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SINOMA

China National Materials
Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 01893)

**PROPOSED ADOPTION OF SHARE OPTION INCENTIVE SCHEME
OF SINOMA INTERNATIONAL
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF THE BOARD**

PROPOSED ADOPTION OF SHARE OPTION INCENTIVE SCHEME OF SINOMA INTERNATIONAL

On 23 June 2017, the Board passed a resolution in relation to the proposed adoption of share option incentive scheme of Sinoma International, a subsidiary of the Company and whose A shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970). The Scheme constitutes a share option scheme under Chapter 17 of the Hong Kong Listing Rules. Such Scheme shall become effective upon approval by SASAC, approval by the shareholders of Sinoma International at a general meeting and approval by the Shareholders at a general meeting.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 23 June 2017, the Board proposed to make certain amendments to the Articles of Association to satisfy the actual business needs of the Company. The proposed amendments to the Articles of Association are subject to the approval by the Shareholders by way of special resolution at a general meeting.

PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF THE BOARD

On 23 June 2017, the Board proposed to make certain amendments to the rules of procedures of the Board to reflect the proposed amendments to the Articles of Association. The proposed amendments to the rules of procedures of the Board are subject to the approval of the Shareholders by way of ordinary resolution at a general meeting.

GENERAL

A circular containing, among others, details of the proposed adoption of the Scheme, the proposed amendments to the Articles of Association and proposed amendments to the rules of procedures of the Board together with a notice convening the EGM will be dispatched to the Shareholders in due course.

PROPOSED ADOPTION OF SHARE OPTION INCENTIVE SCHEME OF SINOMA INTERNATIONAL

On 23 June 2017, the Board passed a resolution in relation to the proposed adoption of share option incentive scheme of Sinoma International, a subsidiary of the Company and whose A shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970). The Scheme constitutes a share option scheme under Chapter 17 of the Hong Kong Listing Rules. Such Scheme shall become effective upon approval by SASAC, approval by the shareholders of Sinoma International at a general meeting and approval by the Shareholders at a general meeting.

Purpose of the Scheme

The purpose of the Scheme is to further optimize the corporate governance structure of Sinoma International, promote to establish and improve its incentive and discipline mechanism, fully incentivise the directors, senior management, core technical and managerial personnel of Sinoma International and enhance their initiative as well as sense of responsibility and mission, so as to effectively combine the interests of the shareholders, Sinoma International and individual interests of managers together, making all parties to attend to and fight for the long-term development of Sinoma International.

Source of underlying shares of the Scheme

The source of underlying shares of the Scheme is the ordinary A shares to be issued by Sinoma International to the Participants.

Total number of Share Options proposed to be granted under the Scheme

17,550,000 Share Options are proposed to be granted to Participants under the Scheme, with the corresponding underlying shares representing approximately 1% of the total share capital of Sinoma International as at the date of the announcement of the draft Scheme.

Share Options granted to the Participants shall not be transferred or used as guarantee or repayment of debts.

Participants of the Scheme

The total number of Participants under the Scheme shall be no more than 498, including directors, senior management, key technical and managerial personnel, etc. of Sinoma International. The aforesaid Participants do not include independent directors and supervisors of Sinoma International. The Participants shall pass the appraisal pursuant to the Share Option Incentive Scheme Implementation and Appraisal Administrative Measures of Sinoma International Engineering Co., Ltd.

Exercise price of the Share Options and the basis of determination of the exercise price

The pricing benchmark date of the exercise price of the Share Options is the date of announcement of the draft Scheme.

The exercise price of the Share Options is RMB9.27, which is the higher of the following:

1. The average trading price of shares of Sinoma International on the last trading day before the pricing benchmark date;
2. The closing price of shares of Sinoma International on the last trading day before the pricing benchmark date;
3. The average trading price of shares of Sinoma International for the last 20 trading days before the pricing benchmark date;
4. The average closing price of shares of Sinoma International for the last 30 trading days before the pricing benchmark date;
5. The nominal value of the underlying shares of Sinoma International, being RMB 1.00 per share.

Validity period, date of grant and vesting period under the Scheme

The validity period of the Scheme shall be no longer than 60 months, commencing from the date of grant of the Share Options.

The date of grant shall be determined by the board of directors of Sinoma International after the Scheme is approved by the SASAC, and approved by the Shareholders at a general meeting and by the shareholders of Sinoma International at a general meeting. Sinoma International shall grant the Share Options within 60 days upon approval at the general meeting of Sinoma International, as well as complete the announcement and registration formalities. If Sinoma International fails to complete the aforesaid works, the implementation of the Scheme shall be terminated and the Share Options haven't been granted shall expire.

Vesting period refers to the period from the date of grant of the Share Options to the Exercise Date of the Share Options. The vesting period under the Scheme is 24 months.

Exercise arrangements

Upon satisfaction of the conditions to the exercise of Share Options as required by the Scheme, the Participants can exercise their Share Options in three tranches within 36 months after the expiry of the 24-month period from the date of grant.

The exercise periods of the Share Options and the timing arrangement for each period are as follows:

Exercise arrangement	Timing arrangement	Exercise Proportion
1st Exercise Period	commencing from the first trading day after expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant	1/3
2nd Exercise Period	commencing from the first trading day after expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant	1/3
3rd Exercise Period	commencing from the first trading day after expiry of the 48-month period from the date of grant and ending on the last trading day of the 60-month period from the date of grant	1/3

The Participants shall complete the exercise of Share Options within the exercise periods. If the conditions to exercise are not fulfilled, the share options for that period shall not be exercised. If the conditions to exercise are fulfilled but not all of the Share Options for that period have been exercised, the non-exercised portion shall be cancelled by Sinoma International.

