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**CNBM**

**China National Building Material Company Limited\***

**中國建材股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 3323)

## **PLACING OF NEW H SHARES**

### **SOLE GLOBAL COORDINATOR**

**Morgan Stanley**

### **JOINT BOOKRUNNERS**

**Morgan Stanley**



**中国国际金融香港证券有限公司**  
CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED

### **JOINT PLACING AGENTS**

**Morgan Stanley**



**中国国际金融香港证券有限公司**  
CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED

China National Building Material Company Limited (the “**Company**”) refers to its announcement dated 30 January 2008 (the “**Announcement**”) regarding the proposed grant of special mandate to issue new overseas-listed foreign-invested shares of RMB1.00 each (“**H Shares**”). Definitions used in this announcement have the same meanings as those used under the Announcement.

On 5 February 2009, the Company entered into a placing agreement (the “**Placing Agreement**”) with Morgan Stanley & Co. International plc (“**MSI**”) and China International Capital Corporation Hong Kong Securities Limited (“**CICC**”), in relation to the placing (the “**Placing**”) of an aggregate of 298,555,032 H Shares in the share capital of the Company (the “**Placing Shares**”) with an aggregate nominal value of HK\$2,343,657,001, at a gross price of HK\$7.85 per Placing Share (the “**Placing Price**”) and a net price of HK\$7.69 per Placing Share to not less than six independent professional, institutional and/or individual investors (the “**Placees**”).

The Placing Shares comprise (1) 272,727,273 H Shares (the “**New Shares**”) to be allotted and issued by the Company and (2) 25,827,759 H Shares (the “**Sale Shares**”) to be converted from the same number of existing State-owned domestic shares transferred from China National Building Material Group Corporation (“**Parent**”), Beijing New Building Material (Group) Company Limited, China Building Materials Academy and China National Building Material Import and Export Company (collectively, the “**State-owned Shareholders**”) (excluding the State-owned domestic shares held by China Cinda Asset Management Corporation (“**Cinda**”)) to the National Social Security Fund Council (the “**NSSF**”) of the People’s Republic of China (“**PRC**”). The Placing Shares represent approximately 33.1% and 13.5% of the total existing issued H share capital and the total existing issued share capital of the Company, respectively, and approximately 24.9% and 12.0% of the total issued H share capital and the total issued share capital of the Company as enlarged by the issue of the New Shares, respectively.

The Placing is conditional upon, amongst other conditions set out below, the Stock Exchange granting listing of, and permission to deal in, the Placing Shares. The Placing Shares are to be issued pursuant to the Special Mandate.

The net proceeds of the Placing of the New Shares will be approximately HK\$2,093,898,229 after deducting the commission and expenses of the Placing. The Company intends to use the net proceeds (excluding the net proceeds from the Sale Shares) from the Placing principally for funding, by way of the repayment of debt, the Acquisitions and Investments as set out in the Announcement, with the balance of the net proceeds to be used for the general corporate and working capital requirements of the Group. The entire net proceeds from the Placing of the Sale Shares will be remitted to the Ministry of Finance of the PRC (“MOF”).

## **THE PLACING AGREEMENT**

**Date** 5 February 2009

**Parties** (1) The Company

(2) MSI

(3) CICC

### **Placing**

Each of MSI and CICC agrees to procure, as agent for the Company (for itself and as agent on behalf of the NSSF), purchasers to subscribe for and purchase, or to purchase by itself from the Company and the NSSF, the Placing Shares in accordance with the terms of the Placing Agreement. The Placing Shares comprise of (1) 272,727,273 New Shares to be allotted and issued by the Company and (2) 25,827,759 Sale Shares to be converted from the same number of existing State-owned domestic shares transferred from the State-owned Shareholders (excluding the State-owned domestic shares held by Cinda) to the NSSF. Each of MSI and CICC will receive underwriting and management commission, equal to HK\$0.157 for each Placing Share it has agreed to procure subscribers or itself subscribe. The Placing Shares have been placed at an aggregate nominal value of HK\$2,343,657,001 by MSI and CICC to not less than six independent professional, institutional and/or individual investors. In so far as MSI is “dealing in securities”, as defined in Schedule 5 of the Securities and Futures Ordinance (“SFO”), it shall be doing so through its agent Morgan Stanley Asia Limited and only in circumstances such that none of the sub-provisos (I), (II), (III), (IV) and (V) in sub-paragraph (iv) to the definition of “dealing in securities” in Part 2 of Schedule 5 of the SFO are applicable.

