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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)**

### **DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENTS**

#### **FINANCE LEASE ARRANGEMENTS**

The Board is pleased to announce that on 24 June 2016, Fukang Tianshan, a subsidiary of the Company, and the Lessor entered into the Finance Lease Arrangements, under which, Fukang Tianshan agreed to sell the Leased Assets to the Lessor at a total consideration of RMB300,000,000 and the Lessor has agreed to leaseback the Leasing Assets to Fukang Tianshan for a period of 36 months.

To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

#### **HONG KONG LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5% but less than 25%, the Finance Lease Arrangements and the transaction contemplated thereunder constitute discloseable transaction and are subject to the reporting and announcement requirements under Chapter 14 of Hong Kong Listing Rules, but are exempted from the requirement of shareholders' approval, pursuant to Chapter 14 of the Hong Kong Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 24 June 2016, Fukang Tianshan, a subsidiary of the Company, and the Lessor entered into the Finance Lease Arrangements, under which, Fukang Tianshan agreed to sell the Leased Assets to the Lessor at a total consideration of RMB300,000,000 and the Lessor has agreed to leaseback the Leased Assets to Fukang Tianshan for a period of 36 months.

## **FINANCE LEASE ARRANGEMENTS**

- Parties:**
- (i) Fukang Tianshan; and
  - (ii) the Lessor

### **Subject Matters**

#### ***Sale of the Leased Assets to the Lessor***

Pursuant to the Finance Lease Arrangements, Fukang Tianshan shall sell and the Lessor shall purchase the Leased Assets owned by Fukang Tianshan at a total consideration of RMB300,000,000. Such consideration was determined with reference to the net assets value of the Leased Assets as at 31 December 2015, being RMB334 million. Upon payment of the handling fee (inclusive of added-value tax) and the lease risk provisions by Fukang Tianshan to the Lessor, the consideration shall be remitted by telegraphic transfer by the Lessor into the designated account of Tianshan Fukang. Proceeds from the sale of the Leased Assets by Fukang Tianshan will be used to replenish its working capital.

#### ***Leaseback of the Leased Assets by Fukang Tianshan***

Pursuant to the Finance Lease Arrangements, the Leased Assets will then be leased back to Fukang Tianshan for a period of 36 months. The aggregate lease consideration (inclusive of added-value tax) under the Finance Lease Arrangements payable by Fukang Tianshan to the Lessor comprises (i) the amount of the principal rent, being RMB300,000,000; and (ii) the lease interest (the interest rate of each rental installment shall be floating interest rate of 4.75%). If the statutory benchmark interest rate of People's Bank of China is adjusted up or down, the Lessor is entitled to increase or decrease the lease interest rate according to the statutory benchmark interest rate of People's Bank of China. The lease interest rate of each rental installment commencing from the next payment date of rental after the adjustment date shall be increased or decreased by the same amount. The rental adjustment notice issued by the Lessor shall prevail in terms of the adjusted lease interest rate and relevant charges including rental and interest. Based on the current lease interest rate, the lease interest is expected to be RMB22,286,193.29. The aforesaid lease consideration is to be paid by Fukang Tianshan to the Lessor in 12 installments starting from 15 September 2016.

The aforesaid lease consideration was determined with reference to the principal amounts and the prevailing market interest rate for finance lease of comparable assets, and is expected to be settled by cash out of Fukang Tianshan's internal resources.

### ***Ownership of the Leased Assets during the Lease Period***

The Leased Assets comprise certain production equipment of Fukang Tianshan, the net assets value of which as at 31 December 2015 was RMB334 million. During the Lease Period, the ownership of the Leased Assets will vest in the Lessor and Fukang Tianshan will be entitled to occupy and use the Leased Assets.

Upon expiry of the Lease Period and subject to the full payment of all rental and relevant payables under the Finance Lease Arrangements, Fukang Tianshan will be entitled to purchase the Leased Assets at the consideration of RMB30,000 (inclusive of added-value tax), and the ownership of the Leased Assets shall be obtained by it from the payment date of such consideration.

### ***Other Relevant Arrangements***

#### ***Handling fee***

Pursuant to the Finance Lease Arrangements, the Lessor is entitled to receive a non-refundable handling fee of RMB9,900,000 (inclusive of added-value tax) from Fukang Tianshan.

#### ***Lease risk provisions***

Pursuant to the Finance Lease Arrangements, Fukang Tianshan shall pay the Lessor lease risk provisions of RMB27,000,000 (free of interest) upon the execution of the Leaseback Contract as a security for its performance of the Leaseback Contract. Upon expiry or early termination of the Leaseback Contract as well as full payment by Fukang Tianshan of rental, liquidated damages and other amounts, the Lessor shall return the lease risk provisions to Fukang Tianshan.

#### ***Mortgage and guarantee***

Pursuant to the Finance Lease Arrangements, Fukang Tianshan agreed and the Lessor agreed to accept Fukang Tianshan to mortgage the Mortgaged Assets to guarantee its liability to the Lessor under the Leaseback Contract, with guarantee amount thereof being RMB322,286,193.29. Such mortgage shall remain effective before full realization of the Lessor's claim.

