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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)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
ACQUISITION OF EQUITY INTERESTS IN MNC AND  
ITS SUBSIDIARIES**

**THE TARGET ACQUISITION**

On 18 August 2017, North Cement (a 70% owned subsidiary of the Company) and MNC entered into the Target ETAs, pursuant to which North Cement has agreed to purchase, and MNC has agreed to sell, the Target Equity Interests.

**THE MNC ACQUISITION**

On 18 August 2017, North Cement and Jingang Group entered into the MNC ETA, pursuant to which North Cement has conditionally agreed to purchase, and Jingang Group has conditionally agreed to sell, the MNC Equity Interest.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions (on an aggregated basis) exceed 5% but all such applicable percentage ratios are less than 25%, the Acquisitions constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

As Jingang Group holds 21.25% equity interest carrying voting rights in, and is a substantial shareholder of, North Cement, and North Cement is a subsidiary of the Company, Jingang Group constitutes a connected person at the subsidiary level of the Company pursuant to the Listing Rules. As MNC is a 51% owned subsidiary of Jingang Group, MNC also constitutes a connected person at the subsidiary level of the Company pursuant to the Listing Rules. Accordingly, each of the Acquisitions constitutes a connected transaction of the Company involving a connected person at the subsidiary level.

Since (1) Jingang Group and MNC are connected persons of the Company at the subsidiary level; (2) the Directors (including the independent non-executive Directors) have approved the Acquisitions; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisitions are fair and reasonable, the Acquisitions are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Acquisitions are subject to the reporting and announcement requirements and are exempt from the circular, independent financial advice and shareholders' approval requirements.

## **INTRODUCTION**

On 18 August 2017, North Cement (a 70% owned subsidiary of the Company) and MNC entered into the Target ETAs, pursuant to which North Cement has agreed to purchase, and MNC has agreed to sell, the Target Equity Interests.

On 18 August 2017, North Cement and Jingang Group entered into the MNC ETA, pursuant to which North Cement has agreed to purchase, and Jingang Group has agreed to sell, the MNC Equity Interest.

## **PRINCIPAL TERMS OF THE TARGET ETA'S**

### **Date**

18 August 2017

### **Parties**

- (1) North Cement, as purchaser; and
- (2) MNC, as seller.

**Subject matter**

The Target Equity Interests held by MNC

**Consideration**

The aggregate consideration in respect of the Target Equity Interests of RMB2,299,474,996.66 was determined with reference to the aggregate cost of acquisition of the Target Equity Interests by MNC from the Original Shareholders of RMB2,299,474,996.66 and is payable in cash.

**Completion**

North Cement and MNC will assist each Target with a view to completing the AIC filing procedures in respect of the transfer of equity interest in that Target within a month after the relevant Target ETA becomes effective. Upon completion, each Target will become a subsidiary of North Cement.

**PRINCIPAL TERMS OF THE MNC ETA****Date**

18 August 2017

**Parties**

- (1) North Cement, as purchaser; and
- (2) Jingang Group, as seller.

**Subject matter**

The MNC Equity Interest held by Jingang Group

## Consideration

### *Basis of determination*

The consideration in respect of the MNC Equity Interest will be determined in accordance with the following formula:

Jingang Group's cost of acquisition of the MNC Equity Interest add/minus (as the case may be) the profit or loss generated or incurred by MNC during the Relevant Period attributable to Jingang Group less the cash dividends received by Jingang Group from MNC during the Relevant Period, where:

- (1) "Jingang Group's cost of acquisition of the MNC Equity Interest" is RMB164,190,000.00;
- (2) "Relevant Period" means the period from 31 October 2009 until 31 July 2017;
- (3) "Profit or loss generated or incurred by MNC during the Relevant Period attributable to Jingang Group" means the profit or loss generated or incurred by MNC during the Relevant Period attributable to Jingang Group in proportion to its percentage holding of equity interest, which will be determined by a special audit to be conducted by an accounting firm appointed by North Cement; and
- (4) "Cash dividends received by Jingang Group from MNC during the Relevant Period" means the cash dividends received by Jingang Group from MNC during the Relevant Period in proportion to its percentage holding of equity interest.

