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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you have sold or transferred all your shares in **China National Materials Company Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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  
AND  
NOTICE OF SINOMA EGM**

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China National Materials Company Limited will convene the Sinoma EGM at 9:30 a.m. on Wednesday, 6 December 2017 at No. 2 meeting room on the 6th Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC. A notice convening the Sinoma EGM is set out on pages N-1 to N-3 of this circular.

Whether or not you are able to attend the Sinoma EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the Sinoma EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H Shares registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the Sinoma EGM or any adjournment thereof should you so desire.

20 October 2017

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Board”	the board of Directors
“Company” or “Sinoma”	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 Stock Exchange
“Company Law”	the Company Law of the PRC
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
“EGM” or “Sinoma EGM”	the extraordinary general meeting of the Company to be convened at 9:30 a.m. on Wednesday, 6 December 2017 at No. 2 meeting room on the 6th Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC
“EVA”	means economic value added
“Foreign Share(s)”	ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in foreign currency by non-PRC nationals and/or non-PRC incorporated entities
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed Foreign Share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars, for which permission to deal in and the grant of listing on Stock Exchange has been obtained
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Implementation and Appraisal Administrative Measures”	the share option incentive scheme implementation and appraisal administrative measures of Sinoma International Engineering Co., Ltd. (Revised Version)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participant(s)”	Sinoma International’s directors, senior management, key technical and managerial personnel, etc. (excluding the independent directors and supervisors)
“PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“ROE”	means weighted average return on net assets
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Scheme”	the share option incentive scheme of Sinoma International (amended draft)
“Shareholder(s)”	the shareholder(s) of the Company
“Share Option(s)” or “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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Liu Zhijiang  
Mr. Peng Jianxin

*Non-executive Directors:*

Mr. Li Xinhua  
Mr. Li Jianlun  
Mr. Shen Yungang  
Mr. Wang Fengting

*Independent non-executive Directors:*

Mr. Leung Chong Shun  
Mr. Lu Zhengfei  
Mr. Wang Zhulin

*Registered Office:*

8th Floor  
Tower 2  
Guohai Plaza  
No. 17 Fuxing Road  
Haidian District  
Beijing 100036  
PRC

20 October 2017

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED ADOPTION OF SHARE OPTION INCENTIVE SCHEME  
OF SINOMA INTERNATIONAL  
AND  
NOTICE OF SINOMA EGM**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 25 June 2017. 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 Listing Rules. At the Sinoma EGM, a resolution in relation to the adoption of the Scheme will be proposed.

The purpose of this circular is, among other things, to provide you with more detailed information in relation to the Scheme to enable you to make an informed decision on whether to vote for or against the relevant resolution at the Sinoma EGM.

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## LETTER FROM THE BOARD

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A summary of the principal terms of the Scheme is set out in Appendix I to this circular.

### II. PROPOSED ADOPTION OF THE SCHEME

#### **Purpose of the Scheme**

The purpose of the Scheme is to further optimize the corporate governance structure of Sinoma International, promote the establishment and improvement of its incentive and disciplinary mechanism, encourage the initiative and commitment of its directors, senior management, key technical and managerial personnel, so as to effectively align the shareholders' interests, Sinoma International's company interests and operator's individual interests, and make all parties stay focusing on and strive for the long-term development of Sinoma International.

#### **Scope of Participants**

The total number of Participants under the Scheme shall be no more than 498. Participants of the Scheme include Sinoma International's directors, senior management, key technical and managerial personnel and etc. (excluding the independent directors and supervisors of Sinoma International).

Among the Participants, directors and senior management must be elected by the shareholders' general meeting or appointed by the board of directors of Sinoma International. All Participants must have employment or labor service relationships with Sinoma International or its controlled subsidiaries within the appraisal period under the Scheme.

All the Participants who have participated in this Scheme shall not participate in another share incentive scheme of any other listed companies, and vice versa.

None of the Directors, chief executives or substantial shareholders of the Company or any of their respective associates is a participant of the Scheme.

None of the Directors of the Company is a trustee of the Scheme or has a direct or indirect interest in the trustees.

#### **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 Underlying Shares of the Scheme**

The number of Share Options to be granted to the Participants under the Scheme shall be 17.55 million, with the corresponding underlying shares representing approximately 1% of the total share capital of Sinoma International (1,754,257,900 shares) as at the date of the announcement of the draft Scheme. Upon satisfaction of

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## LETTER FROM THE BOARD

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exercise conditions, each Share Option granted to the Participant entitles the Participant to purchase one share of Sinoma International at the Exercise Price within the validity period. Share Options granted to the Participants shall not be transferred or used for guaranty or repayment of debt.

### **Exercise Price of the Share Options under the Proposed Grant and Basis of Determination**

The exercise price of the Share Options under the Proposed Grant shall be RMB9.27. During the period from the date of announcement of the draft Scheme to the completion of exercise of Share Options by the Participants, in the event of any capitalization of capital reserves, bonus issue, sub-division or consolidation of shares, allotment of shares or payment of dividends, the exercise price of the Share Options shall be adjusted accordingly.

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 under the Proposed Grant shall be determined according to principle of fair market price, which is the highest of the followings:

- (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; and
- (5) the nominal value of the underlying shares of Sinoma International, being RMB1.00 per share.

The above-mentioned basis of determination of the exercise price may provide effective incentives to the Participants to work towards enhancing the value of the Sinoma International and its shares for the benefit of Sinoma International and its shareholders as a whole.

### **Exercise Arrangement and Performance Targets before Share Options can be Exercised**

According to the Scheme, the Share Options are subject to a vesting period of 24 months. Upon satisfaction of the exercise conditions as required by the Scheme, the Participants must exercise their Share Options in three periods within 36 months after

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## LETTER FROM THE BOARD

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the expiry of the 24-month period from the date of grant. Details of the exercise arrangement are set out under paragraph 4 of Appendix I to this circular. Such exercise arrangement may provide incentives to the Participants to remain employed with Sinoma International during the vesting period and thereby enable Sinoma International to benefit from the continued services of such Participants during the vesting period.

