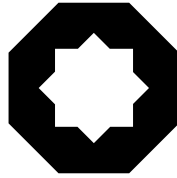


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)

## **ANNOUNCEMENT**

### **(1) CHANGE IN AUDITOR**

### **(2) AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

### **AND**

### **(3) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **I. CHANGE IN AUDITOR**

The Board would like to announce that as UHY HK has merged its H-share audit business with Baker Tilly HK, UHY HK has resigned as international auditor of the Company and Baker Tilly HK is proposed to be appointed as the international auditor to fill in the vacancy following the resignation of UHY HK and to hold office of international auditor until the conclusion of the 2010 annual general meeting of the Company. The appointment is subject to the approval of the Shareholders at the EGM to be held on or around 30 December 2010.

## **II. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

In accordance with the authorisation granted at the annual general meeting of the Company held on 18 June 2010 and pursuant to the placing of new H shares in the Company as announced on 14 September 2010, the Board has resolved to amend Articles 3.5, 3.6 and 3.9 of the Articles of Association so as to reflect the new share capital structure upon the allotment and issue of placing shares.

Further, in order to reflect the changes made to the business scope of the Company in the renewed “Qualification Certificate of Overseas Project Contracting of the People’s Republic of China”(《中華人民共和國對外承包工程經營資格證書》), the Board proposed to make corresponding amendments to Article 2.2 of the Articles of Association. The proposed amendments to Article 2.2 are subject to approval of Shareholders by way of passing a special resolution at the EGM.

## **III. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

On 4 November, 2010, after trading hours, the Company entered into the New Framework Agreements with Parent regarding the Non-exempt Continuing Connected Transactions for the period from 1 January 2011 to 31 December 2013.

As each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules on an annual basis is less than 5%, the Non-exempt Continuing Connected Transactions constitute continuing connected transactions that are exempt from the independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules and are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

## **IV. GENERAL**

A circular containing, among other things, (i) the details of the change in auditor and the amendments to Article 2.2 of the Articles of Association and (ii) a notice of the EGM, will be dispatched to the Shareholders on 15 November 2010.

## **I. CHANGE IN AUDITOR**

The Board would like to announce that UHY HK has resigned as international auditor of the Company and the Board proposes to appoint Baker Tilly HK as international auditor of the Company to fill in the vacancy following the resignation of UHY HK and to hold office of international auditor until the conclusion of the 2010 annual general meeting of the Company. The appointment is subject to the approval of the Shareholders at the EGM to be convened on 30 December 2010.

The Company was recently notified by UHY HK that its H-share audit business has been merged into Baker Tilly HK and its former employees who provided audit services to the Company have joined Baker Tilly HK. Therefore, the Board proposed to appoint Baker Tilly HK as its international auditor so as to ensure the continuity and consistency of the Company's audit.

The Company has received a confirmation letter from UHY HK, confirming that there are no circumstances connected with its resignation that should be brought to the attention of the Shareholders or creditors of the Company. The Board also confirms that there are no circumstances in respect of the change of auditor which shall be brought to the attention of the Shareholders. The Board and the Company's audit committee have also confirmed that there is no disagreement between UHY HK and the Board and no unresolved issue regarding the resignation of UHY HK.

It is expected that the change of international auditor will not affect the publication of the audited annual results of the Company for the financial year ending 31 December 2010.

## **II. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

### **A. AMENDMENTS TO ARTICLES 3.5, 3.6 AND 3.9**

In accordance with the authorisation granted at the annual general meeting of the Company held on 18 June 2010 and pursuant to the placing of new H shares in the Company as announced on 14 September 2010, the Board has resolved to amend Articles 3.5, 3.6 and 3.9 of the Articles of Association so as to reflect the new share capital structure upon the allotment and issue of the above placing shares. The amendments are set out as follows:

1. The amended Article 3.5 shall read: “As approved by the approval authorities authorised by the State Council, the total number of ordinary shares issued by the Company is 2,699,513,131. The number of shares issued to the promoters at the time of establishment is 1,387,760,000, representing 51.41% of the total number of ordinary shares that have been issued by the Company.”
2. The amended Article 3.6 shall read: “The number of issued ordinary shares of the Company after its establishment is 1,418,936,077 shares which are all overseas listed foreign capital shares. In this issue of overseas listed foreign capital shares, the Stateowned shareholders of the Company including China National Building Material Group Corporation(中國建築材料集團有限公司), Beijing New Building Material (Group) Company Limited(北新建材(集團)有限公司), China National Building Material Import and Export Company(中建材集團進出口公司) and China Building Materials Academy(中國建築材料科學研究總院) have reduced their shareholdings in the Company by 20,649,871 shares in aggregate, which have been converted into overseas listed foreign capital shares after the reduction. The total number of overseas listed foreign capital shares of the Company is 1,439,585,948 shares, representing 53.33% of the total number of issued ordinary shares of the Company.

The equity structure of the Company is: 2,699,513,131 shares of ordinary shares, of which 333,481,261 shares, representing 12.35% of the total number of issued ordinary shares of the Company, are held by China National Building Material Group Corporation (a promoter of the Company); 742,783,478 shares, representing 27.52% of the total number of issued ordinary shares of the Company, are held by Beijing New Building Material (Group) Company Limited (a promoter of the Company); 113,859,765 shares, representing 4.22% of the total number of issued ordinary shares of the Company, are held by China National Building Material Import and Export Company (a promoter of the Company); 69,216,154 shares, representing 2.56% of the total number of issued ordinary shares of the Company, are held by China Cinda Asset Management Corporation(中國信達資產管理公司) (a promoter of the Company); 586,525 shares, representing 0.02% of the total number of issued ordinary shares of the Company, are held by China Building Materials Academy (a promoter of the Company); and 1,439,585,948 shares, representing 53.33% of the total number of issued ordinary shares of the Company, are held by the shareholders of the overseas listed foreign capital shares.”

3. The amended Article 3.9 shall read: “The registered capital of the Company shall be RMB2,699,513,131.”

## **B. AMENDMENTS TO ARTICLE 2.2**

Further, in order to reflect the minor changes made to its business scope in the Company's renewed "Qualification Certificate of Overseas Project Contracting of the People's Republic of China" (《中華人民共和國對外承包工程經營資格證書》), the Board proposed to make corresponding amendments to Article 2.2 of the Articles of Association. The proposed amendments to Article 2.2 are subject to the approval of Shareholders by way of a special resolution at the EGM. Details of the proposed amendments to Article 2.2 are set out as follows:

Existing Article 2.2:           The scope of business of the Company shall be based on the items approved by the Company registration authorities.

Scope of business of the Company: technology research and development, production and sale of new style building material and products, new style housing, cement and products, glass fibre and products, and composite material and products; storage, delivery and distribution of building material; technology research and development, works design and general contracting of cement and glass production lines; works design and general contracting of new style building material; technology consultation and information services relating to the aforesaid businesses. Contracting for the project contracting, works investigations, consultation, design and supervision of offshore building material, building and textile industries; export of equipment and materials necessary for the aforesaid offshore works; sending abroad the personnel necessary for the implementation of the aforesaid offshore works.

Amended Article 2.2: The scope of business of the Company shall be based on the items approved by the Company registration authorities.

Scope of business of the Company: technology research and development, production and sale of new style building material and products, new style housing, cement and products, glass fibre and products, and composite material and products; storage, delivery and distribution of building material; technology research and development, works design and general contracting of cement and glass production lines; works design and general contracting of new style building material; technology consultation and information services relating to the aforesaid businesses; contracting for the works investigations, consultation, design and supervision of offshore building material, building and textile industries; import and export business. Sending abroad the personnel necessary for the aforesaid offshore works on the basis of its strength, size and results.