Based on the audited financial information in respect of MNC for the period from the date of commencement of the Relevant Period to 31 December 2016, the consideration in respect of the MNC Equity Interest would be approximately RMB213,473,621.40. The final consideration will be arrived at by adjusting the above figure to reflect the application of the formula in respect of the period from 1 January 2017 to 31 July 2017.

## ***Settlement***

The consideration in respect of the MNC Equity Interest will be payable in three instalments.

The first instalment in the amount of RMB50,000,000 will be payable within ten (10) working days after the MNC ETA becomes effective.

The second instalment, together with the first instalment, will constitute 90% of the consideration. The second instalment will be payable within ten (10) working days after the satisfaction of the following conditions:

- (1) the AIC filing procedures in respect of the transfer of the MNC Equity Interest from Jingang Group to North Cement having completed;
- (2) the special audit in respect of the profit or loss of MNC during the Relevant Period having completed; and
- (3) the relevant parties having completed handover procedures.

The third instalment, being the remainder of the consideration, will be payable within one (1) month after the satisfaction of the above conditions.

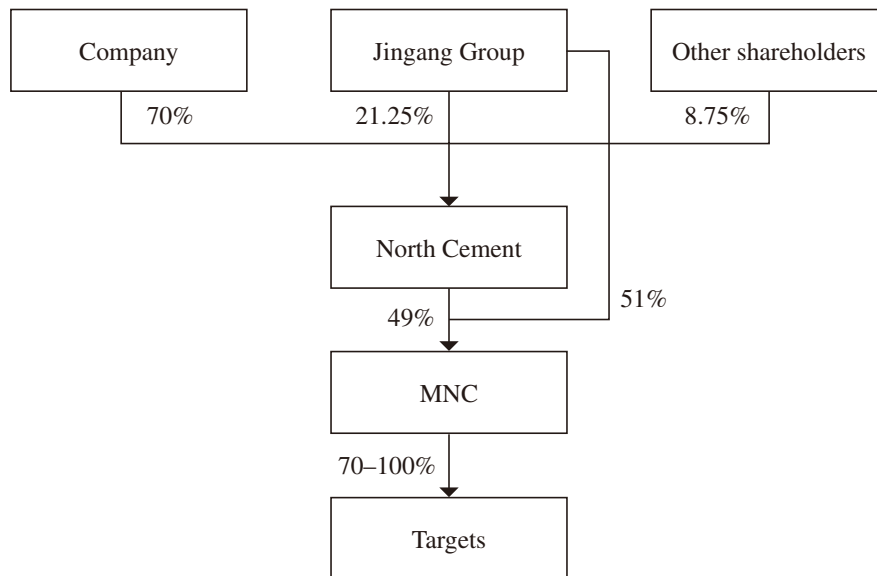
The consideration in respect of the MNC Equity Interest will be financed by internal resources of North Cement.

## **Completion**

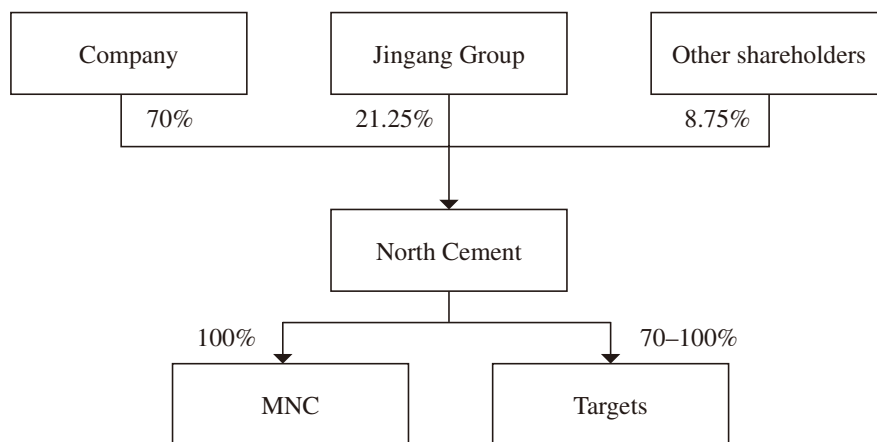
Jingang Group will be responsible for completing the AIC filing procedures in respect of the transfer of the MNC Equity Interest from Jingang Group to North Cement within fifteen (15) working days after North Cement's payment of the first instalment of the consideration. Upon completion, MNC will become a wholly owned subsidiary of North Cement.

