China National Materials Company Limited

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

(Stock code: 01893)

(1) TERMINATION OF ORIGINAL FRAMEWORK AGREEMENTS
(2) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS
2017 FINANCIAL SERVICES FRAMEWORK AGREEMENT
AND
(3) CONTINUING CONNECTED TRANSACTIONS
2017 PROPERTY LEASING FRAMEWORK AGREEMENT
2017 MUTUAL SUPPLY OF SERVICES FRAMEWORK AGREEMENT
2017 MUTUAL SUPPLY OF PRODUCTS FRAMEWORK AGREEMENT

INTRODUCTION

Upon the completion of the Reorganization, Sinoma Corporation will become a wholly-owned subsidiary of the Parent, thus the Company will become a listed subsidiary of the Parent. Accordingly, the Parent will become the indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules.

TERMINATION OF ORIGINAL FRAMEWORK AGREEMENTS

Considering the undergoing Reorganization and, among others, the operating plan and business needs of the Group, on 8 February 2017, the Company entered into (i) the Financial Services Supplemental Agreement with Sinoma Finance to terminate the Original Financial Services Framework Agreement, and (ii) the Other Supplemental Agreement with Sinoma Corporation to terminate the Original Property Leasing Framework Agreement, the Original Mutual Supply of Services Framework Agreement and the Original Mutual Supply of Products Framework Agreement.

Since the continuing connected transactions contemplated under the Original Framework Agreements are to be terminated, the Company is subject to the announcement requirement under the Note to Rule 14A.35 of the Listing Rules.

2017 FINANCIAL SERVICES FRAMEWORK AGREEMENT

On 8 February 2017, the Company and Sinoma Finance entered into the 2017 Financial Services Framework Agreement, pursuant to which Sinoma Finance has agreed to provide the deposit services, loan services and Other Financial Services to the Group.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the proposed maximum daily balance of the deposits and the proposed annual caps of Other Financial Services under the 2017 Financial Services Framework Agreement for the three years ending 31 December 2019 exceed 5% respectively, the deposit services and the Other Financial Services under the 2017 Financial Services Framework Agreement are therefore respectively 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 14.07 of the Listing Rules) in respect of the proposed maximum daily balance of the deposits under the 2017 Financial Services Framework Agreement for the three years ending 31 December 2019 exceed 25%, the deposit services under the 2017 Financial Services Framework Agreement also constitute major transactions under Chapter 14 of the Listing Rules.

In respect of the provision of the loans under the 2017 Financial Services Framework Agreement by Sinoma Finance, as such loans shall be provided on normal commercial terms and Sinoma Finance shall not require such loans to be secured by any of the Group's assets, the loan services under the 2017 Financial Services Framework Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2017 PROPERTY LEASING FRAMEWORK AGREEMENT

On 8 February 2017, the Company and the Parent entered into the 2017 Property Leasing Framework Agreement, pursuant to which, the Parent Group has agreed to lease certain parcels of lands and buildings in the PRC to the Group for the Group's operations.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the annual caps under the 2017 Property Leasing Framework Agreement for the three years ending 31 December 2019 exceed 0.1% but are below 5%, the transactions contemplated under the 2017 Property Leasing Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

2017 MUTUAL SUPPLY OF SERVICES FRAMEWORK AGREEMENT

On 8 February 2017, the Company and the Parent entered into the 2017 Mutual Supply of Services Framework Agreement in relation to the mutual supply of certain services between the Group and the Parent Group.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the proposed annual caps in relation to the supply of certain services by the Group to the Parent Group and the proposed annual caps in relation to the supply of certain services by the Parent Group to the Group under the 2017 Mutual Supply of Services Framework Agreement for the three years ending 31 December 2019 exceed 5% respectively, the transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements for the Company.

2017 MUTUAL SUPPLY OF PRODUCTS FRAMEWORK AGREEMENT

On 8 February 2017, the Company and the Parent entered into the 2017 Mutual Supply of Products Framework Agreement in relation to the mutual supply of certain products between the Group and the Parent Group.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the proposed annual caps in relation to the supply of certain products by the Group to the Parent Group and the proposed annual caps in relation to the supply of certain products by the Parent Group to the Group under the 2017 Mutual Supply of Products Framework Agreement for the three years ending 31 December 2019 exceed 5% respectively, the transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements for the Company.

GENERAL INFORMATION

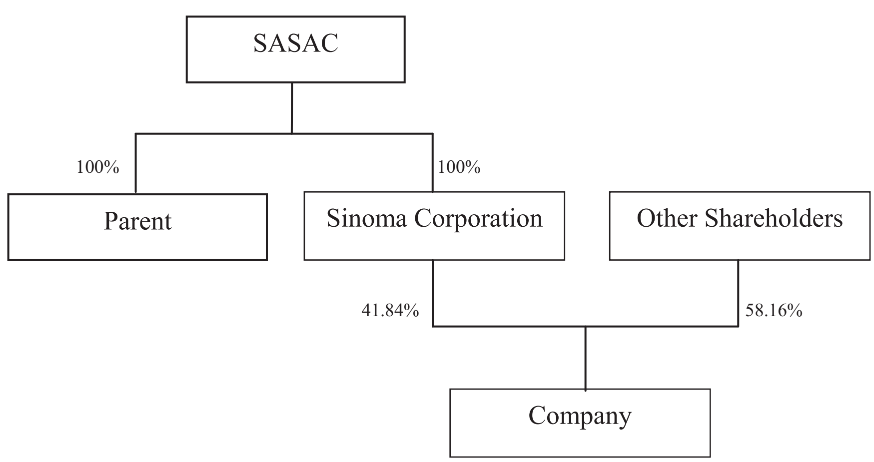
An EGM will be convened to seek the approval of the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof. Voting at the EGM will be conducted by poll and the Parent and its associates will abstain from voting at the EGM.

A circular containing, among other things, further particulars of the Non-exempt Continuing Connected Transactions 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 is expected to be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

