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If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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BBMG 金隅
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)

**(1) PROPOSED ISSUE AND PLACING OF A SHARES
AND
(2) CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF
A SHARES BY THE PARENT**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



The notice convening the annual general meeting of the Company to be held at Conference Room 6, 22nd Floor, Tower D, Global Trade Center, No. 36, North Third Ring East Road, Dongcheng District, Beijing 100013, the People's Republic of China on Wednesday, 27 May 2015 at 2:00 p.m. was despatched to the shareholders of the Company on 26 March 2015.

Whether or not you intend to attend the annual general meeting, please complete the form of proxy despatched together with the aforementioned notice in accordance with the instructions printed thereon and return it to the office of the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares as soon as possible and in any event not less than 24 hours before the time for holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

30 April 2015

* for identification purpose only

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DEFINITIONS

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

“A Share(s)”	ordinary shares in the share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 601992)
“AGM”	the annual general meeting of the Company to be convened and held at Conference Room 6, 22nd Floor, Tower D, Global Trade Center, No. 36, North Third Ring East Road, Dongcheng District, Beijing 100013, the PRC at 2:00 p.m. on Wednesday, 27 May 2015 to consider and approve, among other things, the Proposed Placing and the Parent Subscription Agreement (or any adjournment thereof)
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Beijing SASAC”	the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“Board”	the board of Directors
“Company” or “BBMG”	北京金隅股份有限公司 (BBMG Corporation*), a joint stock company established under the laws of the PRC with limited liability on 22 December 2005, the A Shares of which are listed on the Shanghai Stock Exchange and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“H Share(s)”	the overseas listed foreign invested shares in the share capital of the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 2009)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors formed to advise Independent Shareholders on the Parent Subscription in accordance with the Hong Kong Listing Rules
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Parent Subscription
“Independent Shareholders”	the shareholders other than the Parent its associates who are interested in the Parent Subscription
“Latest Practicable Date”	23 April 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Parent”	北京金隅集團有限責任公司 (BBMG Group Company Limited*), a limited liability company established under the laws of the PRC on 6 December 1996, an indirect wholly-owned subsidiary of the Beijing SASAC and the controlling Shareholder of the Company
“Parent Subscription”	the subscription of A Shares by the Parent of a total subscription price of not less than RMB500,000,000 pursuant to the Parent Subscription Agreement
“Parent Subscription Agreement”	the conditional subscription agreement dated 26 March 2015 entered into between the Company and the Parent in relation to the Parent Subscription
“PRC”	the People’s Republic of China
“Previous Placing”	the issue of 500,903,224 A Shares by the Company at RMB5.58 per A Share to the Parent and Beijing Jingguofa Equity Investment Fund (Limited Partnership)* (北京京國法股權投資基金(有限合伙)), details of which were disclosed in the circular of the Company dated 15 October 2013 and the announcements of the Company dated 7 March 2014 and 27 March 2014
“Price Adjustment”	the adjustment which may be made to the Subscription Price where there occurs any ex-dividend or ex-rights event (such as distribution of dividend, bonus issue or capitalization of capital reserves) to the Company between the Reference Date and the date of the proposed issue of A Shares

DEFINITIONS

“Proposed Placing”	the proposed non-public issue and placing of A Shares at the Subscription Price by the Company to up to ten target subscribers, including the Parent, which would raise gross proceeds of up to RMB5,000 million
“Reference Date”	27 March 2015, i.e. the date of the A Share announcement of the resolution of the Board in respect of the Proposed Placing
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Share(s) and H Shares(s)
“Shareholder(s)”	holders of the A Share(s) and the H Share(s)
“Subscription Price”	the subscription price per A Share under the Proposed Placing, which shall not be less than the higher of (i) RMB8.53 per A Share, being 90% of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the Reference Date; and (ii) the latest audited net asset value attributable to the Shareholders per Share prior to the issue date (subject to the Price Adjustment)
“Supervisor(s)”	the supervisor(s) of the Company
“trading day(s)”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities
“%”	per cent

LETTER FROM THE BOARD

BBMG 金隅
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)

