption is an assumption on the conditions under which the asset is intended to enter the market and the asset's asset status under such market conditions. Firstly, the asset under appraisal is in use, and secondly, it is assumed that the asset in use will continue to be used. Under the continuing use assumption, no consideration is given to the conversion of asset use or best use conditions, and the scope of use of the appraisal results is limited.

4. Going-concern assumption:

The going concern assumption is a valuation assumption made by taking the overall assets of an enterprise as the object of valuation. That is, the enterprise, as a business entity, continues to operate in accordance with its business objectives under the external environment in which it operates. The business operator is responsible for and capable of assuming responsibility; the enterprise operates legally and is able to earn appropriate profits to maintain its ability to continue as a going concern.

(II) Assumptions of income-based valuation methods

The assumptions of income-based valuation methods as set out in the Valuation Report of the Capital Contribution are as follows:

1. It is assumed that there will be no significant changes in the prevailing applicable laws, regulations and policies and the macro-economic environment of the PRC, and the political, economic and social environment in the region where the parties to the transaction operate. And there are no other unpredictable and force majeure factors causing significant adverse effects.
2. It is assumed that the company is a going concern with respect to the actual condition of the assets as of the Valuation Reference Date.
3. It is assumed that the company's proprietors are responsible and that the company's management is capable of assuming their positions.
4. Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations.
5. It is assumed that the accounting policies to be adopted by the company in the future and the accounting policies used in the preparation of this report are substantially the same in all material respects.
6. It is assumed that the company's scope and manner of operation will be consistent with the current direction based on the existing management style and management level.
7. It is assumed that there are no significant changes in interest rates, exchange rates, tax bases and rates, policy levies, etc.
8. It is assumed that no other force majeure and unforeseen factors will have a significant adverse impact on the enterprise.

9. It is assumed that the accounting policies adopted by the company after the Valuation Reference Date are consistent with the accounting policies adopted when preparing this report in material aspects.
10. It is assumed the company will have a net positive cash flow for the predicted years.
11. It is assumed that the products or services of the company will maintain current market competitiveness.
12. It is assumed that the level of research and development and technological advancement of the company will be maintained at the current level.
13. It is assumed that the lease of the company is legal, valid and obligations of which are performed, and will not change or terminate without reasonable cause.
14. It is assumed that the high-tech enterprise qualification of the company can be extended normally upon expiration, and the enterprise income tax rate for the following years will be 15%.

EXPERT QUALIFICATION, CONSENT AND OPINIONS

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

Name	Qualification
Moore Stephens 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 2021, 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 Stephens 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.

FINANCIAL EFFECT OF THE CAPITAL CONTRIBUTION

Since Sinoma Lithium Battery Separator will remain as a subsidiary of the Company upon completion of the Capital Contribution, the financial results of Sinoma Lithium Battery Separator will continue to be consolidated into the financial statements of the Group. It is expected that the Group will not record any gain or loss from the Capital Contribution.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Capital Contribution will help fulfill the capital requirements of construction projects of Sinoma Lithium Battery Separator, and provide capital protection for the sustainable development of the lithium separator industry. In addition, the Capital Contribution will significantly improve the indicators of debt to asset ratio of Sinoma Lithium Battery Separator, which will be beneficial for Sinoma Lithium Battery Separator to obtain bank credit, thus further improving its financing capacity, so as to meet the capital requirements for new line investment and daily operation.

The Directors are of the view that the terms of the Capital Contribution Agreement are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES TO THE AGREEMENT

The Company

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

Sinoma Group

Sinoma Group is a wholly-owned subsidiary of the Parent, which is principally engaged in the business of research, development, design, production, engineering contracting, etc., of non-metallic materials.

Sinoma Science & Technology

Sinoma Science & Technology is a subsidiary of the Company, which is principally engaged in the production and sales of wind power blade, glass fiber and products as well as lithium battery separator.

The Parent

The Parent is a state-owned limited liability company, which is principally engaged in the business of building materials in the PRC. Its ultimate beneficial owner is the SASAC.