Furthermore, the Share Options Scheme has set out performance target requirements which must be achieved before any Share Option can be exercised by a Participant. Details of such performance target requirements are set out in paragraph 6 of Appendix I to this circular. These requirements, coupled with the aforementioned exercise arrangement, may enable Sinoma International to provide incentives to the Participants to remain in employment and to use their best endeavours in assisting the growth and development of Sinoma International.

### **Conditions precedents to the effectiveness of the Scheme**

The adoption of the Scheme is conditional upon:

- (1) the approval of the Scheme by the SASAC;
- (2) the approval of the Scheme by the shareholders of Sinoma International at a general meeting; and
- (3) the approval of the Scheme by the Shareholders of the Company at a general meeting.

SASAC has approved the Scheme.

### **Value of the Share Options under the Scheme**

The value of the Share Options to be granted under the Scheme and the relevant pricing model are set out in paragraph 8 of Appendix I to this circular. The calculation results of the value of the Share Options are subject to a number of assumptions of the parameters used therein and the limitation of the model adopted, therefore the valuation of the Share Options is subjective and has uncertainties.

### **Adjustment to the Exercise Price and Number of Share Options**

The Scheme has a mechanism for the adjustment of the exercise price and the number of Share Options, in the event of any capitalisation of capital reserves, bonus issue, sub-division of shares, allotment of shares or consolidation of shares, etc. before the exercise.



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## LETTER FROM THE BOARD

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Details of such adjustment are set out in paragraph 7 of Appendix I to this circular.

### **Document available for inspection**

A copy of the Scheme will be available for inspection at the principal place of business of the Company in Hong Kong at 7th Floor, Hong Kong Trade Centre, 161-167 Des Voeux Road Central, Hong Kong during the normal business hours from the date of this circular up to and including the date of the Sinoma EGM.

### **III. SINOMA EGM**

The Company will convene the Sinoma EGM at 9:30 a.m. on Wednesday, 6 December 2017 at No. 2 meeting room on the 6th Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC. A notice convening the Sinoma EGM to be held at is set out on pages N-1 to N-3 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the resolution in respect of the Scheme or should be required to abstain from voting on the relevant resolution at the Sinoma EGM.

Whether or not you are able to attend the Sinoma EGM, please complete and return the form of proxy of the Company in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the Sinoma EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H shares registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Sinoma EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, resolution in relation to the adoption of the Scheme at the Sinoma EGM will be determined by poll.

### **IV. RECOMMENDATION**

The Directors believe that the resolution in relation to the adoption of the Scheme at the Sinoma EGM is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of the aforesaid resolution as set out in the notice of Sinoma EGM.

### **V. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information

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## LETTER FROM THE BOARD

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contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board  
**China National Materials Company Limited**  
**Liu Zhijiang**  
*Chairman of the Board*

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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### 1. PURPOSE OF THE SCHEME

The purpose of the Scheme is to further optimize the corporate governance structure of Sinoma International, promote the establishment and improvement of its incentive and disciplinary mechanism, encourage the initiative and commitment of its directors, senior management, key technical and managerial personnel, so as to effectively align the shareholders' interests, Sinoma International's company interests and operator's individual interests, and make all parties stay focusing on and strive for the long-term development of Sinoma International.

### 2. SCOPE OF PARTICIPANTS AND THE BASIS OF DETERMINING THE ELIGIBILITY OF PARTICIPANTS

#### **Scope of Participants**

The total number of Participants under the Scheme shall be no more than 498. Participants of the Scheme include Sinoma International's directors, senior management, key technical and managerial personnel and etc. (excluding the independent directors and supervisors of Sinoma International).

Among the Participants, directors and senior management must be elected by the shareholders' general meeting or appointed by the board of directors of Sinoma International. All Participants must have employment or labor service relationships with Sinoma International or its controlled subsidiaries within the appraisal period under the Scheme.

All the Participants who have participated in this Scheme shall not participate in another share incentive of any other listed companies, and vice versa.

#### **Basis of Determining the Eligibility of Participants**

##### *Legal basis of determining the Participants*

The Participants of the Scheme are determined after taking into account the circumstances of Sinoma International and in accordance with the Company Law, the Securities Law, the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》), the Trial Measures for the Implementation of Share Incentives by State-Controlled Listed Companies (Domestic) (《國有控股上市公司(境內)實施股權激勵試行辦法》), the Notice on Issues Concerning Regulation of the Implementation of Share Incentive System by State-Controlled Listed Companies" (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》) and other relevant laws, regulations and regulatory documents and the articles of association of Sinoma International.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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### *Functional basis of determining the Participants*

The Participants of the Scheme are Sinoma International's current directors, senior management, key technical and managerial personnel, etc. (excluding the independent directors and supervisors of Sinoma International).

### *Appraisal basis of determining the Participants*

The Participants shall pass the appraisal pursuant to the Implementation and Appraisal Administrative Measures.

## 3. SOURCE, NUMBER AND ALLOCATION OF UNDERLYING SHARES

### **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.

### **Number of Underlying Shares of the Scheme**

The number of Share Options to be granted to the Participants under the Scheme shall be 17.55 million, with the corresponding underlying shares representing approximately 1% of the total share capital of Sinoma International (1,754,257,900 shares) as at the date of the announcement of the draft Scheme. Upon satisfaction of exercise conditions, each Share Option granted to the Participant entitles the Participant to purchase one share of Sinoma International at the Exercise Price within the validity period. Share Options granted to the Participants shall not be transferred or used for guaranty or repayment of debt.