### **III. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **A. INTRODUCTION**

Reference is made to the announcement of the Company dated 2 November 2007 and the circular of the Company dated 15 November 2007 in relation to a number of non-exempt continuing connected transactions currently conducted between the Group and Parent Group. The existing framework agreements dated 2 November 2007 governing these non-exempt continuing connected transactions will expire on 31 December 2010. The Group intends to continue to conduct some of these connected transactions some of which will constitute the Non-exempt Continuing Connected Transactions pursuant to the New Framework Agreements for the three years ending 31 December 2013.

## **B. PRINCIPLE TERMS OF THE NEW FRAMEWORK AGREEMENTS**

On 4 November 2010, after trading hours, the Company and Parent entered into the following New Framework Agreements each for a term of three years commencing from 1 January 2011:

### *1. Master Purchase of Mineral Agreement*

- |                                  |   |
|----------------------------------|---|
| (i) Parties:                     | The Company<br><br>Parent   |
| (ii) Description of transaction: | Purchase of limestone and clay from Parent Group for the Group's production of clinker and other cement products.   |
| (iii) Pricing                    | The price of the limestone and clay will be determined based on market price, namely, the price at which the same type of mineral is sold to independent third parties on normal commercial terms in the ordinary course of business in the same or nearby area, or in the PRC. |





(iii) Pricing

The prices of the products and services to be purchased or supplied by the Group shall be at:

- (i) the relevant prices prescribed by the price control authorities of the PRC Government;
- (ii) if the prices mentioned in (i) above are not available, the guided prices issued by the relevant PRC authorities, if available;
- (iii) if the prices mentioned in (i) and, or (ii) above are not available, the market price which is the price at which the same type of products or services are offered by independent third parties under normal commercial terms in the ordinary course of business in the same or nearby area, or in the PRC; and
- (iv) if none of the prices mentioned in (i), (ii) and (iii) above is available, the prices will be deemed to be the reasonable costs incurred in providing the same products or services plus a profit margin of not more than 5% over such costs. Reasonable costs are the costs agreed by both parties after arm's length negotiations and permitted by the accounting principles of the PRC.

### 3. *Master Purchase of Equipment Agreement*

- |                                  |   |
|----------------------------------|---|
| (i) Parties:                     | The Company<br><br>Parent   |
| (ii) Description of transaction: | Purchase of equipment from Parent Group for use in the production of the Group.   |
| (iii) Pricing                    | The equipment to be purchased will be determined based on market price, namely, the price at which the same type of equipment is provided by independent third parties on normal commercial terms in the ordinary course of business in the same or nearby area, or in the PRC. |

## C. **BASIS OF DETERMINATION OF THE PROPOSED ANNUAL CAPS**

Details of the Proposed Annual Caps of each of the Non-exempt Continuing Connected Transactions (numbered 1, 2a, 2b and 3) for the three years ending 31 December 2013 are as follows:

### 1. *Purchase of limestone and clay from Parent Group pursuant to the Master Purchase of Mineral Agreement*

- |  |  |
|--|--|
| Historical transaction values<br><i>(in RMB thousands)</i>   | For each of the two years ended 31 December 2009 and the six months ended 30 June 2010, approximately 72,925, 94,660 and 51,934, respectively. |
| Projected transaction value<br>for the six months ending<br>31 December, 2010<br><i>(in RMB thousands)</i> | Approximately 70,940   |
| Previously approved annual<br>caps <i>(in RMB thousands)</i>   | For each of the three years ended 31 December 2010, are 133,784, 200,814 and 209,482, respectively.  |

Proposed Annual Caps  
*(in RMB thousands)* For each of the three years ending 31 December 2013 are approximately 159,772, 168,347 and 171,003, respectively.

Basis of determination of  
the Proposed Annual Caps The Proposed Annual Caps are determined based on (i) the anticipated increase in the market prices of limestone in the next three financial years up to 2013; (ii) the expected increase in the Group's demand for these materials during the same period as a result of the Group's plan to expand its production capacity.

2a. *Purchase of products and services from Parent Group pursuant to the Master Mutual Provision of Products and Services Agreement*

Historical transaction values  
*(in RMB thousands)* For each of the two years ended 31 December 2009 and the six months ended 30 June 2010 are approximately 108,977, 108,682 and 54,702 respectively.

