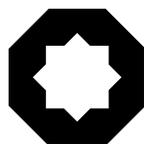


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CNBM

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 DISPOSAL OF THE UNDERLYING ASSETS AND
THE ABS SCHEME**

DISPOSAL OF UNDERLYING ASSETS

On 20 November 2023, East China Materials (a wholly-owned subsidiary of Tianshan Cement, which is in turn a subsidiary of the Company) entered into the Shelf Underlying Assets Sale and Purchase Agreement with Topsperity AM, pursuant to which East China Materials shall dispose and transfer the Underlying Assets to Topsperity AM, the consideration of which is equal to the sum of the purchase price of each Underlying Asset and the Transfer Price of the Phase One Underlying Assets is RMB1.01 billion.

THE ABS SCHEME

The Company has appointed Topsperity AM as the scheme manager of the ABS Scheme, who shall issue the asset-backed securities according to the ABS Scheme. In order to set up the ABS Scheme, East China Materials and Topsperity AM have entered in the Shelf Underlying Assets Sale and Purchase Agreement and the Services Agreement. In addition, Tianshan Cement, as the undertaker for paying the difference, issued the Letter of Payment Undertaking for Difference to Topsperity AM.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.07 of the Listing Rules, as the highest applicable percentage ratio for the disposal of the Underlying Assets exceeds 5% but is lower than 25%, the disposal of the Underlying Assets constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 20 November 2023, East China Materials (a wholly-owned subsidiary of Tianshan Cement, which is in turn a subsidiary of the Company) entered into the Shelf Underlying Assets Sale and Purchase Agreement with Topsperity AM, pursuant to which East China Materials shall dispose and transfer the Underlying Assets to Topsperity AM, the consideration of which is equal to the sum of the purchase price of each Underlying Asset and the Transfer Price of the Phase One Underlying Assets is RMB1.01 billion.

On the same day, East China Materials and its relevant subsidiaries entered into the Services Agreement with Topsperity AM. Topsperity AM engaged East China Materials and its relevant subsidiaries as the Asset Service Agencies of the ABS Scheme to, in accordance with the Services Agreement and other relevant documents related to the ABS Scheme, provide the ABS Scheme with management services and other services in relation to the holding, disposal and acquisition of the Underlying Assets and the collection of such.

In addition, Tianshan Cement, as the undertaker for paying the difference, issued the Letter of Payment Undertaking for Difference to Topsperity AM. Tianshan Cement bears the obligation to cover the difference between the funds of the ABS Scheme and the sum of expenses payable for each phase of the ABS Scheme and the expected yield and the outstanding principal payable to the holders of the senior asset-backed securities under each phase of the ABS Scheme.

PRINCIPAL TERMS OF THE SHELF UNDERLYING ASSETS SALE AND PURCHASE AGREEMENT

Date

20 November 2023

Parties

- (1) East China Materials, as the seller and the original interest holder; and
- (2) Topsperity AM, as the buyer and the manager.

Nature of the Transaction

East China Materials agreed to sell to Topsperity AM on the ABS Scheme Establishment Date, and Topsperity AM agreed to purchase the assets to be disposed of from East China Materials on the ABS Scheme Establishment Date. The Underlying Assets under the assets to be disposed of are the debt rights on the accounts receivables and related interests which are acquired by East China Materials from its subsidiaries pursuant to the Account Receivables Transfer Agreement.

Assets to be Disposed

The assets to be disposed of are all debt claims and related interests of the Underlying Assets. The Phase One Underlying Assets Sale and Purchase Agreement involves 121 items of the Underlying Assets listed in such agreement (the “**Phase One Underlying Assets**”), and the total book amount of such Underlying Assets is RMB1,036,990,541.88.

Consideration and Payment Method

The consideration for the disposal of the assets to be disposed of is the sum of the purchase price of each Underlying Asset (the “**Consideration**”). The Consideration was reached after arm’s length negotiations between East China Materials and Topsperity AM, and was calculated based on the following formula: the purchase price of each Underlying Asset = original book value of each Underlying Asset * (1 – discount rate of the Underlying Assets). The consideration for the disposal of the Phase One Underlying Assets is RMB1.01 billion, which is calculated with the original book value of the Phase One Underlying Assets (RMB1,036,990,541.88) and the discount rate of the Phase One Underlying Assets (approximately 2.6%) using the aforementioned formula.

Subject to the fulfillment of the conditions precedent stipulated in the Shelf Underlying Assets Sale and Purchase Agreement, Topsperity AM will pay the Transfer Price of the Underlying Assets of such phase in one lump sum by cash transfer on the ABS Scheme Establishment Date.

