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北京金隅股份有限公司

**BBMG Corporation\***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 2009)

## **ANNOUNCEMENT**

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION –  
PROPOSED A SHARE ISSUE AND THE MERGER PROPOSAL**  
**(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION  
AND**  
**(3) PROPOSED AMENDMENTS TO RULES OF PROCEDURES**

### **PROPOSED A SHARE ISSUE AND THE MERGER PROPOSAL**

Reference is made to the Previous Announcement.

The Board is pleased to announce that on 6 July 2010, the Board re-affirmed its approval of the submission of the application to the relevant regulatory authorities for the allotment and issue of 410,404,560 A Shares to implement the Merger Proposal under the structure, in all material respects, as set out in the Previous Announcement, subject to satisfaction of certain conditions including, among others, Shareholders' approval by way of a special resolution and regulatory approvals.

On 6 July 2010, the Board and the Taihang Cement Board respectively resolved to enter into the Merger Agreement in relation to the Merger Proposal.

As all of the applicable percentage ratios in respect of the A Share Issue and the Merger Proposal are more than 5% but are less than 25%, the A Share Issue and the Merger Proposal, if implemented, will constitute a discloseable transaction of the Company under the Listing Rules.

After completion of the Internal Restructuring, the Parent will directly hold 76,003,800 Taihang Cement Shares, representing approximately 20.001% of the issued share capital of Taihang Cement. In addition, the Parent as one of the Cash Alternative Providers may receive not more than 150,058,400 Taihang Cement Shares under the Cash Alternative arrangement. The Parent will participate in the Merger Proposal by exchanging the Taihang Cement Shares held by it for the A Shares to be issued by the Company at the Exchange Ratio. Therefore, for implementation of the Merger Proposal, the Company will issue new securities to the Parent, who is the substantial shareholder of the Company and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the A Share Issue and the Merger Proposal will also constitute a non-exempt connected transaction which is required to be approved by the Independent Shareholders. The Parent and its associates, being connected persons of the Company and having material interests (which are different from those of the Independent Shareholders) in the A Share Issue and the Merger Proposal, will abstain from voting at the EGM for the relevant resolutions.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the A Share Issue and the Merger Proposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

#### **PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

To accommodate the A Share Issue, the Board has proposed to make certain amendments to the Articles in compliance with all relevant and applicable PRC legal and regulatory requirements. Such amendments are proposed in accordance with laws and regulations prescribed by the relevant PRC authorities including the CSRC, stipulating provisions mandatory or recommended for inclusion in articles of association of A share listed companies. The proposed amended Articles, subject to Shareholders' approval by way of a special resolution at the EGM, will be adopted for use by the Company upon listing of the A Shares.

#### **PROPOSED AMENDMENTS TO RULES OF PROCEDURES**

In addition to the amendments to the Articles described above, and in accordance with the rules of the CSRC governing issue of A Shares, the Board and the supervisory board have proposed to make correspondence changes to various current rules of procedures of the Company, subject to Shareholders' approval, with a view to further regulating the internal controls of the Company. These rules of procedures include, among others, (i) the Rules of Procedures for meetings of the Shareholders; (ii) the Rules of Procedures for meetings of the Board; and (iii) the Rules of Procedures for meetings of the Supervisors. The proposed amended rules of procedures, subject to Shareholders' approval by way of a special resolution at the EGM, will be adopted for use by the Company upon listing of the A Shares.

## GENERAL

A circular containing, among other things, (i) further details of the A Share Issue, the Merger Proposal, the amendments to the Articles and the amendments to rules of procedures, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the A Share Issue and the Merger Proposal, (iii) a letter of advice from Guangdong Securities on the A Share Issue and the Merger Proposal, and (iv) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 23 July 2010 in accordance with the Listing Rules. If there is expected to be a delay in despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

**Investors are cautioned that the A Share Issue is subject to (i) approval from Shareholders by way of a special resolution in the EGM as required under the PRC laws and regulations; and (ii) approvals from the CSRC and other relevant approval authorities. The Merger Agreement may or may not proceed or become unconditional or effective. There is no assurance that all the conditions precedent contained in the Merger Agreement can be satisfied. Investors and potential investors in Shares of the Company should exercise care, and they should only rely on information published by the Company, when they deal, or contemplate dealing, in the H Shares or other securities of the Company.**

### A. PROPOSED A SHARE ISSUE AND THE MERGER PROPOSAL

#### 1. Introduction

Reference is made to the announcement of the Company dated 29 April 2010 in relation to the proposed restructuring of major assets of Taihang Cement and the Previous Announcement.