Projected transaction value  
for the six months ending  
31 December, 2010  
*(in RMB thousands)* Approximately 155,276

Previously approved  
annual caps  
*(in RMB thousands)* For each of the three years ended 31 December 2010 are 168,476, 188,216 and 215,038 respectively.

Proposed Annual Caps  
*(in RMB thousands)* For each of the three years ending 31 December 2013 are approximately 351,728, 370,525 and 389,926 respectively.

Basis of determination of the Proposed Annual Caps      The Company has mainly taken into account its increased demand of production supplies from China Triumph, a subsidiary of the Company, which is expanding its business relating to the provision of cement and glass technology engineering services. The increase in raw material costs and expansion of the Company's business will also increase the Group's demand for production supplies and support services from Parent Group, thus resulting in an increase in the Proposed Annual Caps in respect of the purchase of products and services from Parent Group.

*2b. Provision of products and services by the Group to Parent Group pursuant to the Master Mutual Provision of Products and Services Agreement*

Historical transaction values  
*(in RMB thousands)*      For each of the two years ended 31 December 2009 and the six months ended 30 June 2010 are approximately 87,544, 89,891 and 20,144, respectively.

Projected transaction values  
for the six months ending  
31 December, 2010  
*(in RMB thousands)*      Approximately 436,037

Previously approved  
annual caps  
*(in RMB thousands)*      For each of the three years ended 31 December 2010 are 492,211, 726,404 and 910,715, respectively.

Proposed Annual Caps  
*(in RMB thousands)*      For each of the three years ending 31 December 2013 are approximately 1,333,508, 1,514,623 and 1,337,319, respectively.

Basis of determination of the Proposed Annual Caps      The Proposed Annual Caps are determined taking into account the anticipated increase in design, equipment leasing, and construction and engineering services provided by China Triumph, a subsidiary of the Company, to the subsidiaries of Parent.

3. *Purchase of equipment from Parent Group pursuant to the Master Purchase of Equipment Agreement*

Historical transaction values  
(in RMB thousands)      For each of the two years ended 31 December 2009 and the six months ended 30 June 2010 are approximately 25,863, 50,895 and 24,655, respectively.

Projected transaction value  
for the six months ending  
31 December, 2010  
(in RMB thousands)      Approximately 100,528

Previously approved  
annual caps  
(in RMB thousands)      For each of the three years ended 31 December 2010 are 142,529, 132,940 and 134,370, respectively.

Proposed Annual Caps  
(in RMB thousands)      For each of the three years ending 31 December 2013 are approximately 241,564, 172,108 and 153,913, respectively.

Basis of determination of the Proposed Annual Caps      The subsidiaries of the Company will upgrade its production technology and increase its daily clinker related production capacity. As a result, the Company's demand for related equipment will increase. The construction of the new gypsum board production lines of the Company's subsidiaries, BNBM and Taishan Gypsum, will in turn give rise to growing need for drying machines, mixing machines and related machinery that will be used in the production process. As a result, the Group's demand for production equipment will increase from 2011 onwards.

Other than the specific factors referred to above in determining the Proposed Annual Caps, the directors of the Company have also considered the prevailing market conditions of the building material industry in the PRC, the trend and pace of growth in sales of the Group in the next three years and the Group's plan to improve its production efficiencies.

The directors of the Company, including the independent non-executive directors of the Company, are of the view that the terms of each of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **D. REASONS FOR, AND BENEFITS OF, THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The Non-exempt Continuing Connected Transactions are a continuation of some of the existing non-exempt continuing connected transactions entered into upon the listing of the Company in 2006. These transactions are conducted in order to meet the operational needs of the Group. As a result of these transactions, the Company is, for instance, able to secure a stable supply of minerals to meet its production needs by purchasing limestone and clay from quarries operated by Parent Group that are located in close proximity to the Company's plants.