Executive Directors

Jiang Weiping

Jiang Deyi

Shi Xijun

Zang Feng

Wang Hongjun

Wang Shizhong

Non-executive Director

Yu Kaijun

Independent Non-executive Directors

Zhang Chengfu

Xu Yongmo

Yip Wai Ming

Wang Guangjin

Headquarters

Tower D, Global Trade Center

No.36, North Third Ring East Road

Dongcheng District, Beijing 100013

PRC

*Registered office and principal place
of business in the PRC*

Tower D, Global Trade Center

No.36, North Third Ring East Road

Dongcheng District, Beijing 100013

PRC

*Principal place of business in
Hong Kong*

Room 405, Kai Wong Commercial
Building,

222 Queen's Road Central

Central

Hong Kong

30 April 2015

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED ISSUE AND PLACING OF A SHARES
AND
(2) CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF
A SHARES BY THE PARENT

* for identification purpose only

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcements of the Company dated 26 March 2015 and 1 April 2015 regarding the Proposed Placing and the Parent Subscription.

The purposes of this circular are to provide the Shareholders with (i) further information on the Proposed Placing and the Parent Subscription and the proposal in relation to the plan on Shareholders' return; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders on the Parent Subscription; (iii) the letter from Gram Capital, the Independent Financial Adviser to the Independent Board Committee on the Parent Subscription; and (v) further information as required under the Hong Kong Listing Rules.

II. PROPOSED ISSUE AND PLACING OF A SHARES

1. Proposal in relation to the compliance and satisfaction by the Company of the requirements of the non-public issue and placing of A Shares

In accordance with the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities of Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules for the Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and other relevant laws and regulations of the PRC, the Company conducted internal review and self-examination and is of the view that the Company has complied with the regulations of the prevailing laws and regulations on non-public issue of A Shares, and satisfied the conditions for non-public issue of A Shares.

This proposal of the compliance and satisfaction by the Company of the requirements of the non-public issue and placing of A Shares will be put forward at the AGM as an ordinary resolution for consideration and approval by the Shareholders.

2. Details of the Proposed Placing

Class and par value of Shares to be issued: A Shares with a par value of RMB1.00 each.

Method and time of the proposed issue of A Shares: The Proposed Placing will be carried out by way of non-public issue of A Shares to ten target subscribers including the Parent.

In accordance with guidance policy of the CSRC and normal practice of dual-listed A and H share companies, the validity period of the resolution to be proposed at the AGM to approve the Proposed Placing shall be 12 months of the date of the AGM. Further, in accordance with the applicable regulations of the CSRC, the Company shall complete the Proposed Placing within six months from obtaining the approval for the Proposed Placing from the CSRC.

LETTER FROM THE BOARD

In the event the Proposed Placing is not completed within 12 months from the date of approval at the AGM, the Company may, prior to the expiry of the 12-month period, seek the Shareholders' approval at a general meeting to extend the validity period.

Number of Shares to be issued:

A maximum of 587,000,000 A Shares will be issued, which represents (i) approximately 16.24% of the existing issued A Shares and approximately 12.27% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.97% of the enlarged issued A Shares and approximately 10.93% of the enlarged total issued share capital of the Company upon completion of the Proposed Placing.

The Board and its authorized persons shall determine the final number of Shares to be issued (subject to the maximum threshold of the number of Shares as mentioned above) based on the market conditions at the time of issue and after discussion with the lead underwriters of the Proposed Placing.

The aggregate nominal value of the A Shares to be issued (with a par value of RMB1.00 each) will be no more than RMB587,000,000.

Target subscribers:

The ten target subscribers will be the Parent and other subscribers which are securities investment fund management companies, securities companies, investment trust companies, financial institutions, insurance institutional investors, qualified offshore institutional investors, and other onshore legal entities and natural persons etc. which comply with regulations of the CSRC.

After obtaining approval from the CSRC on the Proposed Placing, the target subscribers (other than the Parent) will be determined by the Board and its authorized persons after negotiations with the lead underwriters in accordance with the requirements of the CSRC and applicable laws and regulations after a book-building exercise.