The Board is pleased to announce that on 6 July 2010, the Board re-affirmed its approval of the submission of the application to the relevant regulatory authorities for the allotment and issue of 410,404,560 A Shares to implement the Merger Proposal under the structure, in all material respects, as set out in the Previous Announcement, subject to satisfaction of certain conditions including, among others, Shareholders' approval by way of a special resolution and regulatory approvals.

The Board also resolved to submit to the EGM for consideration and approval by way of an ordinary resolution the delegation of power to the Board, among others, to determine and deal with, at the Board's discretion and with full authority, the matters in relation to the A Share Issue and the Merger Proposal, to sign or execute all necessary documents, to effect and carry out necessary formalities, and to take all other necessary actions in connection with the A Share Issue and the Merger Proposal, as well as to handle all registration procedures in relation to the amendments to the Articles and the changes in the registered capital of the Company following completion of the A Share Issue and the Merger Proposal.

As at the date of this announcement, the Company through its holding of approximately 33.33% equity interest in Taihang Huaxin, which in turn holds 30% of the issued shares of Taihang Cement, is indirectly interested in approximately 9.999% of the issued shares of Taihang Cement. By virtue of the Taihang Huaxin Entrustment Agreement, the Parent entrusted its holding of approximately 66.67% equity interest in Taihang Huaxin to the Company. As a result, the Company is, together with the 9.999% issued shares indirectly held by it in Taihang Cement, indirectly beneficially interested in the 30% issued shares of Taihang Cement held by Taihang Huaxin.

On 23 June 2010, the SASAC issued the "Approval of Change of State-owned Shareholders of Hebei Taihang Huaxin Building Materials Co., Ltd." (Guo Zi Chan Quan [2010] No. 471) and approved the Internal Restructuring involving a distribution of the 30% of the issued shares of Taihang Cement directly held by Taihang Huaxin to the Parent and the Company on a pro rata basis based upon their respective shareholdings in Taihang Huaxin. The Parent, the Company and Haihang Huaxin are currently undergoing the relevant registration of change of equity interest procedure in respect of the Internal Restructuring. After completion of such procedure in respect of the Internal Restructuring, the Parent and the Company will directly hold 76,003,800 and 37,996,200 Taihang Cement Shares, representing approximately 20.001% and 9.999% of the issued shares of Taihang Cement, respectively. It is contemplated that the Parent, the Company and Taihang Huaxin will complete the Internal Restructuring on or before 31 August 2010. Upon completion of the Internal Restructuring, it is contemplated that the Parent will entrust the 76,003,800 Taihang Cement Shares, representing approximately 20.001% issued shares of Taihang Cement, to the Company at nil consideration on the terms and conditions which are substantially similar to those of the Taihang Huaxin Entrustment Agreement.

The Company intends to implement the Merger Proposal after the Internal Restructuring. The implementation of the Merger Proposal will involve an issue of A Shares by the Company at the Exchange Ratio to the Taihang Cement Target Shareholders.

## 2. Key Terms of the Merger Agreement

On 4 June 2010, the Board and the Taihang Cement Board respectively resolved to approve, in principle, the Merger Proposal, subject to the satisfaction of various conditions. On 6 July 2010, the Board and the Taihang Cement Board respectively resolved to enter into the Merger Agreement in respect of the Merger Proposal. A summary of the major terms and conditions of the Merger Agreement is as follows:

Date	:	6 July 2010
Parties	:	The Company (as acquirer)  Taihang Cement (as target company)
Consideration	:	The Company will issue an aggregate of 410,404,560 A Shares (having the same voting right as the Company's H Shares) at the Exchange Ratio in exchange for the Taihang Cement Shares held by the Taihang Cement Target Shareholders who elect to receive in whole or in part the A Shares, and the Cash Alternative Providers (when there are Taihang Cement Target Shareholders accept the Cash Alternative and elect not to receive the A Shares, in whole or in part).

The Exchange Ratio has been determined as 1.2 A Shares for one Taihang Cement Share.

The Merger Proposal will be accompanied by the Cash Alternative to the Taihang Cement Target Shareholders (other than the Parent) at a rate of RMB10.65 per Taihang Cement Share, subject to the Merger Proposal becoming unconditional.

