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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 of its members)

(Stock Code: 3323)

**DISCLOSEABLE TRANSACTION
ESTABLISHMENT OF A JOINT VENTURE AND
ACQUISITION THROUGH CONTRIBUTION IN KIND**

On 27 September 2019, China United Cement, a wholly-owned subsidiary of the Company, entered into a Shareholders Agreement with Henan Investment Group, pursuant to which the parties agreed to establish a Joint Venture in the PRC.

The registered capital of the Joint Venture is RMB9,225.3358 million, of which RMB5,535.2015 million (representing 60% of the registered capital of the Joint Venture) will be contributed by China United Cement in cash and RMB3,690.1343 million (representing 40% of the registered capital of the Joint Venture) will be contributed by Henan Investment Group by way of injecting the Injected Assets.

The transactions under the Shareholders Agreement constitute an establishment of a joint venture and an acquisition (through contribution in kind) under the Listing Rules. One or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of them exceed 5% but all applicable percentage ratios are less than 25%. The establishment of the Joint Venture and the acquisition each constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

PRINCIPAL TERMS OF THE SHAREHOLDERS AGREEMENT

Date

27 September 2019

Parties

- (1) China United Cement, a wholly-owned subsidiary of the Company; and
- (2) Henan Investment Group

To the best of the knowledge, information and belief of the directors of the Company having made all reasonable enquiry, Henan Investment Group and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Nature of the Transaction

China United Cement and Henan Investment Group agreed to establish the Joint Venture in Zhengzhou, Henan Province, the PRC.

Conditions to the Agreement taking effect

The Shareholders Agreement shall take effect from the date on which both of the following conditions are satisfied (whichever is later): (i) the Shareholders Agreement having been approved by the shareholders of China United Cement; and (ii) the Shareholders Agreement having been approved by the relevant supervising competent authority of Henan Investment Group.

INFORMATION ON THE JOINT VENTURE

(I) Business Scope

The business scope of the Joint Venture include: manufacturing and sale of cement and its related products; import and export; limestone mining for cement, processing and sale of sand aggregate; research and development, manufacturing and sale of solar glass processing, sale and leasing or building materials machinery; processing and maintenance of mechanical and electrical equipment; (the business scope is subject to the registration and approval by the administrative authority for industry and commerce in the PRC).

(II) Term of Operation

The term of operation of the Joint Venture is 50 years. The term of operation of the Company may be extended with the approval of the shareholders of the Joint Venture holding more than two-thirds of the voting rights.

(III) Registered Capital and Form of Capital Contribution

The registered capital of the Joint Venture is RMB9,225.3358 million. China United Cement will contribute in cash RMB5,535.2015 million, representing 60% of the registered capital of the Joint Venture. Henan Investment Group will contribute, by way of injecting the Injected Assets, RMB3,690.1343 million, representing 40% of the registered capital of the Joint Venture. The Joint Venture will become a subsidiary of China United Cement.

The schedule of capital contribution of the parties is as follows:

- (1) China United Cement shall complete the payment of initial capital contribution of RMB5 million in cash within 15 working days from the date of incorporation of the Joint Venture.
- (2) Henan Investment Group shall, within six months from the date of incorporation of the Joint Venture, transfer all the Target Equity Interests to the Joint Venture. For this purpose, the Joint Venture will enter into relevant agreement(s) with Henan Investment Group for the transfer the Target Equity Interests. The actual payment by Henan Investment Group of the capital contribution in respect of the equity interests (in part or in full) of the Joint Venture shall be deemed to have been made on the date(s) of registration of the change in shareholder of the relevant Target Company(ies) at the administration authority for industry and commerce.

- (3) Within 15 working days from the date of each transfer of the Target Equity Interests (in part or in full) by Henan Investment Group (“**Each Instalment of Injected Assets**”) to the Joint Venture, China United Cement shall pay the instalment of capital contribution to the Joint Venture according to the following formula:

$$\text{(Total capital commitment of China United Cement – Initial capital contribution)} \times \frac{\text{Appraised value of Each Instalment of Injecetd Assets}}{\text{Total appraised value of Target Equity Interests}}$$

China United Cement shall, within 15 working days from the date of the transfer of the equity interest of the last Target Company by Henan Investment Group, complete all payment of China United Cement’s capital contribution in the Joint Venture.