As of the Latest Practicable Date, other than the Parent, no other target subscribers for the Proposed Placing had been identified by the Company. To the best knowledge of the Directors, apart from the Parent, the target subscribers and their respective beneficial owners will not be connected persons of the Company under Chapter 14A of the Listing Rules. The Parent Subscription Agreement and the subscription agreements to be entered into by the Company with the other target subscribers will not be inter-conditional with each other.

LETTER FROM THE BOARD

The Company will make further announcement(s) in the event of material developments in respect of the Proposed Placing as and when appropriate, including the entering into of subscription agreements by the Company.

Subscription price and pricing principles:

The Subscription Price under the Proposed Placing shall not be less than the higher of (i) RMB8.53 per A Share, being 90% of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the Reference Date; and (ii) the latest audited net asset value attributable to the Shareholders per Share prior to the issue date.

Subject to the above minimum Subscription Price, the final Subscription Price shall be determined by the Board after negotiations with the lead underwriters in accordance with the relevant PRC laws and regulations and the requirements of the CSRC, and based on the price offered by target subscribers. The Parent will not participate in the process for the determination of the Subscription Price, but will undertake to accept the results of the bidding by the target subscribers and subscribe at the same price as offered by other subscribers.

The Subscription Price under the Proposed Placing shall be paid to the Company in cash.

Conditions precedent of the Proposed Placing:

The Proposed Placing is conditional upon:

- (i) the passing of the resolutions in respect of the Proposed Placing by the Shareholders at the AGM;
- (ii) the obtaining of the approval from Beijing SASAC; and
- (iii) the obtaining of the approval from the CSRC.

None of the conditions above may be waived by any party to the Proposed Placing and therefore, if any conditions above cannot be obtained, the Company will not proceed with the Proposed Placing.

Lock-up period:

Under the Proposed Placing, all target subscribers (other than the Parent) shall not transfer the A Shares subscribed within 12 months of the date of completion of the Proposed Placing, and the Parent shall not transfer the A Shares subscribed within 36 months of the date of completion of the Proposed Placing.

LETTER FROM THE BOARD

The above lock-up periods were determined in accordance with the “Rules for the Implementation of Non-Public Share Issue of Listed Issuers” promulgated by the CSRC (《上市公司非公開發行股票實施細則》), which stipulates that the lock-up period of shares shall be 36 months for share issues to certain categories of subscribers (including controlling shareholders, actual controllers and strategic investors introduced by the board of the listed issuer), and 12 months for share issues to other types of subscribers (which would include the target subscribers (other than the Parent) under the Proposed Placing).

Use of proceeds:

The gross proceeds to be raised from the Proposed Placing will be not more than RMB5,000 million, which are intended to be used as follows:

Project Name	Proceeds from	
	Total investment cost (RMB million)	Proposed Placing to be invested (RMB million)
1. Beijing Chaoyang District Chaoyang North Road residential, secondary and primary school and nursery project (北京朝陽區朝陽北路地塊二類居住、中小學合校及托幼用地項目)	2,216.5	900
2. Beijing Chaoyang District, Dongba Dandian residential and primary school project (北京朝陽區東壩單店二類居住及小學用地項目)	4,263.7	1,700
3. Beijing Haidian District, Xisanqi public residential leasing project (北京海澱區西三旗公共租賃住房項目)	2,182.2	300
4. Tianjin BBMG Zhongbei Town residential project (天津金隅中北鎮住宅項目)	2,138.5	500
5. Nanjing City Jianye District Xinglong Street North project (南京市建鄴區興隆大街北側項目)	4,540.2	1,000
6. Supplementing working capital (<i>Note</i>)	—	600
Total	<u>15,341.1</u>	<u>5,000</u>

Note: Working capital will be used according to the actual funding needs of the Company in its operations.

LETTER FROM THE BOARD

The proceeds to be invested in the various projects as mentioned above are estimated amounts only and have not taken into account the applicable costs and expenses in association with the Proposed Placing. The net proceeds from the Proposed Placing (after deduction of the applicable costs and expenses involved) and the net price of each new A Share to be issued will be determined upon completion of the Proposed Placing. Further announcement(s) will be made by the Company in accordance with the Hong Kong Listing Rules.