The Merger Proposal will further be accompanied by the Additional Option to the Participated Shareholders, pursuant to which the Participated Shareholders can put the A Shares held by them to the Additional Option Provider at a rate of RMB9.00 per A Share, provided that the Average Trading Price of the A Shares on its first trading date falls below RMB9.00 and the Participated Shareholders still hold the originally issued A Shares upon closing of the first trading date of the A Shares.

- Conditions Precedent : The Merger Agreement is conditional upon:
- (i) the Internal Restructuring having been completed;
  - (ii) the approval of the Merger Proposal by way of a special resolution by the Shareholders attending and voting at the EGM having been obtained;
  - (iii) the approval of the Merger Proposal by way of a special resolution by the shareholders of Taihang Cement attending and voting at such shareholders' meeting of Taihang Cement having been obtained; and
  - (iv) all requisite consents and approvals having been obtained from the relevant governmental and regulatory authorities in the PRC for the Merger Proposal and related matters (including but not limited to, the CSRC, the SASAC and the Shanghai Stock Exchange).
- Completion : The later date of (i) the Company having completed the registration with the AIC in relation to the Merger Proposal, and (ii) Taihang Cement having completed the deregistration with the AIC.
- Profit Distribution : The Company and Taihang Cement have agreed that, during the shorter of (i) the period from the date of the Merger Agreement to the completion date of the Merger Proposal, and (ii) the shorter of the validity period of the respectively shareholders' resolutions of the Company and Taihang Cement, save for the profit distribution announced prior to the date of the Merger Agreement and the profit distribution in cash approved by the respectively shareholders at the annual general meeting of the Company and Taihang Cement, no profit distribution in any form (including right issues) which may impact the share capital of the parties would be declared or carried out.

### **3. The Exchange Ratio**

The Exchange Ratio is determined based on the followings:

- (i) the purchase price of the Taihang Cement Shares of RMB10.80 per share under the Merger Agreement, representing a premium of approximately 7.04% over the Average Trading Price per Taihang Cement Share of RMB10.09 of the 20 trading days prior to 4 June 2010, being the reference date on which the Exchange Ratio is determined; and
- (ii) the issue price of the new A Shares of RMB9.00 per share, which is determined based on the reasonable P/E ratio, representing 19.45x of the historical P/E ratio of the year 2009 prepared under CASBE on a fully diluted basis upon completion of the A Share Issue.

Accordingly, the Exchange Ratio was determined to be 1.2:1 whereby the Taihang Cement Target Shareholders (excluding the Company) will exchange its one Taihang Cement Share for 1.2 A Shares to be issued by the Company.

The Exchange Ratio and the premium was determined based on arm's length negotiations by the Directors, having made due and reasonable inquiries and taking into account various principal considerations and factors.

### **4. The Cash Alternative**

The Merger Proposal will be accompanied by the Cash Alternative to the Taihang Cement Target Shareholders (other than the Parent) at a rate of RMB10.65 per Taihang Cement Share. The Cash Alternative will be made available by the Parent and China Cinda as the Cash Alternative Providers. The Parent is the substantial shareholder of the Company and therefore is a connected person of the Company for the purposes of the Listing Rules. China Cinda holds 72,420,687 Domestic Shares, representing approximately 1.87% of the issued share capital of the Company, and is not a connected person of the Company for the purposes of the Listing Rules.

If the Taihang Cement Target Shareholders (other than the Parent) accept the Cash Alternative and elect not to receive the A Shares, in whole or in part, the Cash Alternative Providers will, subject to written agreements to be entered by the Company and the Cash Alternative Providers, pay RMB10.65 per Taihang Cement Share in cash to such Taihang Cement Target Shareholders (other than the Parent) in whole or in part in return for the Taihang Cement Shares held by such holders. The Cash Alternative Providers will then exchange such shares for the A Shares at the Exchange Ratio. Pursuant to the Cash Alternative arrangement, the Parent, as one of the Cash Alternative Providers, undertakes that it will receive not more than 150,058,400 Taihang Cement Shares which in turn will be exchanged for not more than 180,070,080 A Shares. China Cinda also undertakes that, pursuant to the Cash Alternative arrangement, it will receive not more than 115,941,600 Taihang Cement Shares which in turn will be exchanged for 139,129,920 A Shares.

