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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 PROPOSED NON-PUBLIC ISSUANCE OF A SHARES BY TIANSHAN CEMENT AND SUBSCRIPTION OF A SHARES OF TIANSHAN CEMENT BY THE COMPANY**

Tianshan Cement, a subsidiary of the Company, proposed to issue no more than 187,006,589 A Shares (inclusive) at the Subscription Price by way of private placement to the Company to raise proceeds of no more than RMB1,135.13 million (inclusive) in order to make full use of state-owned capital operation budget and to improve its capital structure and cash flow status.

On 24 June 2016, the Company entered into the Share Subscription Contract with Tianshan Cement, pursuant to which, the Company has agreed to subscribe for no more than 187,006,589 A Shares (inclusive) of Tianshan Cement at the Subscription Price, of which the aggregate consideration is RMB1,135.13 million.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5% but are less than 25%, the transaction contemplated under the Share Subscription Contract constitutes a discloseable transaction for the purposes of, and is 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**

Tianshan Cement, a subsidiary of the Company, proposed to issue no more than 187,006,589 A Shares (inclusive) at the Subscription Price by way of private placement to the Company to raise proceeds of no more than RMB1,135.13 million (inclusive) in order to make full use of state-owned capital operation budget and to improve its capital structure and cash flow status.

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## **PROPOSED NON-PUBLIC ISSUANCE BY TIANSHAN CEMENT**

<b>Issuer:</b>	Tianshan Cement
<b>Type and nominal value of shares to be issued:</b>	RMB denominated and ordinary shares, being A Shares, with a nominal value of RMB 1.00 per share.
<b>Method and time of issuance:</b>	The Non-Public Issuance will be conducted by way of private placement to the target subscriber at an appropriate time to be determined during six months from the date of approval by the CSRC.
<b>Issue price and pricing principles:</b>	<p>The issue price of the A Shares shall be the average trading price of the shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date (average trading price of the shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date = total transaction value of shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date/total transaction amount of shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date), being RMB6.07 per share (rounded up to two decimals).</p> <p>The issue price will be adjusted correspondingly in case of ex-entitlement or ex-dividend regarding shares of Tianshan Cement during the period from the Price Determination Date to the Issuance Date.</p>
<b>Size of issuance:</b>	<p>Not more than 187,006,589 A Shares (inclusive) are proposed to be issued under the Non-Public Issuance, all of which shall be subscribed by the Company at a consideration of no more than RMB1,135.13 million (inclusive).</p> <p>The size of issuance will be adjusted correspondingly in case of ex-entitlement or ex-dividend regarding shares of Tianshan Cement during the period from the Price Determination Date to the Issuance Date.</p>
<b>Target subscriber:</b>	The target subscriber under the Non-Public Issuance is the Company.

The Company will subscribe for the A Shares with creditor's right of RMB535.13 million (arising from the budget funds appropriated for state-owned capital operation, which were allocated by the Company into Tianshan Cement but has not been transferred into increased capital) and cash of RMB600 million.

**Lock-up period:** The A Shares shall not be listed, traded or transferred within 36 months from the completion date of the Non-Public Issuance.

**Listing venue:** Upon expiration of the lock-up period, A Shares will be listed and traded on the Shenzhen Stock Exchange.

**Amount and use of proceeds:** The proceeds to be raised from the Non-Public Issuance will not exceed RMB1,135.13 million (inclusive). The proceeds, excluding the budget funds appropriated for state-owned capital operation, are intended to be used for repayment of borrowings after deducting issue expenses.

**Arrangements on the undistributed accumulated profits:** The new and existing shareholders of Tianshan Cement will share the undistributed profits accumulated prior to the Non-Public Issuance.

**Other Information:** After being approved by the board of directors of Tianshan Cement, the Non-Public Issuance is subject to approvals by the general meeting of Tianshan Cement as well as by CSRC.

## **SHARE SUBSCRIPTION CONTRACT**

On 24 June 2016, the Company entered into the Share Subscription Contract with Tianshan Cement, pursuant to which, the Company has agreed to subscribe for no more than 187,006,589 A Shares (inclusive) at the Subscription Price, of which the aggregate consideration is RMB1,135.13 million. The major terms of the Share Subscription Contract are as follows:

**Date:** 24 June 2016

**Parties:**

- (i) the Company
- (ii) Tianshan Cement

## **Number of A Shares the Company to Subscribe for**

Pursuant to the Share Subscription Contract, the Company has agreed to subscribe for no more than 187,006,589 A Shares (inclusive). In case of ex-entitlement or ex-dividend regarding shares of Tianshan Cement during the period from the Price Determination Date to the Issuance Date, the number of the A Shares to be subscribed by the Company will be adjusted corresponding to the issue price of the A Shares after ex-entitlement or ex-dividend.

## **Consideration**

The Company shall subscribe for the A Shares with cash and the creditor's right (arising from the budget funds appropriated for state-owned capital operation, which were allocated by the Company into Tianshan Cement but has not been transferred into increased capital). The consideration payable by the Company for subscribing for the A Shares under the Share Subscription Contract is RMB1,135.13 million, of which RMB600 million will be satisfied by the Company with cash and RMB535.13 million will be satisfied by creditor's right.

After the approval from CSRC on the Non-Public Issuance being obtained, RMB600 million shall be paid by the Company to the account specially opened for the Non-Public Issuance by the sponsor (the lead underwriter) on the payment date determined by Tianshan Cement and the sponsor (the lead underwriter). The remaining consideration shall be satisfied by the Company with the creditor's right of RMB535.13 million on the date when the aforesaid cash is fully paid into such account. The sponsor (the lead underwriter) will transfer the amount into the designated deposit account for proceeds of Tianshan Cement after capital verification and deducting the sponsoring and underwriting charges.