In addition, the Board may adjust the above-mentioned order and amount of proceeds to be invested in the projects as appropriate based on the actual conditions of the projects, including the approval process and funding needs.

General mandate to issue A Shares: The Company will issue the A Shares under the general mandate granted to the Board at the annual general meeting of the Company held on 22 May 2014.

Application for listing of the A Shares to be issued: The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares to be issued.

Undistributed profit: Upon completion of the Proposed Placing, the existing and new shareholders of the Company will be entitled to share in the Company's cumulative undistributed profits prior to the Proposed Placing.

Details of this proposal will be put forward at the AGM as a special resolution for consideration and approval by the Independent Shareholders one by one as set out in the notice of the AGM dated 26 March 2015.

3. Parent Subscription Agreement entered into pursuant to the Proposed Placing

As part of the Proposed Placing, the Company has entered into a conditional subscription agreement with the Parent. Details of the Parent Subscription Agreement are set forth in section headed "III. Connected Transaction – Proposed Subscription of A Shares by the Parent" below. Pursuant to applicable PRC laws and regulations, the Parent Subscription Agreement and the transactions contemplated thereunder will be subject to the Independent Shareholders' approval at the AGM by way of an ordinary resolution.

4. Validity of resolutions

The resolutions approving the Proposed Placing will be valid for a period of 12 months, commencing from the date of passing of such resolutions at the AGM.

LETTER FROM THE BOARD

5. Proposal in relation to the plan of the Proposed Placing

In accordance with the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities of Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules for the Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and other relevant laws and regulations of the PRC, the Company is required to formulate the plan on the Proposed Placing.

Details of the plan have been disclosed in this circular. The proposal in relation to the plan will be put forward at the AGM as a special resolution for consideration and approval by the Independent Shareholders.

6. Proposal in relation to the usage report on proceeds from the Previous Placing

According to the requirements of relevant laws and regulations and regulatory documents such as the Measure for Administration of the Issue of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules for the Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》), and the Regulations for Reports on the Use of Proceeds from Previous Fund Raising (《關於前次募集資金使用情況報告的規定》) issued by CSRC, the Board has, upon verification of the use of proceeds from the Previous Placing, prepared the report on the proceeds.

The Company had issued 500,903,224 A Shares at RMB5.58 per A Share to the Parent and Beijing Jinguofa Equity Investment Fund (Limited Partnership)* (北京京國發股權投資基金(有限合夥)) under the Previous Placing. The gross proceeds raised from the Previous Placing was RMB2,795,039,989.92 before deducting issuance expenses of RMB20,304,100.00.

LETTER FROM THE BOARD

As at 31 December 2014, the use of proceeds from the Previous Placing had been utilised as follows:

Project	Original investment amount from the Previous Placing (approx.)	Adjusted investment amount from the Previous Placing (approx.)	Actual invested amount from the Previous Placing as at 31 December 2014 (approx.)
International Logistics Park project at Da Zhuang Village, Huang Cun County, Da Xing District, Beijing, PRC	RMB979,530,000	RMB 979,530,000	RMB 172,459,000
Furniture project at the BBMG Da Chang Industrial Park, Da Chang Hui Autonomous County, Hebei Province, the PRC (the “Furniture Project”)	<u>RMB 1,815,510,000</u>	<u>RMB 1,795,205,900</u>	<u>RMB 203,858,400</u>
Total	<u>RMB 2,795,040,000</u>	<u>RMB 2,774,735,900</u>	<u>RMB 376,317,400</u>

Note: the difference between the original investment amount for the Furniture Project and the adjusted investment amount was due to the issuance expenses deducted.