Changyuan Phase I

Changyuan Phase I is a limited partnership established in the PRC, which is principally engaged in business information consultation, information consultation services and financing consultation services. It is held as to approximately 42.21%, 26.79%, 15.42%, 14.94% and 0.64% by Changyuan Technology Group Ltd.* (長園科技集團股份有限公司), Xiamen Yikehui Huaxin No.8 Equity Investment Partnership (Limited Partnership)* (廈門易科匯華信八號股權投資合夥企業(有限合夥)), Zibo Yikehui Huaxin No.19 Industrial Investment Partnership (Limited Partnership)* (淄博易科匯華信十九號產業投資合夥企業(有限合夥)), Huahao Cuigu (Shenzhen) Investment Partnership (Limited Partnership)* (華皓翠穀(深圳)投資合夥企業(有限合夥)) and Changyuan (Zhuhai) Holding Development Co., Ltd.* (長園(珠海)控股發展有限公司), respectively, among which, Changyuan (Zhuhai) Holding Development Co., Ltd.* (長園(珠海)控股發展有限公司) is the general partner and its ultimate beneficial owner is Changyuan Technology Group Ltd.* (長園科技集團股份有限公司), a listed company whose shares are listed on the Shanghai Stock Exchange and its stock code is 600525.

Changyuan Phase II

Changyuan Phase II is a limited partnership established in the PRC, which is principally engaged in business information consultation, information consultation services and financing consultation services. It is held as to approximately 65.49%, 33.90% and 0.61% by Changyuan Technology Group Ltd.* (長園科技集團股份有限公司), Zhuhai Gree Venture Capital Co., Ltd. (珠海格力創業投資有限公司) and Changyuan (Zhuhai) Holding Development Co., Ltd.* (長園(珠海)控股發展有限公司), respectively, among which, Changyuan (Zhuhai) Holding Development Co., Ltd.* (長園(珠海)控股發展有限公司) is the general partner and its ultimate beneficial owner is Changyuan Technology Group Ltd.* (長園科技集團股份有限公司), a listed company whose shares are listed on the Shanghai Stock Exchange and its stock code is 600525.

NRDI

NRDI is a wholly-owned subsidiary of Sinoma Science & Technology and an indirect subsidiary of the Company, which is principally engaged in R&D, manufacturing and sales of special fiber composite materials.

Wending Investment

Wending Investment is a limited liability company established in the PRC, which is principally engaged in industrial investment, investment management and investment consultation, etc. Its ultimate beneficial owner is Zeng Yuqun and Li Ping.

Yingke Hezhong

Yingke Hezhong is a limited partnership established in the PRC, which is principally engaged in investment management of its own capital, investment compliance and project investment, etc. Its general partner is Tengzhou Yingke Investment Management Co., Ltd.* (滕州盈科投資管理有限公司). It has no ultimate beneficial owner.

Daotong Investment

Daotong Investment is a limited partnership established in the PRC, which is principally engaged in equity investment business. It is held as to 99.20% and 0.80% by Jiaying Daowen Equity Investment Partnership (Limited Partnership)* (嘉興道聞股權投資合夥企業(有限合夥)) and Shanghai Taote Investment Management Partnership (Limited Partnership)* (上海道得投資管理合夥企業(有限合夥)), respectively, among which, Shanghai Taote Investment Management Partnership (Limited Partnership)* (上海道得投資管理合夥企業(有限合夥)) is the general partner. Its ultimate beneficial owner is Wu Fei.

Zixing Gongying

Zixing Gongying is a limited partnership established in the PRC, which is principally engaged in information consultation services and investment activities with its own capital. It is held as to 40%, 40% and 20% by Yang Tao, Fu Hao and Wang Di, respectively, among which, Fu Hao is the general partner. Its ultimate beneficial owner is Fu Hao.

Sinopec Capital

Sinopec Capital is a limited liability company established in the PRC, which is principally engaged in project investment, equity investment, investment management and investment consultation. Its ultimate beneficial owner is the SASAC.

CNBM New Materials Fund

CNBM New Materials Fund is a limited partnership established in the PRC, which is principally engaged in investment activities, asset management services, social economic consultation services and corporate management consultation, etc. It has no ultimate beneficial owner and its general partner is CNBM Fund Management and CNBM New Materials (being state-owned enterprise each).