## **Subscription Price**

The Subscription Price under the Share Subscription Contract shall be the average trading price of the shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date (average trading price of the shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date = total transaction value of shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date/total transaction amount of shares of Tianshan Cement in the 20 trading days preceding the Price Determination Date), being RMB6.07 per share (rounded up to two decimals).

The Subscription Price will be adjusted correspondingly in case of ex-entitlement or ex-dividend regarding shares of Tianshan Cement during the period from the Price Determination Date to the Issuance Date.

## **Lock-up Period**

The A Shares to be subscribed by the Company shall not be listed, traded or transferred within 36 months from the completion date of the Non-Public Issuance.

## **Conditions Precedent**

The Share Subscription Contract is concluded after being executed and chopped by the Company, Tianshan Cement and the legal or authorized representatives thereof, and shall take effect upon the fulfilment of all the following conditions:

- (i) the affairs relevant to the Non-Public Issuance being approved by the regulatory authorities of state-owned assets;
- (ii) the Non-Public Issuance and the Share Subscription Contract being approved by the board of directors and the general meeting of Tianshan Cement;
- (iii) necessary procedures required by Hong Kong Listing Rules and the articles of association of the Company for approving the subscription of the A Shares by the Company being complied with;
- (iv) the Company being exempted from making an offer of acquisition by the general meeting of Tianshan Cement; and
- (v) the Non-Public Issuance being approved by CSRC.

## **Other Major Term**

Unless otherwise agreed by the Company and Tianshan Cement, the Share Subscription Contract shall be terminated if the performance thereof is not completed within one year from the date on which the resolution regarding the Non-Public Issuance is approved by the general meeting of Tianshan Cement.

## **EFFECTS ON THE SHAREHOLDING STRUCTURE OF TIANSHAN CEMENT ARISING FROM THE PROPOSED NON-PUBLIC ISSUANCE AND THE SHARE SUBSCRIPTION CONTRACT**

As at the date of this announcement, Tianshan Cement is owned as to 35.49% by the Company and is a subsidiary of the Company. After completion of the Non-Public Issuance and the Share Subscription Contract (assuming that 187,006,589 A Shares will be fully issued and there is no other change in the issued share capital of Tianshan Cement), Tianshan Cement will be owned as to 46.80% by the Company and continue to be a subsidiary of the Company.

The table below sets out the shareholding structure of Tianshan Cement before and after the completion of the Non-Public Issuance and the Share Subscription Contract (assuming 187,006,589 A Shares will be fully issued and there is no other change in the issued share capital of Tianshan Cement):

Name of shareholders of Tianshan Cement	As at the date of this announcement		Immediately after completion of the Non-Public Issuance and the Share Subscription Contract	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
The Company	312,381,609	35.49%	499,388,198	46.80%
Other shareholders	567,719,650	64.51%	567,719,650	53.20%
Total	880,101,259	100%	1,067,107,848	100%

## 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) exceed 5% but are less than 25%, the transaction contemplated under the Share Subscription Contract constitutes a discloseable transaction for the purposes of, and is 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.

## REASONS FOR AND BENEFITS OF THE PROPOSED NON-PUBLIC ISSUANCE AND THE SHARE SUBSCRIPTION CONTRACT

The Company is of the view that the Non-Public Issuance and the Share Subscription Contract answer to the need of practicing the policy in relation to state-owned capital operating budget, and will facilitate the improvement of Tianshan Cement's capital structure and cash flow status, which will in turn enhance the Company's capacity of risk-resistance as well as improve the Company's core competitiveness and capacity of sustainable development as a whole.

The Directors are of the view that the Non-Public Issuance and terms of the Share Subscription 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.

## 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.

The audited total assets of Tianshan Cement as of 31 December 2015 was RMB20,530,366,355.78. The audited net profit before and after taxation of Tianshan Cement for the two financial years ended 31 December 2014 and 2015, respectively, were as follows:

	<b>For the year ended 31 December 2015</b> <i>(RMB)</i>	<b>For the year ended 31 December 2014</b> <i>(RMB)</i>
Audited net profit before taxation	-667,137,023.71	314,963,737.36
Audited net profit after taxation	-669,742,711.10	254,795,598.45

## DEFINITIONS

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

“A Shares”	additional ordinary share(s) of nominal value of RMB1.00 in the share capital of Tianshan Cement proposed to be issued under the Non-Public Issuance
“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
“CSRC”	China Securities Regulatory Commission of the State Council of the PRC
“Director(s)”	the director(s) of the Company
“Issuance Date”	the issuance date of the A Shares
“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
“Non-Public Issuance”	the issuance by Tianshan Cement of no more than 187,006,589 A Shares (inclusive) at the Subscription Price by way of private placement to the Company to raise proceeds of no more than RMB1,135.13 million (inclusive)
“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
“Price Determination Date”	the date on which an announcement is published by Tianshan Cement in relation to the resolution of the 15th meeting of its 6th session of board of directors on the website of the Shenzhen Stock Exchange ( <a href="http://www.szse.cn">http://www.szse.cn</a> )
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Share Subscription Contract”	a share subscription contract dated 24 June 2016 and entered into between the Company and Tianshan Cement, pursuant to which, the Company has agreed to subscribe for no more than 187,006,589 A Shares (inclusive) of Tianshan Cement at the Subscription Price, of which the aggregate consideration is RMB1,135.13 million
“Subscription Price”	the subscription price of each A Share under the Non-Public Issuance and the Share Subscription Contract



“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

“%” per cent

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.*