

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



China National Materials Company Limited

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

**(1) CONNECTED TRANSACTIONS
EXPLORATION RIGHT TRANSFER CONTRACT
EQUITY TRANSFER AGREEMENT
(2) PROPOSED ISSUE OF DEBT FINANCING INSTRUMENTS
(3) PROPOSED CHANGE OF SUPERVISOR
AND
(4) CHANGE OF ACCOUNTING STANDARD AND
PROPOSED CHANGE OF INTERNATIONAL AUDITOR**

CONNECTED TRANSACTIONS

Exploration Right Transfer Contract

Qinghai Qilianshan and Kunlunshan Mining entered into the Exploration Right Transfer Contract on 29 March 2016, pursuant to which Qinghai Qilianshan has agreed to acquire and Kunlunshan Mining has agreed to sell the Exploration Right with a consideration of RMB19.8051 million.

Equity Transfer Agreement

Qinghai Qilianshan and Kunlunshan Mining entered in the Equity Transfer Agreement on 29 March 2016, pursuant to which Qinghai Qilianshan has agreed to acquire and Kunlunshan Mining has agreed to transfer 20% equity interest in Qicai Mining with a consideration of RMB5.4308 million.

Hong Kong Listing Rules Implication

Kunlunshan Mining is a subsidiary of the Parent, the controlling shareholder of the Company, and is therefore a connected person of the Company (as defined under Rule 14A.07 of the Hong Kong Listing Rules), and the transactions contemplated under the Exploration Right Transfer Contract and the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules and after aggregating the transactions contemplated under the Exploration Right Transfer Contract and the Equity Transfer Agreement) of the transactions contemplated under the Exploration Right Transfer Contract and the Equity Transfer Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

PROPOSED ISSUE OF THE DEBT FINANCING INSTRUMENTS

On 29 March 2016, the Board approved the proposed issue of the Debt Financing Instruments to satisfy the production and operation needs of the Company, lower the financing costs, and adjust the debt structure of the Company, subject to Shareholders' approval.

PROPOSED CHANGE OF SUPERVISOR

The Board would like to announce that Mr. Zhang resigned as a supervisor of the Company with effect from 29 March 2016, and Mr. Wang was nominated as a supervisor of the Company by the Supervisory Committee and his appointment will take effect from the date of approval by the Shareholders in the AGM.

CHANGE OF ACCOUNTING STANDARD AND PROPOSED CHANGE OF INTERNATIONAL AUDITOR

In light of the acceptance of Mainland accounting and auditing standards and Mainland audit firms by Hong Kong Stock Exchange, the Board resolved on 29 March 2016 to change the Company's accounting standard into China Accounting Standard for Business Enterprises. Accordingly, the Board also approved the proposed cease to re-appoint the international auditor of the Company, SHINEWING (HK), subject to Shareholders' approval.

The AGM of the Company will be held, for the Shareholders to consider and, if thought fit, approve, among other matters, (i) the proposed issue of the Debt Financing Instruments and the granting of a general mandate to any executive Director for such issue; (ii) the proposed change of supervisor; and (iii) the proposed change of international auditor.

A circular containing, among others, details of the proposed issue of the Debt Financing Instruments, the proposed change of supervisor and the proposed change of international auditor, together with the notice of AGM, is expected to be dispatched to the Shareholders as soon as practicable in accordance with relevant requirements of the Hong Kong Listing Rules.

I. INTRODUCTION

The Company announces on 29 March 2016 that, the Board approved the (i) the Exploration Right Transfer Contract; (ii) the Equity Transfer Agreement; (iii) the proposed issue of the Debt Financing Instruments and the granting of a general mandate to any executive Director for such issue; (iv) the proposed change of supervisor, and (v) the proposed change of international auditor. The AGM of the Company will be held, for the Shareholders to consider and, if thought fit, approve, among other matters, (i) the proposed issue of the Debt Financing Instruments and the granting of a general mandate to any executive Director for such issue; (ii) the proposed change of supervisor; and (iii) the proposed change of international auditor.

II. CONNECTED TRANSACTIONS

A. Exploration Right Transfer Contract

Qinghai Qilianshan and Kunlunshan Mining entered into the Exploration Right Transfer Contract on 29 March 2016, the major terms of which are as follows:

Date: 29 March 2016

Parties: (i) Qinghai Qilianshan;

(ii) Kunlunshan Mining

Assets to be Acquired

Subject to the terms and conditions of the Exploration Right Transfer Contract, Qinghai Qilianshan has agreed to acquire and Kunlunshan Mining has agreed to transfer the Exploration Right.