If any party fails to pay the amount of capital contribution in accordance with the Shareholders Agreement, it shall be liable for a default penalty at 0.05% per day of the overdue amount. If the defaulting shareholder fails to pay the full amount of capital contribution after it is overdue for 60 days, it shall be liable for a default penalty at 20% of the overdue amount.

The capital requirements of the Joint Venture were determined after arm’s length negotiations between the parties and taking into account the development plan of the Joint Venture. The value of the Injected Assets to be contributed by Henan Investment Group was determined based on the appraised value in the relevant asset appraisal report, of which RMB3,528.9943 million was attributable to the Target Equity Interests (assessed using the asset-based method) and RMB161.14 million was attributable to the Target Trademarks (assessed using the income method).

China United Cement will use its internal funds to fund the capital contribution to the Joint Venture.

(IV) Composition of the board of directors and the supervisory committee

According to the articles of the Joint Venture, the board of directors of the Joint Venture will comprise five directors, among which three directors will be nominated by China United Cement and two directors will be nominated by Henan Investment Group. The chairman of the board of directors will be nominated among the directors nominated by China United Cement.

The supervisory committee of the Joint Venture will comprise three supervisors, of which two will be shareholder representative supervisors and one will be a staff representative supervisor. China United Cement and Henan Investment Group will each nominate a shareholder representative supervisor. The chairman of the supervisory committee will be nominated among the supervisor(s) nominated by China United Cement. The staff representative supervisor will be democratically elected by the staff of the Joint Venture.

(V) Transfer of equity interests

According to the articles of the Joint Venture, shareholders of the Joint Venture (“**JV Shareholder(s)**”) may transfer all or part of their equity interests between themselves. When any JV Shareholder proposes to transfer its equity interest to persons other than JV Shareholders, the proposing JV Shareholder shall notify and seek consent from the other JV Shareholders in writing. JV Shareholders who do not consent to the transfer shall purchase the equity interest proposed to be transferred and those who do not so purchase are deemed to have consented to the proposed transfer. The other JV Shareholders shall have the right of first refusal to acquire, on the same terms, the equity interest the transfer of which have been consented to by the JV Shareholders.

(VI) Non-competition

After the establishment of the Joint Venture, if China United Cement (or entities in which it has the right to control) has any new business opportunities in cement, aggregate, concrete and other building materials or new building materials projects that compete with the Joint Venture in Henan, China United Cement shall first give these business opportunities to the Joint Venture.

During the joint venture between China United Cement and Henan Investment Group, the Joint Venture will manage China United Cement’s enterprises which operate cement, aggregate and commercial concrete business in Henan Province.

INJECTED ASSETS

The assets to be injected by Henan Investment Group are the Target Equity Interests relating to the Target Companies (including its respective subsidiaries (if any)) and the Target Trademark. All Target Companies are incorporated under the laws of the PRC with limited liability and are subsidiaries of Henan Investment Group. The Target Companies and its respective subsidiaries are principally engaged in the cement manufacturing business, with the manufacturing and sale of cement and cement products being the primary lines of business. Based on the audited financial statements of the Target Companies prepared in accordance with the generally accepted accounting principles in the PRC, for each of the years ended 31 December 2017 and 2018, the aggregate audited consolidated net profit (before tax) of the Target Companies were RMB459.00 million and RMB1,067.85 million, respectively, and the aggregate audited consolidated net profit (after tax) were RMB347.65 million and RMB813.78 million, respectively. The aggregate audited consolidated net assets of the Target Companies as at 31 December 2017 and 2018 were RMB2,684.3475 million and RMB2,992.9079 million, respectively.

According to the relevant report of appraisal on the Target Trademarks, the Target Trademarks include 12 trademarks, which are mainly used in cement products. The book value and the appraised value of the Target Trademarks are RMB130.2636 million and RMB161.14 million, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Currently, the market geographical distribution between the large cement groups in Henan Province is relatively distinct. The business carried out by the subsidiaries of China United Cement and the “Tongli” series cement group under the Henan Investment Group are distributed in different regions of the Henan Province. The Company expects the transactions under the Shareholders Agreement to strengthen China United Cement’s position in the Henan Province and to consolidate resources, primarily in the form of reduced production costs, further utilized advantages of the enterprise and supporting the Group’s development of “Cement +” strategy and building a large construction industry group in Henan Province that manufactures cement, commercial concretes, sand aggregate and cement products. The transactions are also in line with the policy of the People’s Government of Henan Province to encourage the combination of cement enterprises within the region to reform the structure of industry.