Asset Redemption, Reversal and Clearance Repurchase

During the ABS Scheme period, Topsperity AM (as the buyer) shall notify East China Materials (as the seller) and the relevant Asset Service Agencies immediately when the Disqualified Underlying Assets are identified, and the relevant Asset Service Agencies shall notify Topsperity AM and East China Materials immediately when the Disqualified Underlying Assets are identified. East China Materials shall, pursuant to the agreement under the Shelf Underlying Assets Sale and Purchase Agreement, redeem the Disqualified Underlying Assets from Topsperity AM. The redemption price of the Disqualified Underlying Assets shall be the result of the outstanding balance of the relevant Underlying Assets on the Base Date minus the total amount that have been repaid to the ABS Scheme account as at the redemption starting date of the relevant Disqualified Underlying Assets.

During the ABS Scheme period, Topsperity AM (as the buyer) shall notify East China Materials (as the seller) and the relevant Asset Service Agencies immediately when the Lost Underlying Assets are identified, and the relevant Asset Service Agencies shall notify Topsperity AM and East China Materials immediately when the Lost Underlying Assets are identified. East China Materials shall, pursuant to the agreement under the Shelf Underlying Assets Sale and Purchase Agreement, reverse the Lost Underlying Assets from Topsperity AM. The reversal price of the Lost Underlying Assets shall be the result of the outstanding balance of the relevant Underlying Assets on the Base Date minus the total amount that have been repaid to the ABS Scheme account as at the redemption starting date of the relevant Lost Underlying Assets.

If the accumulated collection proceeds of the Underlying Assets gathered in the ABS Scheme account exceed 85% of the funds raised by the ABS Scheme, or the amount redeemed by the ABS Scheme to the asset-backed security holders exceeds 85% of the funds raised by the ABS Scheme, or within one month before the expected expiration date of the ABS Scheme, East China Materials as the original interest holder has the right to repurchase all the Remaining Underlying Assets in the asset pool. The consideration of the clearance repurchase by the original interest holder is equal to the fair price of such Remaining Underlying Assets at the end of the business hours of Topsperity AM (being the scheme manager) as at the starting date of the clearance repurchase. The fair price of each Underlying Asset is equal to the present value of the sum of the outstanding balance of such Underlying Asset at the end of the business hours of the scheme manager as at the starting date of the clearance repurchase, all payable but unpaid expenses and other payables (if any) $\times (1 - \text{predicted loss rate})$; the predicted loss rate will be negotiated and determined by the scheme manager and the original interest holder with reference to factors such as the historical weighted loss rate of the overdue Underlying Assets, expected collection proceeds of assets in the pool, and the quality of the assets in the pool as at the starting date of the clearance repurchase, etc.

Conditions Precedent

Conditions Precedent to the Obligations of East China Materials as Seller

Unless East China Materials expresses in writing that it waives the relevant conditions, East China Materials' performance of its obligations under the Shelf Underlying Assets Sale and Purchase Agreement is conditional upon the fulfillment of each of the below conditions on or before ABS Scheme Establishment Date or the following dates:

- (1) Topsperity AM has signed and delivered to East China Materials the Shelf Underlying Assets Sale and Purchase Agreement and other relevant documents under the ABS Scheme;
- (2) Topsperity AM has received or obtained all consents, approvals and authorizations required for fulfilling the obligations under the Shelf Underlying Assets Sale and Purchase Agreement and other relevant documents under the ABS Scheme;
- (3) Topsperity AM has delivered to East China Materials the copies of its latest customer asset management business qualification certificate and business license;

- (4) as at the Delivery Date of the Underlying Assets, Topsperity AM has not been in breach of its representations and warranties in the Shelf Underlying Assets Sale and Purchase Agreement and other documents under the ABS Scheme.

Conditions Precedent to the Obligations of Topsperity AM as Buyer

Unless Topsperity AM expresses in writing that it waives the relevant conditions, Topsperity AM's performance of its obligations (including but not limited to the payment of the purchase price for the Underlying Assets to East China Materials in accordance with the Shelf Underlying Assets Sale and Purchase Agreement) under the Shelf Underlying Assets Sale and Purchase Agreement is conditional upon the fulfillment of each of the below conditions on or before the ABS Scheme Establishment Date or the following dates:

- (1) East China Materials has signed and delivered to Topsperity AM the Shelf Underlying Assets Sale and Purchase Agreement and other relevant documents under the ABS Scheme; and East China Materials has delivered to the Asset Service Agencies designated by Topsperity AM the relevant certification documents of the Underlying Assets;
- (2) East China Materials has received or obtained all consents, approvals and authorizations required for fulfilling the obligations under the Shelf Underlying Assets Sale and Purchase Agreement and other relevant documents under the ABS Scheme;
- (3) East China Materials has submitted a copy of its latest business license and articles of association (with the official seal of East China Materials stamped) to Topsperity AM;
- (4) the ABS Scheme is established in accordance with the conditions set out under the Plan Statement and Standard Terms;
- (5) as at the Delivery Date of the Underlying Assets, East China Materials has not violated its representations and warranties in the Shelf Underlying Assets Sale and Purchase Agreement and other documents under the ABS Scheme.