Xinyuan Lithium

Xinyuan Lithium is a limited partnership established in the PRC, which is principally engaged in corporate management activities. It is held as to approximately 23.33%, 23.33%, 11.90%, 11.90%, 9.52%, 9.52%, 4.76%, 4.76%, 0.95% and 0.01% by China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd.* (中國國有企業混合所有制改革基金有限公司), Three Gorges Capital Holdings Co., Ltd.* (三峽資本控股有限責任公司), Kegai Ceyuan (Chongqing) Private Equity Investment Fund Partnership (Limited Partnership)* (科改策源重慶) 私募股權投資基金合夥企業有限合夥), Zibo Yingke Jiyun Venture Capital Partnership (Limited Partnership)* (淄博盈科吉運創業投資合夥企業(有限合夥)), Changde Deyuan Investment Promotion Co., Ltd.* (常德市德源招商投資有限公司), Hainan Haisheng Dilian Private Equity Partnership (Limited Partnership)* (海南海盛迪聯私募基金合夥企業有限合夥), CNPC Kunlun Capital Co., Ltd.* (中國石油集團昆侖資本有限公司), Hubei CICC Ruiwei Equity Investment Fund Partnership (Limited Partnership)* (湖北中金瑞為股權投資基金合夥企業(有限合夥)), CICC Fuke (Hangzhou Fuyang) Equity Investment Fund Partnership (Limited Partnership)* (中金富科(杭州富陽)股權投資基金合夥企業(有限合夥)) and Kegai Xinyuan (Hangzhou) Enterprise Management Co., Ltd.* (科改新原杭州企業管理有限公司), respectively, among which, Kegai Xinyuan (Hangzhou) Enterprise Management Co., Ltd.* (科改新原杭州)企業管理有限公司) is the general partner. It has no ultimate beneficial owner.

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Changyuan Phase I, Changyuan Phase II, Wending Investment, Daotong Investment, Zixing Gongying, Sinopec Capital and their ultimate beneficial owners are independent third parties independent of the Company and of connected persons of the Company, and Yingke Hezhong, CNBM New Materials Fund and Xinyuan Lithium are independent third parties independent of the Company and the connected persons of the Company.

LISTING RULES IMPLICATIONS

The Capital Contribution will result in a reduction in the percentage of equity interests indirectly held by the Company in Sinoma Lithium Battery Separator from approximately 74.16% to approximately 50.79%, and therefore constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios of the Capital Contribution as defined under Rule 14.07 of the Listing Rules are higher than 5% but all applicable percentage ratios are less than 25%, the Capital Contribution constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and is subject to announcement requirement.

DEFINITIONS

“Board”	the board of directors of the Company
“Capital Contribution”	the capital contribution contemplated under the Capital Contribution Agreement
“Capital Contribution Agreement”	the capital contribution agreement entered into by Sinoma Lithium Battery Separator, Original Shareholders, Sinopec Capital, CNBM New Materials Fund and Xinyuan Lithium on 25 November 2022
“Changyuan Phase I”	Changyuan (Shenzhen) New Energy Automobile Industry Phase I Partnership (Limited Partnership)* (長園 (深圳) 新能源汽車產業一期合夥企業 (有限合夥))
“Changyuan Phase II”	Changyuan (Shenzhen) New Energy Automobile Industry Phase II Partnership (Limited Partnership)* (長園 (深圳) 新能源汽車產業二期合夥企業 (有限合夥))
“CNBM Fund Management”	China National Building Material Fund Management (Beijing) Company Limited* (中建材私募基金管理 (北京) 有限公司)
“CNBM New Materials”	CNBM (Anhui) New Materials Fund Management Company Limited (中建材 (安徽) 新材料基金管理有限公司)
“CNBM New Materials Fund”	CNBM (Anhui) New Materials Industry Investment Fund Partnership (Limited Partnership) (中建材 (安徽) 新材料產業投資基金合夥企業 (有限合夥))

“Company”	China National Building Material Co., Ltd.*(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 The Stock Exchange of Hong Kong Limited
“Daotong Investment”	Taizhou Daotong Equity Investment Partnership (Limited Partnership)* (泰州道彤股權投資合夥企業 (有限合夥))
“Director(s)”	the 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 as amended from time to time
“NRDI”	Nanjing Fiberglass Research & Design Institute Co., Ltd. (南京玻璃纖維研究設計院有限公司)
“Original Shareholders”	the original shareholders of Sinoma Lithium Battery Separator, namely Sinoma Science & Technology, Changyuan Phase I, Changyuan Phase II, NRDI, Wending Investment, Sinoma Group, Yingke Hezhong, Daotong Investment and Zixing Gongying
“Parent”	China National Building Material Group Co., Ltd.* (中國建材集團有限公司) (previously known as China National Building Materials Group Corporation (中國建築材料集團有限公司)), 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, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“Sinoma Group”	China National Non-metallic Materials Group Corporation Co., Ltd.* (中國中材集團有限公司), a company established under the laws of the PRC
“Sinoma Lithium Battery Separator”	Sinoma Lithium Battery Separator Co., Ltd. (中材鋰膜有限公司)