## SHAREHOLDING STRUCTURES OF MNC AND THE TARGETS

The simplified shareholding structure of the Targets and MNC immediately preceding the signing of the Target ETAs and the MNC ETA was as follows:



The simplified shareholding structure of the Targets and MNC immediately following completion of the Target ETAs and the MNC ETA will be as follows:



## **INFORMATION OF THE RELATED PARTIES**

### **The Company**

The Company is a leading building materials company in the PRC with significant operations in the cement, lightweight building materials, glass fibre and composite material and engineering services businesses.

### **North Cement**

North Cement is a company incorporated under the laws of the PRC with limited liability and a 70% owned subsidiary of the Company. It is principally engaged in the research, production and sales of clinker, cement and related products, and commercial concrete and related products.

### **Jingang Group**

Jingang Group is a limited liability company incorporated under the laws of the PRC. It is principally engaged in the research and development of cement and cement products, project investment and management, sales and entrusted processing of clinker, cement and cement products.

### **MNC**

MNC is a company incorporated under the laws of the PRC with limited liability and owned as to 49% and 51% by North Cement and Jingang Group respectively. It is principally engaged in the production, sales and research and development of cement, special cement and related products and semi-finished products. According to the audited financial statements of MNC prepared in accordance with the generally accepted accounting principles of the PRC, the audited net profit before taxation of MNC for the years ended 31 December 2016 and 2015 were RMB64,841,011.95 and RMB313,043,305.96, respectively, and the audited net profit after taxation of MNC were RMB48,383,663.67 and RMB295,654,892.01, respectively. The audited net assets of MNC as of 31 December 2016 and 2015 were RMB823,290,469.67 and RMB774,906,806.00, respectively.

## **The Targets**

Each Target is a company incorporated under the laws of the PRC with limited liability and a subsidiary of MNC. The Targets are principally engaged in the production and sales of cement and cement products. According to the audited financial statements of the Targets prepared in accordance with the generally accepted accounting principles of the PRC, the aggregate audited net profit before taxation of the Targets for the years ended 31 December 2016 and 2015 were RMB-91,759,568.62 and RMB-8,625,824.39, respectively, and the aggregate audited net profit after taxation of the Targets were RMB-98,308,057.36 and RMB-28,295,321.24, respectively. The aggregate audited net assets of the Targets as of 31 December 2016 and 2015 were RMB590,335,219.99 and RMB675,853,035.52, respectively.

## **REASONS FOR BENEFITS OF THE TRANSACTIONS**

The Acquisitions are conducive to expanding the scale of the Company's cement business in the north-eastern district, increasing the Company's market share and reinforcing its competitiveness in the cement market in the district, and are also conducive to resolving the competition issues between North Cement and Jingang Group in the relevant district.

The Directors (including independent non-executive Directors) of the Company are of the view that the Acquisitions are conducted in the ordinary course of business of the Group on normal commercial terms or better negotiated on an arm's length basis which are fair and reasonable, and are in the interests of the Company and its shareholders as a whole. None of the Directors have a material interest in the Acquisitions.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions (on an aggregated basis) exceed 5% but all such applicable percentage ratios are less than 25%, the Acquisitions constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

As Jingang Group is a substantial shareholder of North Cement holding 21.25% equity interest carrying voting rights, and North Cement is a subsidiary of the Company, Jingang Group constitutes a connected person at the subsidiary level of the Company pursuant to the Listing Rules. As MNC is a 51% owned subsidiary of Jingang Group, MNC also constitutes a connected person at the subsidiary level of the Company pursuant to the Listing Rules. Accordingly, each of the Acquisitions constitutes a connected transaction of the Company involving a connected person at the subsidiary level.



