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China National Materials Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 01893)

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES FRAMEWORK AGREEMENT

FINANCIAL SERVICES FRAMEWORK AGREEMENT

On 24 May 2013, the Company and Sinoma Finance entered into the Financial Services Framework Agreement, pursuant to which Sinoma Finance agreed to provide the deposit services, loan services and Other Financial Services to the Group.

LISTING RULES IMPLICATIONS

Sinoma Finance is a subsidiary of the Parent, the controlling Shareholder, and therefore Sinoma Finance is a connected person of the Company under the Listing Rules. Accordingly, the respective transactions under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) for the three years ending 31 December 2015 exceed 5%, the deposit services under the Financial Services Framework Agreement are therefore subject to the annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in respect of the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement for the three years ending 31 December 2015 exceed 25%, the deposit services under the Financial Services Framework Agreement also constitute major transactions under Chapter 14 of the Listing Rules.

In respect of the proposed annual caps of the Other Financial Services under the Financial Services Framework Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) for the three years ending 31 December 2015 exceed 0.1% but are

below 5%, the Other Financial Services under the Financial Services Framework Agreement is only subject to the reporting, announcement and annual review requirements and are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the provision of the loans under the Financial Services Framework Agreement by Sinoma Finance on the normal commercial terms where no security over the assets of the Group shall be granted in respect of the loan, the loan services under the Financial Services Framework Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An independent board committee has been formed to advise the Independent Shareholders on the deposit services under the Financial Services Framework Agreement and GF Capital (Hong Kong) Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders on the deposit services under the Financial Services Framework Agreement in accordance with the Listing Rules.

A circular containing, among other things, further details of the transactions contemplated under the Financial Services Framework Agreement together with, the recommendations of the independent board committee, a letter from the Independent Financial Adviser to the independent board committee and the Independent Shareholders, and a notice convening the EGM will be expected to be despatched to the Shareholders on or before 17 June 2013 in accordance with the Listing Rules.

A. INTRODUCTION

On 24 May 2013, the Company and Sinoma Finance entered into the Financial Services Framework Agreement, pursuant to which Sinoma Finance agreed to provide the deposit services, loan services and Other Financial Services to the Group.

The Group utilises the services of Sinoma Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinoma Finance for any particular service, or at all. Sinoma Finance is merely one of a number of financial institutions which provide financial services to the Group. The Group will take overall account of the comprehensive factors including but not limited to the price, service quality and safety to choose financial services provider for each financial transaction. Under the same conditions, the Company will prefer to engage Sinoma Finance as the financial services provider since the Company holds 30% equity interest in Sinoma Finance.

B. FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date

24 May 2013

Parties

- (i) the Company
- (ii) Sinoma Finance

Continuing transactions

Pursuant to the Financial Services Framework Agreement, Sinoma Finance agreed to provide the deposit services, loan services and Other Financial Services to the Group.

Under the Financial Services Framework Agreement, Sinoma Finance has undertaken to the Group that whenever it provides financial services to the Group, the terms and conditions thereof shall not be less favorable than those for similar types of financial services provided by normal commercial banks in the PRC to the Group.

Term and termination

The Financial Services Framework Agreement is for a term commencing from the date of approval by the Independent Shareholders and ending on 31 December 2015.

Price determination

The pricing principles of the financial services to be provided by the Sinoma Finance to the Group are as follows:

- ***Deposit Services***

The interest rates for deposits provided to the Group by the Sinoma Finance shall not be lower than the lowest rate allowed by the PBOC for similar types of deposits. Subject to the above, the interest rates for deposits shall be the higher of (1) the same as or higher than the interest rates for similar types of deposits payable by Sinoma Finance to other members of Parent Group under the same conditions or (2) the same as or higher than the interest rates for similar types of deposits provided by normal commercial banks in the PRC under the same conditions.

- ***Loan Services***

The interest rates for loans provided to the Group by Sinoma Finance shall not be higher than the upper limit allowed by the PBOC for the similar types of loans. Subject to the above, the interest rates for the loans shall be the lower of (1) the same as or lower than the interest rates charged by Sinoma Finance to other members of Parent Group for the similar loans under the same conditions or (2) the same as or lower than the interest rates for the similar loans charged by normal commercial banks in the PRC under the same conditions.

- ***Other Financial Services***

The fees for Other Financial Services charged by the Sinoma Finance shall not be higher than the upper limit (if applicable) of the fees stipulated by PBOC. Subject to the above, the fees shall be the lower of (1) the same as or lower than the fees for similar types of financial services charged by Sinoma Finance to other members of Parent Group under the same conditions and (2) the same as or lower than the fees for similar types of financial services charged by normal commercial banks in the PRC under the same conditions.