As disclosed in the announcement of the Company dated 29 January 2015, due to the change of business plans and to make better use of existing excess resources instead of purchasing new facilities. The Company is proposing to move some of its existing facilities from its Beijing factory to the Furniture Project’s factory, so as to better utilize the overall furniture production capacity of the Company. As such, the total investment amount for the Furniture Project is proposed to be further adjusted downwards to RMB1,294.11 million, and the Company is proposing to use only RMB900 million from the net proceeds of the Previous Placing to fund the Furniture Project. The additional net proceeds of approximately RMB895 million will be used for the Group’s working capital, primarily for the settlement of the Group’s short term obligations in production and operation associated with its main businesses, such as settlement of the Group’s short term payables and purchase of raw materials. Pursuant to relevant PRC laws, the Shanghai Listing Rules and the Hong Kong Listing Rules, the proposed change of use of proceeds, which was materially different from the proposed use of proceeds from the Previous Placing as disclosed in the circular of the Company dated 15 October 2013, is subject to the approval of the Shareholders at a general meeting. Details of the resolution to be proposed at the AGM for the Shareholders to consider, and if thought fit, approve the above change of use of proceeds have been in the notice of the AGM dated 26 March 2015.

The proposal to approve the usage report regarding the above use of proceeds from the Previous Placing will be put forward at the AGM as an ordinary resolution for consideration and approval by the Shareholders.

LETTER FROM THE BOARD

7. Proposal in relation to the feasibility study report

In accordance with the proposal in relation to the feasibility study report, the net proceeds (after deducting all applicable costs and expenses in association with the Proposed Placing) from the Proposed Placing are intended to be used for the following projects:

(i) ***Beijing Chaoyang District Chaoyang North Road, residential, secondary and primary school and nursery project***

The project is situated at the southwest side of the crossing of East 5th Ring and Chaoyang Beilu, Chaoyang District, Beijing, PRC* (北京市朝陽區朝陽北路與東五環交叉口西側). According to the development plan, the construction of the project has commenced in September 2014 and is estimated to be completed by August 2017. The total investment for the project is approximately RMB2,216.5 million, and approximately RMB900 million is intended to be funded by the net proceeds from the Proposed Placing and the remaining amount is intended to be funded by the Company's internal resources.

(ii) ***Beijing Chaoyang District, Dongba Dandian residential and primary school project***

The project is situated at the Dongba Dandian, Chaoyang District, Beijing, PRC* (北京市朝陽區東壩單店). According to the development plan, the construction of the project has commenced in September 2014 and is estimated to be completed by August 2017. The total investment amount for the project is approximately RMB4,263.7 million, and approximately RMB1,700 million is intended to be funded by the net proceeds from the Proposed Placing and the remaining amount is intended to be funded by the Company's internal resources.

(iii) ***Beijing Haidian District, Xisanqi public residential leasing project***

The project is situated at the Xisanqi, Haidian District, Beijing, PRC* (北京市海澱區西三旗). According to the development plan, the construction of the project has commenced in March 2013 and is estimated to be completed by June 2017. The total investment amount for the project is approximately RMB2,182.2 million, and approximately RMB300 million is intended to be funded by the net proceeds from the Proposed Placing and the remaining amount is intended to be funded by the Company's internal resources.

(iv) ***Tianjin BBMG Zhongbei Town residential project***

The project is situated at the south side of Xixiu Yuan, Zhongbei Zhen, Xiqing District, Tianjin, PRC* (天津市西青區中北鎮溪秀苑南側). According to the development plan, the construction of the project has commenced in July 2013 and completed by June 2014. The total investment amount for the project is approximately RMB2,138.5 million, and approximately RMB500 million is intended to be funded by the net proceeds from the Proposed Placing and the remaining amount is intended to be funded by the Company's internal resources.

LETTER FROM THE BOARD

(v) *Nanjing City Jianye District Xinglong Street North project*

The project is situated at the A2 land lot (No.2013G75), the west side of nanhe, the north side of Xinglong street, Jianye District, Nanjing, PRC* (南京市建鄴區興隆大街北側、南河西側A2地塊(NO.2013G75)). According to the development plan, the construction of the project has commenced in May 2014 and is estimated to be completed by April 2019. The total investment amount for the project is approximately RMB4,540.2 million, and approximately RMB1,000 million is intended to be funded by the net proceeds from the Proposed Placing and the remaining amount is intended to be funded by the Company's internal resources.