### **Allocation principle of the Scheme**

Details of the allocation of the Share Options among the Participants are as follows:

Name	Position	Number of Share Options to be granted (10,000)	Percentage of the total number of Share Options to be granted	Percentage in the total share capital of Sinoma International as at the date of announcement of the draft Scheme
Song Shoushun	Chairman of Sinoma International	32.00	1.82%	0.02%
Xia Zhiyun	Director and President of Sinoma International	32.00	1.82%	0.02%

## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

Name	Position	Number of Share Options to be granted (10,000)	Percentage of the total number of Share Options to be granted	Percentage in the total share capital of Sinoma International as at the date of announcement of the draft Scheme
Jiang Zhongwen	Director, Vice President and Secretary to the Board of Sinoma International	29.00	1.65%	0.02%
Jiao Feng	Vice President of Sinoma International	29.00	1.65%	0.02%
Shen Jun	Vice President of Sinoma International	29.00	1.65%	0.02%
Xu Peitao	Vice President of Sinoma International	29.00	1.65%	0.02%
Sui Tongbo	Vice President of Sinoma International	29.00	1.65%	0.02%
Ni Jinrui	CFO of Sinoma International	29.00	1.65%	0.02%
Key technical and managerial personnel (490 in total)		1,517.00	86.44%	0.86%
Total (498)		1,755.00	100.00%	1.00%

*Notes:*

- (1) None of the Participants of the Scheme participants in share incentive plans of two or more listed companies concurrently. None of the substantial shareholders or de facto controllers independently or jointly holding more than 5% of the shares of Sinoma International and their spouses, parents or children participants in the Scheme.
- (2) The accumulated number of shares of Sinoma International granted to any Participant under the Scheme within the validity period shall not exceed 1% of the total share capital of Sinoma International.
- (3) The maximum proportion of actual gains obtained by any director or senior management of Sinoma International under the Scheme shall not exceed 40% of his/her remuneration level when the Share Options are granted (including expected gains under share option incentive), the amount of gains in excess shall be reclaimed and handled by Sinoma International.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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- (4) The names and positions of key technical and managerial personnel will be published on the website of Shanghai Stock Exchange.

### **Rights attaching to the Share Options**

The Share Options do not carry any right to vote at general meetings of Sinoma International, or any dividend, transfer or other rights (including those arising on the winding-up of Sinoma International).

### **Rights attaching to the underlying shares**

No dividend or distribution shall be payable in respect of any shares underlying the unexercised Share Options.

Subject to the foregoing, the shares which are allotted and issued upon the exercise of Options shall be subject to all the provisions of the articles of association of Sinoma International for the time being in force and shall rank *pari passu* in all respects with, and shall have the same voting, dividend, transfer and other rights (including those rights arising on the winding-up of Sinoma International) as, the existing fully paid shares in issue on the date on which those shares are allotted and issued upon the exercise of the Options and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or other distributions paid or made on or after the date on which the shares are allotted and issued, other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof is before the date on which the shares are allotted and issued.

## **4. VALIDITY PERIOD, DATE OF GRANT, VESTING PERIOD, EXERCISABLE DATE AND LOCK-UP PROVISIONS**

### **Validity Period**

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

### **Date of Grant**

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 of the Company 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 within 60 days, the implementation of the Scheme shall be terminated and the Share Options which have not been granted shall expire.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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### **Vesting Period**

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

### **Exercisable Date**

After the Scheme has been approved, the Share Options granted are exercisable upon the expiry of the 24-month period from the date of grant. The exercisable date shall be a trading date and shall not fall within any of the following periods:

- (1) the period of 30 days immediately preceding the publication of periodic reports of Sinoma International, in the event of delay in publishing the periodic reports due to special reasons, the period commencing from 30 days immediately preceding the original appointed date of publication and ending on the date prior to the publication;
- (2) the period of 10 days immediately preceding the publication of estimated results and preliminary results of Sinoma International;
- (3) the period commencing from the occurrence date of any material event which may have relatively substantial impact on the trading prices of the shares of Sinoma International and their derivatives or the date on which decision-making procedures start and ending on the second trading day following the disclosure in accordance with laws; and
- (4) other periods as stipulated by the CSRC and Shanghai Stock Exchange.

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

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**APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME**

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

<b>Exercise arrangement</b>	<b>Timing arrangement</b>	<b>Exercise Proportion</b>
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 exercise conditions are not fulfilled, the Share Options for that period shall not be exercised. If the exercise conditions are fulfilled but not all of the Share Options for that period are exercised, the non-exercised portion shall be cancelled by Sinoma International.



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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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### Lock-up Provisions

Lock-up period refers to the period during which the shares issued to the Participants upon exercise are restricted from selling. The lock-up provisions of the Scheme are set in accordance with the relevant laws, regulations and regulatory documents such as the Company Law and the Securities Law and the articles and association of Sinoma International, and the detailed requirements are set out below:

- (1) Where the Participant is a director or 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 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 passed the performance appraisal for his/her term of office. If the term of office of the Participant who is a director or senior management of Sinoma International is yet to expire upon the expiry of the validity period of the Scheme, the exercise conditions 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, all gains from the sale of shares of Sinoma International held by him/her within six months of acquisition or from the acquisition of shares of Sinoma International within six months of sale by the Participant shall belong to Sinoma International and the board of directors of Sinoma International will collect 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 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.

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## **APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME**

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### **5. EXERCISE PRICE AND BASIS OF DETERMINATION**

#### **Exercise Price**

The exercise price of the Share Options under the Proposed Grant shall be RMB9.27. During the period from the date of announcement of the draft Scheme to the completion of exercise of Share Options by the Participants, in the event of any capitalization of capital reserves, bonus issue, sub-division or consolidation of shares, allotment of shares or payment of dividends, the exercise price of the Share Options shall be adjusted accordingly.