The directors of the Company are of the view that the transaction under the Shareholders Agreement is on terms which are fair and reasonable and is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

The Company is a leading building materials company in the PRC with significant operations in the cement, new materials and engineering services businesses. China United Cement is principally engaged in the manufacturing and research and development of cement, commercial concrete, sand aggregate and cement products, etc., energy conservation and environmental protection and comprehensive utilisation of resources.

Based on information available to the Company, Henan Investment Group is principally engaged in investment in various industries, including general processing industry, mainly related to cement, glass, paper, bio-chemical industries..

LISTING RULES IMPLICATIONS

The transactions under the Shareholders Agreement constitute an establishment of a joint venture and an acquisition (through contribution in kind) under the Listing Rules. One or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of them exceed 5% but all applicable percentage ratios are less than 25%. The establishment of the Joint Venture and the acquisition each constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Cement +”	to develop, optimize and expand cement, commercial concrete, aggregate businesses which are the extension of industry chain of cement-related products and the new focal points of profit growth
“China United Cement”	中國聯合水泥集團有限公司(China United Cement Corporation*), a wholly-owned 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, the H shares of which are listed on the Stock Exchange
“Group”	the Company and its subsidiaries from time to time
“Henan Investment Group”	河南投資集團有限公司(Henan Investment Group Co., Ltd.*)

“Injected Assets”	Target Equity Interests and Target Trademarks
“Joint Venture”	河南中聯同力材料有限公司(Henan China United Tongli Material Co., Ltd.*), a limited liability company to be incorporated under the laws of the PRC pursuant to the Shareholders Agreement, its name is subject to approval of and registration with relevant government agencies of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Shareholders Agreement”	the shareholders agreement dated 27 September 2019 entered into between China United Cement and Henan Investment Group in relation to the Joint Venture
“Target Companies”	10 subsidiaries of Henan Investment Group, namely, 駐馬店市豫龍同力水泥有限公司(Zhumadian City Yulong Tongli Cement Limited Company*), 洛陽黃河同力水泥有限責任公司(Luoyang Huanghe Tongli Cement Co., Ltd.*), 三門峽騰躍同力水泥有限公司(Sanmenxia Tengyue Tongli Cement Co., Ltd.*), 河南省同力水泥有限公司(Henan Tongli Cement Co., Ltd.*), 河南省豫鶴同力水泥有限公司(Henan Yuhe Tongli Cement Co., Ltd.*), 新鄉平原同力水泥有限責任公司(Xinxiang Pingyuan Tongli Cement Co., Ltd.*), 駐馬店市同力骨料有限公司(Zhumadian City Tongli Aggregate Co., Ltd.*), 濮陽同力建材有限公司(Puyang Tongli Building Material Co., Ltd.*), 中非同力投資有限公司(China-Africa Tongli Investment Co., Ltd.*), 河南省豫南水泥有限公司(Henan Yunan Cement Co., Ltd.*)
“Target Trademarks”	trademarks under the “Tongli” series owned by Henan Investment Group

“Target Equity Interests”

equity interests held by Henan Investment Group in the Target Companies are as follows: 70% equity interest in 駐馬店市豫龍同力水泥有限公司(Zhumadian City Yulong Tongli Cement Limited Company*), 73.15% equity interest in 洛陽黃河同力水泥有限責任公司(Luoyang Huanghe Tongli Cement Co., Ltd.*), 100% equity interest in 三門峽騰躍同力水泥有限公司(Sanmenxia Tengyue Tongli Cement Co., Ltd.*), 100% equity interest in 河南省同力水泥有限公司(Henan Tongli Cement Co., Ltd.*), 60% equity interest in 河南省豫鶴同力水泥有限公司(Henan Yuhe Tongli Cement Co., Ltd.*), 100% equity interest in 新鄉平原同力水泥有限責任公司(Xinxiang Pingyuan Tongli Cement Co., Ltd.*), 62.96% equity interest in 駐馬店市同力骨料有限公司(Zhumadian City Tongli Aggregate Co., Ltd.*), 100% equity interest in 濮陽同力建材有限公司(Puyang Tongli Building Material Co., Ltd.*), 100% equity interest in 中非同力投資有限公司(China-Africa Tongli Investment Co., Ltd.*), 60.15% equity interest in 河南省豫南水泥有限公司(Henan Yunan Cement Co., Ltd.*)

By order of the Board

China National Building Material Company Limited*

Yu Kaijun

Secretary of the Board

Beijing, the PRC
27 September 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