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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)*

(Stock Code: 3323)

**CONNECTED TRANSACTION  
CAPITAL CONTRIBUTION TO ZHONGFU SHENYING  
CARBON FIBER COMPANY LIMITED**

On 23 January 2017, China Composites (a 100% directly-held subsidiary of the Company), Yingyou Textile Machinery, Jiangsu Aoshen and CNBM United (a 100% directly-held subsidiary of the Parent), being shareholders of Zhongfu Shenying (a company 27.12% indirectly held by the Company through China Composites), entered into the Capital Contribution Agreement (the “**Capital Contribution Agreement**”), pursuant to which, it has been agreed that parties to the Capital Contribution Agreement shall make a capital contribution to Zhongfu Shenying in cash according to their respective shareholding on a pro rata basis. Upon completion of the capital contribution, the shareholding of China Composites in Zhongfu Shenying will remain at 27.12% of the enlarged registered capital and the shareholding of CNBM United in Zhongfu Shenying will remain at 37.30% of the enlarged registered capital.

As the Parent has a direct and indirect equity interest of 44.25% in aggregate in the Company, it is a substantial shareholder of the Company. Therefore, pursuant to the Listing Rules, CNBM United and Zhongfu Shenying constitute connected persons of the Company, and thus the transaction under the Capital Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are higher than 0.1% but all applicable percentage ratios are less than 5%, according to Rule 14A.76 of the Listing Rules, the transaction is exempt from the circular and shareholders' approval requirements and is only subject to the announcement and reporting requirements under the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 25 September 2014 in relation to the capital contribution to Zhongfu Shenying by CNBM United and Yingyou Textile Machinery. On 23 January 2017, China Composites (a 100% directly-held subsidiary of the Company), Yingyou Textile Machinery, Jiangsu Aoshen and CNBM United (a 100% directly-held subsidiary of the Parent), being shareholders of Zhongfu Shenying (a company 27.12% indirectly held by the Company through China Composites), entered into the Capital Contribution Agreement (the “**Capital Contribution Agreement**”), pursuant to which, it has been agreed that parties to the Capital Contribution Agreement shall make a capital contribution to Zhongfu Shenying in cash according to their respective shareholding on a pro rata basis. Upon completion of the capital contribution, the shareholding of China Composites in Zhongfu Shenying will remain at 27.12% of the enlarged registered capital and the shareholding of CNBM United in Zhongfu Shenying will remain at 37.30% of the enlarged registered capital. To the best information, knowledge and belief of the Directors after having made all reasonable enquires, Yingyou Textile Machinery, Jiangsu Aoshen and their ultimate beneficial owners are independent third parties of the Company and its connected persons.

## **PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT**

### **Date**

23 January 2017

### **Parties**

- (1) China Composites;
- (2) Yingyou Textile Machinery;
- (3) Jiangsu Aoshen; and
- (4) CNBM United.

### **Capital Contribution**

Upon completion of the capital contribution, the registered capital of Zhongfu Shenying will increase from RMB507,749,807 to RMB614,988,413 (an increase of RMB107,238,606 in the registered capital). CNBM United will make a capital contribution of RMB40,000,000 based on its 37.30% shareholding; Yingyou Textile Machinery will make a capital contribution of RMB32,171,582 based on its 30.00% shareholding; China Composites will make a capital contribution of RMB29,083,110 based on its 27.12% shareholding; and Jiangsu Aoshen will make a capital contribution of RMB5,983,914 based on its 5.58% shareholding.

***Capital structure of Zhongfu Shenying before the capital contribution:***

<b>Name of shareholder</b>	<b>Amount of contribution (RMB)</b>	<b>Shareholding percentage</b>
China Composites	137,701,500	27.12%
Yingyou Textile Machinery	152,308,543	30.00%
Jiangsu Aoshen	28,350,300	5.58%
CNBM United	189,389,464	37.30%
Total	<u>507,749,807</u>	<u>100.00%</u>

***Capital structure of Zhongfu Shenying after the capital contribution:***

<b>Name of shareholder</b>	<b>Amount of contribution (RMB)</b>	<b>Shareholding percentage</b>
China Composites	166,784,610	27.12%
Yingyou Textile Machinery	184,480,125	30.00%
Jiangsu Aoshen	34,334,214	5.58%
CNBM United	229,389,464	37.30%
Total	<u>614,988,413</u>	<u>100.00%</u>

**INFORMATION ON ZHONGFU SHENYING**

Zhongfu Shenying is principally engaged in the research, development and manufacture of carbon fiber precursor, carbon fiber and carbon fiber products; undertaking related engineering design and provision of technical advisory services; operation and agency of import and export of various commodities and technologies.

Pursuant to the 2015 audited accounts and 2016 management accounts of Zhongfu Shenying prepared in accordance with the PRC GAAP, the net profits (before taxes and non-recurring items) of Zhongfu Shenying for 2016 and 2015 amounted to approximately RMB-17,163,997.59 and RMB-53,954,116.36, respectively, and the net profits (after taxes and non-recurring items) of Zhongfu Shenying for 2016 and 2015 amounted to approximately RMB749,023.93 and RMB-44,915,662.45, respectively.

## **BASIS FOR DETERMINATION OF AMOUNT OF CONTRIBUTION**

The amount of the capital contribution is determined based on CNBM United's proposed injection of the specific construction fund of RMB40 million granted by China Development Bank into Zhongfu Shenying by way of capital fund, and the other three shareholders of Zhongfu Shenying will make capital contribution according to their respective shareholding on a pro rata basis. Pursuant to the 2016 management accounts of Zhongfu Shenying prepared in accordance with the PRC GAAP, the net asset value of Zhongfu Shenying amounted to RMB477,384,311.35 as of 31 December 2016.