#### **Basis of Determination**

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 under the Proposed Grant shall be determined according to principle of fair market price, which is the highest of the followings:

- (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; and
- (5) the nominal value of the underlying shares of Sinoma International, being RMB1.00 per share.

### **6. CONDITIONS OF GRANT AND EXERCISE OF THE SHARE OPTIONS OF THE SCHEME**

#### **Conditions of Grant of Options**

The following conditions must be fulfilled before the Participant is granted with the Share Options:

- (1) None of the following circumstances has occurred in relation to Sinoma International:

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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- a. issue of Sinoma International's financial and accounting report for the most recent accounting year in which a certified public accountant expresses an adverse opinion or a disclaimer of opinion;
  - b. issue of Sinoma International's internal control report for the most recent accounting year in which a certified public accountant expresses an adverse opinion or a disclaimer of opinion;
  - c. Sinoma International fails to distribute profits pursuant to laws and regulations, articles of association of Sinoma International and public undertakings in the most recent 36 months after the listing;
  - d. the laws and regulations prohibit Sinoma International from implementing share incentives;
  - e. other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred in relation to the Participant:
- a. such Participant is deemed as an inappropriate candidate by the stock exchange in the most recent 12 months;
  - b. such Participant is deemed as an inappropriate candidate by the CSRC or its agency institutions in the most recent 12 months;
  - c. such Participant has received administrative penalties or is banned from the securities market by the CSRC or its agency institutions due to material non-compliance with laws and regulations in the most recent 12 months;
  - d. occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the Company Law;
  - e. such Participant is prohibited by the laws and regulations from participating in share incentives of listed companies;
  - f. other circumstances as determined by the CSRC.
- (3) Sinoma International shall meet the following performance appraisal conditions:

On the basis of the net profit attributable to shareholders of listed company for 2013, the three-year compound growth rate of net profit attributable to shareholders of listed company for 2016 shall be not lower than 18%, and the net profit attributable to shareholders of listed company for 2016 shall not be lower than the industry average or 50 percentile of peer benchmark

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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enterprises. The ROE of Sinoma International for 2016 shall not be lower than the average of the ROEs for the three years preceding 2016, and the ROE of Sinoma International for the year 2016 shall not be lower than the industry average or 50 percentile of peer benchmark enterprises.

- (4) The Participant shall meet the following appraisal conditions:

the Participant shall pass the personal performance for the year 2016.

No payment is required for acceptance of Options by the Participants under the Scheme.

### Conditions of Exercise of Options

In addition to the aforesaid conditions, the following conditions must be fulfilled before the Participant exercises the Share Options:

The following conditions must be fulfilled before the Participant is granted with the Share Options:

- (1) None of the following circumstances has occurred in relation to Sinoma International:
- a. issue of Sinoma International's financial and accounting report for the most recent accounting year in which a certified public accountant expresses an adverse opinion or a disclaimer of opinion;
  - b. issue of Sinoma International's internal control report for the most recent accounting year in which a certified public accountant expresses an adverse opinion or a disclaimer of opinion;
  - c. Sinoma International fails to distribute profits pursuant to laws and regulations, articles of association of Sinoma International and public undertakings in the most recent 36 months after the listing;
  - d. the laws and regulations prohibit Sinoma International from implementing share incentives;
  - e. other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred in relation to the Participant:
- a. such Participant is deemed as an inappropriate candidate by the stock exchange in the most recent 12 months;
  - b. such Participant is deemed as an inappropriate candidate by the CSRC or its agency institutions in the most recent 12 months;

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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- c. such Participant has received administrative penalties or is banned from the securities market by the CSRC or its agency institutions due to material non-compliance with laws and regulations in the most recent 12 months;
- d. occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the Company Law;
- e. such Participant is prohibited by the laws and regulations from participating in share incentives of listed companies;
- f. other circumstances as determined by the CSRC.

### (3) Sinoma International's Performance Appraisal Requirements

The appraisal years of exercise of Share Options under the Scheme are the years from 2018 to 2020. The appraisal will be conducted once in each accounting year and the performance targets for each accounting year are set out below:

<b>Exercise Period</b>	<b>Performance Targets</b>
1st Exercise Period	<p>On the basis of the net profit for 2016, the compound growth rate of net profit for 2018 shall not be lower than 18%;</p> <p>The ROE for 2018 shall not be lower than 8.9%, and the above two indicators shall not be lower than the industry average or the 75 percentile of peer benchmark enterprises;</p> <p>The performance of the indicator for economic value added in 2018 has achieved the appraisal objective issued by the Company, with <math>\Delta</math>EVA greater than zero.</p>

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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Exercise Period	Performance Targets
2nd Exercise Period	<p>On the basis of the net profit for 2016, the compound growth rate of net profit for 2019 shall not be lower than 18%;</p> <p>The ROE for 2019 shall not be lower than 9.6%, and the above two indicators shall not be lower than the industry average or the 75 percentile of peer benchmark enterprises;</p> <p>the performance of the indicator for economic value added in 2019 has achieved the appraisal objective issued by the Company, with <math>\Delta</math>EVA greater than zero.</p>
3rd Exercise Period	<p>On the basis of the net profit for 2016, the compound growth rate of net profit for 2020 shall not be lower than 18%;</p> <p>The ROE for 2020 shall not be lower than 10.3%, and the above two indicators shall not be lower than the industry average or the 75 percentile of peer benchmark enterprises;</p> <p>The performance of the indicator for economic value added in 2020 has achieved the appraisal objective issued by the Company, with <math>\Delta</math> EVA greater than zero.</p>

The above “net profit” refers to the net profit attributable to shareholders of listed company; “ROE” refers to weighted average return on equity.

