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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
ACQUISITION OF BEIJING FRP INSTITUTE**

THE AGREEMENT

On 31 July 2019, Sinoma Science & Technology and CNBM Assets Management entered into the Agreement, pursuant to which Sinoma Science & Technology has agreed to purchase, and CNBM Assets Management has agreed to sell, the 100% equity interest in Beijing FRP Institute. Upon completion of the Acquisition, Beijing FRP Institute will become a wholly-owned subsidiary of Sinoma Science & Technology, and in turn become an indirect subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the Parent has a direct and indirect equity interest of approximately 41.55% in aggregate in the Company, it is a substantial shareholder of the Company. CNBM Assets Management is a wholly-owned subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 0.1% but all such applicable percentage ratios are less than 5%, the Acquisition is subject to the announcement requirements, but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRINCIPAL TERMS OF THE AGREEMENT

Date

31 July 2019

Parties

- (1) Sinoma Science & Technology, as transferee; and
- (2) CNBM Assets Management, as transferor.

Nature of transaction

Sinoma Science & Technology has agreed to purchase, and CNBM Assets Management has agreed to sell, the 100% equity interest in Beijing FRP Institute.

Upon completion of the Acquisition, Beijing FRP Institute will become a wholly-owned subsidiary of Sinoma Science & Technology, and in turn become an indirect subsidiary of the Company.

Consideration

The consideration payable by Sinoma Science & Technology to CNBM Assets Management for the Acquisition is RMB83,028.3 thousand. The consideration was determined by the parties after arm's length negotiations and taking into account the appraised value of the total equity interest of Beijing FRP Institute, i.e., RMB83,028.3 thousand, as at 31 December 2018. The appraised value was evaluated based on the asset-based approach by an independent third-party valuer, 北京亞超資產評估有限公司 (Beijing Yachao Asset Appraisal Co., Ltd.*).

After the Agreement becomes effective, the above consideration shall be paid by Sinoma Science & Technology in cash in one lump sum within 30 days from the date when Sinoma Science & Technology is registered as the shareholder of Beijing FRP Institute at the industrial and commerce authority. The consideration will be satisfied by the own funds of Sinoma Science & Technology.

Miscellaneous terms

Within three working days after receiving the consideration, CNBM Assets Management shall pay the employee resettlement fee, i.e., RMB82,421.3 thousand, to Beijing FRP Institute. The employee resettlement fee is determined based on the “Audit Report on the Relevant Fees of the Retirees of Beijing FRP Institute” issued by 北京亞洲會計師事務所 (Beijing Asia Certified Public Accountants*). Sinoma Science & Technology undertakes that the above-mentioned employee resettlement fee will be used entirely for the resettlement of the employees of Beijing FRP Institute and shall not be used for other purposes.

The profit or loss of Beijing FRP Institute from the valuation benchmark date (31 December 2018) to the closing date will all be attributed to or borne by Sinoma Science & Technology.

Effective conditions

The Agreement will become effective after: (1) signing of the Agreement with company seals affixed thereto by both parties; (2) approval of the Acquisition by the board of directors of both parties; (3) approval by the board of directors of the Parent.

Closing

The parties agree that the Acquisition shall be completed on or before 31 October 2019 and the closing shall take place when Beijing FRP Institute’s shareholder registered with the industrial and commerce authority changes.

INFORMATION ON BEIJING FRP INSTITUTE

Beijing FRP Institute is a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of CNBM Assets Management as at the date of this announcement. It is principally engaged in inspection and testing, housing leasing and other services.

Pursuant to the audited accounts of Beijing FRP Institute for the year ended 31 December 2018 prepared in accordance with China Accounting Standards for Business Enterprises, the audited net assets of Beijing FRP Institute as at 31 December 2018 were RMB30,586.3 thousand. Pursuant to the management accounts of Beijing FRP Institute for the six months ended 30 June 2019 prepared in accordance with China Accounting Standards for Business Enterprises, the unaudited net assets of Beijing FRP Institute as at 30 June 2019 were RMB33,659.9 thousand. As mentioned above in this announcement, the appraised value of the total equity interest of Beijing FRP Institute as at 31 December 2018 is RMB83,028.3 thousand. The increase in the appraised value of the total equity interest compared to its book value is mainly due to the appreciation of the land and real estate values of Beijing FRP Institute.