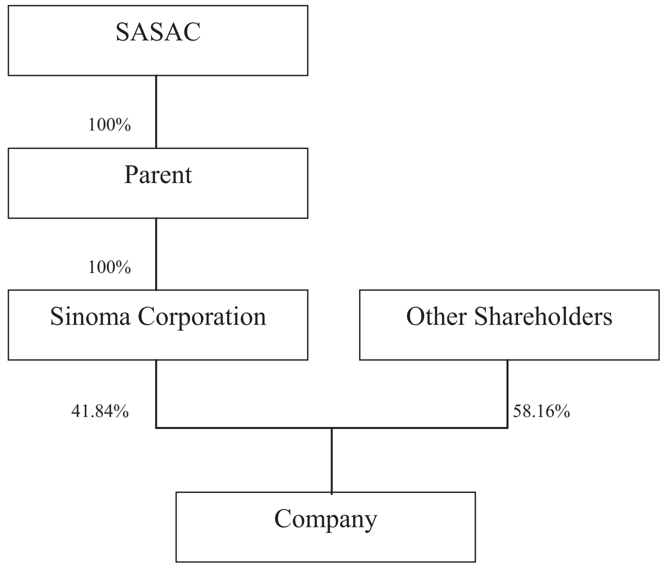
A. INTRODUCTION

Reference is made to the announcements of the Company dated 25 January 2016, 27 July 2016 and 22 August 2016 in relation to the Reorganization and the updates thereof. As disclosed in the aforesaid announcement dated 22 August 2016, Sinoma Corporation, the controlling shareholder of the Company, received the "Notice regarding the Reorganization of China National Building Materials Group Corporation and China National Materials Group Corporation Ltd." issued by SASAC consenting to the implementation of the Reorganization by the Parent and Sinoma Corporation, pursuant to which the Parent will change its name to "中國建材集團有限公司", and Sinoma Corporation will be transferred into the renamed Parent at nil consideration, thus the Company will become a listed subsidiary of the Parent after the Reorganization with SASAC remaining to be the ultimate controller of the Company. As of the date of this announcement, the Parent has completed the aforesaid change of name, and the Reorganization has made no further material progress. The Company will closely monitor the relevant developments and will make further announcement(s) (if necessary) in accordance with relevant regulatory requirements in respect of the developments of the Reorganization. Before and after the Reorganization, the shareholding structure of the Company is as follows:

Before the Reorganization (as of the date of this announcement):



After the Reorganization:



Upon the completion of the Reorganization, Sinoma Corporation will become a wholly-owned subsidiary of the Parent, thus the Company will become a listed subsidiary of the Parent. Accordingly, the Parent will become the indirect controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Considering the undergoing Reorganization and, among others, the operating plan and business needs of the Group, the Supplemental Agreements are entered into on 8 February 2017 to terminate the Original Framework Agreements, and the 2017 Framework Agreements are entered into on 8 February 2017 in relation to continuing connected transaction contemplated between the Group and the Parent Group.

B. TERMINATION OF ORIGINAL FRAMEWORK AGREEMENTS

Reference is made to the announcement of the Company dated 21 August 2015 and the circular of the Company dated 25 August 2015 in relation to the Original Framework Agreements. As disclosed in the aforesaid announcement and circular, (i) the Original Financial Services Framework Agreement was entered into between the Company and Sinoma Finance, (ii) the Original Property Leasing Framework Agreement, the Original Mutual Supply of Services Framework Agreement, and the Original Mutual Supply of Products Framework Agreement were entered into between the Company and Sinoma Corporation, all of which were for a term of three years commencing from 1 January 2016 to 31 December 2018.

Considering the undergoing Reorganization and, among others, the operating plan and business needs of the Group, as well as in view of entering into the 2017 Framework Agreements, on 8 February 2017, the Company entered into (i) the Financial Services Supplemental Agreement with Sinoma Finance to terminate the Original Financial Services Framework Agreement, and (ii) the Other Supplemental Agreement with Sinoma Corporation to terminate the Original Property Leasing Framework Agreement, the Original Mutual Supply of Services Framework Agreement and the Original Mutual Supply of Products Framework Agreement. Pursuant to the Supplemental Agreements, the Original Framework Agreements shall be automatically terminated after the 2017 Framework Agreements take effect. Upon such termination, both parties shall release each other from all liabilities and obligations under the Original Framework Agreements. No party is required to pay any penalty or compensation to the other party in respect of such termination and no party has any claim against the other party arising from such termination.

The Board believes that entering into the Supplemental Agreements will not cause any material adverse impacts to the Group's business and operational activities.

The Directors (including the independent non-executive Directors) consider that the Supplemental Agreements entered into in the ordinary and usual course of business of the Group after negotiations on arm's length basis. The terms and conditions of the Supplemental Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since the continuing connected transactions contemplated under the Original Framework Agreements are to be terminated, the Company is subject to the announcement requirement under the Note to Rule 14A.35 of the Listing Rules.

C. 2017 FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date

8 February 2017

Parties

(i) the Company

(ii) Sinoma Finance

Continuing transactions

Pursuant to the 2017 Financial Services Framework Agreement, Sinoma Finance agrees to provide the deposit services, loan services and Other Financial Services to the Group.

Pursuant to the 2017 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 favourable than those for similar types of financial services provided by normal commercial banks in the PRC to the Group during the same period.

Term and termination

The 2017 Financial Services Framework Agreement shall take effect upon (i) being signed and chopped with the official seals of both parties, (ii) the completion of all the internal approval procedures of both parties (including but not limited to the Independent Shareholders' approval), and (iii) (may be waived upon the consensus of the parties) the Parent's becoming the controlling shareholder of the Company. The 2017 Financial Services Framework Agreement is for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. Upon expiry, the 2017 Financial Services Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination

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

Deposit Services

The interest rates for deposits provided to the Group by Sinoma Finance shall abide by the PBOC's regulations on interest rate from time to time (the information on the interest rates or fees stipulated by the PBOC is available for the public at the official website of the PBOC, http://www.pbc.gov.cn/) for similar types of deposits. In addition, the interest rates for deposits shall be (i) not lower than the interest rates for similar types of deposits payable by Sinoma Finance to the Other Members of Sinoma Corporation (the aforesaid "Sinoma Corporation" shall be changed into "Parent" after the completion of the Reorganization) under the same conditions; and (ii) not lower than the interest rates for similar types of deposits provided by normal commercial banks in the PRC under the same conditions.

As of the date of this announcement, the interest rates for RMB deposits in terms of the deposit services provided by Sinoma Finance to the Group are as follows:

Items	**Annual interest rates of Sinoma Finance** *(%)*
I. Corporate deposit	
(I) Current deposit	0.350
(II) Agreement savings	1.150
(III) Call deposit	
One-day	0.800
Seven-day	1.350
(IV) Lump-sum time deposit	
Three-month	1.500
Half-year	1.750
One-year	2.000
Two-year	2.400
Three-year	3.200
Five-year	3.250

As of the date of this announcement, the interest rates for USD deposits in terms of the deposit services provided by Sinoma Finance to the Group are as follows:

Items	**USD deposit interest rates of Sinoma Finance** *(%)*
I. Corporate deposit	
(I) Current deposit	0.055
(II) Call deposit	
Seven-day	0.055
(III) Lump-sum time deposit	
One-month	libor + 5BP
Three-month	libor + 5BP
Half-month	libor + 5BP
One-year	libor + 5BP

Loan Services

The interest rates for loans provided to the Group by Sinoma Finance shall abide by the PBOC's regulations on interest rate from time to time for similar types of loans. In addition, the interest rates for the loans shall be (i) not higher than the interest rates charged by Sinoma Finance to the Other Members of Sinoma Corporation (the aforesaid "Sinoma Corporation" shall be changed into "Parent" after the completion of the Reorganization) for similar loans under the same conditions; and (ii) not higher than the interest rates for the similar loans charged by normal commercial banks in the PRC under the same conditions.