Consideration

The aggregate consideration payable by Qinghai Qilianshan to Kunlunshan Mining under the Exploration Right Transfer Contract for the Exploration Right is RMB19.8051 million, which was determined by Qinghai Qilianshan and Kunlunshan Mining after arm's length negotiation by taking into account, among other factors, the appraisal value of the Exploration Right, being RMB20.9201 million, according to the Valuation Report. Such consideration shall be satisfied in cash by Qinghai Qilianshan's self-raised fund.

The appraisal was prepared by Xinjiang Zhicheng based on the discounted cash flow method. Therefore, such valuation is regarded as a profit forecast of the Exploration Right under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.60A and Rule 14.62 of the Hong Kong Listing Rules. The auditor of the Company, SHINEWING (HK), have confirmed that they have reviewed the accounting policies and calculations for the forecast contained in the Valuation Report. The Directors have also confirmed that the profit forecast has been made after due

and careful enquiry. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Xinjiang Zhicheng is a third party independent of the Company and its connected persons. The details of the principal assumptions, including commercial assumptions, upon which the Valuation Report were based and the letters of comfort from SHINEWING (HK) and the Board respectively in relation to the profit forecast of the Exploration Right are set out in Appendix I and the Appendix II, respectively, to this announcement.

Payment of the Consideration

The consideration under the Exploration Right Transfer Contract shall be satisfied by Qinghai Qilianshan in cash as follows:

- (1) Within 10 business days upon the Exploration Right Transfer Contract being executed and taking effect, Qinghai Qilianshan shall pay RMB9.90255 million (50% of the aggregate consideration);
- (2) Within 10 business days upon the completion of change of registration, Qinghai Qilianshan shall pay RMB9.90255 million (the residual 50% of the aggregate consideration).

Conditions Precedent

The Exploration Right Transfer Contract shall become effective after (i) being signed by the legal representatives and chopped with the official seals of both parties; (ii) the necessary decision-making process of both parties being completed; and (iii) the transfer application of such transfer being approved by the Land and Resources Department.

Information of the Exploration Right

Immediately before the completion of the transaction contemplated under the Exploration Right Transfer Contract, the Exploration Right, with an exploration area of 1.18 km², belongs to Kunlunshan Mining. The valid term of the Exploration Right commenced from 31 December 2013 and ended on 22 November 2015. It is expected that the renewal will be valid for a period of two years from the date of approval by the Land and Resources Department. After the transfer of the Exploration Right is completed, Qinghai Qilianshan will complete the transformation of the Exploration Right into mining right as soon as practicable.

Experts and Consents

The qualifications of the experts who have given their opinions and advices regarding the transfer of Exploration Right under the Exploration Right Transfer Contract are as follows:

Name	Qualification
Xinjiang Zhicheng Mining Appraisal Consulting Firm (General Partnership)	Independent professional valuer
SHINEWING (HK) CPA Limited	Certified Public Accountants

As at the date of this announcement, neither Xinjiang Zhicheng nor SHINEWING (HK) has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

Each of Xinjiang Zhicheng and SHINEWING (HK) has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter or report and all references to its name in the form and context in which it is included.

B. Equity Transfer Agreement

Qinghai Qilianshan and Kunlunshan Mining entered into the Equity Transfer Agreement on 29 March 2016, the major terms of which are as follows:

- Date:** 29 March 2016
- Parties:**
- (i) Qinghai Qilianshan;
 - (ii) Kunlunshan Mining

Assets to be Acquired

As at the date of this announcement, Qinghai Qilianshan and Kunlunshan Mining hold 80% and 20% equity interest in Qicai Mining, respectively. Subject to the terms and conditions of the Equity Transfer Agreement, Qinghai Qilianshan has agreed to acquire and Kunlunshan Mining has agreed to sell the 20% equity interest in Qicai Mining. Upon completion of the Equity Transfer Agreement, Qicai Mining will become a wholly-owned subsidiary of Qinghai Qilianshan.

Consideration

The consideration for the 20% equity interest in Qicai Mining payable by Qinghai Qilianshan to Kunlunshan Mining under the Equity Transfer Agreement is RMB5.4308 million. Such consideration shall be satisfied in cash by Qinghai Qilianshan's self-raised fund.

