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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)

ANNOUNCEMENT INSIDE INFORMATION TAX DISPUTE OF SAUDI ARABIAN BRANCH OF SINOMA INTERNATIONAL

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Sinoma International Engineering Co., Ltd. ("**Sinoma International**") is a subsidiary of China National Materials Company Limited (the "**Company**") and its A shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970).

In order to carry out the engineering projects in Saudi Arabia, the Saudi Arabian branch of Sinoma International (the "**Saudi Arabian Branch**") was established in 2006 by Sinoma International in Riyadh, Kingdom of Saudi Arabia. Saudi Arabian Branch has on a long-term basis entrusted KPMG AL FOZAN & AL Sadhan (the "**KPMG**"), a world-renowned tax consulting agency, with affairs including tax consultancy and tax declaration, and the duty-paid proof issued by the local tax bureau was also received. In 2011, the local Saudi Arabian tax bureau conducted a routine tax assessment on the tax payment made by Saudi Arabian Branch from 2006 to 2008. On 20 November 2014, Saudi Arabian Branch received the assessment report from Saudi Arabian tax bureau, proclaiming that Saudi Arabian Branch was required to pay supplementary tax (being 33.04 million riyals) and the overdue fine thereof (calculated based on the rate of 1% per thirty days), or to appeal within the prescribed time. Saudi Arabian Branch consulted with and entrusted KPMG to appeal and submitted the appealing materials to the primary board of tax appeals.

Sinoma International has recently received the official written notice of appealing results transmitted by Saudi Arabian Branch, demonstrating that: Due to failure to satisfy the formal requirements of appeals, the primary board of tax appeals rejected the claims of Saudi Arabian Branch without conducting substantive examination on the appeal. Further appeal, if desired, shall be made towards the superior board of tax appeals, with the supplementary tax and overdue fine or a letter of guarantee of the same amount (KPMG is currently communicating and confirming with the tax bureau regarding the specific amount of the letter of guarantee, which is currently estimated by KPMG to be approximately 68,454,303 riyals, equivalent to approximately 18,254,481 US dollars or RMB119,548,596) being submitted to the tax authority within 60 days. According to the latest advisory opinions of KPMG, Saudi Arabian Branch has a chance to success.

Taking into account the aforesaid, Saudi Arabian Branch is contemplating to issue the corresponding letter of guarantee and to entrust KPMG to appeal towards the superior board of tax appeals in the near future, with the uncertainties being as follows: (1) uncertainty arising from the difficulty to predict precisely when the tax dispute will be resolved due to the fact that the working process and efficiency of the relevant local Saudi Arabian authorities is hard to estimate; (2) uncertainty arising from the estimated amount of the letter of guarantee and the impossibility to predict precisely the final results of the appeal; (3) due to the aforesaid uncertainties regarding time and specific amount, it is difficult to predict precisely the impacts of such matter on the profit and loss of the Company of the current period or after the current period. Sinoma International is

dispatching a working group to Saudi Arab to deal with affairs relevant to the appeal. The Company will disclose important progress and impact of the such matter on a timely basis.

Investors are advised to pay attention to investment risks and exercise in caution when dealing in the shares of the Company.

For detailed information of the events as mentioned above, please refer to the relevant overseas regulatory announcement of the Company published on the website of The Stock Exchange of Hong Kong Limited on 29 May 2016.

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

Beijing, China
29 May 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.