The calculation formula of the weighted average return on equity is as follows:

$$\text{Weighted average return on equity} = P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

In the above formula, P<sub>0</sub> stands for the net profit attributable to the holders of ordinary shares of the company or the net profit attributable to the holders of the ordinary shares of the company after deduction of the non-recurring gains and losses (as applicable). NP stands for the net profit attributable to the holders of ordinary shares of the company. E<sub>0</sub> stands for the net assets attributable to the holders of ordinary shares of the company at the beginning of the period. E<sub>i</sub> stands for the net assets attributable to the holders of ordinary shares of the company that are increased by way of issues of new shares or conversion of debts into shares during the reporting period. E<sub>j</sub> stands for the net assets attributable to

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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the holders of ordinary shares of the company that are reduced by repurchase or distribution of cash dividends during the reporting period. M0 stands for the number of the months of the reporting period. Mi stands for the cumulative number of months from the next month after the net assets are increased until the end of the reporting period. Mj stands for the cumulative number of months from the next month after the net assets are reduced until the end of the reporting period. Ek stands for the increase or decrease in the net assets attributable to the holders of ordinary shares of the company as a result of any other transactions or matters. Mk stands for the cumulative number of months from the next month after the increase or decrease in the net assets as a result of any other transactions or matters until the end of the reporting period.

$\Delta$ EVA=Economic value added for the current year – economic value added for the previous year. The calculation formula of EVA is revised every year. In the past three years, the main factors of the formula include net profit, interest expense, capitalized interest, research and development fees included in overheads, the current research and development expenses identified as intangible assets, income tax rate, the BOY/year-end owner's equity, the BOY/year-end interest-bearing liabilities, the BOY/year-end constructions in progress and the cost rate of equity capital.

During the valid period of this Scheme, if for the current year or in the future, Sinoma International conducts public or non-public offering or other activities which affect the net assets of Sinoma International, the newly added net assets and corresponding net profits may not be counted in the calculation of the increase in the net assets and net profits for the current year and in the future.

Listed companies engaging businesses similar or comparable to Sinoma International in kind and scale will be selected as the peer benchmarking companies based on the SWS industry classification standards. During the process of annual appraisal, if there is any material change to the main businesses of sample companies or any sample deviates to a large extent, the board of the Sinoma International shall remove or replace such sample at the year-end appraisal, provided that any adjustment and revision shall be disclosed at the official website of the Shanghai Stock Exchange and other designated media.

The cost of Options incurred under this share incentive will be recorded as administrative expenses.

If the exercise conditions of the Options are satisfied, the Participants are entitled to exercise Options according to this Scheme; if not, Sinoma International shall cancel the exercisable proportion of Options granted to the Participants for that period.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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### (4) Participant's Personal Appraisal Requirements

Appraisal of Participants shall be conducted annually in accordance with the Implementation and Appraisal Administrative Measures, and the exercise percentage for the year shall be determined on the basis of indicators for appraisal of Participants. Actual personal exercise amount for the year = Standard coefficient × Scheduled personal exercise amount for the year.

The appraisal results of Participants are classified as A, B, C and D. The following appraisal table applies to Participants, upon which the exercise percentage is determined.

**Appraisal Table**

Appraisal Standard	Excellent (A)	Good (B)	Passed (C)	Failed (D)
Appraisal Result (S)	$S \geq 90$	$90 > S \geq 80$	$80 > S \geq 60$	$S < 60$
Standard Coefficient	1	1	0.8	0

If the personal appraisal results of Participants for the preceding year fall into A, B, or C, the Participants are entitled to exercise their Share Options according to the requirements of this Scheme, with unexercised Share Options cancelled by Sinoma International. If the personal appraisal results of Participants for the preceding year fall into D, then all Share Options granted but not yet exercised in the corresponding exercise period will be cancelled pursuant to the relevant requirements of the Scheme.

## 7. ADJUSTMENTS OF OPTIONS

### Method of Adjusting the Number of Share Options

In the event of any capitalisation of capital reserves, bonus issue, sub-division, allotment or consolidation of shares of Sinoma International prior to the exercise of Share Options, an adjustment to the number of Share Options shall be made accordingly. The method of adjustment is set out as below:

(1) *Capitalisation of capital reserves, bonus issue and sub-division of shares*

$$Q = Q_0 \times (1 + n)$$

Where: "Q<sub>0</sub>" represents the amount of Share Options before the adjustment; "n" represents the ratio of change per share resulting from the capitalisation of capital reserves, bonus issue or sub-division of shares (i.e. the number of increased shares upon capitalisation of capital reserves, bonus issue or sub-division of shares per share); "Q" represents the adjusted number of Share Options.



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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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(2) *Allotment of shares*

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: “Q<sub>0</sub>” represents the amount of Share Options before the adjustment; “P<sub>1</sub>” represents the closing price as at the record date; “P<sub>2</sub>” represents the allotment price; “n” represents the ratio of the allotment (i.e. the ratio of allotted shares to the total share capital of Sinoma International before the allotment); “Q” represents the adjusted number of Share Options.

(3) *Consolidation of shares*

$$Q = Q_0 \times n$$

Where: “Q<sub>0</sub>” represents the amount of Share Options before the adjustment; “n” represents the ratio of consolidation of shares (i.e. one share reduces to n reduces share); “Q” represents the adjusted number of Share Options.

### **Methods of Adjusting the Exercise Price**

In the event of any payment of dividends, capitalisation of capital reserves, bonus issue, sub-division, allotment or consolidation of shares of Sinoma International before the exercise of Share Options, an adjustment to the exercise price shall be made accordingly. The method of adjustment is set out as below:

(1) *Capitalisation of capital reserves, bonus issue and sub-division of shares*

$$P = P_0 \div (1 + n)$$

Where: “P<sub>0</sub>” represents the exercise price before the adjustment; “n” represents the ratio of change per share resulting from the capitalisation of capital reserves, bonus issue and sub-division of shares; “P” represents the adjusted exercise price.