The Board considers that the Non-exempt Continuing Connected Transactions are on normal commercial terms or on terms no less favourable than those available to independent third parties and entered into in the ordinary and usual course of business of the Company, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Given this and the fact that the purpose of the Non-exempt Continuing Connected Transactions are to satisfy the operational needs of the Group, the directors of the Company consider that it is beneficial to the Company to carry out the Non-exempt Continuing Connected Transactions.

## **E. INFORMATION RELATING TO PARENT AND THE COMPANY**

### *Parent*

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

### *The Company*

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

## **F. IMPLICATIONS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE LISTING RULES**

Parent Group has a direct equity interest of 12.35% and an indirect equity interest of 31.76% in the Company as at the date of this announcement. It is a controlling shareholder of the Company. Each member of Parent Group therefore constitutes a connected person of the Company under the Listing Rules.

Each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules on an annual basis is less than 5%. Even if the Non-exempt Continuing Connected Transactions were to be aggregated, each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules on an annual basis would still be less than 5%. Accordingly, the Non-exempt Continuing Connected Transactions constitute continuing connected transactions that are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules and are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

The directors of the Company who have a material interest in the Non-exempt Continuing Connected Transactions are Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Huang Anzhong and Ms. Cui Lijun. These directors have abstained from voting on the board resolution to approve the New Framework Agreements.

## IV. GENERAL

A circular containing, among other things, (i) details of the change in auditor and the amendments to Article 2.2 of the Articles of Association, and (ii) a notice of the EGM, will be dispatched to the Shareholders on 15 November 2010.

## DEFINITIONS

In this announcement the following words have the following meanings unless the context requires otherwise:

“Baker Tilly HK”	Baker Tilly Hong Kong Limited (天職香港會計師事務所有限公司，formerly known as 天華香港會計師事務所有限公司)
“BNBM”	北新集團建材股份有限公司 (Beijing New Building Material Company Limited*), a joint stock limited company incorporated under the laws of the PRC and a subsidiary of the Company. Its A shares are listed on the Shenzhen Stock Exchange
“Board”	the board of directors of the Company
“China Triumph”	中國建材國際工程集團有限公司 (China Triumph International Engineering Group Company Limited) a limited liability company incorporated under the laws of the PRC and a subsidiary of the Company
“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, whose H shares are listed on the Stock Exchange
“EGM”	the extraordinary general meeting of the Company to be held on 30 December 2010



“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Framework Agreements”	collectively the three new framework agreements dated 4 November, 2010 relating to the Non-exempt Continuing Connected Transactions, namely, Master Purchase of Mineral Agreement; Master Mutual Provision of Products and Services Agreement; and Master Purchase of Equipment Agreement
“Non-exempt Continuing Connected Transactions”	<p>the non-exempt continuing connected transactions entered into between the Group and Parent Group for the three years ending 31 December 2013 as contemplated under the:</p> <ul style="list-style-type: none"> <li>— Master Purchase of Mineral Agreement;</li> <li>— Master Mutual Provision of Products and Services Agreement; and</li> <li>— Master Purchase of Equipment Agreement</li> </ul>
“Parent”	中國建築材料集團有限公司 (China National Building Material Group Corporation*), a state-owned limited liability company incorporated under the laws of the PRC and a controlling shareholder of the Company
“Parent Group”	collectively Parent and its subsidiaries, excluding the Group
“PRC”	the People’s Republic of China. Geographical reference in this announcement to the PRC excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Proposed Annual Caps”	the proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholders”	holder(s) of ordinary shares of the Company
“Taishan Gypsum”	泰山石膏股份有限公司 (Taishan Gypsum Company Limited*), a joint stock limited company incorporated under the laws of the PRC and a subsidiary of the Company
“UHY HK”	UHY Vocation HK CPA Limited (former Chinese name known as 天職香港會計師事務所有限公司)

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

Beijing, the PRC, 4 November 2010

*As at the date of this announcement, the executive Directors are Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Li Yimin, Mr. Peng Shou and Mr. Cui Xingtai, 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.*

\* *For identification only*