On the assumption that all Taihang Cement Target Shareholders (other than the Parent) elect to receive the Cash Alternative and based upon the undertakings mentioned above, (i) a maximum of 180,070,080 A Shares, representing approximately 4.20% of the enlarged issued share capital of the Company upon allotment of the A Shares, will be held by the Parent as the Cash Alternative Provider; (ii) a maximum of RMB1,598,121,960 will be payable by the Parent as the Cash Alternative Provider; (iii) a maximum of 139,129,920 A Shares, representing approximately 3.25% of the enlarged issued share capital of the Company upon allotment of the A Shares, will be held by China Cinda as the Cash Alternative Provider; and (iv) a maximum of RMB1,234,778,040 will be payable by China Cinda as the Cash Alternative Provider.

## **5. The Additional Option**

The Merger Proposal will further be accompanied by the Additional Option to the Participated Shareholders, pursuant to which the Participated Shareholders can put the A Shares held by them (the number of which should not be more than the difference between the number of A Shares registered in the name of the Participated Shareholders on the register of members for A Shares before listing of the A Shares and the number of A Shares sold by such Participated Shareholders after listing of the A Shares) to the Additional Option Provider at a rate of RMB9.00 per A Share, provided that the Average Trading Price of the A Shares on its first trading date falls below RMB9.00 and the Participated Shareholders still hold the originally issued A Shares upon closing of the first trading date of the A Shares. The investors who purchase A Shares after listing of the A Shares are not entitled to the Additional Option in respect of the A Shares purchased. The Additional Option Provider holds 72,420,687 Domestic Shares, representing approximately 1.87% of the issued share capital of the Company, and is not a connected person of the Company for the purpose of the Listing Rules.

The Additional Option Provider will, subject to written agreements to be entered by the Company and the Additional Option Provider, upon the exercise of the Additional Option by the Participated Shareholders, purchase the A Shares held by the Participated Shareholders at the rate of RMB9.00 per A Share.

On the assumption that no Taihang Cement Target Shareholder elects to receive the Cash Alternative and all Participated Shareholders (excluding the Parent) elect to exercise the Additional Option, (i) a maximum of 319,200,000 A Shares, representing approximately 7.45% of the enlarged issued share capital of the Company upon listing of the A Shares, will be transferred to the Additional Option Provider at a rate of RMB9.00 per A Share; and (ii) a maximum of RMB2,872,800,000 will be payable by the Additional Option Provider.

## **6. Exit rights of Dissenting Shareholders of the Company**

### ***(i) Entitlement to the exit rights of Dissenting Shareholders***

Pursuant to the Articles, the Shareholders who have voted against the Merger Proposal at the EGM would have the right to demand the acquisition of their Shares by the Company or the Assenting Shareholders at fair prices to be determined by the parties to the acquisition in accordance with the Articles. The exercise of such exist rights will be subject to the successful completion of the A Share Issue. Dissenting Shareholders will be required to make a clear written request at the EGM to the Company or the Assenting Shareholders to exercise such exit rights, subject to the conditions and arrangements set out in the Merger Proposal.

The Dissenting Shareholders holding the said Shares which are subject to pledge, other third-party rights or judicial moratorium would not be entitled to such exit rights.

### ***(ii) Exercise of the exit rights of Dissenting Shareholders***

Dissenting Shareholders would make a clear written request at the EGM to the Company or the Assenting Shareholders to exercise the exit subject to the conditions and arrangements set out in the Merger Proposal. Dissenting Shareholders may exercise the exit rights in respect of all or part of their Shares.

If Dissenting Shareholders elect to request any Assenting Shareholders to acquire their Shares at fair prices, and such Assenting Shareholders are not interested in acquiring their Shares, these Assenting Shareholders may negotiate with the Company, and upon written agreement to be entered into by the Company and these Assenting Shareholders, the Company will take up the reasonable obligations of the Assenting Shareholders to those Dissenting Shareholders, provided that the Assenting Shareholders agree:

- (1) to submit to the Company written requests of the Dissenting Shareholders for acquiring Shares at fair prices and withdrawals of such requests (if any);
- (2) to provide the Company with the opportunity to lead all negotiations and procedures relating to the determination of the fair prices under the Articles; and
- (3) unless otherwise agreed in writing beforehand by the Company, not to initiate any determination or payment of the fair prices.

If Dissenting Shareholders elect to request the Company to acquire their Shares at fair prices, the Company will fully comply with the laws, regulations and applicable rules (including the Listing Rules) concerning the Company's repurchase of Shares. The Company will be entitled to designate any third parties to acquire the Shares to be disposed upon the request of such Dissenting Shareholders of the Company at fair prices to be determined by the parties to the acquisition in accordance with the Articles.