This proposal will be put forward at the AGM as an ordinary resolution for consideration and approval by the Shareholders.

8. Authorizations to the Board in connection with the Proposed Placing

In accordance with the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities of Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules for the Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and other relevant laws and regulations of the PRC, the Board will put forward a special resolution at the AGM for the Shareholders to authorize the Board to handle matters in connection with the Proposed Placing, including but not limited to:

- (i) to formulate and implement the detailed proposal about the Proposed Placing and with full authority to handle and decide the issuance time, final number of shares to be issued, size of proceeds, issue price, target subscribers, detail subscription method and any other matters about the Proposed Placing;
- (ii) to negotiate on behalf of the Company in relation to the Proposed Placing, execute all related agreements and other necessary documents, prepare, amend, perfect, execute all documents and information about the Proposed Placing, and carry out necessary and appropriate disclosure;
- (iii) to handle the applications to relevant authorities in relation to the Proposed Placing and the listing of shares and adjust the detailed proposal in accordance with the comments from the relevant authorities (if any) (other than those matters requiring further Shareholders' approval pursuant to the relevant laws, regulations and the Articles);
- (iv) to select and engage qualified intermediaries, including but not limited to sponsors, underwriters, lawyers, auditors and valuers, for the Proposed Placing;
- (v) to increase the registered capital and actual received capital, amend the relevant provision to the Articles, handle capital verification procedure and relevant registration procedure with the administration for industry and commerce, in accordance with the actual final results of the Proposed Placing;

LETTER FROM THE BOARD

- (vi) to handle the registration of shares, lock-up arrangement and listing matters of the A shares issued upon completion of the Proposed Placing;
- (vii) to set up specialized bank account for proceeds from the Proposed Placing; and
- (viii) subject to applicable laws and regulations, to take all necessary actions and decisions and handle all other matters in relation to the Proposed Placing.

Such authorization shall be valid for a period of 12 months, commencing from the date of passing of such special resolution at the AGM.

9. Fund-raising in the past twelve months

The Company had not conducted any equity fund-raising activities in the past 12 months immediately prior to the Latest Practicable Date.

10. Directors' confirmation

The Directors (including the independent non-executive Directors) are of the view that the terms of the Proposed Placing are fair, reasonable and on normal commercial terms, taking into account the current market conditions, and are in the interests of the Company and the Shareholders as a whole.

An executive Director, Jiang Weiping, who is also a director of the Parent and is materially interested in the Proposed Placing, had abstained from voting on the relevant Board resolutions approving the Proposed Placing. Save as disclosed above, none of the Directors has a material interest in the Proposed Placing or is required to abstain from voting on the Board resolutions for considering and approving the Proposed Placing and the transactions contemplated thereunder pursuant to the Hong Kong Listing Rules and/or the Articles.

III. CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY THE PARENT

As part of the Proposed Placing, the Company entered into the Parent Subscription Agreement pursuant to which the Parent has conditionally agreed to subscribe for, and the Company has conditionally agreed to, allot and issue at the total subscription price of not less than RMB500,000,000 A Shares at the Subscription Price. Set forth below is the major terms of the Parent Subscription Agreement:

Major terms of the Parent Subscription Agreement

- Date:** 26 March 2015
- Parties:**
- (i) The Company as issuer; and
 - (ii) The Parent as the subscriber.

LETTER FROM THE BOARD

Subscription of Shares: The Parent has agreed to subscribe for A Shares at the total subscription price of not less than RMB500,000,000.

Assuming the subscription is made at the Subscription Price per Share of RMB8.53 per Share (being the higher of (i) RMB8.53 per A Share; and (ii) the audited net asset value attributable to the Shareholders as at 31 December 2014 of RMB6.50 per Share), the total number of A Shares to be subscribed by the Parent will be at least 58,616,647.

Subscription Price: The final total number of A Shares to be subscribed by the Parent shall be determined by the Company and the Parent prior to the submission of proposal for the Proposed Placing to the CSRC.