Completion

At the same time when Topsperity AM makes the payment of the Transfer Price, East China Materials and Topsperity AM will sign the Letter of Confirmation on the Transfer of the Underlying Assets in relation to the Underlying Assets, which shall be deemed to be the completion of the sale and purchase of the Underlying Assets between the buyer and the seller once it is signed and takes effect.

OTHER RELEVANT AGREEMENTS IN RELATION TO THE ABS SCHEME

Services Agreement

On 20 November 2023, East China Materials and its relevant subsidiaries (as the Asset Service Agencies) and Topsperity AM (as the manager of the ABS Scheme) have entered into the Services Agreement, pursuant to which Topsperity AM engages East China Materials and its relevant subsidiaries to be the Asset Service Agencies for the ABS Scheme.

East China Materials and its relevant subsidiaries, as the Asset Service Agencies, mainly provide the following services: the screening of the Underlying Assets, the storage of the relevant information and documents of proof of the Underlying Assets, the management and transfer of the collection proceeds of the Underlying Assets, the monitoring and reporting of the status regarding the collection of the debt rights on the accounts receivables, the recording of the management of the Underlying Assets, the management of changes in contracts, data enquiries and provision, the coordination for auditing and rating, the measures for the improvement of rights, etc. Pursuant to the Services Agreement, the Asset Service Agencies will not charge any service fees from Topsperity AM for the services provided under the Services Agreement.

Letter of Payment Undertaking for Difference

On 27 October 2023, Tianshan Cement, as the undertaker for paying the difference, issued the Letter of Payment Undertaking for Difference to Topsperity AM (as the manager and the holder of the asset-backed securities), pursuant to which Tianshan Cement irrevocably and unconditionally undertook to the manager (on behalf of the holders of the asset-backed securities) that from the ABS Scheme Establishment Date of each phase of the ABS Scheme under shelf onwards, if the Trigger Events for Difference Payment happen, Tianshan Cement shall bear the obligation to cover the difference between the funds of the ABS Scheme and the sum of expenses payable for each phase of the ABS Scheme and the expected yield and the outstanding principal payable to the holders of the senior asset-backed securities under each phase of the ABS Scheme.

The term of the Letter of Payment Undertaking for Difference shall commence from the effective date of the Letter of Payment Undertaking for Difference and the ABS Scheme Establishment Date of each phase of the ABS Scheme, and last until the full payment of all expenses of each phase of the ABS Scheme and the full payment of all the expected yields and the outstanding principal payable to the senior asset-backed securities holders under each phase of the ABS Scheme.

Tianshan Cement will not charge any undertaking fees for its fulfilment of the obligation to make the payment for the difference under the Letter of Payment Undertaking for Difference.

THE ABS SCHEME

East China Materials has engaged Topsperity AM as the manager of the ABS Scheme to establish the ABS Scheme that is proposed to be and can be listed and traded on stock exchanges. The funds raised under the ABS Scheme will be used to purchase the Underlying Assets from East China Materials, and the cash flow generated from the Underlying Assets will eventually be transferred to the ABS Scheme account as agreed to pay the principal and yield of the asset-backed securities.

The asset-backed securities consist of senior and subordinate asset-backed securities, and the shelf issuance size is no more than RMB3 billion with a maximum of five phases in total; the estimated term of each phase of the ABS Scheme shall not exceed two years, and the interest rate for such issuance will be determined by the market interest rate level at the time of the issuance. The holders of senior asset-backed securities shall have priority in receiving the distribution of the asset-based securities over the holders of subordinate asset-backed securities. The senior asset-backed securities will be sold to qualified investors under relevant laws and regulations, and the subordinate asset-backed securities will be subscribed by qualified third-party investors. The details of the Phase One asset-backed securities are set out as follows:

Classification	Senior asset-backed securities	Subordinate asset-backed securities
Principal (RMB)	964 million	46 million
Expected maturity date	27 September 2024	27 December 2027

REASONS FOR AND BENEFITS OF THE DISPOSAL OF THE UNDERLYING ASSETS

The disposal of the Underlying Assets to establish the ABS Scheme is beneficial to the Company as it revitalizes existing assets, allows the Company to broaden and diversify its funding sources, increases capital use efficiency and optimizes the asset structure for the Company. Meanwhile, the relevant credit enhancing measures provided by Tianshan Cement is able to effectively reduce the financing cost.