## Number of Placing Shares

The 298,555,032 H Shares (including the 25,827,759 H Shares to be converted from the same number of existing State-owned domestic shares transferred from the State-owned Shareholders to the NSSF) which are to be allotted and issued by the Company in connection with the Placing, represent approximately 33.1% and 13.5% of the total existing issued H share capital and the total existing issued share capital of the Company, respectively, and approximately 24.9% and 12.0% of the total issued H share capital and the total issued share capital of the Company as enlarged by the issue of the New Shares, respectively.

## Placing Price

The Placing Shares have been placed at a gross price of HK\$7.85 per Placing Share, (exclusive of stamp duty (if any), brokerage (if any), Stock Exchange trading fees and SFC transaction levy) and a net price of HK\$7.69 per Placing Share which represents:

- (i) a discount of 11.3% to the closing price of HK\$8.67 per H Share as quoted on the Stock Exchange on 5 February 2009, being the last full trading day immediately before the signing of the Placing Agreement;
- (ii) a discount of approximately 8.9% to the average of the closing prices of approximately HK\$8.44 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 30 January 2009;
- (iii) a discount of approximately 8.2% to the average of the closing prices of approximately HK\$8.38 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 20 January 2009; and
- (iv) a premium of approximately 91.3% over net asset value per H Share of approximately HK\$4.02 as at 30 June 2008 as shown or derived from the unaudited consolidated balance sheet of the Group made up to 30 June 2008.

The Placing Price which was agreed after arm's length negotiations between the Company, MSI and CICC was determined by reference to, amongst other things, the above recent trading prices of the H Shares. The Directors (including independent non-executive directors) consider that the Placing Price, the terms of the Placing Agreement and the level of the Placing commission are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

## **Independence of MSI, CICC and Placees**

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of MSI and CICC is independent of the Company, its subsidiaries and the NSSF and is not a connected person (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) of the Company or the NSSF.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Placees (and their ultimate beneficial owners) procured by MSI and CICC are independent of and not connected persons (as defined in the Listing Rules) of the Company, its subsidiaries, or the NSSF. None of the Placees will become substantial shareholders of the Company upon completion of the Placing.

## **Conditions of the Placing**

Completion of the Placing is conditional upon the following conditions being fulfilled:

- (1) the Listing Committee of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting listing of and permission to deal in the Placing Shares;
- (2) the approval issued by each of the China Securities Regulatory Commission ("**CSRC**"), NSSF and SASAC (as defined below), in connection with the Placing remaining in full force and effect on completion of the Placing; and
- (3) MSI and CICC having received a PRC legal opinion from their PRC legal counsel in or substantially in the form agreed between the Company, MSI and CICC.

## Sale by NSSF

Pursuant to the requirements of the State Council Provisional Administrative Measures for the Reduction of State-owned Shares and the Raising of the Social Security Fund (the “**Regulations for the Reduction of State-owned Shares**”) 《國務院關於減持國有股籌集社會保障資金管理暫行辦法》 of the PRC, for any issue of new shares by a joint stock limited company with state-owned shares, state-owned shareholders of such joint stock limited company shall transfer such amount of state-owned shares which is equivalent to 10% of the amount to be raised by the allotment of new shares by the joint stock limited company to the NSSF for sale together with the said issue of new shares.

In accordance with the Regulations for the Reduction of State-owned Shares, the State Owned Asset Supervision and Administration Commission (“**SASAC**”) has approved, as part of the Placing, the allocation of the Sale Shares from the State-owned Shareholders to the NSSF on 7 March 2008. By another approval document dated 9 May 2008, the NSSF entrusted the Company, as an agent, to effect a sale of the Sale Shares (to be converted into H Shares) on behalf of the NSSF as part of the Placing, and to remit the entire net proceeds of the Sale Shares to the MOF.