The minimum Subscription Price shall not be lower than the higher of (i) 90% of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the Reference Date (the average trading price of A Shares during the 20 trading days immediately preceding the Reference Date, being RMB8.53 per A Share, was determined by using the total turnover of A Shares during the 20 trading days immediately preceding the Reference Date divided by the total trading volume of A Shares during the 20 trading days immediately preceding the Reference Date); and (ii) the latest audited net asset value attributable to the Shareholders per Share prior to the issue date.

Subject to the above minimum Subscription Price, the final Subscription Price shall be determined by the Board after negotiations with the lead underwriters in accordance with the relevant PRC laws and regulations and the requirements of the CSRC. The Parent will not participate in the process for the determination of the Subscription Price, but will undertake to accept the results of the bidding by the other target subscribers and subscribe at the same price as offered by other subscribers.

Lock-up Undertaking: The Parent has undertaken to the Company that it will not, during the period commencing from the completion of the Parent Subscription and ending on the date which is 36 months from the completion, transfer any of the A Shares subscribed by it under the Parent Subscription Agreement.

Conditions Precedent: The Parent Subscription Agreement shall become effective upon the fulfillment of following conditions:

- (i) the approval by the Board and the Independent Shareholders of the Parent Subscription at a general meeting;

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- (ii) the obtaining of the approval from Beijing SASAC; and
- (iii) the obtaining of the approval from the CSRC.

None of the conditions above may be waived by any party to the Parent Subscription Agreement and therefore, if any conditions above cannot be obtained, the Parent Subscription under the Parent Subscription Agreement will not proceed.

Completion: Completion of the Parent Subscription will take place on the seventh business day after the fulfilment of the above conditions precedent or any other date as agreed by the parties.

General information on the parties to the Parent Subscription Agreement

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 Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai 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 the PRC on 6 December 1996 and is a wholly-owned subsidiary of the Beijing State-owned Capital Operation and Management Center* (北京國有資本經營管理中心), which in turn is a collectively-owned enterprise established under the laws of the PRC on 30 December 2008 with registered capital fully paid-up by 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.

Implications under the Hong Kong Listing Rules

As at the Latest Practicable Date, the Parent held 2,292,881,099 Shares, representing 47.92% of the existing issued share capital of the Company and is a controlling Shareholder and therefore a connected person of the Company. Accordingly, the Parent Subscription constitutes a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules, and is thereby subject to the reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Directors' confirmation

The Directors (including the independent non-executive Directors, after considering the advice of Gram Capital) are of the view that the terms of the Parent Subscription Agreement (including the Subscription Price) are fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

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An executive Director, Jiang Weiping, who is also a director of the Parent and is materially interested in the Parent Subscription, had abstained from voting on the relevant Board resolutions approving the aforesaid transactions. Save as disclosed above, none of the Directors has a material interest in the Parent Subscription Agreement or is required to abstain from voting on the Board resolutions for considering and approving the Parent Subscription Agreement and the transactions contemplated thereunder pursuant to the Hong Kong Listing Rules and/or the Articles.

IV. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of the Latest Practicable Date; and (ii) immediately after completion of the Proposed Placing (assuming there is no change in the total issued share capital of the Company since the Latest Practicable Date to up to completion of the Proposed Placing based on the total subscription amount of RMB5,000 million A Shares to be issued under the Proposed Placing, and assuming that the Parent will subscribe at the minimum subscription amount of RMB500,000,000 and that the Subscription Price is RMB8.53 per A Share):

Name of Shareholder	Shareholding as the Latest Practicable Date			Shareholding immediately after completion of the Proposed Placing		
	Number of Shares	Approx. % of the issued A share capital	Approx. % of the total issued share capital	Number of Shares	Approx. % of the issued A share capital	Approx. % of the total issued share capital
The Parent	2,292,881,099	63.42%	47.92%	2,351,497,746	55.97%	43.78%
Other target subscribers	-	-	-	527,549,824	12.56%	9.83%
Other holders of A Shares	1,322,376,750	36.58%	27.64%	1,322,376,750	31.47%	24.62%
Other public holders of H Shares	1,169,382,435	-	24.44%	1,169,382,435	-	21.77%
Total	<u>4,784,640,284</u>	<u>100.00%</u>	<u>100%</u>	<u>5,370,806,755</u>	<u>100.00%</u>	<u>100.00%</u>