“Sinoma Science & Technology”	Sinoma Science & Technology Co., Ltd.* (中材科技股份有限公司), a company established under the laws of the PRC, the shares of which are traded on the Shenzhen Stock Exchange (stock code: 002080)
“Sinopec Capital”	Sinopec Capital Co., Ltd. (中國石化集團資本有限公司)
“Valuation Reference Date”	31 December 2021, being the reference date on which the equity interests of Sinoma Lithium Battery Separator were evaluated
“Valuation Report”	the valuation report in respect of the equity interests in Sinoma Lithium Battery Separator (reference number of report: Tian Xing Ping Bao Zi (2022) No. 1374) prepared by Pan-China Appraisal Co., Ltd.* (北京天健興業資產評估有限公司)
“Wending Investment”	Ningbo Meishan Bonded Port Zone Wending Investment Company Limited* (寧波梅山保稅港區問鼎投資有限公司)
“Xinyuan Lithium”	Xinyuan Lithium (Hangzhou) Enterprise Management Partnership (Limited Partnership)* (新原鋰科 (杭州) 企業管理合夥企業 (有限合夥))
“Yingke Hezhong”	Tengzhou Yingke Hezhong Investment Management Centre (Limited Partnership)* (滕州盈科合眾投資管理中心 (有限合夥))
“Zixing Gongying”	Zhuhai Zixing Gongying No. 3 Management Consulting Center (Limited Partnership)* (珠海紫杏共盈三號管理諮詢中心 (有限合夥))
“%”	percent

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

Beijing, the PRC
25 November 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Xiao Jiayang 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.

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANT

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



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INDEPENDENT REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTEREST IN SINOMA LITHIUM BATTERY SEPARATOR CO., LTD. (“SINOMA LITHIUM BATTERY SEPARATOR”)

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 Pan-China Appraisal Co., Ltd. dated 5 August 2022 in respect of the 100% equity interest of the Sinoma Lithium Battery Separator as at 31 December 2021 (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 25 November 2022 in connection with the proposed deemed disposal of equity interests in Sinoma Lithium Battery Separator (the “Announcement”).

Directors’ responsibilities for the discounted future estimated cash flows

The directors of the Company and Sinoma Lithium Battery Separator (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.

Reporting accountants' independence and quality control

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 Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented 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 Sinoma Lithium Battery Separator, 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 Sinoma Lithium Battery Separator.

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 Stephens CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

Hong Kong, 25 November 2022

APPENDIX II – LETTER FROM THE BOARD

25 November 2022

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

Dear Sirs,

DISCLOSEABLE TRANSACTION IN RELATION TO THE DEEMED DISPOSAL OF EQUITY INTEREST IN SINOMA LITHIUM BATTERY SEPARATOR

We refer to the valuation report (Tian Xing Ping Bao Zi (2022) No.1374) dated 5 August 2022 in relation to the valuation of the equity interests of Sinoma Lithium Battery Separator Co., Ltd. (中材鋰膜有限公司) (“**Sinoma Lithium Battery Separator**”) as at 31 December 2021 prepared by Pan-China Appraisal Co., Ltd.* (北京天健興業資產評估有限公司) (the “**Independent Valuer**”) (the “**Valuation**”):

Since the basis of the consideration of the Capital Contribution included the appraised value in the Valuation Report regarding the total shareholders’ equity interests in Sinoma Lithium Battery Separator as at the Valuation Reference Date, which was evaluated adopting the income approach, the Capital Contribution constitutes profit forecasts under Rules 14A.06(32) and 14.61 of the Listing Rules and accordingly, Rules 14A.68(7) and 14.62 of the Listing Rules are 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,¹ Moore Stephens CPA Limited, regarding whether the Valuations were compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rules 14A.68(7) and 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*