*(iii) Timing of Payment to the Dissenting Shareholders*

Subject to fulfillment of all of the conditions precedent under the Merger Agreement, the Company (or its designated third parties) or the Assenting Shareholders has an obligation to pay and complete the clearing and settlement procedures in respect of the Shares of which the exit rights of Dissenting Shareholders of the Company have been exercised.

**7. Effect of the Merger Proposal**

Upon successful implementation of the Merger Proposal, the Taihang Cement Shares held by the Taihang Cement Target Shareholders on a record date to be determined will be exchanged into the A Shares of the Company. All such Taihang Cement Shares (together with the remaining Taihang Cement Shares held by the Company) will be cancelled. As a result of and upon completion of the Merger Proposal, the assets of Taihang Cement will be absorbed into and the liabilities of Taihang Cement will be assumed by the Company. Taihang Cement will then cease to exist.

Subject to the approval of the CSRC and the Shanghai Stock Exchange, the A Shares will be listed on the Shanghai Stock Exchange. The H Shares will continue to be listed on the Hong Kong Stock Exchange. Set out below is the shareholding structure of the Company (1) as at the date of this announcement, (2) immediately after successful completion of the A Share Issue and the Merger Proposal assuming (i) an aggregate of 410,404,560 A Shares will be issued under the A Share Issue and (ii) all Taihang Cement Target Shareholders (other than the Parent) elect to receive the Cash Alternative, and (3) immediately after successful completion of the A Share Issue and the Merger Proposal assuming (i) an aggregate of 410,404,560 A Shares will be issued under the A Share Issue and (ii) no Taihang Cement Target Shareholder elects to receive the Cash Alternative but all Participated Shareholders (excluding the Parent) elect to exercise the Additional Option.

	As at the date of this announcement		Immediately after completion of the A Share Issue and the Merger Proposal assuming all Taihang Cement Target Shareholders (other than the Parent) elect to receive the Cash Alternative		Immediately after completion of the A Share Issue and the Merger Proposal assuming no Taihang Cement Target Shareholder elects to receive the Cash Alternative but all Participated Shareholders (excluding the Parent) elect to exercise the Additional Option	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
(1) Domestic Shares	2,365,470,065	61.07	-	-	-	-
(a) held by the Parent	1,753,647,866	45.27	-	-	-	-
(b) held by China Cinda	72,420,687	1.87	-	-	-	-
(c) held by other holders	539,401,512	13.93	-	-	-	-
(2) Unlisted Foreign Shares	338,480,000	8.74	-	-	-	-
(3) A Shares	-	-	3,114,354,625	72.7	3,114,354,625	72.7
(a) held by The Parent	-	-	2,024,922,506	47.27	1,844,852,426	43.07
(b) held by China Cinda	-	-	211,550,607	4.94	391,620,687	9.14
(c) held by other holders	-	-	877,881,512	20.49	877,881,512	20.49
(4) H Shares	<u>1,169,382,435</u>	<u>30.19</u>	<u>1,169,382,435</u>	<u>27.3</u>	<u>1,169,382,435</u>	<u>27.3</u>
<b>Total Number of Shares</b>	<b><u><u>3,873,332,500</u></u></b>	<b><u><u>100</u></u></b>	<b><u><u>4,283,737,060</u></u></b>	<b><u><u>100</u></u></b>	<b><u><u>4,283,737,060</u></u></b>	<b><u><u>100</u></u></b>

Pursuant to the requirements of the Shanghai Stock Exchange, the Parent, being the controlling shareholder of the Company upon successful completion of the A Share Issue and the Merger Proposal, will, upon listing of the A Shares, be subject to a lock-up period of 36 months, during which period, the Parent may not in any way transact or entrust any party to manage any of its A Shares in the Company, and the Company may not repurchase any A Shares held by the Parent. Pursuant to the Company Law, other Shareholders of the Domestic Shares and Unlisted Foreign Shares will, upon listing of the A Shares, be subject to a lock-up period of 12 months.

## **8. Information on Taihang Cement, the Company and the Parent**

Taihang Cement is a joint stock company established under the laws of the PRC with limited liability, the securities of which have been listed on the Shanghai Stock Exchange (Stock Code: 600553) since 20 August 2002. Taihang Cement and its subsidiaries are principally engaged in, among others, manufacturing and sales of cement and cement products.