However, under the Notice on the Reduction of State-owned Shares of Financial Asset Management Companies and State-owned Banks 《關於金融資產管理公司和國有銀行國有股減持有關問題的通知》, shares held by financial asset management companies which are transferred from debt for equity swap and counteraction of debt are exempt from the Regulations for the Reduction of State-owned Shares. Thus, of the maximum number of 27,272,728 existing State-owned domestic shares (representing 10% of the New Shares to be allotted and issued under the Placing) held by the State-owned Shareholders and Cinda which should be transferred to NSSF to comply with the Regulations for the Reduction of State-owned Shares, the 1,444,969 State-owned domestic shares held by Cinda, a financial asset management company, are not required to be transferred to the NSSF, resulting in only 25,827,759 State-owned domestic shares to be converted into Sale Shares and sold by the Company as an agent on behalf of the NSSF as part of the Placing.

## **Lock-up Undertaking**

The Company has undertaken to each of MSI and CICC that (except for the sale of the Placing Shares pursuant to the Placing Agreement) until the date which is 6 months after 12 February 2009 (the “**Closing Date**”), it will not (without the prior written consents of both MSI and CICC), (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any H Shares or any interests in H Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any H Shares or interest in H Shares; or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained such written consents.

## **Ranking**

The Placing Shares will rank pari passu in all respects with the existing H Shares in issue on the Closing Date, including the right to receive all dividends and distributions declared, paid or made after the Closing Date.

## **OTHER INFORMATION ON THE PLACING**

### **Use of Proceeds**

The net proceeds of the Placing of New Shares will be approximately HK\$2,093,898,229 after deducting the commission and expenses of the Placing. The Company intends to use the net proceeds (excluding the net proceeds from the Sale Shares) from the Placing principally for funding, by way of the repayment of debt, the Acquisitions and Investments as set out in Announcement, with the balance of the net proceeds to be used for the general corporate and working capital requirements of the Group. The Company has not raised any funds from the issue of equity securities in the 12 months immediately preceding the date of this announcement.

## Shareholding Structure of the Company on the date of the Placing Agreement and on the Closing Date

Holder of Domestic Shares or H Shares	As at the date of the Placing Agreement		On the Closing Date	
	No. of shares	Percentage of issued share capital (%)	No. of shares	Percentage of issued share capital (%)
Holder of Domestic Shares	1,306,404,813	59.15	1,280,577,054	51.61
Holder of H Shares	902,083,187	40.85	1,200,638,219	48.39
	<u>2,208,488,000</u>	<u>100</u>	<u>2,481,215,273</u>	<u>100</u>

As at the date of the announcement, there is no outstanding option, warrant or other instrument convertible or exchangeable into H Shares.

### Special Mandate to Issue the Placing Shares

The Placing Shares will be allotted and issued under the special mandate (the “**Special Mandate**”) granted to the board of directors of the Company (the “**Board**”) at the extraordinary shareholders meeting, the H shareholders class meeting and the domestic shareholders class meeting of the Company held on 27 March 2008. Up to 300 million H Shares are available under the Special Mandate for the Placing, of which 298,555,032 H Shares (including the 25,827,759 H Shares to be converted from the same number of existing State-owned domestic shares transferred from the State-owned Shareholders to the NSSF) will be issued under the Placing. The issue of the New Shares was approved by the CSRC on 19 August 2008.

### Regulatory Approvals

The Company has obtained all relevant PRC regulatory approvals for the Placing, being approvals from the CSRC, NSSF and SASAC as well as the Special Mandate and Board approval.



## Application for Listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

By Order of the Board of Directors  
**China National Building Material Company Limited**  
**Chang Zhangli**  
*Joint Company Secretary*

Beijing, the PRC, 5 February 2009

*As at the date of this announcement, the executive Directors are Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Li Yimin and Mr. Peng Shou, the non-executive Directors are Ms. Cui Lijun, Mr. Huang Anzhong and Mr. Zuo Fenggao, and the independent non-executive Directors are Mr. Zhang Renwei, Mr. Zhou Daojiong, Mr. Chi Haibin, Mr. Li Decheng and Mr. Lau Ko Yuen, Tom.*

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*The Placing Shares may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States.*

\* *For identification only*