Since (1) Jingang Group and MNC are connected persons of the Company at the subsidiary level; (2) the Directors (including the independent non-executive Directors) have approved the Acquisitions; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisitions are fair and reasonable, the Acquisitions are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Acquisitions are subject to the reporting and announcement requirements and are exempt from the circular, independent financial advice and shareholders' approval requirements.

## DEFINITIONS

“Acquisitions”	the Target Acquisition and the MNC Acquisition, collectively
“AIC”	Administration of Industry and Commerce 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
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Jingang Group”	遼源金剛水泥（集團）有限公司(Liaoyuan Jingang Cement (Group) Company 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
“MNC”	牡丹江北方水泥有限公司(Mudanjiang North Cement Company Limited*), a company incorporated under the laws of the PRC with limited liability and owned as to 49% and 51% by North Cement and Jingang Group respectively

“MNC Acquisition”	the acquisition of the MNC Equity Interest by North Cement pursuant to the MNC ETA
“MNC Equity Interest”	the 51% equity interest in MNC held by Jingang Group
“MNC ETA”	the equity transfer agreement dated 18 August 2017 in respect of the transfer of the MNC Equity Interest from Jingang Group to North Cement
“North Cement”	北方水泥有限公司(North Cement Company Limited*), a company incorporated under the laws of the PRC with limited liability and a 70% owned subsidiary of the Company
“Original Shareholders”	third parties independent from the Company and its connected persons who were the previous holders of the Target Equity Interests and from whom MNC acquired the Target Equity Interests
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Acquisition”	the acquisition of the Target Equity Interests by North Cement pursuant to the Target ETAs
“Target Equity Interests”	the equity interests in the Targets held by MNC
“Target ETAs”	the nineteen (19) equity transfer agreements, each dated 18 August 2017, in respect of the transfer of the Target Equity Interests from MNC to North Cement, and “Target ETA” means any of them

“Targets”

nineteen (19) subsidiaries of MNC, namely 牡丹江天馬水泥有限公司(Mudanjiang Tianma Cement Company Limited\*), 雞西市城海水泥有限責任公司(Jixi Chenghai Cement Company Limited\*), 四平北方水泥有限公司(Siping Northern Cement Co., Ltd.\*), 嫩江華夏水泥有限公司(Nenjiang Huaxia Cement Company Limited\*), 泰來水泥製品有限責任公司(Tailai Cement Products Company Limited\*), 農安北方水泥有限公司(Nongan North Cement Company Limited\*), 德惠鑫雨水泥有限責任公司(Dehui Xinyu Cement Company Limited\*), 延邊誠信混凝土有限公司(Yanbian Chengxin Concrete Company Limited\*), 延邊盛隆商砼有限公司(Yanbian Shenglong Commercial Concrete Company Limited\*), 延吉信德砼業有限公司(Yanji Xinde Concrete Industrial Company Limited\*), 延邊鑫譽建材有限公司(Yanbian Xinyu Building Material Company Limited\*), 牡丹江市江達城建商品砼有限責任公司(Mudanjiang Jiangda City Construction Commercial Concrete Company Limited\*), 牡丹江市金鑽商品砼有限公司(Mudanjiang Jinzuan Commercial Concrete Company Limited\*), 牡丹江市聖豐混凝土有限公司(Mudanjiang Shengfeng Concrete Company Limited\*), 牡丹江市金沙混凝土有限公司(Mudanjiang Jinsha Concrete Company Limited\*), 牡丹江市正大混凝土有限責任公司(Mudanjiang Zhengda Concrete Company Limited\*), 雞西城海混凝土有限公司(Jixi Chenghai Concrete Company Limited\*), 佳木斯市新宏遠混凝土有限公司(Jiamusi Xinhongyuan Concrete Company Limited\*), 大慶百湖安泰建材有限公司(Daqing Baihu Antai Building Material Company Limited\*), and “Target” means any of them

By order of the Board

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

**Chang Zhangli**

*Secretary of the Board*

Beijing, the PRC

18 August 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