The audited consolidated net asset value of Taihang Cement and its subsidiaries as at 31 December 2009 was RMB875,998,917.73. The audited consolidated accounts of Taihang Cement and its subsidiaries for the two years ended 31 December 2009 prepared under CASBE recorded an audited consolidated profit (before taxation and extraordinary items) of RMB67,440,532 and RMB134,662,638, respectively, and an audited consolidated profit (after taxation and extraordinary items) of RMB47,503,842 and RMB93,071,722, respectively. The above financial information is extracted from the financial statements set out in the 2009 annual report of Taihang Cement.

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment, and provision of property management services.

The Parent is a limited liability company established under the laws of PRC on 6 December 1996 and is a wholly-owned subsidiary of the Beijing SASAC. The Parent is principally engaged in, among others, state owned assets management, building materials manufacturing, sale of building materials and real estate development.

## **9. Reasons for and benefits of the A Share Issue and the Merger Proposal**

As disclosed in the sections headed “Relationship with Controlling Shareholders” and “Asset Restructuring” in the Prospectus, the Parent has given the Parent Undertaking and the Parent 2009 Undertaking in relation to the Asset Restructuring. The Parent proposed the Merger Proposal to the Board after considering many factors. The Board considered that the Merger Proposal is a better mean to implement the Parent Undertaking, to avoid business competition between the Company and Taihang Cement, to reduce the continuing connected transaction amounts between the Parent Group and the Group and to consolidate and streamline the cement assets within the Group for the Group’s future development, and therefore the Board considers that the Merger Proposal is in the best interest of the Group and the Shareholders.

Also, the Board considers that the A Share Issue will establish a new financing platform for the Company over the long run and will benefit the Group in the future.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from Guangdong Securities) considers that the terms of the Merger Agreement were arrived at after arms' length negotiations between the parties involved and the A Share Issue and the Merger Proposal were entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from Guangdong Securities) are of the view that the A Share Issue and the Merger Proposal are on normal commercial terms, which are fair and reasonable and are in the best interest of the Group and the shareholders of the Company as a whole.

The executive Directors, Jiang Weiping and Li Changli, who are also the directors of the Parent, are materially interested in the A Share Issue and the Merger Proposal. The executive Director, Wang Hongjun, who is also the director of Taihang Cement, is materially interested in the Merger Proposal. Consequently, they had abstained from voting on the relevant Board resolutions approving the aforesaid transactions.

## **10. Listing Rules Implications**

As all of the applicable percentage ratios in respect of the A Share Issue and the Merger Proposal are more than 5% but are less than 25%, the A Share Issue and the Merger Proposal, if implemented, will constitute a discloseable transaction of the Company under the Listing Rules.

After completion of the Internal Restructuring, the Parent will directly hold 76,003,800 Taihang Cement Shares, representing approximately 20.001% of the issued share capital of Taihang Cement. In addition, the Parent as one of the Cash Alternative Providers will receive not more than 150,058,400 Taihang Cement Shares under the Cash Alternative arrangement. The Parent will participate in the Merger Proposal by exchanging the Taihang Cement Shares held by it for the A Shares to be issued by the Company at the Exchange Ratio. Therefore, for implementation of the Merger Proposal, the Company will issue new securities to the Parent, who is the substantial shareholder of the Company and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the A Share Issue and the Merger Proposal will also constitute a non-exempt connected transaction which is required to be approved by the Independent Shareholders. The Parent and its associates, being connected persons of the Company and having material interests (which are different from those of the Independent Shareholders) in the A Share Issue and the Merger Proposal, will abstain from voting at the EGM for the relevant resolutions.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of A Share Issue and the Merger Proposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

**Investors are cautioned that the A Share Issue is subject to (i) approval from Shareholders by way of a special resolution in the EGM as required under the PRC laws and regulations; and (ii) approvals from the CSRC and other relevant approval authorities. The Merger Agreement may or may not proceed or become unconditional or effective. There is no assurance that all the conditions precedent contained in the Merger Agreement can be satisfied. Investors and potential investors in Shares of the Company should exercise care, and they should only rely on information published by the Company, when they deal, or contemplate dealing, in the H Shares or other securities of the Company.**

## **B. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

To accommodate the A Share Issue, the Board has proposed to make certain amendments to the Articles in compliance with all relevant and applicable PRC legal and regulatory requirements. Such amendments are proposed in accordance with laws and regulations prescribed by the relevant PRC authorities including the CSRC, stipulating provisions mandatory or recommended for inclusion in articles of association of A share listed companies. The proposed amended Articles, subject to Shareholders' approval by way of a special resolution at the EGM, will be adopted for use by the Company upon listing of the A Shares.