The consideration was determined by Qinghai Qilianshan and Kunlunshan Mining after arm's length negotiations by taking into account, among other factors, the appraisal value of Qicai Mining's total net assets value of RMB27.5116 million as at 30 April 2015 according to the valuation report dated 22 October 2015 prepared by Beijing Yachao Appraisal Co., Ltd. (北京亞超資產評估有限公司), an independent valuer, based on asset based approach.

Payment of the Consideration

The consideration under the Equity Transfer Agreement shall be satisfied by Qinghai Qilianshan in cash as follows:

- (1) Within 10 business days upon the Equity Transfer Agreement being executed and taking effect, Qinghai Qilianshan shall pay RMB2.7154 million (50% of the aggregate consideration);
- (2) Within 10 business days upon the completion of change of industrial and commercial registration, Qinghai Qilianshan shall pay RMB2.7154 million (the residual 50% of the aggregate consideration).

Conditions Precedent

The Equity Transfer Agreement shall become effective after (i) being signed by the legal or authorised representatives and chopped with the official seals of both parties; and (ii) the necessary decision-making process of both parties being completed.

C. Hong Kong Listing Rules Implication

Kunlunshan Mining is a subsidiary of the Parent, the controlling shareholder of the Company and is therefore a connected person of the Company (as defined under Rule 14A.07 of the Hong Kong Listing Rules), and the transactions contemplated under the Exploration Right Transfer Contract and the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Given that the Exploration Right Transfer Contract and the Equity Transfer Agreement were all entered into between the Kunlunshan Mining and Qinghai Qilianshan within a 12-month period, the transactions contemplated thereunder should be aggregated pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules and after aggregating the transactions contemplated under the Exploration Right Transfer Contract and the Equity Transfer Agreement) are more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that although the Exploration Right Transfer Contract and the Equity Transfer Agreement were not entered into in the ordinary and usual course of business of the Company, they were entered into on normal commercial terms, with the terms and conditions therein being fair and reasonable, and such transactions are in the interests of the Company and the Shareholders as a whole.

Mr. Liu Zhijiang, Mr. Yu Shiliang, Mr. Li Xinhua, Mr. Li Jianlun and Mr. Yu Guobo, who are also directors or senior management of the Parent, are deemed to have material interests in the transactions under the Exploration Right Transfer Contract and the Equity Transfer Agreement, and have abstained from voting on the relevant resolutions in the Board meeting. Other than those Directors mentioned above, none of the other Directors has a material interest in such transactions.

D. Reasons and Benefits of the Exploration Right Transfer Contract and the Equity Transfer Agreement

The Board believes that (i) entering into the Exploration Right Transfer Contract will strengthen the Company's control over resources in Qinghai area and constantly increase resource reserve of the Company; (ii) entering into the Equity Transfer Agreement will help to strengthen the Company's control over resources in Qinghai area, and will lay the foundation for further adjustment of equity structure and decrease of management tyres.

III. THE PROPOSED ISSUE OF THE DEBT FINANCING INSTRUMENTS

On 29 March 2016, the Board approved the proposed issue of the Debt Financing Instruments to satisfy the production and operation needs of the Company, lower the financing costs, and adjust the debt structure of the Company, which is subject to Shareholders' approval on the AGM.

Major Terms

The particulars of the proposed issue of the Debt Financing Instruments are as follows:

Categories of Issue: corporate bonds, super short-term commercial paper, short-term commercial paper and medium-term notes.

Size and Method of Issue: the issue size of bonds with single term shall not exceed the limit set for such category of bonds by relevant laws, regulations and normative documents, on an one-off or multiple or multi-tranche issuance bases. In compliance with relevant laws, regulations and normative documents, the specific size of issue will be subject to the capital requirement and market condition, with the aggregate limit for all bonds for which registration is applied for being no more than RMB8 billion and the aggregate outstanding balance of all categories of existing bonds issued and to be issued being no more than RMB10 billion.

Terms and Categories: single term or a combination of multiple categories with different terms, the longest terms of which will not exceed 10 years, with the specific composition of such terms and the issue size of each category with a specific term being subject to the relevant rules and the market conditions.