(2) *Allotment of shares*

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: “P<sub>0</sub>” represents the exercise price before the adjustment; “P<sub>1</sub>” represents the closing price as at the record date; “P<sub>2</sub>” represents the allotment price; “n” represents the ratio of allotment (i.e. the ratio of allotted shares to the total share capital of Sinoma International before the allotment); “P” represents the adjusted exercise price.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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### (3) Consolidation of shares

$$P = P_0 \div n$$

Where: “P<sub>0</sub>” represents the exercise price before the adjustment; “n” represents the ratio of consolidation of shares; “P” represents the adjusted exercise price.

### (4) Payment of dividends

$$P = P_0 - V$$

Where: “P<sub>0</sub>” represents the exercise price before the adjustment; “V” represents dividend paid for each share; “P” represents the adjusted exercise price, and shall be positive numbers.

The issue of securities as consideration in a transaction by Sinoma International will not result in adjustment of number of Share Options and the exercise price.

### **Procedures for Adjusting the Number of Share Options and the Exercise Price**

The shareholders’ general meeting of Sinoma International authorizes the board of directors of Sinoma International to determine the adjustment of the exercise price and the number of Share Options if any of the aforesaid circumstances occurs. Sinoma International shall engage lawyers to provide professional advice to the board of directors of Sinoma International as to whether the aforesaid adjustments comply with the provisions of the Administrative Measures on Share Incentives of Listed Companies, the articles of association of Sinoma International and the Scheme. If the amount of Share Options or the exercise price needs to be adjusted for any other reason, such adjustment shall be resolved by the board of directors and reviewed and approved at the shareholders’ general meeting of Sinoma International. Such adjustment shall also comply with the relevant requirements under Chapter 17 of the Listing Rules.

## **8. ACCOUNTING TREATMENT OF THE SCHEME**

### **Calculation of the fair value of Share Options**

According to the relevant requirements regarding the recognition of fair value under Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement, appropriate valuation model shall be chosen for the calculation of fair value of Share Options. Sinoma International chooses Black-Scholes Model to calculate the fair value of the Options, and has made preliminary calculation of the fair value of the 17.55 million Share Options to be granted using this Black-Scholes Model (official calculation will be conducted at the time of grant): the value of each Share Option of Sinoma International is RMB2.17, and the aggregate value of the 17.55 million Share Options to be granted is RMB38.0835 million.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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### Amortisation method of Share Option expenses

According to the relevant requirements of Enterprise Accounting Standard No. 11 – Share-based Payments, Sinoma International will update the amount of Share Options exercisable on each balance sheet date during vesting period based on subsequent information such as the latest available number of Participants who are entitled to exercise and the completion status of performance targets. Services received during the period will be charged to relevant costs or fees and capital reserves based on the fair value on the grant date of the Share Options.

#### *(1) Fair value of the Share Options and its determination method*

According to the relevant requirements of Enterprise Accounting Standard No. 11 – Share-based Payments and Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement, Sinoma International adopts Black-Scholes Model (B-S Model) as the pricing model. Based on the calculation of Sinoma International, the fair value of each Share Option is RMB2.17. Specific parameters are as follows:

- a. price of underlying shares: RMB8.96 (closing price of the shares on 23 June 2017)
- b. exercise price: RMB9.27
- c. validity period: 4 years
- d. historical volatility rate: 24.93% ((based on the volatility of SSE index for the recent 4 years)
- e. risk-free interest rate: 3.54% (based on the yield-to-maturity of 4-year Chinese government bonds)
- f. dividend yield ratio: 0%

#### *(2) Estimated impact of the exercise of Share Options on the operating performance of each period*

Sinoma International will determine the fair value of the Share Options on the grant date based on relevant evaluation tools, and identify the final share-based payment under this Scheme. Such payment will be confirmed in proportion to the amount of Options exercised during the implementation of this Scheme. The incentive costs incurred under this Scheme will be itemized under the recurring profit and loss.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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Assuming Sinoma International will grant the Options in December 2017, the amortization of option costs from 2017 to 2021 is as follows:

Granted Share Options (Unit: 10,000)	Total Amortized					
	Costs (Unit: RMB10,000)	2017 (Unit: RMB10,000)	2018 (Unit: RMB10,000)	2019 (Unit: RMB10,000)	2020 (Unit: RMB10,000)	2021 (Unit: RMB10,000)
1,755	3,808.35	114.60	1,375.24	1,322.34	705.25	290.92

The option costs incurred under the Scheme will be itemized under the recurring profit and loss. Based on the current condition of Sinoma International, without considering the simulative effect of the Scheme on the performance of Sinoma International, the amortization of the costs of the Scheme will have a moderate impact on the net profit each year within the validity period of the Scheme. In view of the positive effect of the Scheme on the development of Sinoma International, including the fact that the enthusiasm of the management team will be motivated, the operating efficiency will be improved and the agent costs will be reduced, the performance improvements of Sinoma International brought by the Scheme will be far greater than the increase in costs incurred.

### 9. HANDLING OF SPECIAL CHANGES IN RELATION TO SINOMA INTERNATIONAL OR THE PARTICIPANTS

#### Special Changes in relation to Sinoma International

- (1) Where any of the following circumstances occurs, the Scheme shall be terminated immediately and the Share Options granted but not exercised by the Participant shall lapse and shall be redeemed without compensation and cancelled by Sinoma International:
  - a. change of de facto controller of Sinoma International<sup>1</sup>;
  - b. merger or spin-off of Sinoma International;
  - c. issue of Sinoma International's financial and accounting report for the most recent accounting year in which a certified public accountant expresses an adverse opinion or a disclaimer of opinion;
  - d. issue of Sinoma International's internal control report for the most recent accounting year in which a certified public accountant expresses an adverse opinion or a disclaimer of opinion;

<sup>1</sup> According to the announcement of the Company dated 8 September 2017, the Company will be merged with and absorbed by China National Building Material Company Limited ("CNBM") (the "Merger") and deregistered. After the Merger, Sinoma International will not be deregistered or dissolved and its de facto controller will remain unchanged, being China National Building Materials Group Corporation (中國建材集團有限公司). Therefore, the Merger will not result in the occurrence of change of de facto controller of Sinoma International which may trigger the termination of the Scheme.