As of the date of this announcement, the interest rates for RMB loans in terms of the loan services provided by Sinoma Finance to the Group are as follows:

Items	**Benchmark annual interest rate of Sinoma Finance** *(%)*
I. Short term loans	
Less than one year (inclusive)	4.350
II. Mid and long term loans	
One year to five years (inclusive)	4.75
More than five years	4.90

Other Financial Services

The fees for Other Financial Services charged by Sinoma Finance shall not be higher than the upper limit (if applicable) of the fees stipulated by the PBOC. In addition, the fees shall be (i) not higher than the fees for similar types of financial services charged by Sinoma Finance to the Other Members of Sinoma Corporation (the aforesaid "Sinoma Coproration" shall be changed into "Parent" after the completion of the Reorganization) under the same conditions; and (ii) not higher than the fees for similar types of financial services charged by normal commercial banks in the PRC under the same conditions.

In terms of the specific service agreement under the 2017 Financial Services Framework Agreement entered into between the Group and Sinoma Finance, the Group members may choose three to five normal commercial banks in the PRC located in the same region or adjacent areas and compare the interest rates of the same period, fees and conditions provided by them with those provided by Sinoma Finance respectively. If the interest rates of the same period, the fees and conditions provided by Sinoma Finance are more favourable than those provided by such normal commercial banks in the PRC, the Group will select Sinoma Finance; and the Group shall select Sinoma Finance on a preferential basis in principle, provided that the relevant service conditions and the payment are the same.

Notwithstanding such preferential selection in principle, the Group will only select Sinoma Finance on a preferential basis subject to the condition that the relevant service terms and conditions provided by Sinoma Finance are the same as other normal commercial banks in the PRC may provide. The Group also has discretion in selecting other normal commercial banks in the PRC as its financial service providers as it thinks fit and appropriate for the benefits of the Group. As a result, the legitimate interests of the Group in selecting financial service providers will not be jeopardized and will be safeguarded by such condition and discretion. Based on the above, the Company is of the view that such arrangement is in the interest of the Company and its Shareholders as a whole.

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 statutory deposit reserve ratio of Sinoma Finance shall not be lower than the lowest rate allowed by the PBOC at any time;

- 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 the Other Members of Sinoma Corporation (the aforesaid "Sinoma Corporation" shall be changed into "Parent" upon the completion of the Reorganization) 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;

- any high-risk investments with the deposits placed by the Group will not 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;

- in the event that Sinoma Finance encounters payment difficulties, Sinoma Corporation (the aforesaid "Sinoma Corporation" shall be changed into "Parent" after the completion of the Reorganization) shall make corresponding increase of capital investment in Sinoma Finance pursuant to the actual demand in order to resolve such payment difficulties;

- 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 will be provided to the Company by Sinoma Finance on or before the seventh business day of the following month.

Payment

The interests rates and fees under the 2017 Financial Services Framework Agreement are payable by cash in a lump sum or by installments according to the specific and separate implementation agreements and funded by the relevant party's internal resources. The Directors are of view that such payment terms are in line with the market practice.

Annual caps

Actual transaction value

The actual transaction value of the deposit services and Other Financial Services provided by Sinoma Finance to the Group under the Original Financial Services Framework Agreement for the two years ended 31 December 2015 and the eleven months ended 30 November 2016 are set out below:

Transactions	**Year ended 31 December 2014** *(RMB)*	**Year ended 31 December 2015** *(RMB)*	**Eleven months ended 30 November 2016** *(RMB)*
Deposit Services (maximum daily balance (including accrued interests))	2,076,459,000	2,919,027,000	4,514,304,111
Other Financial Services (service fees payable to Sinoma Finance)	60,000	60,000	180,000

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2017 Financial Services Framework Agreement for the three years ending 31 December 2019 are set out below:

Transactions	**Year ending 31 December 2017** *(RMB)*	**Year ending 31 December 2018** *(RMB)*	**Year ending 31 December 2019** *(RMB)*
Deposit Services (maximum daily balance (including accrued interests))	8,000,000,000	10,000,000,000	12,000,000,000
Other Financial Services (service fees payable to Sinoma Finance)	250,000,000	300,000,000	500,000,000

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

(a) the historical amount of deposits placed by members of the Group with normal commercial banks in the PRC and the historical amount of financial service fees paid by the Group to the relevant financial services providers;

(b) with the development and growth of business of Sinoma Finance, and 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. The maximum daily balance (including accrued interests) deposited by the members of the Group with Sinoma Finance in the year ended 31 December 2015 was RMB2,919,027,000, representing an increase of 40.58% as compared with RMB2,076,459,000 of the year ended 31 December 2014, whereas the maximum daily balance (including accrued interests) deposited by the members of the Group with Sinoma Finance was RMB4,514,304,111 for the eleven months ended 30 November 2016, representing an increase of 54.65% as compared with the year ended 31 December 2015. In addition, the service fees payable by the members of the Group for other financial services provided by Sinoma Finance for the eleven months ended 30 November 2016 was RMB180,000, representing an increase of 200% as compared with the service fees for the two years ended 31 December 2015;

(c) Sinoma Finance expects to obtain additional licences for financial services within the three years ending 31 December 2019, which will enable it to provide Other Financial Services with wider variety within the scope of the 2017 Financial Services Framework Agreement. Accordingly, the proposed annual caps for three years ending 31 December 2019 under the 2017 Financial Services Framework Agreement are expected to increase year after year;

(d) considering the future business development plans and financial services needs of members of the Group for the three years ending 31 December 2019 and the future plan for funds concentration of Sinoma Corporation, the Group will intensify its business cooperation with Sinoma Finance; and

(e) the estimated future cash flow of members of the Group.

Internal control measures

(a) For each specific transaction with Sinoma Finance under the 2017 Financial Services Framework Agreement, the members of the Group shall determine the interest rates or fees according to the above pricing principles under the 2017 Financial Services Framework Agreement. The financial department of the Company is responsible for monitoring that the interest rates or fees for the specific transactions under the 2017 Financial Services Framework Agreement are determined according to the above pricing principles by the members of the Group;

(b) the office of the Board of the Company is responsible for closely monitoring the outstanding deposit balance of the Group with Sinoma Finance on a daily basis to ensure that it does not exceed the proposed annual caps;

(c) the financial department of the Company is responsible for monitoring, collecting, and evaluating the specific information of the Group in relation to the continuing connected transactions under the 2017 Financial Services Framework Agreement (including but not limited to the pricing terms of each implementation agreement, payment arrangement and the actual transaction amount), and updating the list of the Company's subsidiaries on a monthly basis to ensure the maximum daily balance deposited by the Group (including the subsidiaries in the updated list) with Sinoma Finance does not exceed the proposed annual caps;

(d) the financial department of the Company is responsible for comparing the rates and terms offered by Sinoma Finance and several normal commercial banks in the PRC when the need for deposit arises to ensure those rates and terms of the Group's deposits with Sinoma Finance are not less favourable than those provided by normal commercial banks in the PRC;

(e) pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant mechanism and the requirements, to specify that the subsidiaries of the Company shall comply with the above-mentioned pricing policies in respect of the continuing connected transactions contemplated under the 2017 Financial Services Framework Agreement;

(f) the independent non-executive Directors will review the continuing connected transactions contemplated under the 2017 Financial Services Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and

(g) the auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2017 Financial Services Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2017 Financial Services Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

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 2017 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 2017 Financial Services Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the ambit of the 2017 Financial Services Framework Agreement and the relevant annual caps, and if they are exceeded, the Company will comply with the relevant Listing Rules accordingly.