Pursuant to the Guarantee Contract, Tianshan Cement agreed and the Lessor agreed to accept Tianshan Cement to provide joint liability guarantee for Fukang Tianshan's liability to the Lessor under the Leaseback Contract, with guarantee amounts thereof being RMB322,286,193.29. The guarantee period thereof is from the effective date of the Leaseback Contract to the expiry of the period for performance by Fukang Tianshan as agreed in the Leaseback Contract and two years following such expiry.

The scopes of mortgage and guarantee both include principal of debts, interest, overdue penalty, liquidated damages, damage compensation under the Leaseback Contract, compensation that shall be borne by Fukang Tianshan arising from the Leaseback Contract being void or revoked due to errors

of Fukang Tianshan, all costs incurred from realization of claims by the Lessor (including but not limited to litigation fees, legal fees, notary fees, assessment fees, travel expenses and other expenses) and capital occupation fee (calculated with the foregoing payables as the base and a rate of 5/10000 per day since the late payment date). In case the Lessor issued rental adjustment notices to Fukang Tianshan, Tianshan Cement shall provide joint liability guarantee for the amounts set out in such notices.

To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS**

The Directors consider that the Finance Lease Arrangements will further increase the financing channels of Fukang Tianshan, and satisfy its operation needs without material impact on the actual production or operation of Fukang Tianshan, which will in turn benefit the Company as a whole. In light of the above, the Directors consider that the terms and conditions of the Finance Lease Arrangements are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **GENERAL INFORMATION**

### **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.

### **Tianshan Cement**

Tianshan Cement is a joint stock company incorporated in the PRC on 18 November 1998, and is principally engaged in R&D, manufacturing, sale and technical service of cement and relevant products.

### **Fukang Tianshan**

Fukang Tianshan is a company with limited liability incorporated under the laws of the PRC on 11 May 2010 and is a wholly-owned subsidiary of Tianshan Cement. It is principally engaged in opencast working of shale used as cement ingredient, as well as manufacturing and sale of cement clinker and cement.

## **The Lessor**

The Lessor is a limited company incorporated under the laws of the PRC on 2 February 1996 and is mainly engaged in financial business and concurrent insurance agency business.

## **HONG KONG LISTING RULES IMPLICATION**

As the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5% but are less than 25%, the Finance Lease Arrangements and the transaction contemplated thereunder constitute discloseable transaction for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of Hong Kong Listing Rules, but are exempted from the requirement of shareholders' approval, pursuant to Chapter 14 of the Hong Kong Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of directors of the Company
“Company”	China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated under the laws of the PRC on 31 July 2007, the H shares of which are listed on the Hong Kong Stock Exchange
“Director(s)”	the director(s) of the Company
“Finance Lease Arrangements”	the finance lease arrangements entered into between Fukang Tianshan and the Lessor through signing the Leaseback Contract, the Sale and Purchase Contract in relation to Leaseback and the Mortgage Contracts
“Fukang Tianshan”	Xinjiang Fukang Tianshan Cement Co., Ltd. (新疆阜康天山水泥有限公司), a wholly-owned subsidiary of Tianshan Cement which was a company incorporated under the laws of the PRC on 11 May 2010 with limited liability
“Group”	the Company and its subsidiaries
“Guarantee Contract”	The guarantee contract entered into between Tianshan Cement and the Lessor on 24 June 2016, pursuant to which Tianshan Cement shall provide joint liability guarantee for Fukang Tianshan's liability to the Lessor under the Leaseback Contract

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Leaseback Contract”	The leaseback contract entered into between Fukang Tianshan and the Lessor on 24 June 2016, pursuant to which the Lessor shall lease back the Leased Assets to Fukang Tianshan
“Lease Period”	the period from 29 June 2016 to 28 June 2019, totalling 36 months
“Leased Assets”	the production equipment to be transferred to the Lessor according to the Finance Lease Arrangements by Fukang Tianshan, which shall be leased back to Fukang Tianshan by the Lessor
“Lessor”	Greatwall Guoxing Finance Leasing Company Limited (長城國興金融租賃有限公司)
“Mortgage Contracts”	The mortgage contracts entered into between Fukang Tianshan and the Lessor on 24 June 2016, pursuant to which Fukang Tianshan shall guarantee its liability to the Lessor under the Leaseback Contract with the Mortgaged Assets
“Mortgaged Assets”	certain cement production equipment, houses and lands of Fukang Tianshan
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Contract in relation to Leaseback”	The sale and purchase contract in relation to leaseback entered into between Fukang Tianshan and the Lessor on 24 June 2016, pursuant to which Fukang Tianshan shall sell the Leased Assets to the Lessor

“Tianshan Cement”

Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), a joint stock company incorporated in the PRC on 18 November 1998, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), and a subsidiary of the Company

By order of the Board

**CHINA NATIONAL MATERIALS COMPANY LIMITED**

**Liu Zhijiang**

*Chairman of the Board*

Beijing, China

24 June 2016

*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. Yu Shiliang, Mr. Li Xinhua, Mr. Li Jianlun, Mr. Yu Guobo and Mr. Tang Baoqi, and the independent non-executive directors of the Company are Mr. Leung Chong Shun, 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.*