

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 EQUIPMENT PROCUREMENT CONTRACT

EQUIPMENT PROCUREMENT CONTRACT

Lithium Membrane Company, a subsidiary of the Company, entered into the Equipment Procurement Contract with DaLian Rubber & Plastics on 24 January 2017, pursuant to which DaLian Rubber & Plastics has agreed to sell the Target Equipment to Lithium Membrane Company, with the aggregate consideration thereunder being RMB303 million.

HONG KONG LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules, in isolation and when aggregated with the previous transaction as disclosed in the announcement of the Company dated 23 February 2016 in accordance with Rule 14.22 of the Hong Kong Listing Rules) exceed 5% but are less than 25%, the transaction contemplated under the Equipment Procurement Contract constitutes a discloseable transaction for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Hong Kong Listing Rules, but is 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, Lithium Membrane Company, a subsidiary of the Company, entered into the Equipment Procurement Contract with DaLian Rubber & Plastics on 24 January 2017, pursuant to which DaLian Rubber & Plastics has agreed to sell the Target Equipment to Lithium Membrane Company, with the aggregate consideration thereunder being RMB303 million.

EQUIPMENT PROCUREMENT CONTRACT

The major terms of the Equipment Procurement Contract is as follows:

Date: 24 January 2017

- Parties: (i) Lithium Membrane Company; and
- (ii) DaLian Rubber & Plastics

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, DaLian Rubber & Plastics as well as its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject Matters

DaLian Rubber & Plastics has agreed to sell the Target Equipment to Lithium Membrane Company, of which the delivery and carriage shall be undertaken by DaLian Rubber & Plastics.

Consideration

The aggregate consideration payable by Lithium Membrane Company to DaLian Rubber & Plastics under the Equipment Procurement Contract is RMB303 million.

The consideration was determined by Lithium Membrane Company and DaLian Rubber & Plastics after arm's length negotiations by taking into account, among other factors, all expenses including all procurement cost, taxes, carriage, technical material cost, insurance expenses, installation and debugging expenses, as well as maintenance service in the two years following the acceptance examination of the Target Equipment (encompassing all taxes and fees payable and all other expenses to be spent for the implementation of the Equipment Procurement Contract by DaLian Rubber & Plastics). Such consideration is fixed and has taken into account all the extra expenses to arise from the price fluctuation related to production cost of raw materials or other conditions (including policy adjustment).

If certain components of the Target Equipment is procured directly by Lithium Membrane Company with the written confirmation of both parties, the procurement expenses spent for such purpose shall be deducted from the consideration under the Equipment Procurement Contract conditional upon the deducted amount being no more than the agreed prices in this regards by both parties.

The loss encountered by Lithium Membrane Company during DaLian Rubber & Plastics' or the Technical Guarantor's implementation of the appendices to the Equipment Procurement Contract setting out technical standards and quality requirements of the Target Equipment shall be deducted from the consideration when paid by Lithium Membrane Company to DaLian Rubber & Plastics.

Payment Arrangements

As agreed by both parties, the Equipment Procurement Contract shall be a build-transfer contract upon the execution thereof, and shall turn into a purchase and sales contract of ordinary industrial products upon: (i) Lithium Membrane Company's requirement, or (ii) the first production line under the equipment procurement contract as disclosed in the announcement of the Company dated 23 February 2016 having passed the acceptance examination regarding continuous operation.

During the period when the Equipment Procurement Contract is a build-transfer contract, Lithium Membrane Company and DaLian Rubber & Plastics have agreed that the consideration (with the deductions as agreed by Lithium Membrane Company and DaLian Rubber & Plastics in the Equipment Procurement Contract being made, if any) under the Equipment Procurement Contract shall be paid by Lithium Membrane Company in cash within one month after its receipt of the written payment notice and the added-value tax invoice issued by DaLian Rubber & Plastics at the time agreed by the parties in Equipment Procurement Contract. Such written payment notice and the added-value tax invoice shall be issued after, among other conditions agreed by the parties, complete the delivery of Target Equipment by DaLian Rubber & Plastics, Lithium Membrane Company's written confirmation regarding the Target Equipment's passing the acceptance examination regarding continuous operation, and the product of the Target Equipment fulfilling the quality standards as agreed by the parties. DaLian Rubber & Plastics is entitled to require Lithium Membrane Company to pay an interest of RMB12 million in total in respect of the aforesaid consideration.