The Directors consider that the terms of the disposal of the Underlying Assets and the ABS Scheme are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ISSUANCE OF ASSET-BACKED SECURITIES AND THE DISPOSAL OF THE UNDERLYING ASSETS

The Group will recognize a transaction cost that is equal to the book value of the accounts receivables to be transferred deducting the actual consideration of the transaction. It is expected that such transaction cost will not exceed 2.8% of the book value of the transferred accounts receivables under the shelf each time. This is with reference to the general market standards for the costs and expenses (generally including but not limited to the interest expenses of the asset-backed securities and appropriate fees charged by independent third parties during the ABS Scheme period (such as custody

fees, taxes, payment and redemption fees, etc.)) of the asset-backed securities issued with the proposed transfer of account receivables as the Underlying Assets. Such estimation is based on the current average financing cost of East China Materials. The transaction cost of each phase of the asset transactions under the shelf will be determined based on the scale of the transferred accounts receivables and the actual consideration of the transaction. The proceeds from the proposed disposal of the Underlying Assets under the shelf will be used to provide additional working capital to the Company.

INFORMATION ON THE RELEVANT PARTIES

The Company

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

Tianshan Cement

Tianshan Cement is a subsidiary of the Company, and is principally engaged in the development, production and sale and technical services of cement and related products; import and export of building materials; production and sale of commercial concrete; mining, processing and sale of limestone and sandstone. Its A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877).

East China Materials

East China Materials is a wholly-owned subsidiary of Tianshan Cement, and is principally engaged in the production and sale of commercial concrete and sand and gravel aggregate.

Topsperity AM

Topsperity AM is a wholly-owned subsidiary of Topsperity Securities Co., Ltd.* (德邦證券股份有限公司) and is principally engaged in securities asset management business. Its ultimate beneficial owner is Mr. Guo Guangchang.

The Company confirms that, to the best of its Directors' knowledge, information and belief having made all reasonable enquiry, Topsperity AM and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.07 of the Listing Rules, as the highest applicable percentage ratio for the disposal of the Underlying Assets exceeds 5% but is lower than 25%, the disposal of the Underlying Assets constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

“ABS Scheme”	Topsperity – East China Materials Account Receivables Asset-backed Special Scheme Phase 1-5, which is set up by Topsperity AM as the manager for the issuance of the asset-backed securities
“ABS Scheme Establishment Date”	the date that total amount of funds raised by each phase of the ABS Scheme has reached the target offering amount stipulated in the Plan Statement, and that such funds have been fully transferred to the ABS Scheme account and confirmed by a accounting firm's capital verification (the specific ABS Scheme Establishment Date shall however be subject to the announcement by the manager)
“Account Receivables Transfer Agreement”	Account Receivables Transfer Agreement* (《應收賬款轉讓合同》), which is entered into between East China Materials (as the original interest holder) and its subsidiaries (as the original creditors), in relation to each phase of the ABS Scheme
“Asset Service Agencies”	all asset service agencies listed in the Services Agreement
“Base Date”	refers to the date of the inclusion of the Underlying Assets into the assets pool under the ABS Scheme; the Base Date of each phase of the ABS Scheme shall be subject to the agreement in the relevant ABS Scheme documents for such phase
“Board”	the board of Directors of the Company
“Company”	China National Building Material Company Limited* (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 Stock Exchange
“Consideration”	as defined under the section headed “Consideration and Payment Method” in this announcement