Use of Proceeds: the proceeds from such issue will be used to meet the production and operation demands of the Company, adjust the debt structure, repay loans, replenish working capital and/or invest in projects, in compliance with relevant laws, regulations and normative documents. The specific use of proceeds will be determined according to the capital requirement of the Company.

Validity Term of the Resolution: from the approval date of such issue of the Debt Financing Instruments at the general meeting of the Company to the date of the 2016 annual general meeting of the Company.

If any of the executive Directors has decided within the validity term of the authorization regarding the issue or partial issue of the Debt Financing Instruments and the Company has also obtained the issue approvals, permissions, filings or registrations (if applicable) from the regulatory authorities within the validity term, the Company can complete the issue or partial issue of the relevant Debt Financing Instruments within the validity term recognized by such approvals, permissions, files or registrations.

The General Mandate

In order to effectively coordinate specific matters regarding the Debt Financing Instruments and in the process of issue, it will be proposed at the AGM to authorize any executive Director, generally and unconditionally, to deal with all matters in relation to the proposed issue of the Debt Financing Instruments according to relevant laws, regulations, opinions and suggestion from regulatory authorities, as well as the operating needs and the then market conditions of the Company, adhering to the principle of maximizing the benefits of the Company, including without limitations:

- (1) According to applicable laws, regulations, relevant rules of regulatory authorities, resolutions of the general meetings of the Company and the specific conditions of the Company and relevant debt market, to form specific plans for each issue of the Debt Financing Instruments, and to determine the category(ies), specific terms as well as other matters of the bonds, including but not limited to all the matters in relation to the issue such as the size of issue, amount, issue price, interest rate or the determination method thereof, place of issue, timing of issue, term(s), whether to issue in tranches and the number of tranches, whether to adopt any terms for repurchase and redemption, rating arrangements, guarantee matters, term of repayment of the principal and interests, use of proceeds, as well as listing and underwriting arrangements;

- (2) to carry out all necessary and incidental actions and procedures for the issue of bonds, including but not limited to, engaging intermediary agencies, selecting and engaging trustee(s) and clearance/settlement manager(s), handling, on behalf of the Company, the approval, registration, filing and enrolment procedures with relevant regulatory authorities relating to the issue, executing relevant applications documents and other necessary legal documents relating to the issue and dealing with other matters relating to issue and trading;
- (3) to approve, confirm and ratify any of the aforesaid actions or procedures relating to the issue of bonds already taken by the Company;
- (4) to execute and publish relevant announcement(s) in relation to the issue of the bonds and to comply with, if necessary, any relevant information disclosure and/or approval procedures, pursuant to the requirements of PRC regulatory authorities;
- (5) to make relevant adjustments to the relevant matters of the issue of bonds with reference to the opinions from relevant PRC regulatory authorities and the change in policies and market conditions, provided that such adjustments and decision shall be within the scope of the authorisation of the general meeting and shall be subject to re-voting at a general meeting of the Company if otherwise required by the relevant laws and regulations and the articles of association of the Company;
- (6) to determine and deal with all relevant matters in relation to the listing of the issued bonds, if necessary, upon the completion of the issue; and
- (7) to deal with other specific matters in relation to the issue of the bonds and to execute all the required documents.

IV. PROPOSED CHANGE OF SUPERVISOR

The Board would like to announce that:

- (i) Mr. Zhang resigned as a supervisor of the Company with effect from 29 March 2016, due to job transfer; and
- (ii) Mr. Wang was nominated as a supervisor of the Company by the Supervisory Committee and his appointment will take effect from the date of approval by the Shareholders in the AGM.

Mr. Zhang confirmed that he had no disagreement with the Board and there are no other matters in respect of his resignation that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its gratitude to Mr. Zhang for his contribution during his tenure as a supervisor of the Company.

Biographical Details

Mr. Wang Fengting, aged 40, has been the chairman of Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司) since August 2015. Mr. Wang previously served as the deputy manager of the engineering department of Qingdao Taishan Realty Development Co., Ltd. (青島泰山房地產開發有限公司) from 1998 to 2004; the deputy director of the project management sector, the manager of technology division, the assistant to the general manager and the manager of the technology division, and the chief engineer successively from 2004 to 2015 in Taian Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城市建設投資有限公司). Mr. Wang graduated from Shandong Institute of Mining (山東礦業學院) with a bachelor's degree in construction engineering in July, 1998.