Reasons for entering into the 2017 Financial Services Framework Agreement

The Company is of the view that entering into the 2017 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 2017 Financial Services Framework Agreement to approach and/or to engage any bank or any financial institution to satisfy its financial service needs, so entering into the 2017 Financial Services Framework Agreement will provide one more choice of financial service provider and encourage the financial service 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 cash flow position;

- it's expected that Sinoma Finance may have better understanding of the operations of the Group, which should allow them to provide more favourable, 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 Sinoma Finance, it's expected that the Company may benefit from Sinoma Finance's profits.

Listing Rules implications

Sinoma Finance is a subsidiary of Sinoma Corporation, being the direct controlling shareholder of the Company, and will become a subsidiary of the Parent, being the indirect controlling shareholder of the Company, upon the completion of the Reorganization. Therefore Sinoma Finance is a connected person of the Company under the Listing Rules both before and after the completion of the Reorganization. Accordingly, the respective transactions under the 2017 Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the proposed maximum daily balance of the deposits and the proposed annual caps of Other Financial Services under the 2017 Financial Services Framework Agreement for the three years ending 31 December 2019 exceed 5% respectively, the deposit services and the Other Financial Services under the 2017 Financial Services Framework Agreement are therefore respectively 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 14.07 of the Listing Rules) in respect of the proposed maximum daily balance of the deposits under the 2017 Financial Services Framework Agreement for the three years ending 31 December 2019 exceed 25%, the deposit services under the 2017 Financial Services Framework Agreement also constitute major transactions under Chapter 14 of the Listing Rules.

In respect of the provision of the loans under the 2017 Financial Services Framework Agreement by Sinoma Finance, as such loans shall be provided on normal commercial terms and Sinoma Finance shall not require such loans to be secured by any of the Group's assets, the loan services under the 2017 Financial Services Framework Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

D. 2017 PROPERTY LEASING FRAMEWORK AGREEMENT

Date

8 February 2017

Parties

(i) the Company

(ii) the Parent

Continuing transactions

Pursuant to the 2017 Property Leasing Framework Agreement, the Parent has agreed to lease and procure other members of the Parent Group to lease certain parcels of lands and buildings in the PRC to the Group for the Group's operations, including but not limited to, production lines, office premises, warehouses and employee dormitories.

Term and termination

The 2017 Property Leasing Framework Agreement shall take effect upon (i) being signed by the legal or authorized representatives and chopped with the official seals of both parties, (ii) all approvals as the Listing Rules required being obtained by the Company (including but not limited the Board's approval), and (iii) the Parent's becoming the controlling shareholder of the Company. The 2017 Property Leasing Framework Agreement is for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. Upon expiry, the 2017 Property Leasing Framework Agreement will, subject to, compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination

Under the 2017 Property Leasing Framework Agreement, the rentals shall be determined in accordance with the following pricing principles:

(a) the relevant market price which is determined by reference to the rental information gathered by the subsidiaries of the Group of at least two properties of similar specification and sizes in similar locations and after arm's length negotiation based on such market terms to make sure that the terms offered by the Parent Group would not be less favourable than those offered by independent third parties on the market; or

(b) where the relevant market price is not available, the contracted price, which shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate and by reference to the historical rentals. The reasonable cost shall be determined by reference to the size of the properties provided by the Parent Group (to be measured by companies with professional qualification), and the cost of property management; and the expected range of profit is from 1% to 10%, which is not higher than the profit rate charged to independent third parties.

Payment

The rentals under the 2017 Property Leasing Framework Agreement are payable by cash according to the specific and separate implementation agreements and funded by the Group's internal resources. The Directors are of view that such payment terms are in line with the market practice.

Annual caps

Actual transaction value

The actual transaction value of leasing of property by the Parent Group to the Group for the two years ended 31 December 2015 and the eleven months ended 30 November 2016 are set out below:

Transactions	Year ended 31 December 2014 *(RMB)*	Year ended 31 December 2015 *(RMB)*	Eleven months ended 30 November 2016 *(RMB)*
Property Leasing (Rental paid by the Group to the Parent Group)	10,618,000	10,101,000	4,658,583

Proposed annual caps

The respective proposed annual caps for the transactions contemplated under the 2017 Property Leasing Framework Agreement for the three years ending 31 December 2019 are set out below:

Transactions	Year ending 31 December 2017 *(RMB)*	Year ending 31 December 2018 *(RMB)*	Year ending 31 December 2019 *(RMB)*
Property Leasing (Rental paid by the Group to the Parent Group)	40,000,000	40,000,000	40,000,000

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

(a) the historical figures of the actual transaction value of leasing of property by the Parent Group to the Group for the two years ended 31 December 2015 and the eleven months ended 30 November 2016 respectively;

(b) the expected stable growth of the demand for the operation-use properties during the three years ending 31 December 2019, as the result of the estimated growth of the business of the Group;

(c) the relocation of the Company's offices at the end of the year ended 31 December 2016 to properties with larger area and higher rental to facilitate the development of the Company as disclosed in the announcement of the Company dated 12 December 2016, which will increase the rental to be paid by the Group;

(d) the expected stable growth of the market rental of the properties leased under the 2017 Property Leasing Framework Agreement arising from the expected increase of the market prices of lands and buildings during the three years ending 31 December 2019; and

(e) as the expected demand of the Group for the operation-use properties to be provided by the Parent Group is relatively stable, a buffer has been budgeted for the proposed annual caps for the possible higher demand of the Group for the rental of certain parcels of lands and buildings for its business expansion.

Internal control measures

(a) In determining the rental under the 2017 Property leasing Framework Agreement, the property management department of Company is responsible for proposing the price, which will be reviewed by the chief in charge of the property management department of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available from independent third parties, and is subject to the final approval by meeting of presidents of the Company;

(b) the property management department of the Company would gather the rental information of at least two properties of similar specification and sizes in similar locations and negotiate based on such market terms to make sure that the terms offered by the Parent Group would not be less favourable than those offered by independent third parties on the market;

(c) the financial department and the office of the Board of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure it does not exceed the applicable cap;

(d) pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant mechanism and the requirements, to specify that the subsidiaries of the Company shall comply with the above-mentioned pricing policies in respect of the continuing connected transactions contemplated under the 2017 Property Leasing Framework Agreement;

(e) the independent non-executive Directors will review the continuing connected transactions contemplated under the 2017 Property Leasing Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and

(f) the auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2017 Property Leasing Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2017 Property Leasing Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Implementation agreements

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements to set out the specific terms and conditions in respect of the relevant properties leased thereunder.