The proposed amendments deal with matters relating to a number of areas, including, among others, (i) shares and registered capital; (ii) procedures for meetings of the Shareholders; and (iii) appointment of independent non-executive directors.

## **C. PROPOSED AMENDMENTS TO RULES OF PROCEDURES**

In addition to the amendments to the Articles described above, and in accordance with the rules of the CSRC governing issue of A Shares, the Board and the supervisory board have proposed to make correspondence changes to various current rules of procedures of the Company, subject to Shareholders' approval, with a view to further regulating the internal controls of the Company. These rules of procedures include, among others, (i) the Rules of Procedures for meetings of the Shareholders; (ii) the Rules of Procedures for meetings of the Board; and (iii) the Rules of Procedures for meetings of the Supervisors. The proposed amended rules of procedures, subject to Shareholders' approval by way of a special resolution at the EGM, will be adopted for use by the Company upon listing of the A Shares.

## **D. GENERAL**

A circular containing, among other things, (i) further details of the A Share Issue, the Merger Proposal, the amendments to the Articles and the amendments to rules of procedures, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the A Share Issue and the Merger Proposal, (iii) a letter of advice from Guangdong Securities on the A Share Issue and the Merger Proposal, and (iv) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 23 July 2010 in accordance with the Listing Rules. If there is expected to be a delay in despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

## E. DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“A Shares”	the ordinary shares subscribed for in RMB, which are proposed to be issued by the Company pursuant to the A Share Issue
“A Share Issue”	the proposed issue of 410,404,560 A Shares by the Company to be listed on the Shanghai Stock Exchange for the implementation of the Merger Proposal
“Additional Option”	the additional option under the Merger Proposal to the Participated Shareholders, pursuant to which the Participated Shareholders can put the A Shares held by them to the Additional Option Providers at a rate of RMB9.00 per A Share, subject to certain conditions, details of which are set out in the section headed “A. Proposed A Share Issue and the Merger Proposal – 5. The Additional Option”
“Additional Option Provider”	China Cinda
“AIC”	the State Administration for Industry and Commerce of the People’s Republic of China or its relevant local counterpart
“Articles”	the articles of association of the Company, as amended from time to time
“Assenting Shareholders”	Shareholders who have participated in the EGM and voted for the Merger Proposal
“Asset Restructuring”	the potential transfer of all cement related assets and business owned by the Parent and the Company to Taihang Cement pursuant to the Parent Undertakings as described in the sections headed “ <i>Relationship with Controlling Shareholder – Undertakings Given by Our Parent to Taihang Cement and its Shareholders – Asset Restructuring</i> ” and “ <i>Asset Restructuring</i> ” in the Prospectus
“Average Trading Price”	being the total turnover divided by the total transacted number
“Beijing SASAC”	the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“Board”	the board of Directors of the Company

“CASBE”	China Account Standards for Business Enterprises and related implementation guidance notes
“Cash Alternative”	the cash alternative under the Merger Proposal to the Taihang Cement Target Shareholders (other than the Parent) which is set at a rate of RMB10.65 per Taihang Cement Share, subject to certain conditions, details of which are set out in the section headed “A. Proposed A Share Issue and the Merger Proposal – 4. The Cash Alternative”
“Cash Alternative Provider(s)”	the Parent and China Cinda
“China Cinda”	中國信達資產管理公司 (China Cinda Asset Management Corporation*), a wholly state-owned limited liability company established under the laws of the PRC on 19 April 1999, and a holder of approximately 1.87% of the issued share capital of the Company as at the date of this announcement
“Company”	北京金隅股份有限公司 (BBMG Corporation*) (Stock Code: 2009), a joint stock company established under the laws of the PRC with limited liability on 22 December 2005, the H Shares of which are listed on the Main Board of the Stock Exchange
“Company Law”	The Company Law of the People’s Republic of China (as amended from time to time)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Dissenting Shareholders”	Shareholders who have participated in the EGM and voted against the Merger Proposal
“Domestic Shares”	ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as fully paid in RMB by PRC citizens and/or PRC incorporated entities
“EGM”	the extraordinary general meeting of the Company to be held to approve, inter alia, the A Share Issue and the Merger Proposal
“Exchange Ratio”	the ratio at which a number of A Shares of the Company would be exchanged for one Taihang Cement Share under the Merger Proposal, being the ratio of 1.2 A Shares to one Taihang Cement Share