“Delivery Date of the Underlying Assets”	the date on which Topsperity AM and East China Materials execute the Letter of Confirmation on the Transfer of the Underlying Assets* (《基礎資產交割確認函》)
“Director(s)”	the director(s) of the Company
“Disqualified Underlying Assets”	the Underlying Assets which do not comply with the qualified assets standards or assets guarantees required under the Standard Terms on the Base Date and the ABS Scheme Establishment Date
“East China Materials”	East China Materials Co., Ltd* (華東材料有限公司), a wholly-owned subsidiary of Tianshan Cement
“Group”	the Company and its subsidiaries from time to time
“Letter of Payment Undertaking for Difference”	Topsperity – East China Materials Letter of Payment Undertaking for Difference for the Account Receivables ABS Scheme Phase 1-5* (《德邦-華東材料應收賬款1-5期資產支持專項計劃差額支付承諾函》), which is entered into between Topsperity AM (as the manager) and Tianshan Cement (as the undertaker for paying the difference) on 27 October 2023
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lost Underlying Assets”	the Underlying Assets which, on the Base Date and the ABS Scheme Establishment Date and in the absence of duplicate calculations, are subject to either of the circumstances of (1) debtors refusing to pay the relevant account receivables corresponding to the Underlying Assets due to Topsperity AM or the original creditor or East China Materials’ failure of performance of obligations under the underlying transaction agreements, or (2) inexistence of the relevant account receivables corresponding to the Underlying Assets due to accounting errors
“Phase One Underlying Assets”	as defined under the section headed “Assets to be Disposed” in this announcement
“Phase One Underlying Assets Sale and Purchase Agreement”	the agreement entered into between East China Materials (as seller and the original interest holder) and Topsperity AM (as buyer and the manager) in relation to the sale of the Phase One Underlying Assets

“Plan Statement”	Topsperity – East China Materials Plan Statement for the Account Receivables ABS Scheme Phase 1-5* (《德邦-華東材料應收賬款1-5期資產支持專項計劃說明書》) regarding the ABS Scheme
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan)
“Remaining Underlying Assets”	the Underlying Assets that are not expired or not repaid (including those within the grace period (if any) or the rollover period (if any)) as specified in documents such as basic transaction contracts, transfer notice receipt (if any), payment confirmation document (if any), electronic voucher, etc. on the clearance repurchase starting date
“RMB”	Renminbi, the lawful currency of the PRC
“Services Agreement”	Topsperity – East China Materials Services Agreement of the Account Receivables ABS Scheme Phase 1-5* (《德邦-華東材料應收賬款1-5期資產支援專項計劃服務協議》), which is entered into between East China Materials and its subsidiaries (as the original interest holder and the Asset Services Agencies) and Topsperity AM (as the manager) on 20 November 2023
“Shareholders”	the shareholders of the Company
“Shelf Underlying Assets Sale and Purchase Agreement”	Topsperity – East China Materials Underlying Assets Sale and Purchase Agreement of the Account Receivables ABS Scheme Phase 1-5* (《德邦-華東材料應收賬款1-5期資產支持專項計劃基礎資產買賣協議》), which is entered into between East China Materials (as seller and the original interest holder) and Topsperity AM (as buyer and the manager) on 20 November 2023 in relation to the ABS Scheme with shelf issuance size of no more than RMB3 billion
“Standard Terms”	Topsperity – East China Materials Standard Terms for the Account Receivables ABS Scheme Phase 1-5* (《德邦-華東材料應收賬款1-5期資產支持專項計劃標準條款》), which is entered into by Topsperity AM on 16 November 2023 in relation to the ABS Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianshan Cement”	Xinjiang Tianshan Cement Co., Ltd* (新疆天山水泥股份有限公司), a subsidiary of the Company and whose A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877)
“Topsperity AM”	Topsperity Securities Asset Management Co., Ltd* (德邦證券資產管理有限公司)
“Transfer Price”	the transfer price set out in the Underlying Assets sale and purchase agreement, which is entered into between East China Materials (as seller and the original interest holder) and Topsperity AM (as buyer and the manager), in relation to the disposal of each phase of the Underlying Assets
“Trigger Events for Difference Payment”	any one of the two following events before the termination date of the ABS Scheme: (1) as at the distribution base date immediately before any redemption date (not being the expected maturity date of the senior asset-backed securities), the funds available for distribution in the ABS Scheme account being insufficient to cover the expenses for the ABS Scheme and the expected yield of the senior asset-backed securities payable on such redemption date; (2) as at the distribution base date immediately before the expected maturity date of the senior asset-backed securities, the funds available for distribution in the ABS Scheme account being insufficient to cover the expenses, the expected yield of the senior asset-backed securities and the outstanding principal payable for the current phase
“Underlying Assets”	the debt rights with which the underlying creditors of the account receivables have the right to request to pay contract consideration or service fee and other ancillary security rights (that are listed in the purchase list of the underlying assets and attached to the underlying assets sale and purchase agreement of each phase), which were transferred from East China Materials to Topsperity AM on the ABS Scheme Establishment Date and in accordance with the underlying transaction contracts regarding the account receivables and the Account Receivables Transfer Agreement, pursuant to which the subsidiaries of East China Materials transfer account receivables to East China Materials

“%”

per cent

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

Beijing, the PRC
20 November 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 Jiaxiang, 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*