Further Undertaking of Sinoma Finance

In order to regulate the credit risk that might be associated with the Group in depositing funds with Sinoma Finance, Sinoma Finance made further undertakings mainly as follows:

- the terms and conditions for the provision of financial services to the Group at any time, under the same conditions, shall be no less favourable than those provided by Sinoma Finance to other members of the Parent Group and shall be no less favourable than those for similar types of financial services provided by normal commercial banks in the PRC to the Group;
- no any high-risk investments with the deposits placed by the Group will be made by Sinoma Finance;
- a report of the Group's deposits daily balance with Sinoma Finance of the previous business day will be delivered by Sinoma Finance to the chief financial officer of the Company before 17:00 on the following business day;
- a copy of every regulatory report submitted by Sinoma Finance to the CBRC will be provided to the Company; and
- the monthly financial statements of Sinoma Finance and the statement of each member of the Group for each month will be provided to the Company by Sinoma Finance on or before the seventh business day of the following month.

C. PROPOSED ANNUAL CAPS

The proposed annual caps for the transactions contemplated under the Financial Services Framework Agreement for the three years ending 31 December 2015 are set out below:

Transactions	Year ending 31 December 2013 (RMB)	Year ending 31 December 2014 (RMB)	Year ending 31 December 2015 (RMB)
Deposit Services (Maximum daily balance (including accrued interests))	3,100,000,000	3,800,000,000	4,900,000,000
Other Financial Services (services fees payable to the Sinoma Finance)	100,000,000	200,000,000	250,000,000

In arriving at the above proposed annual caps, the Directors have taken into account, including but not limit to (i) the historical amount of deposits placed by members of the Group with normal commercial banks in the PRC and the historical amount of financial services fees paid by the Group to the relevant financial services providers, (ii) Given that Sinoma Finance was newly incorporated, the proposed annual caps for the transactions under the Financial Services Framework Agreement for 2013 set by the Company is relatively conservative. With the further development of cooperation between Sinoma Finance and the Group, the contemplated transactions between them are expected to be conducted with wider range and larger amount of funds involved in future. Accordingly, the proposed annual caps for three years ending 31 December 2015 under the Financial Services Framework Agreement should be expanded year after year, (iii) the future business development plans and financial services needs of members of the Group for the three years ending 31 December 2015, and (iv) the estimated future cash flow of members of the Group.

D. IMPLEMENTATION AGREEMENTS

Members of the Group and Sinoma Finance will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the Financial Services Framework Agreement during the term thereof. Each implementation agreement will set out the services supplied, payment terms, prices and other relevant terms thereof.

As the implementation agreements provide for the supply of the relevant services as contemplated under the Financial Services Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Financial Services Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Listing Rules accordingly.

E. REASONS FOR ENTERING INTO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Company is of the view that entering into the Financial Services Framework Agreement will benefit the Group in the following respects:

- to secure a stable source of the financial services in its ordinary course of business at market prices (or better to the Group), as the rates on deposits and fees of Other Financial Services offered by Sinoma Finance to the Group will be equal to or more favourable than those offered by normal commercial banks in the PRC;
- Sinoma Finance is regulated by the PBOC and the CBRC and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities;
- the Group is not restricted under the Financial Service Framework Agreement to approach and/or to engage any bank or any financial institution to satisfy its financial service needs, so entering into the Financial Services Framework Agreement will provide one more choice of financial services provider and encourage the financial services providers (including Sinoma Finance) to offer more competitive terms to the Group;
- the utilization of Sinoma Finance as a vehicle would enable the Group to make more efficient deployment of funds between the members of the Group and to better manage its current capital and cashflow position;
- it's expected that the Sinoma Finance may have better understanding of the operations of the Group, which should allow them to provide more favorable, diversified and flexible financial services to the Group as compared with the third-party commercial banks. For instance, it is expected that loans from Sinoma Finance may be approved quicker than by a commercial bank; and
- as the Company hold 30% equity interest in the Sinoma Finance, it's expected that the Company may benefit from Sinoma Finance's profits.

F. LISTING RULES IMPLICATIONS

Sinoma Finance is a subsidiary of the Parent, the controlling Shareholder, and therefore Sinoma Finance is a connected person of the Company under the Listing Rules. Accordingly, the respective transactions under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) for the three years ending 31 December 2015 exceed 5%, the

deposit services under the Financial Services Framework Agreement are therefore subject to the annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Meanwhile, As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in respect of the proposed maximum daily balance of the deposits under the Financial Services Framework Agreement for the three years ending 31 December 2015 exceed 25%, the deposit services under the Financial Services Framework Agreement also constitute major transactions under Chapter 14 of the Listing Rules.