CNBM United intends to make the capital contribution with the specific construction fund granted by China Development Bank and China Composites, Yingyou Textile Machinery and Jiangsu Aoshen intend to make such capital contribution by way of internal resources.

## **REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION TO ZHONGFU SHENYING**

The capital contribution to Zhongfu Shenying will ensure capital sufficiency for the successful implementation of the "Carbon Fiber Technological Reformation Project". After the establishment of the project, the quality of carbon fiber products will be substantially improved, which will help increase market presence, facilitate the maximization of enterprise efficiency and effectively reinforce core competitiveness. Upon the capital contribution, the gearing ratio of Zhongfu Shenying is expected to decrease, which may significantly enhance its risk-resistance capability.

The Board (including the independent non-executive Directors) is of the view that the Capital Contribution Agreement has been entered into on normal commercial terms or on terms no less favorable than those available to independent third parties after arm's length negotiation between the Group and the relevant parties (including the connected person of the Company) in the ordinary course of business of the Group, and that the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole. Given the above reasons and the fact that the purpose of the above connected transaction is to satisfy the development needs of a company in which the Group has invested, the Directors (including the independent non-executive Directors) consider that it is beneficial for the Company to carry out the above connected transaction.

Those Directors of the Company who have a material interest in the above connected transaction are Mr. Song Zhiping, Mr. Cao Jianglin and Mr. Guo Chaomin as they are directors and/or senior management of the Parent and/or its subsidiaries. Such Directors have abstained from voting in the Board resolution approving the capital contribution to Zhongfu Shenying.

## **LISTING RULES IMPLICATIONS**

As the Parent has a direct and indirect equity interest of 44.25% in aggregate in the Company, it is a substantial shareholder of the Company. Therefore, pursuant to the Listing Rules, CNBM United and Zhongfu Shenying constitute connected persons of the Company, and thus the transaction under the Capital Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are higher than 0.1% but all applicable percentage ratios are less than 5%, according to Rule 14A.76 of the Listing Rules, the transaction is exempt from the circular and shareholders' approval requirements and is only subject to the announcement and reporting requirements under the Listing Rules.

## **INFORMATION ON RELEVANT PARTIES**

China Composites is a wholly-owned subsidiary of the Company. It is principally engaged in the production and sale of rotor blades, multi-functional flooring materials, fiber reinforced plastic pipes and other high-tech industrial projects, research and manufacture of relevant technologies and equipment, engineering construction and general contracting.

Yingyou Textile Machinery is principally engaged in the manufacture of textile machinery and accessories, light industrial machinery and accessories and textile products and research, development and manufacture of carbon fiber precursors, carbon fiber and carbon fiber products.

Jiangsu Aoshen is principally engaged in the operation and management of all state-owned assets and industrial investments of the group and its owned enterprises; procurement, research and development and sales of chemical products, chemical fiber products, textile products and goods; information and technical consulting services of chemical products and chemical fiber products.

CNBM United is a wholly-owned subsidiary of the Parent, and is principally engaged in investment management, assets management and investment consultation.

The Parent is a state-owned limited liability company engaged in the business of building materials in the PRC.

The Company is a leading building materials company in the PRC with principal operations in the cement, lightweight building materials, glass fiber and composite materials, and engineering services business segments.

## DEFINITIONS

“Board”	the board of directors of the Company
“Capital Contribution Agreement”	the capital contribution agreement dated 23 January 2017 entered into between China Composites, Yingyou Textile Machinery, Jiangsu Aoshen and CNBM United in relation to the capital contribution to Zhongfu Shenyang
“China Composites”	中國複合材料集團有限公司 (China Composites Group Corporation Limited*), a limited liability company incorporated under the laws of the PRC
“CNBM United”	中建材聯合投資有限公司 (CNBM United Investment Co., Ltd.*), a limited liability company incorporated under the laws of the PRC
“Company”	中國建材股份有限公司 (China National Building Material Company Limited*), a joint stock limited company incorporated under the laws of the PRC, the H shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Jiangsu Aoshen”	江蘇奧神集團有限責任公司 (Jiangsu Aoshen Group Corporation Limited*), a limited liability company incorporated under the laws of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parent”	中國建材集團有限公司 (China National Building Material Group Co., Ltd.*), a state-owned limited liability company incorporated under the laws of the PRC and a controlling shareholder of the Company

“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yingyou Textile Machinery”	連雲港鷹遊紡機集團有限公司 (Lianyungang Yingyou Textile Machinery Group Co., Ltd.*) (formerly known as 連雲港鷹遊紡機有限責任公司 (Lianyungang Yingyou Textile Machinery Co., Ltd.*)), a limited liability company incorporated under the laws of the PRC
“Zhongfu Shenying”	中復神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Company Limited*), a limited liability company incorporated under the laws of the PRC

By order of the Board  
**China National Building Material Company Limited\***  
**Chang Zhangli**  
*Secretary of the Board*

Beijing, the PRC, 23 January 2017

*As at the date of this announcement, the board of directors of the Company comprises Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai and Mr. Chang Zhangli as executive directors, Mr. Guo Chaomin, Mr. Chen Yongxin and Mr. Tao Zheng as non-executive directors and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Qian Fengsheng and Ms. Xia Xue as independent non-executive directors.*

\* For identification purposes only