Save as disclosed above, Mr. Wang does not have any relationship with any directors, senior management or substantial or controlling Shareholders, nor does he have any interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Wang did not hold any other positions in the Company or any of its subsidiaries, or any directorships in other listed companies in the last three years.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders or any information in relation to the appointment of Mr. Wang that need to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules.

Upon the election of Mr. Wang as a supervisor of the Company being approved by the Shareholders, the Company will enter into a service contract with him. The term of office of Mr. Wang as a supervisor of the Company will be effective from the date of the AGM until the expiration of the term of the current session of the Supervisory Committee. Pursuant to the articles of association of the Company, Mr. Wang will be subject to retirement by rotation and re-election upon the expiry of his term of office.

Mr. Wang's remuneration package will be determined by the Shareholders at the AGM by taking into account, among other matters, his terms of reference, his duties and responsibilities in the Company.

V. CHANGE OF ACCOUNTING STANDARD AND THE PROPOSED CHANGE OF INTERNATIONAL AUDITOR

In light of the acceptance of Mainland accounting and auditing standards and Mainland audit firms by Hong Kong Stock Exchange, the Board resolved on 29 March 2016 to change the Company's accounting standard into China Accounting Standard for Business Enterprises. Accordingly, the Board also approved the proposed cease to re-appoint the international auditor of the Company, SHINEWING (HK), subject to Shareholders' approval on the AGM.

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” published by the Hong Kong Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements using Mainland accounting standards, and Mainland audit firms approved by the MOF and the CSRC are allowed to serve these issuers using Mainland auditing standards. Accordingly, the Board resolved to change the Company’s accounting standard into China Accounting Standard for Business Enterprises.

ShineWing CPA and SHINEWING (HK) are, respectively, the PRC and the international auditor of the Company. In order to simplify working process, improve working efficiency, and lower disclosure cost and audit expenses, the Board approved to, subject to the approval by the Shareholders at the AGM, cease to re-appoint its international auditor, SHINEWING (HK), whilst ShineWing CPA will be the only auditor auditing the Company’s financial statements in accordance with China Accounting Standard for Business Enterprises and undertaking the role of international auditor in compliance with the Hong Kong Listing Rules including but not limited to the preliminary announcement on annual results and annual review of continuing connected transactions. ShineWing CPA is a firm of practicing accountants which has been approved by the MOF and the CSRC and eligible to provide auditing services by using China Accounting Standard for Business Enterprises to the Mainland incorporated issuers.

SHINEWING (HK) has confirmed that there were no matters regarding the proposed cease to re-appoint that need to be brought to the attention of the Shareholders. The Board is not aware of any matter regarding the proposed cease to re-appoint that needs to be brought to the attention of the Shareholders. The Board and the audit committee of the Company confirmed that there were no disagreement between the Company and SHINEWING (HK) regarding the proposed cease to re-appoint.

The Company believes that the proposed cease to re-appoint will not affect the publication of the Company’s final results for the year ended 31 December 2015.

VI. 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.

Qinghai Qilianshan

Qinghai Qilianshan, a subsidiary of the Company, is a limited liability company established under the laws of the PRC and is principally engaged in the business of producing and selling cement and cement products.

Kunlunshan Mining

Kunlunshan Mining, a subsidiary of the Parent, is a limited company established under the laws of the PRC and is principally engaged in exploitation, processing and sale of quartzite, limestone and gypsum as well as processing and sale of graphite.

Qicai Mining

Qicai Mining, a subsidiary of the Company, is a limited liability company established under the laws of the PRC and is principally engaged in purchase and sale of limestone (exclusive of exploitation).

According to PRC accounting standards, the total asset of Qicai Mining as at 31 December 2015 is RMB176 million.

The following table sets out the net profit (before and after taxation) of the Qicai Mining for the two financial years ended 31 December 2014 and 2015, respectively, according to PRC accounting standards:

	Year ended 31 December 2014 <i>(RMB)</i>	Year ended 31 December 2015 <i>(RMB)</i>
Net profits before taxation	-940,084.1	-3,083,879.93
Net profits after taxation	-1,091,029.82	-3,834,301.78

VII. THE AGM

The AGM of the Company will be held, for the Shareholders to consider and, if thought fit, approve, among other matters, (i) the proposed issue of the Debt Financing Instruments and the granting of a general mandate to any executive Director for such issue; (ii) the proposed change of supervisor; and (iii) the proposed change of international auditor.