In respect of the proposed annual caps of the Other Financial Services under the Financial Services Framework Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) for the three years ending 31 December 2015 exceed 0.1% but are below 5%, the Other Financial Services under the Financial Services Framework Agreement is only subject to the reporting, announcement and annual review requirements and are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the provision of the loans under the Financial Services Framework Agreement by Sinoma Finance on the normal commercial terms where no security over the assets of the Group shall be granted in respect of the loan, the loan services under the Financial Services Framework Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

G. GENERAL

As at the date of this announcement, the Parent and its associates, who directly and indirectly, hold 1,565,984,965 shares (represent approximately 43.85% of the issued share capital of the Company), control or are entitled to control over the voting right in respect of their shares in the Company. Therefore, the Parent and its associates will abstain from voting on the resolution in relation to the Financial Services Framework Agreement at the EGM.

The Directors (excluding the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) are of the view that the connected transactions under the Financial Services Framework Agreement (i) are entered into in the ordinary and usual course of business of the Company; (ii) are based on normal commercial terms, or on terms favourable than normal commercial terms; and (iii) the terms and the annual caps thereof, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Liu Zhijiang, Mr. Yu Shiliang, Mr. Li Xinhua and Mr. Zhang Hai, also directors or senior management of the Parent, are deemed to have material interests in the transactions under the Financial Services Framework Agreement and have abstained from voting on the relevant Board

resolutions. Other than those Directors mentioned above, none of the other Directors has or is deemed to have a material interest in the transactions under Financial Services Framework Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other continuing transaction entered into between any respective members of the Group and the Parent Group and its ultimate beneficial owner(s) or otherwise related, which would be, together with the transactions contemplated under the Financial Services Framework Agreement, aggregated under Rule 14.22 and/or Rule 14A.25 of the Listing Rules.

An independent board committee of the Company comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Financial Services Framework Agreement. The Independent Financial Adviser has been appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing, among other things, further particulars of the transactions contemplated under the Financial Services Framework Agreement together with, the recommendations of the independent board committee of the Company, a letter from the Independent Financial Adviser to the independent board committee of the Company and the Independent Shareholders, and a notice convening the EGM will be expected to be dispatched to the Shareholders on or before 17 June 2013 in accordance with the Listing Rules.

H. GENERAL INFORMATION ON THE PARTIES TO THE TRANSACTION

The Group

The Group is a leading provider of cement equipment and engineering services in the world. The Group is also a leading producer of non-metal materials in the PRC with significant market share for glass fibre and high-tech materials as well as for cement in selected regional markets.

Sinoma Finance

Sinoma Finance is a subsidiary of the Parent and is owned as to 30% and 70% by the Company and Parent, respectively. Sinoma Finance is a limited liability company incorporated under the laws of the PRC and is principally engaged in the business of providing its member(s) with financial and financing services such as acceptance of deposits, loan, bills acceptance and discounting, clearing, etc..

I. DEFINITIONS

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

“Board”	the board of directors of the Company
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	China National Materials Company Limited (中國中材股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company for approving, among others, the deposit services under Financial Services Framework Agreement and the maximum daily balance for the three years ending 31 December 2015
“Financial Services Framework Agreement”	the agreement dated 24 May 2013 and entered into between the Company and the Sinoma Finance in relation to receiving certain financial services from the Sinoma Finance
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司), a licensed corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the deposit services under Financial Services Framework Agreement
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting on the resolutions in relation to the transactions contemplated under Financial Services Framework Agreement to be proposed at the EGM under the Listing Rules.

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Other Financial Services”	other financial services under Financial Services Framework Agreement, including but not limited to bills acceptance and discounting services, assistance in achieving the collection and payment of the transactions proceeds, clearing and settlement services, financial leasing, financial advising, credit verification and related consulting, agency services and other business approved by CBRC
“Parent”	China National Materials Group Corporation Ltd. (中國中材集團有限公司), a wholly state-owned enterprise established under the laws of the PRC and the controlling Shareholder
“Parent Group”	the Parent and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PBOC”	the People’s Bank of China, the central bank of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sinoma Finance”	Sinoma Group Finance Co., Ltd. (中材集團財務有限公司), a limited liability company incorporated under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
CHINA NATIONAL MATERIALS COMPANY LIMITED
Liu Zhijiang
Chairman of the Board

Beijing, 24 May 2013

As at the date of this announcement, the executive directors of the Company are Mr. Liu Zhijiang and Mr. Li Xinhua, the non-executive directors are Mr. Yu Shiliang, Mr. Zhang Hai and Mr. Tang Baoqi, and the independent non-executive directors are Mr. Leung Chong Shun, Mr. Shi Chungui, Mr. Lu Zhengfei, Mr. Wang Shimin and Mr. Zhou Zude.

Please also refer to the published version of this announcement on the Company’s website.