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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- e. Sinoma International fails to distribute profits pursuant to laws and regulations, articles of association of Sinoma International and public undertakings in the most recent 36 months after the listing;
  - f. the laws and regulations prohibit Sinoma International from implementing share incentives;
  - g. other circumstances as determined by the CSRC.
- (2) In the event that the grant conditions or exercise arrangements of the Share Options cannot be met due to any misrepresentation, misleading statement or material omission contained in the disclosure documents of Sinoma International, the Share Options unexercised shall be cancelled by Sinoma International. If the Participant has exercised the Share Options, he/she shall return all the gains. The Participants who are not responsible for the aforesaid matters but suffer losses due to return of gains are entitled to claim compensation against Sinoma International or the Participants who are responsible for the aforesaid matters.

The board of directors of Sinoma International shall recover the gains from the Participants in accordance with the provisions above and the relevant arrangement of the Scheme.

### **Change of Personal Situation of the Participant**

- (1) If the position of the Participant changes but such Participant still holds position in Sinoma International, or its branches or subsidiaries or is designated to the positions by Sinoma International, his/her granted Options shall be implemented the same as before the position change according to the procedures prescribed by this Scheme. If the Participant becomes not eligible for holding any shares or Share Options of Sinoma International, his/her unexercised Share Options (including those which have yet to enter the exercise period or have satisfied the exercise conditions but remain unexercised) shall be returned to and cancelled by Sinoma International without compensation.
- (2) If the Participant leaves office due to resignation, sacking by Sinoma International, or retirement, his/her granted but unexercised Options according to this Scheme shall lapse and shall be returned to and cancelled by Sinoma International without compensation.
- (3) If any of the followings occurs in terms of the Participant, the granted but unexercised Options shall be invalidated, returned to, and cancelled by Sinoma International without compensation. For the Share Options which have been exercised, Sinoma International shall request from the Participants the return of the profits as a result of the share option incentive:

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## APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

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- a. there is such conduct as violates national laws and regulations, professional ethics, or negligence of duty or professional misconduct, which causes severe damage to the interests or the reputation of Sinoma International and causes financial losses, direct and indirect, to Sinoma International;
  - b. where the Participant is sacked as a result of severely violating Sinoma International's rules and regulations, according to which such disciplinary actions shall be taken against him/her;
  - c. where Sinoma International has sufficient proof that the Participant, during their terms of office, has taken illegal or unethical actions such as taking bribes, extorting bribes, corruption, theft and divulging operational and technical secrets, which directly or indirectly harm the interests of Sinoma International;
  - d. where the Participant is prosecuted as a result of criminal offence;
  - e. where the Participant causes improper losses to Sinoma International as a result of violating relevant laws and regulations or the articles of association of Sinoma International.
- (4) Where the Participant leaves the position due to loss of the working ability, and the granted Share Options have met the time limit for exercising and the conditions for performance appraisal on the date when the circumstance occurs, the exercisable part of the Share Options can be exercised within half a year after the date when the Participant leaves the position and the Share Options will be invalid thereafter. The invalidated Share Options will be redeemed without compensation and cancelled by Sinoma International. Those that have not met the time limit for exercising and the conditions for performance appraisal will no longer be exercised and will be redeemed without compensation and cancelled by Sinoma International.
- (5) Where the Participant deceases, and the granted Share Options have met the time limit for exercising and the conditions for performance appraisal on the date when the circumstance occurs, the exercisable part of the Share Options can be exercised within half a year after the date when the Participant leaves the position and the Share Options will be invalid thereafter. The invalidated Share Options will be redeemed without compensation and cancelled by Sinoma International. Those that have not met the time limit for exercising and the conditions for performance appraisal will no longer be exercised and will be redeemed without compensation and cancelled by Sinoma International.
- (6) In any one of the following circumstances related to the Participant, all Options that have been granted but are not exercised will be redeemed without compensation and cancelled by Sinoma International:
- a. such Participant is deemed as an inappropriate candidate by the stock exchange in the most recent 12 months;

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## **APPENDIX I SUMMARY OF PRINCIPAL TERMS OF THE SCHEME**

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- b. such Participant is deemed as an inappropriate candidate by the CSRC or its agency institutions in the most recent 12 months;
  - c. such Participant has received administrative penalties or is banned from the securities market by the CSRC or its agency institutions due to material non-compliance with laws and regulations in the most recent 12 months;
  - d. occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the Company Law;
  - e. such Participant is prohibited by the laws and regulations from participating in share incentives of listed companies;
  - f. other circumstances as determined by the CSRC.
- (7) Other circumstances that are not stated above shall be identified by the remuneration and appraisal committee of the board of directors and the way to deal with such circumstances shall be determined.

### **10. MECHANISM FOR THE SETTLEMENT OF RELEVANT DISPUTE OR CONFLICTS BETWEEN SINOMA INTERNATIONAL AND THE PARTICIPANTS**

Any dispute arising out of the implementation of the Scheme and/or the share options scheme agreement signed by Sinoma International and Participants or any dispute in relation to this Scheme and/or the share options scheme agreement shall be settled by negotiation and communication between the parties or through mediation conducted by the remuneration and appraisal committee of the board of directors of Sinoma International. If the dispute fails to be settled within 60 days from its occurrence, either party shall have the right to institute legal proceedings to competent courts at the place of Sinoma International.