A circular containing, among others, details of the proposed issue of the Debt Financing Instruments, the proposed change of supervisor and the proposed change of international auditor, together with the notice of AGM, is expected to be dispatched to the Shareholders as soon as practicable in accordance with relevant requirements of the Hong Kong Listing Rules.

VIII. DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be convened on 24 May 2016
“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
“Debt Financing Instruments”	the debt financing instruments proposed to be issued by the Company
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the Qinghai Qicai Mining Co., Ltd. Equity Transfer Agreement entered into between Qinghai Qilianshan and Kunlunshan Mining on 29 March 2016
“Exploration Right”	the exploration right for Shangxiamen lime mines in Shangxin Zhuang Town, Huangzhong County, Qinghai Province
“Exploration Right Transfer Contract”	the exploration right transfer contract regarding the transfer of Exploration Right entered into between Qinghai Qilianshan and Kunlunshan Mining on 29 March 2016
“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

“Kunlunshan Mining”	Qinghai Kunlunshan Mining Development Co., Ltd. (青海崑崙山礦業發展有限公司), a limited liability company established under the PRC law
“Land and Resource Department”	Land and Resources Qinghai Province of Qinghai Province, the PRC
“MOF”	China Ministry of Finance
“Mr. Wang”	Mr. Wang Fengting (王鳳廷)
“Mr. Zhang”	Mr. Zhang Renjie (張仁杰)
“Parent”	China National Materials Group Corporation Ltd. (中國中材集團有限公司), the controlling shareholder and one of the promoters of the Company
“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
“Qicai Mining”	Qinghai Qicai Mining Co., Ltd. (青海祁材礦業有限公司), a limited liability company established under the PRC law
“Qinghai Qilianshan”	Qinghai Qilianshan Cement Co., Ltd. (青海祁連山水泥有限公司), a limited liability company incorporated under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“SHINEWING (HK)”	SHINEWING (HK) CPA Limited
“ShineWing CPA”	ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
“Supervisory Committee”	the supervisory committee of the Company
“Valuation Reference Date”	30 September 2015, being the reference date adopted by Xinjiang Zhicheng in the Valuation Report
“Valuation Report”	the valuation report dated 23 October 2015 prepared by Xinjiang Zhicheng in terms of the acquisition of the Exploration Right by Qinghai Qilianshan

“Xinjiang Zhicheng”

Xinjiang Zhicheng Mining Appraisal Consulting Firm (General Partnership) (新疆志誠礦業評估諮詢事務所(普通合夥)), an independent valuer

“%”

per cent

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

Beijing, China
29 March 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.

APPENDIX I — PRINCIPAL ASSUMPTIONS OF VALUATION

Given that the Valuation Report was prepared by the Independent Valuer based on, the discounted cash flow method, it is regarded as a profit forecast under Rule 14.61 of the Hong Kong Listing Rules.

The valuation contained in the Valuation Report has been prepared on the following principal bases and assumptions:

1. The geological exploration status as well as internal and external conditions of the Exploration Right will maintain its current status and will not change significantly;
2. The appraisal technics and economic parameters are determined with reference to the principle of production-sale balance, the principle of social average productivity level and average market price level in recent years;
3. There will be no significant change in the existing national policy, laws and regimes, relevant social, political and economic environment as well as the technology and conditions of development as compared with the current time;
4. When the Exploration Right turns into mining right in the future, the mines will realize the production methods as designed, maintain the residual resource reserve, production scale, production plan, technical level of development as well as the market supply and demand, as well as be a going-concern;
5. The demand and supply standard as well as the ratio of income and cost will maintain basically unchanged and consistent to the forecast of the this valuation; the prices, costs, fees, tax rate, interest rate and other elements will vary within the normal range in the profit period of the mines in future market;
6. No impacts on the appraised value arising from possible pledge, security and other rights, any other restrictions on the property right, or any additional price to be paid in supplement by special transaction parties are taken into consideration;
7. There will be no other irresistible or unforeseeable elements giving rise to significant effects.