Lock-up period under the Scheme

Lock-up period refers to the period during which the shares issued to the Participants upon Exercise are restricted from selling. Detailed requirements are set out below:

1. Where the Participant is a director or member of the senior management of Sinoma International, the number of shares that may be transferred per year during his/her term of office shall not exceed 25% of the total number of shares of Sinoma International held by him/her; and the Participant shall not transfer the shares of Sinoma International held by him/her within 6 months after his/her resignation.

2. Where the Participant is a director or member of the senior management of Sinoma International, Share Options that not less than 20% of the total share options granted to such Participant can only be exercised after the Participant has reached a pass level or above in the performance appraisal for his/her term of office. If the term of office of the Participant who is a director or member of the senior management of Sinoma International is yet to expire upon the expiry of the validity period of the Scheme, the conditions to exercise for the abovementioned portion of Share Options shall be determined with reference to his/her appraisal results of the year on which the validity period expires, and such portion of Share Options shall be exercised within the validity period.
3. Where the Participant is a director or senior management of Sinoma International and sells his/her shares within a period of 6 months after his/her purchase, or repurchase shares of Sinoma International within a period of 6 months after his/her disposal, the gains so earned shall belong to Sinoma International. The board of directors of Sinoma International shall demand such gains.
4. If, during the validity period of the Scheme, there is any amendment to the relevant requirements on the transfer of shares held by directors and senior management of Sinoma International under the relevant laws, regulations and regulatory documents such as the Company Law and the Securities laws and the articles of association of Sinoma International, such Participants shall comply with the amended relevant laws, regulations and regulatory documents such as the Company Law and the Securities Law and articles of association of Sinoma International when transfer shares of Sinoma International.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 23 June 2017, the Board proposed to make certain amendments to the Articles of Association to satisfy the actual business needs of the Company. The proposed amendments to the Articles of Association are subject to the approval by the Shareholders by way of special resolution at a general meeting.

The Board proposed to amend the Articles of Association as follows:

Paragraph (11) of Article 98 of the Articles of Association

which reads:

“**Article 98** The Board of Directors exercises the following functions and powers:

(1)...

...

(11) to formulate the basic management system of the Company, determine policies and proposals for employees' remunerations, welfare and rewards and penalty;

...”

is proposed to be amended as follows:

“**Article 98** The Board of Directors exercises the following functions and powers:

(1)...

...

(11) to formulate the basic management system of the Company;

...”

Paragraph (12) of Article 114 of the Articles of Association

which reads:

“**Article 114** The President of the Company shall be accountable to the Board of Directors and shall perform the following functions:

(1)...

...

(12) to prepare plans for the salaries, welfares and rewards and penalty for the staff of the Company, and to make decisions on the appointment or dismissal of the Company’s staff;

...”

is proposed to be amended as follows:

“**Article 114** The President of the Company shall be accountable to the Board of Directors and shall perform the following functions:

(1)...

...

(12) to make decisions on the plans for the salaries, welfares and rewards and penalty for the staff of the Company, and the appointment or dismissal of the staff;

...”

PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF THE BOARD

On 23 June 2017, the Board proposed to make certain amendments to the rules of procedures of the Board to reflect the proposed amendments to the Articles of Association. The proposed amendments to the rules of procedures of the Board are subject to the approval of the Shareholders by way of ordinary resolution at a general meeting.

The Board proposed to amend the rules of procedures of the Board as follows:

Paragraph (11) of Article 34 of the rules of procedures of the Board

which reads:

“**Article 34** The Board of Directors exercises the following functions and powers:

(1)...

...

(11) to formulate the basic management system of the Company, determine policies and proposals for employees’ remunerations, welfare and rewards and penalty;

...”

is proposed to be amended as follows:

“**Article 34** The Board of Directors exercises the following functions and powers:

(1)...

...

(11) to formulate the basic management system of the Company;

...”

GENERAL

A circular containing, among others, details of the proposed adoption of the Scheme, the proposed amendments to the Articles of Association and the proposed amendments to the rules of procedures of the Board together with a notice convening the EGM will be dispatched to the Shareholders in due course.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“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
“Company Law”	the Company Law of the PRC
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among others, the proposed adoption of the Scheme, proposed amendments to the Articles of Association and the proposed amendments to the rules of procedures of the Board
“Exercise”	the action of a Participant acquiring the underlying shares (i.e. A shares of Sinoma International) in accordance with the price and conditions determined under the Scheme
“Exercise Date”	the date on which a Participant is entitled to Exercise, which must be a trading day
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Participant(s)”	directors, senior management, key technical and managerial personnel, etc. of Sinoma International
“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
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council

“Scheme”	the share option incentive scheme of Sinoma International
“Securities Law”	the Securities Law of PRC
“Shareholders”	the shareholders of the Company
“Share Option(s)”	the right to be granted to a Participant by Sinoma International to acquire certain number of shares of Sinoma International at a pre-determined price and conditions in a particular period of time
“Sinoma International”	Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), a subsidiary of the Company and whose A shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970)

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

Beijing, China
25 June 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.