### **11. AMENDMENTS AND TERMINATION OF THE SCHEME**

Before the Scheme is considered at the general meeting of Sinoma International, if Sinoma International intends to amend the share option scheme, the resolution on such amendment should be considered and approved by the board of directors of Sinoma International.

If Sinoma International proposes to amend the share option scheme after the consideration and approval of the general meeting of Sinoma International, such amendments shall be approved at the general meeting of Sinoma International again and shall not be allowed in the following circumstances:

- (1) leading to the accelerate exercise of options;
- (2) decreasing the exercise price.

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## **APPENDIX I    SUMMARY OF PRINCIPAL TERMS OF THE SCHEME**

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As long as Sinoma International remains a subsidiary of the Company which is listed on the Stock Exchange, without the prior approval by the Shareholders of the Company at a general meeting, no amendments to the advantage of the Participants shall be made to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules, and no amendments shall be made to the authority of the board of directors of Sinoma International in relation to any alteration to the terms of the Scheme. The adoption of the Scheme, alterations to the terms and conditions of the Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders of the Company at a general meeting. The amended terms of the Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Before the Scheme is considered at the general meeting of Sinoma International, if Sinoma International intends to terminate the Scheme, the resolution on such termination should be considered and approved by the board of directors of Sinoma International. If Sinoma International proposes to terminate the Scheme after the consideration and approval of the general meeting of Sinoma International, such proposed termination shall be approved at the general meeting of Sinoma International.



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## NOTICE OF SINOMA EGM

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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: 1893)**

### NOTICE OF SINOMA EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Sinoma EGM**”) of the shareholders of China National Materials Company Limited (“**Sinoma**”) will be held at 9:30 a.m. on Wednesday, 6 December 2017 at No. 2 meeting room on the 6th Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the People's Republic of China (“**PRC**”), for the purposes of considering and, if thought fit, passing the following resolutions. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the merger document jointly issued by Sinoma and China National Building Material Company Limited (“**CNBM**”) dated 20 October 2017.

#### AS SPECIAL RESOLUTIONS

1. To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 8 September 2017 entered into between Sinoma and CNBM and the Merger and the transactions contemplated under the Merger Agreement.
2. To consider and, if thought fit, to approve that any director of Sinoma be authorized to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as they may consider necessary, appropriate, expedient and in the interest of Sinoma to give effect to and in connection with any transactions contemplated under the Merger Agreement.

#### AS ORDINARY RESOLUTION

1. To consider and, if thought fit, to approve the adoption of the share option incentive scheme of Sinoma International Engineering Co., Ltd. (amended draft), which is as described in the summary circulated to the shareholders of Sinoma.

By order of the Board

**CHINA NATIONAL MATERIALS COMPANY LIMITED**

**Liu Zhijiang**

*Chairman of the Board*

Beijing, 20 October 2017

*As at the date of this notice, Sinoma's Board comprises Mr. Liu Zhijiang and Mr. Peng Jianxin as executive directors, Mr. Li Xinhua, Mr. Li Jianlun, Mr. Shen Yungang and Mr. Wang Fengting as non-executive directors, and Mr. Leung Chong Shun, Mr. Lu Zhengfei and Mr. Wang Zhulin as independent non-executive directors.*

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## NOTICE OF SINOMA EGM

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Notes:–

### 1. Eligibility for Attending the Sinoma EGM

Holders of Sinoma H shares whose names appear on the register of Sinoma maintained by Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of Sinoma in Hong Kong, on Wednesday, 6 December 2017 shall be entitled to attend the Sinoma EGM.

Holders of Sinoma H shares intending to attend and vote at the Sinoma EGM to be held on Wednesday, 6 December 2017 shall lodge all the transfer documents for Sinoma H shares with the relevant share certificates to the H share registrar and transfer office of Sinoma in Hong Kong, Computershare Hong Kong Investor Services Limited, at rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 3 November 2017.

### 2. Proxy

- (1) Shareholders entitled to attend and vote at the Sinoma EGM may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. The proxy need not be a shareholder of Sinoma.
- (2) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under hand of its director(s) or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (3) To be valid, the notarized power of attorney or other document(s) of authorization (if any) and the form of proxy shall be delivered to (i) the registered office address of Sinoma for holders of domestic shares and unlisted foreign shares; and (ii) Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of Sinoma in Hong Kong, for holders of Sinoma H shares, no less than 48 hours before the time fixed for convening the Sinoma EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so desires.
- (4) If a shareholder appoints more than one proxy, such proxies shall only exercise their voting rights by a poll.

### 3. Registration Procedures for Attending the Sinoma EGM

- (1) A shareholder or his proxy shall produce his identification document when attending the Sinoma EGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the resolutions of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the Sinoma EGM shall return to Sinoma the reply slip stating their attendance on or before Wednesday, 15 November 2017.
- (3) A shareholder may return the above reply slip to Sinoma in person, by post or by facsimile to the office of Sinoma or Computershare Hong Kong Investor Services Limited.

### 4. Closure of Register of Members

The Register of Members will be closed from Saturday, 4 November 2017 to Wednesday, 6 December 2017 (both days inclusive), during which period no transfer of shares will be registered.

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## NOTICE OF SINOMA EGM

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### 5. Method of Voting at the Sinoma EGM

Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the Sinoma EGM will demand a poll in relation to all the proposed resolutions at the Sinoma EGM.

### 6. Miscellaneous

- (1) The Sinoma EGM is expected to be held for less than half a day. Shareholders attending the Sinoma EGM shall be responsible for their own travelling and accommodation expenses.
- (2) The address of the Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of Sinoma in Hong Kong is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The registered office and the contact details of Sinoma are:

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