“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the A Share Issue and the Merger Proposal
“H Shares”	oversea listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders in relation to the reasonableness and fairness of the terms of the A Share Issue and the Merger Proposal
“Independent Shareholders”	Shareholders (other than the Parent and its associates) who are not required to abstain from voting at the EGM for the relevant resolutions
“Internal Restructuring”	the internal restructuring involving a distribution of 30% of the issued shares of Taihang Cement held by Taihang Huaxin to the Parent and the Company on a pro rata basis based upon their respective shareholdings in Taihang Huaxin
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger Agreement”	the agreement dated 6 July 2010 entered into between the Company and Taihang Cement in relation to the Merger Proposal

“Merger Proposal”	the proposed merger of Taihang Cement with the Company and other ancillary matters set out in this announcement
“Parent”	北京金隅集團有限責任公司 (BBMG Group Company Limited*), a limited liability company established on 6 December 1996 under the laws of PRC, a wholly-owned subsidiary of Beijing SASAC, being the controlling shareholder of the Company holding approximately 45.27% of the issued share capital of the Company as at the date of this announcement
“Parent 2009 Undertaking”	the undertaking given by the Parent to the Company on 23 June 2009 in relation to the Asset Restructuring as described in the section headed “ <i>Relationship with Controlling Shareholder – Undertakings Given by Our Parent to Taihang Cement and its Shareholders – Asset Restructuring</i> ” in the Prospectus
“Parent Group”	the Parent and its subsidiaries, excluding the Company and its subsidiaries
“Parent Undertaking”	the undertaking given by the Parent to Taihang Cement and its shareholders in October 2007 as described in the section headed “ <i>Relationship with Controlling Shareholder – Undertakings Given by Our Parent to Taihang Cement and its Shareholders</i> ” in the Prospectus
“Participated Shareholders”	the shareholders of Taihang Cement who has elected to receive in whole or in part the A Shares and remain as the holder of A Shares at the end of the first trading date of the A Shares on the Shanghai Stock Exchange
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“Previous Announcement”	the announcement of the Company dated 4 June 2010 in respect of the proposed A Share Issue and the Merger Proposal
“Prospectus”	the prospectus issued by the Company dated 17 July 2009 in relation to the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange

“SASAC”	the PRC State-owned Assets Supervision and Administration Commission of the State Council
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising H Shares, Domestic Shares and Unlisted Foreign Shares
“Shareholder(s)”	holder(s) of the Shares
“Taihang Cement”	河北太行水泥股份有限公司 (Hebei Taihang Cement Co., Ltd*), a joint stock company incorporated in the PRC on 5 March 1993, the securities of which have been listed on the Shanghai Stock Exchange (Stock Code: 600553) since 20 August 2002
“Taihang Cement Board”	the board of directors of Taihang Cement
“Taihang Cement Shares”	ordinary shares in the capital of Taihang Cement with a nominal value of RMB1.00 each which are listed on the Shanghai Stock Exchange and traded in RMB
“Taihang Cement Target Shareholders”	the shareholders of Taihang Cement, other than the Company
“Taihang Huaxin”	河北太行華信建材有限責任公司 (Hebei Taihang Huaxin Building Materials Co., Ltd.*), a limited liability company established on 15 March 2002 under the laws of the PRC and directly owned as to 33.33% by the Company and 66.67% by the Parent (which has been entrusted to us by virtue of the Taihang Huaxin Entrustment Agreement)
“Taihang Huaxin Entrustment Agreement”	the entrustment agreement dated 26 July 2008, as supplemented by a supplemental entrustment agreement dated 4 June 2010, entered into by the Parent and the Company whereby the Parent entrusted its 66.67% equity interest in Taihang Huaxin to the Company
“Unlisted Foreign Shares”	ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as fully paid in foreign currency by non-PRC citizens and/or non-PRC incorporated entities
“Unlisted Shares”	Domestic Shares and Unlisted Foreign Shares

“RMB”

Renminbi, the lawful currency of the PRC

“%”

per cent.

By order of the Board  
**BBMG Corporation\***

**Jiang Weiping**

*Chairman*

Beijing, the PRC, 6 July 2010

*As at the date of this announcement, the executive Directors are Jiang Weiping, Li Changli, Jiang Deyi, Shi Xijun, Wang Hongjun and Deng Guangjun; the non-executive Director is Zhou Yuxian; and the independent non-executive Directors are Hu Zhaoguang, Xu Yongmo, Zhang Chengfu and Yip Wai Ming.*

*\* for identification purposes only*