Upon the transformation of the Equipment Procurement Contract from a build-transfer contract into a purchase and sales contract of ordinary industrial products, Lithium Membrane Company shall pay the consideration under the Equipment Procurement Contract according to the actual progress of delivery of the production lines in batches as agreed by the parties in the Equipment Procurement Contract.

Under circumstances where the Target Equipment provided by DaLian Rubber & Plastics and the products thereof fail to pass the acceptance examination of Lithium Membrane Company and/or fails to meet the quality/technical standards as agreed by the parties within three months after the expiration of the debugging period under the Equipment Procurement Contract, Lithium Membrane Company is entitled to require DaLian Rubber & Plastics to sell the Target Equipment with discounts to be negotiated by both parties.

Conditions Precedent

The Equipment Procurement Contract shall become effective upon (i) being signed and chopped with the official seals of both parties; (ii) DaLian Rubber & Plastics' and Technical Guarantor's execution of the Appendix I (in relation to the technical standards) and the Appendix II (in relation to quality guarantee) to the Equipment Procurement Contract; and (iii) all approving procedures of Lithium Membrane Company being passed.

Other Information

The Equipment Procurement Contract shall be valid for three years since the effective date thereof.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Lithium Membrane Company is a subsidiary of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules, in isolation and when aggregated with the previous transaction as disclosed in the announcement of the Company dated 23 February 2016 in accordance with Rule 14.22 of the Hong Kong Listing Rules) exceed 5% but are less than 25%, the transaction contemplated under the Equipment Procurement

Contract constitutes a discloseable transaction for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Hong Kong Listing Rules, but is exempted from the requirement of shareholders' approval, pursuant to Chapter 14 of the Hong Kong Listing Rules.

None of the Directors has any material interest in the Equipment Procurement Contract and has thus abstained from voting on the relevant resolution at the Board meeting.

REASONS FOR AND BENEFITS OF THE EQUIPMENT PROCUREMENT CONTRACT

The Company believes that the Equipment Procurement Contract will effectively facilitate the Group's industrialized manufacture capability of lithium membrane and lay the foundation for the Group's production expansions in the future. The Directors are of the view that the terms of the Equipment Procurement Contract are fair and reasonable, on normal commercial terms, and in the interest of the Company and the 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 fiber and high-tech materials as well as cement in selected regional markets.

Lithium Membrane Company

Lithium Membrane Company, a subsidiary of the Company, is a company incorporated under the laws of the PRC with limited liability, and is principally engaged in research, manufacture and sales of lithium battery membrane.

DaLian Rubber & Plastics

DaLian Rubber & Plastics is a company incorporated under the laws of the PRC with limited liability, and is principally engaged in the design, manufacture, installation, sales and maintenance of rubber industrial equipment and auxiliaries as well as plastic industrial equipment and auxiliaries.

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

“Company”	China National Materials Company Limited (中國中材股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
“DaLian Rubber & Plastics”	DaLian Rubber & Plastics Machinery Co., Ltd. (大連橡膠塑料機械有限公司), a company incorporated under the laws of the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Equipment Procurement Contract”	the contract regarding wet process lithium battery membrane production lines dated 24 January 2017 entered into between Lithium Membrane Company and DaLian Rubber & Plastics
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Lithium Membrane Company”	Sinoma Lithium Membrane Co., Ltd. (中材鋰膜有限公司), a company incorporated under the laws of the PRC with limited liability
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Target Equipment”	the equipment to be provided by DaLian Rubber & Plastics to Lithium Membrane Company under the Equipment Procurement Contract, namely 2 wet process lithium battery membrane production lines and the auxiliary facilities thereof

“Technical Guarantor”

the technical guarantor engaged by DaLian Rubber & Plastics as the technical supporter for the transaction contemplated under the Equipment Procurement Contract, which is a third party independent of the Company and its connected persons

“%”

per cent

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

Beijing, China
24 January 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.