As the implementation agreements provide for the lease of the relevant properties as contemplated under the 2017 Property Leasing Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the ambit of the 2017 Property Leasing Framework Agreement and the relevant annual caps, and if they are exceed, the Company will comply with the relevant Listing Rules accordingly.

Reasons for entering into the 2017 Property Leasing Framework Agreement

The Company is of the view that the 2017 Property Leasing Framework Agreement will (i) maintain the stability of the operations of the Group; (ii) enable the Group to secure relatively more favourable rental terms; (iii) avoid any unnecessary disruption to the operations of the Group, and (iv) minimise any unnecessary relocation costs.

Listing Rules implications

Upon the completion of the Reorganization, the Parent will become the indirect controlling shareholder of the Company and will therefore become a connected person of the Company under the Listing Rules. Accordingly, the transactions under the 2017 Property Leasing Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the annual caps under the 2017 Property Leasing Framework Agreement for the three years ending 31 December 2019 exceed 0.1% but are below 5%, the transactions contemplated under the 2017 Property Leasing Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

E. 2017 MUTUAL SUPPLY OF SERVICES FRAMEWORK AGREEMENT

Date

8 February 2017

Parties

(i) the Company

(ii) the Parent

Continuing transactions

Pursuant to the 2017 Mutual Supply of Services Framework Agreement, the Company has agreed that the Group supplies to the Parent Group certain services (including but not limited to energy management, project construction, installation and transformation of equipment, waste disposal, technical services, operation-support services, supply of water, electricity and gas, designing, resources and power, as well as exploitation and delivery of ores); whereas the Parent has agreed that the Parent Group supplies to the Group certain services (including but not limited to the Engineering, Procurement and Construction (overall contracting) of surplus energy electricity, project construction, technical services, detecting and monitoring services, designing, labour services, supply of water, electricity and heat, exploration, exploitation and delivery of ores, equipment repair and installation, and logistics services).

Term and termination

The 2017 Mutual Supply of Services Framework Agreement shall take effect upon (i) being signed by the legal or authorized representatives of both parties and chopped with the official seals of both parties, (ii) all approvals as the Listing Rules require being obtained by the Company (including but not limited the Board's and the Independent Shareholders' approval), and (iii) the Parent's becoming the controlling shareholder of the Company. The 2017 Mutual Supply of Services Framework Agreement is for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. Upon expiry, the 2017 Mutual Supply of Services Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination

Under the 2017 Mutual Supply of Services Framework Agreement, the price shall be determined in accordance with the following pricing principles:

(a) the relevant state-recommended price, which is available and applicable to the exploration and safety assessment services provided by the Parent Group to the Group according to the range of price pursuant to the Engineering Exploration Industry Convention of Ningxia Hui Autonomous Region co-sponsored by the Ningxia Exploration and Design Association and the Ningxia station of the National Construction Exploration Technology Information Network, Fee-charging Items and Standard of Safety Evaluation of Ningxia Hui Autonomous Region (Trial) promulgated by the Price Control Administration and Administration of Work Safety of Ningxia Hui Autonomous Region and the Guidance of Occupational Health Service Fee promulgated by the Occupational Health Service Branch of China Occupational Safety and Health Association, respectively, and with reference to the quotation offered by three independent suppliers from local comparable relevant market, the market conditions within the current month, the historical price of the corresponding period and so on;

(b) where there is no state-recommended price, then according to the relevant market price which is determined by reference to the prevailing market prices for comparable services which are available on an arm's length basis and provided by at least two independent service providers located in the same region or surrounding areas thereof;

(c) where there is no relevant market price, then according to the contracted price, which shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate and by reference to the historical figures for preceding years;

   1) the reasonable cost shall be determined by reference to the provision cost of the services provided by the Parent Group or the Group which includes the price of the raw materials, labour cost and so on; and

   2) the expected range of profit of the services to be provided by the Parent Group to the Group is from 1% to 10%, which is in line with the industriy standards and not higher than the profit rate charged to independent third parties; and the expected range of profit of the services to be provided by the Group to the Parent Group is from 1% to 10%, which is in line with the industry standards and not lower than the profit rate charged to independent third parties. The above-mentioned range of profit is determined after arm's length negotiation after taking into account of various factors including operation costs, average profit rate in the relevant industry, and historical transaction conditions; or

(d) as to certain project sub-contract services to be provided by the Parent Group to the Group, the price will be arrived by public tender process. The Group shall stringently follow the steps and/or measurements as stipulated by The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) during the bidding process. The Group has stipulated the internal manual regarding the management of relevant bidding process.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the technical and quality requirements of project sub-contract services, the criteria for examination of the suppliers, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) ensuring the process is in accordance with The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from external suppliers based on the technical, commercial and pricing criteria and payment terms in respect of certain project sub-contract services, which will ensure the terms obtained by the Group from the Parent Group is no less favourable than those available from independent third parties; and (iii) grading the external suppliers and giving recommendations. The Group's bid office is responsible for deciding which project construction suppliers will be awarded in terms of certain project sub-contract services under the 2017 Mutual Supply of Services Framework Agreement.

Payment

The consideration under the 2017 Mutual Supply of Services Framework Agreement are payable by cash in a lump sum or by installments according to the specific and separate implementation agreements and funded by the relevant party's internal resources. The Directors are of view that such payment terms are in line with the market practice.

Annual caps

Actual transaction value

The actual transaction value of supply of certain services by the Group to Parent Group and supply of certain services by Parent Group to the Group during the two years ended 31 December 2015 and the eleven months ended 30 November 2016, are set out below:

Transactions	**Year ended 31 December 2014** *(RMB)*	**Year ended 31 December 2015** *(RMB)*	**Eleven months ended 30 November 2016** *(RMB)*
Supply of certain services by the Group (fee payable by the Parent Group to the Group)	160,761,565	223,603,285	243,614,976
Supply of certain services by the Parent Group (fee payable by the Group to the Parent Group)	332,077,735	318,423,084	187,249,009

The aforesaid actual transaction value of supply of certain services by the Group include: (i) the actual transaction value of supply of certain services by the Group to Sinoma Group under the Original Mutual Supply of Services Framework Agreement, and (ii) the actual transaction value of supply of certain services by the Group to the Parent Group (excluding Sinoma Group). The aforesaid actual transaction value of supply of certain services by the Parent Group include: (i) the actual transaction value of supply of certain services by Sinoma Group to the Group under the Original Mutual Supply of Services Framework Agreement, and (ii) the actual transaction value of supply of certain services by the Parent Group (excluding Sinoma Group) to the Group.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement for the three years ending 31 December 2019 are set out below:

Transactions	**Year ending 31 December 2017** *(RMB)*	**Year ending 31 December 2018** *(RMB)*	**Year ending 31 December 2019** *(RMB)*
Supply of certain services by the Group (fee payable by the Parent Group to the Group)	1,000,000,000	1,000,000,000	1,000,000,000
Supply of certain services by the Parent Group (fee payable by the Group to the Parent Group)	2,000,000,000	2,000,000,000	2,000,000,000

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

(a) the historical figures of the actual transaction value of supply of certain services by the Group to Parent Group and supply of certain services by Parent Group to the Group for the two years ended 31 December 2015 and the eleven months ended 30 November 2016;

(b) during the year of 2016, the accelerated implementation of the national strategies including "Made in China 2025", "One Belt and One Road" and "Going Global" led to the direct promotion in building material industries, especially in cement industry. Therefore, the Company expects the demand of services between the Group and the Parent Group under the 2017 Mutual Supply of Services Framework Agreement during the three years ending 31 December 2019 would increase considerably;

(c) the expected cement project construction business to be conducted between the Group and the Parent Group which would give rise to the services to be provided by the Group to the Parent Group as well as the services to be provided by the Parent Group to the Group, including but not limited to project construction and geological exploration, with estimated large transaction value during the three years ending 31 December 2019;

(d) the expected solid growth of the demand for the relevant services by the Group and the Parent Group during the three years ending 31 December 2019, due to the estimated growth of the relevant segments of business of the Group and the Parent Group; and

(e) as the expected demand of the Parent Group for the services to be provided by the Group and the demand of the Group for the services to be provided by the Parent Group to the Group are relatively stable, a buffer has been budgeted for the proposed annual caps for the possible higher demand of the Parent Group and the Group for such services for their business expansion.

Internal control measures

(a) In determining the prices of services under the 2017 Mutual Supply of Services Framework Agreement, the project department of the Company is responsible for proposing the price, which will be reviewed by the manager in charge of the project of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties, and is subject to the final approval by the meeting of president of the Company;

(b) the project department of the Company is responsible for monitoring, collecting and evaluating the market data, including but not limited to the prevailing market and the then market price for comparable services in the related industry on a monthly basis, which is subject to the preliminary investigation by the project department of the Company and the final review by the project manager in charge and the chief officer in charge of the project. Under the circumstances such as the then market price for the comparable service increases or decreases by more than 10% as compared with the price of the specific service under the 2017 Mutual Supply of Services Framework Agreement as set by the Company, the project department of the Company will put forward the proposal of price adjustment, which is subject to the preliminary review by the project manager in charge and the chief officer in charge of the project and the final approval by the meeting of president of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;

(c) the office of the Board of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure it does not exceed any applicable caps;

(d) pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant mechanism and the requirements, to specify that the subsidiaries of the Company shall comply with the above-mentioned pricing policies in respect of the continuing connected transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement;

(e) the independent non-executive Directors will review the continuing connected transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and

(f) the auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2017 Mutual Supply of Services Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Implementation agreements

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement during the term thereof. Each implementation agreement will set out the services supplied, and the specifications, quantities, prices and other relevant terms thereof.

As the implementation agreements provide for the supply of the relevant services as contemplated under the 2017 Mutual Supply of Services Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the ambit of the 2017 Mutual Supply of Services Framework Agreement and the relevant annual caps, and if they are exceeded, the Company will comply with the relevant Listing Rules accordingly.

Reasons for entering into the 2017 Mutual Supply of Services Framework Agreement

The Company is of the view that the 2017 Mutual Supply of Services Framework Agreement will enable (i) the Group to secure a stable source of the relevant services from the Parent Group in its ordinary course of business at market prices; and (ii) the Group to have the Parent Group as a stable customer of the relevant services in its ordinary course of business at market prices.

Listing Rules implications

Upon the completion of the Reorganization, the Parent will become the indirect controlling shareholder of the Company and will therefore become a connected person of the Company under the Listing Rules. Accordingly, the respective transactions under the 2017 Mutual Supply of Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect of the proposed annual caps in relation to the supply of certain services by the Group to the Parent Group and the proposed annual caps in relation to the supply of certain services by the Parent Group to the Group under the 2017 Mutual Supply of Services Framework Agreement for the three years ending 31 December 2019 exceed 5% respectively, the transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements for the Company.

F. 2017 MUTUAL SUPPLY OF PRODUCTS FRAMEWORK AGREEMENT

Date

8 February 2017

Parties

(i) the Company

(ii) the Parent

Continuing transactions

Pursuant to the 2017 Mutual Supply of Products Framework Agreement, the Company has agreed that the Group purchases for self-use and the Parent has agreed that the Parent Group sells certain products (including but not limited to equipment, spare parts, accessories, raw materials, refractory materials, grinding materials, industrial preparations, fibre products, ores, barrelled water, control systems, fuel oil and precious metals); whereas the Parent has agreed that the Parent Group purchases for self-use or for export to the third parties independent from the Group (as the Group is lack of relevant export license) and the Company has agreed that the Group sells certain products (including but not limited to equipment, spare parts, accessories, standard sands, clinker, cement, commercial concrete, fiberglass reinforce plastic products, ores, ceramic knife, alumina and related materials).

Term and termination

The 2017 Mutual Supply of Products Framework Agreement shall take effect upon (i) being signed by the legal or authorized representatives and chopped with the official seals of both parties, (ii) all approvals as the Listing Rules require being obtained by the Company (including but not limited the Board's and the Independent Shareholders' approval), and (iii) the Parent's becoming the controlling shareholder of the Company. The 2017 Mutual Supply of Products Framework Agreement is for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. Upon expiry, the 2017 Mutual Supply of Products Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination

Under the 2017 Mutual Supply of Products Framework Agreement, the price shall be determined in accordance with the following pricing principles:

(a) the relevant state-recommended price which is available and applicable to the supply of standard sand by the Group to the Parent Group according to the range of price pursuant to the Regional Highest Sales Price across the Country of China ISO Standard Sand reviewed and determined by Xiamen ISO Standard Sand Co., Ltd., the general distributor of ISO standard sand in the PRC, and local pricing departments, and with reference to the quotation obtained by three local independent parties located in the same region or adjacent areas thereof, the prevailing market conditions within the current month, the historical price of the corresponding period and so on;

    Since Xiamen ISO Standard Sand Co., Ltd., a subsidiary of the Company, is the general distributor of ISO standard sand in the PRC, the Regional Highest Sales Price across the Country of China ISO Standard Sand are reviewed and determined by Xiamen ISO Standard Sand Co., Ltd. and local pricing departments, and the aforesaid state-recommended price (as amended from time to time) is applicable to the supply of standard sand by the Group to the Parent Group. The aforesaid state-recommended price is not published and is only available to the local distributors of standard sand;

(b) where there is no state-recommended price, then according to the relevant market price which is determined by reference to the prevailing market prices for comparable products which are available on an arm's length basis and provided by at least two independent products producers located in the same region or surrounding areas thereof;