APPENDIX II — LETTERS OF COMFORT IN RELATION TO THE PROFIT FORECAST OF EXPLORATION RIGHT

A. Letter from the Auditor

CONNECTED TRANSACTION OF CHINA NATIONAL MATERIALS COMPANY LIMITED

EXPLORATION RIGHT TRANSFER CONTRACT

29 March 2016

Board of Directors
China National Materials Company Limited
11 Beishuncheng Street
Xizhimennei
Xincheng District
Beijing 100035
The PRC

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the accounting policies adopted and calculations of the underlying profit forecast (the “**Underlying Forecast**”) to the asset valuation dated 23 October 2015 prepared by Xinjiang Zhicheng Mining Appraisal & Consulting GP[#] (新疆志誠礦業評估諮詢事務所) (the “**Valuer**”) in respect of the valuation on an exploration right for Shangxiamen lime mines in Shangxinzhuan Town, Huangzhong County, Qinghai Province (“**Target Asset**”) owned by Qinghai Kunlunshan Mining Development Co., Ltd.[#] (青海崑崙山礦業發展有限公司) (the “**Vendor**”) in connection with the proposed acquisition of the Target Asset by Qinghai Qilianshan Cement Co., Ltd.[#] (青海祁連山水泥有限公司) (the “**Qinghai Qilianshan**”), a non-wholly-owned subsidiary of China National Materials Company Limited (the “**Company**”), as of the announcement of the Company dated 29 March 2016 (the “**Announcement**”).

Directors’ Responsibilities

The directors of the Company and the Vendor (the “**Directors**”) are solely responsible for the preparation of the Underlying Forecast including the bases and assumptions, for the purpose of asset valuation of the Target Asset based on discounted cash flow method. The Underlying Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”) that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur.

[#] *The English translation of the Chinese name is for information purpose only and should not be regarded as the official English translation of such Chinese name.*

Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, (“**HKICPA**”) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) (“**HKSAE 3000 (Revised)**”) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to the procedures specified in Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecast, Statements of Sufficiency of Working Capital and Statements of Indebtedness” issued by the HKICPA. We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Underlying Forecast. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

We have planned and performed such procedures as we considered necessary to assist the Directors solely in evaluating whether the Underlying Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Underlying Forecast has been properly compiled in accordance with the Assumptions adopted by the Directors as set out in the Announcement and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

B. Letter from the Board



China National Materials Company Limited

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

29 March 2016

The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street,
Central,
Hong Kong

Dear Sirs and Madams,

CONNECTED TRANSACTION OF CHINA NATIONAL MATERIALS COMPANY LIMITED (THE "COMPANY")

EXPLORATION RIGHT TRANSFER CONTRACT

We refer to the announcement of the Company dated 29 March 2016 (the "**Announcement**"). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

We, the Board of the Company, note that SHINEWING (HK) CPA Limited, certified public accountants and the Company's auditor (the "**Auditor**"), has examined the consistency of accounting policies adopted and the arithmetical accuracy of the calculation of the discounted cash flow forecast in the asset valuation report dated 23 October 2015 prepared by Xinjiang Zhicheng Mining Appraisal Consulting Firm (General Partnership) (新疆志誠礦業評估諮詢事務所(普通合夥)) (the "**Independent Valuer**") in relation to the valuation (the "**Valuation**") on the Exploration Right in connection with the acquisition of the Exploration Right by Qinghai Qilianshan. The Valuation is prepared based on discounted cash flows method and it is regarded as a profit forecast under Rule 14.61 of the Hong Kong Listing Rules (the "**Underlying Forecast**").

We have discussed with the Independent Valuer the bases and assumptions in the Valuation upon which the Underlying Forecast has been made and have reviewed the Valuation. We have also considered the report dated 29 March 2016 issued by the Auditor to the Board that the Auditor had examined the consistency of accounting policies adopted and the arithmetical accuracy of the calculations of the Valuation for assisting the directors of Qinghai Qilianshan in evaluating whether, so far as the accounting policies and calculations are concerned, the discounted cash flow has been

properly compiled in accordance with the assumptions in the Valuation and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company and for no other purpose.

On the basis of the foregoing, we confirm that the Valuation, including the Underlying Forecast, has been made after due and careful enquiry.

The purpose of this letter is solely for the strict compliance with Rule 14.62 of the Hong Kong Listing Rules. We, however, express no opinion in this letter on the actual results of the Underlying Forecast as the Underlying Forecast is based on certain hypothesis on future events.

Yours faithfully,

For and on behalf of the Board

CHINA NATIONAL MATERIALS COMPANY LIMITED

Liu Zhijiang

Chairman of the Board