The net profit (before and after tax) of Beijing FRP Institute for the two years ended 31 December 2018 and the six months ended 30 June 2019 are as follows:

Unit: RMB thousand

	For the six months ended 30 June 2019 (unaudited)	For the year ended 31 December 2018 (audited)	For the year ended 31 December 2017 (audited)
Net Profit (before tax)	3,073.7	32,186.6	(10,751.3)
Net Profit (after tax)	3,073.7	32,597.8	(10,679.3)

INFORMATION ON THE RELATED PARTIES

The Company

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

CNBM Assets Management

CNBM Assets Management is a wholly-owned subsidiary of the Parent. Its business scope includes asset management, investment management, enterprise management, technology services, technology development, technology consulting, technology transfer, commissioned processing of building materials and equipment product, sales of textiles, clothing, hardware and electrical equipment, chemical products (excluding hazardous chemicals and category 1 precursor chemicals), building materials, daily groceries, metallic materials, mechanical equipment, electronic product, household appliances and providing public parking lot services for automobiles. CNBM Assets Management is principally engaged in the management of group-related assets, solving the historical problems left over the enterprises.

Sinoma Science & Technology

Sinoma Science & Technology is a direct non-wholly owned subsidiary of the Company and is principally engaged in the R&D, manufacturing and sales of wind power blades, the R&D, manufacturing and sales of glass fibre and its products, and vigorously develops the lithium battery separator industry.

The Parent

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

Due to historical reasons, the assets of 北京玻鋼院複合材料有限公司(Beijing Composite Materials Co Ltd.*) (“**Beijing Composite Materials**”), a subsidiary of Sinoma Science & Technology, is linked to that of Beijing FRP Institute. To meet daily production management and operation needs, Beijing Composite Materials needs to lease Beijing FRP Institute’s real estate assets. The Acquisition can achieve comprehensive integration of Beijing Composite Materials and Beijing FRP Institute in terms of business, qualifications, assets and personnel, solve existing historical problems, straighten out assets relation, reduce connected transactions and improve operation and management efficiencies. Meanwhile, Sinoma Science & Technology may proactively explore and implement various incentive mechanisms in relation to technology innovation and scientific and technical personnel of institutes of scientific research, which may drive the long-term development of such institutes.

The Directors (including the independent non-executive Directors) are of the view that the Agreement was entered into on normal commercial terms, and although the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms therein are fair and reasonable and in the interests of the Company and its shareholders as a whole. Except that three Directors (including Mr. Cao Jianglin, Ms. Xu Weibing and Mr. Chang Zhangli) who are employed by the Parent and thus need to abstain from voting on the Board resolution approving on the Acquisition, none of the Directors have a material interest in the Acquisition.

LISTING RULES IMPLICATIONS

As the Parent has a direct and indirect equity interest of approximately 41.55% in aggregate in the Company, it is a substantial shareholder of the Company. CNBM Assets Management is a wholly-owned subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 0.1% but all such applicable percentage ratios are less than 5%, the Acquisition is subject to the announcement requirements, but is exempt from the circular and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition by Sinoma Science & Technology of 100% equity interest in Beijing FRP Institute under the Agreement
“Agreement”	the equity transfer agreement dated 31 July 2019 entered into between Sinoma Science & Technology and CNBM Assets Management in relation to the Acquisition
“Beijing FRP Institute”	北京玻璃鋼研究設計院有限公司(Beijing FRP Research and Design Institute Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of CNBM Assets Management as at the date of this announcement
“Board”	the board of Directors
“CNBM Assets Management”	中建材資產管理有限公司(China National Building Material Assets Management Corporation*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Parent
“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
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“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 only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sinoma Science & Technology”	中材科技股份有限公司(Sinoma Science & Technology Co., Ltd.*), a joint-stock company incorporated under the laws of the PRC with limited liability the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002080) and a direct non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
China National Building Material Company Limited*
Yu Kaijun
Secretary of the Board

Beijing, the PRC
31 July 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Cao Jianglin, Mr. Peng Shou and Mr. Cui Xingtai as executive directors, Ms. Xu Weibing, Mr. Chang Zhangli, Mr. Tao Zheng, Mr. Chen Yongxin, Mr. Shen Yungang and Ms. Fan Xiaoyan 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*