(c) where there is no relevant market price, then according to the contracted price, which shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate and by reference to market condition, and the historical figures for preceding years;

1) the reasonable cost shall be determined by reference to the production cost of the products provided by the Parent Group or the Group which includes the price of the raw materials, labour cost, manufacturing expense and so on; and

2) the expected range of profit of the products provided by the Parent Group to the Group is from 1% to 10%, which is in line with the industry standards and not higher than the profit rate charged to independent third parties; and the expected range of profit of the products provided by the Group to the Parent Group is from 1% to 10%, which is in line with the industry standards and not lower than the profit rate charged to independent third parties. The above-mentioned range of profit is determined after arm's length negotiation after taking into account of various factors including operation costs, average profit rate in the relevant industry, and historical transaction conditions; or

(d) as to the supply of certain equipment provided by the Group to the Parent Group, the price will be arrived by public tender process. The Group shall strictly comply with The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and all the essential requirements set out in the bid invitation of the Parent Group during the bidding process. In preparing for the submission of a tender, tender review meeting of the relevant subsidiary of the Group will be held to perform a thorough analysis of the project management guidelines, the collection of cost and other essential data. In pricing a tender, the relevant department of the Group will also run the cost analysis and make references to recent project quotations and related market information. The procedures above can ensure that the tender price to be offered by the Group are fair and reasonable and no more favourable than the price and terms offered by the Group to the independent third parties.

Payment

The consideration under the 2017 Mutual Supply of Products Framework Agreement are payable by cash in a lump sum or by installments according to the specific and separate implementation agreements and funded by the relevant party's internal resources. The Directors are of the view that such payment terms are in line with the market practice.

Annual caps

Actual transaction value

The actual transaction values of supply of certain products by the Group to the Parent Group and supply of certain products by the Parent Group to the Group during the two years ended 31 December 2015 and the eleven months ended 30 November 2016 are set out below:

Transactions	**Year ended 31 December 2014** *(RMB)*	**Year ended 31 December 2015** *(RMB)*	**Eleven months ended 30 November 2016** *(RMB)*
Supply of certain products by the Group (fee payable by the Parent Group to the Group)	527,862,654	577,350,452	653,350,145
Supply of certain products by the Parent Group (fee payable by the Group to the Parent Group)	230,668,342	155,575,332	175,273,440

The aforesaid actual transaction value of supply of certain products by the Group include: (i) the actual transaction value of supply of certain products by the Group to Sinoma Group under the Original Mutual Supply of Products Framework Agreement, and (ii) the actual transaction value of supply of certain products by the Group to the Parent Group (excluding Sinoma Group). The aforesaid actual transaction value of supply of certain products by the Parent Group include: (i) the actual transaction value of supply of certain products by Sinoma Group to the Group under the Original Mutual Supply of Products Framework Agreement, and (ii) the actual transaction value of supply of certain products by the Parent Group (excluding Sinoma Group) to the Group.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement for the three years ending 31 December 2019 are set out below:

Transactions	**Year ending 31 December 2017** *(RMB)*	**Year ending 31 December 2018** *(RMB)*	**Year ending 31 December 2019** *(RMB)*
Supply of certain products by the Group (fee payable by the Parent Group to the Group)	2,000,000,000	2,000,000,000	2,000,000,000
Supply of certain products by the Parent Group (fee payable by the Group to the Parent Group)	1,200,000,000	1,200,000,000	1,200,000,000

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

(a) the historical figures of the actual transaction value of supply of certain products by the Group to the Parent Group and supply of certain products by the Parent Group to the Group for the two years ended 31 December 2015 and the eleven months ended 30 November 2016, respectively;

(b) during the year of 2016, the accelerated implementation of the national strategies including "Made in China 2025", "One Belt and One Road" and "Going Global" led to the direct promotion in building material industries, especially in cement industry. Therefore, the Company expects the demand of products of the Group and the Parent Group under the 2017 Mutual Supply of Products Framework Agreement during the three years ending 31 December 2019 would increase considerably;

(c) the estimated solid growth of the demand for the products by the Group and the Parent Group under the 2017 Mutual Supply of Products Framework Agreement for the three years ending 31 December 2019, due to the estimated growth of the relevant segments of business of the Group and the Parent Group; and

(d) as the expected demand of the Parent Group for the products to be provided by the Group and the demand of the Group for the products to be provided by the Parent Group are relatively stable, a buffer has been budgeted for the proposed annual caps for the possible higher demand of the Parent Group and the Group for such products for their business expansion.

Internal control measures

(a) In determining the prices of products under the 2017 Mutual Supply of Products Framework Agreement, the sales department of Company is responsible for proposing the price, which will be reviewed by the chief in charge of the sales department of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties, and will be subject to the final approval by the meeting of president of the Company;

(b) the sales department of the Company is responsible for monitoring, collecting and evaluating the market data, including but not limited to the prevailing market and the then market price for comparable products in the related industry on a monthly basis, which is subject to the preliminary investigation by the sales department and the final review by the chief in charge of the sales department. Under the circumstances such as the then market price for the comparable product increases or decreases by more than 10% as compared with the price of the specific product under the 2017 Mutual Supply of Products Framework Agreement as set by the Company, the sales department of the Company will put forward the proposal of price adjustment, which is subject to the preliminary review by the chief in charge of the sales department of the Company and the final approval by the meeting of president of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;

(c) the office of the Board of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure it does not exceed any applicable caps;

(d) pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant mechanism and the requirements, to specify that the subsidiaries of the Company shall comply with the above-mentioned pricing policies in respect of the continuing connected transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement;

(e) the independent non-executive Directors will review the continuing connected transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and

(f) the auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2017 Mutual Supply of Products Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Implementation agreements

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement during the term thereof. Each implementation agreement will set out the relevant raw materials and products supplied, and the specifications, quantities, prices and other relevant terms thereof.

As the implementation agreements provide for the supply of the relevant products as contemplated under the 2017 Mutual Supply of Products Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the ambit of the 2017 Mutual Supply of Products Framework Agreement and the relevant annual caps, and if they are exceeded, the Company will comply with the relevant Listing Rules accordingly.

Reasons for entering into the 2017 Mutual Supply of Products Framework Agreement

The Company is of the view that the 2017 Mutual Supply of Products Framework Agreement will enable (i) the Group to secure a stable source of the raw materials and products from the Parent Group in its ordinary course of business at market prices; and (ii) the Group to have the Parent Group as a stable customer of the relevant products in its ordinary course of business at market prices.

Listing Rules implications

Upon the completion of the Reorganization, the Parent will become the indirect controlling shareholder of the Company and will therefore become a connected person of the Company under the Listing Rules. Accordingly, the respective transactions under the 2017 Mutual Supply of Products Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) in respect the proposed annual caps in relation to the supply of certain products by the Group to the Parent Group and the proposed annual caps in relation to the supply of certain products by the Parent Group to the Group under the 2017 Mutual Supply of Products Framework Agreement for the three years ending 31 December 2019 exceed 5% respectively, the transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements for the Company.

G. GENERAL INFORMATION

An EGM will be convened to seek the approval of the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof. Voting at the EGM will be conducted by poll and the Parent and its associates will abstain from voting at the EGM.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transaction under the 2017 Property Leasing Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; and (iv) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the annual caps for the three years ending 31 December 2019 mentioned above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 terms of the Non-exempt Continuing Connected Transactions (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; and (iv) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the annual caps for the three years ending 31 December 2019 mentioned above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Liu Zhijiang, Mr. Li Xinhua and Mr. Li Jianlun, also directors or senior management of the Parent, are deemed to have material interests in the transactions under each of the 2017 Framework Agreements as well as the Supplemental Agreements, 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 each of the 2017 Framework Agreements.

At as the date of this announcement, the Parent and its associates, who directly and indirectly, hold 1,566,746,965 shares (represent approximately 43.87% 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 resolutions in relation to the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, further particulars of the Non-exempt Continuing Connected Transactions 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 is expected to be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules. If there is expected to be delay in despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

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 Sinoma Corporation, being the direct controlling shareholder of the Company, and will become a subsidiary of the Parent, being the indirect controlling shareholder of the Company, upon the completion of the Reorganization. It is owned as to 30% and 70% by the Company and Sinoma Corporation, 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.

The Parent

The Parent is a state-owned limited liability company incorporated under the laws of the PRC and will indirectly holds approximately 43.87% of the total issued share capital of the Company upon the completion of the Reorganization. The Parent is principally engaged in the business of building materials in the PRC.

I. DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expression shall have the meanings ascribed to them below:

"2017 Financial Services Framework Agreement"	the agreement dated 8 February 2017 and entered into between the Company and Sinoma Finance in relation to receiving certain financial services from Sinoma Finance
"2017 Framework Agreements"	collectively, the 2017 Financial Services Framework Agreement, the 2017 Property Leasing Framework Agreement, the 2017 Mutual Supply of Services Framework Agreement, and the 2017 Mutual Supply of Products Framework Agreement
"2017 Mutual Supply of Services Framework Agreement"	the agreement dated 8 February 2017 and entered into between the Company and the Parent in relation to the mutual supply of certain services between the Group and the Parent Group

"2017 Mutual Supply of Products Framework Agreement"	the agreement dated 8 February 2017 and entered into between the Company and the Parent in relation to the mutual supply of certain products between the Group and the Parent Group
"2017 Property Leasing Framework Agreement"	the property leasing framework agreement dated 8 February 2017 and entered into between the Company and the Parent in relation to property leasing
"associate(s)"	has the meaning ascribed under the Listing Rules
"Board"	the board of directors of the Company
"CBRC"	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 Stock Exchange
"controlling shareholder"	has the meaning ascribed under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for approving, among others, the Non-exempt Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2019 thereof
"Financial Services Supplemental Agreement"	the supplemental agreement dated 8 February 2017 and entered into between the Company and Sinoma Finance to the Original Financial Services Framework Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee of the Board comprising all of the independent non-executive Directors, who have no material interest in the Non-exempt Continuing Connected Transactions, namely Mr. Leung Chong Shun, Mr. Lu Zhengfei and Mr. Wang Zhulin, which was established to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions as well as the proposed annual caps thereof
"Independent Financial Adviser"	GF Capital (Hong Kong) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions as well as the proposed annual caps thereof
"Independent Shareholder(s)"	Shareholder(s) who are not required to abstain from voting on the resolutions in relation to the Non-exempt Continuing Connected Transactions to be proposed at the EGM under the Listing Rules and the proposed annual caps thereof
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Non-exempt Continuing Connected Transactions"	the transactions in terms of the deposit services and Other Financial Services contemplated under the 2017 Financial Services Framework Agreement, the transactions contemplated under the 2017 Mutual Supply of Services Framework Agreement, and the transactions contemplated under the 2017 Mutual Supply of Products Framework Agreement
"normal commercial banks in the PRC"	normal commercial banks in the PRC mainly refer to those state-owned commercial banks including Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China and China Construction Bank, which all have cooperation with the Group
"Original Framework Agreements"	collectively, the Original Financial Services Framework Agreement, the Original Property Leasing Framework Agreement, the Original Mutual Supply of Services Framework Agreement, and the Original Mutual Supply of Products Framework Agreement

"Original Financial Services Framework Agreement"	the agreement dated 21 August 2015 and entered into between the Company and Sinoma Finance in relation to receiving certain financial services from Sinoma Finance
"Original Mutual Supply of Products Framework Agreement"	the agreement dated 21 August 2015 and entered into between the Company and the Sinoma Corporation in relation to the mutual supply of certain products between the Group and Sinoma Group
"Original Mutual Supply of Services Framework Agreement"	the agreement dated 21 August 2015 and entered into between the Company and the Sinoma Corporation in relation to the mutual supply of certain services between the Group and Sinoma Group
"Original Property Leasing Agreement"	the agreement dated 21 August 2015 and entered into between the Company and the Sinoma Corporation in relation to property leasing
"Other Financial Services"	other financial services under 2017 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 the CBRC
"Other Member(s)"	associate(s) excluding the Group
"Other Supplemental Agreement"	the supplemental agreement dated 8 February 2017 and entered into between the Company and Sinoma Corporation to the Original Property Leasing Framework Agreement, the Original Mutual Supply of Services Framework Agreement, and the Original Mutual Supply of Products Framework Agreement
"Parent"	China National Building Materials Group Corporation (中國建材集團有限公司), a state-owned limited liability company incorporated under the laws of the PRC
"Parent Group"	the Parent and its associates (excluding the Group)
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC

"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
"Reorganization"	the possible reorganization between Sinoma Corporation and the Parent as disclosed in the announcements of the Company dated 25 January 2016, 27 July 2016 and 22 August 2016, pursuant to which Sinoma Corporation will be transferred into the Parent at nil consideration
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council
"SFO"	the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	the shareholder(s) of the Company
"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
"Sinoma Corporation"	China National Materials Group Corporation Ltd. (中國中材集團有限公司), a state-owned limited liability company incorporated under the laws of the PRC and the direct controlling shareholder of the Company as of the date of this announcement
"Sinoma Group"	Sinoma Corporation and its subsidiaries (excluding the Group)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreements"	collectively, the Financial Services Supplemental Agreement and the Other Supplemental Agreement

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

Beijing, China
8 February 2017

As at the date of this announcement, the executive directors of the Company are Mr. Liu Zhijiang and Mr. Peng Jianxin; the non-executive directors of the Company are Mr. Li Xinhua, Mr. Li Jianlun, Mr. Shen Yungang and Mr. Wang Fengting; and the independent non-executive directors of the Company are Mr. Leung Chong Shun, Mr. Lu Zhengfei and Mr. Wang Zhulin.

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