V. REASONS FOR AND BENEFITS OF THE PROPOSED PLACING AND THE PARENT SUBSCRIPTION

The major business segments of the Company cover cement and ready-mixed concrete, modern building materials and commerce and logistics as well as property development and investment, which are typically capital-intensive industries that involve a long construction cycle and heavy capital injection. The Company is currently equipped with conditions for steady business development, but solid capital for the commencement and operation of related projects is much needed, so as to achieve business structural optimization and steady profit growth. With the overall considerations of the actual business operations, capital structure, supervisory regulations of state-owned assets, interests of small-/medium-scale investors and the capital market situation, the Company is proposing to raise capital from the non-public issue of A Shares for financing property development projects and supplementing working capital.

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The gross proceeds from the Proposed Placing will be up to RMB5,000 million. The net proceeds (after deduction of applicable costs and expenses associated with the Proposed Placing) will be used to finance the resident and commercial property development projects of the Group in Beijing, Nanjing and Tianjin and to supplement the working capital of the Group, as detailed in the section headed “II. Proposed Issue and Placing of A Shares – 2. Details of the Proposed Placing – Use of proceeds” above.

The Board believes that the completion of the Proposed Placing will assist the Group in its development of property development projects and enhance the Group’s competitiveness in its core businesses, which would overall improve its business structure, financial conditions, results of operation, profit generation, cash inflows from operating activities, debt ratio and capital structure by laying a healthy, stable and solid development foundation, which are in the best interests of the Company and its Shareholders as a whole.

The Board believes that the Proposed Placing is the most favourable fund-raising option in light of (i) the relatively high debt ratio of the Company, such that the increase in debt financing would increase the Company’s financing cost; and (ii) the fact that the market price per H Share (which was lower than the market price of A Shares) at the time of contemplating the fund-raising options was lower than the net asset value per Share.

In addition, the Parent Subscription also demonstrates the confidence the Parent places in the Company and its support to the development of the Company’s business, which is conducive to enhancing the market image of the Company.

VI. INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders on the Parent Subscription in accordance with the Hong Kong Listing Rules.

The Company has appointed, and the Independent Board Committee has approved the appointment of, Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Parent Subscription.

VII. PROPOSAL IN RELATION TO THE PLAN ON SHAREHOLDERS’ RETURN

In accordance with the Notice of Further Implementation of Cash Dividend Distribution by Listed Companies and Other Related Matters* (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC, the Company is required to formulate the proposal in relation to the plan on Shareholders’ return.

The Company, after due and careful consideration of the opinions from the Shareholders (especially the minority Shareholders) and the independent non-executive Directors, formulated the plan on Shareholders’ return by taking into account the strategic goals, operation conditions and profitability of the Company.

According to the plan, the Company will distribute its dividend in the form of cash dividend or scrip dividend or a combination of both. Save for certain special circumstances (including but not limited to any material investments or cash expenditures of the Company other than fund-raising activities which require

LETTER FROM THE BOARD

Shareholders' approval in accordance with the relevant PRC laws and regulations and the Articles in the relevant year), the Company will distribute its dividend in cash provided the Company is making profits and its accumulated undistributed profits remain positive. Under the plan, the accumulated profits distributed in cash in the recent three years ending 31 December 2017 shall be not less than 30% of the realized annual distributable profits attributable to the Shareholders as recognized in the consolidated financial statements of the Company in the corresponding period.

In the future, the Board will formulate a detailed proposal about the distribution of cash dividend, and the independent non-executive Directors will give their opinions and recommendations regarding the same.

This proposal will be put forward at the AGM as an ordinary resolution for consideration and approval by the Shareholders.

VIII. RECOMMENDATION

Based on the recommendations from Gram Capital regarding the Parent Subscription as well as other information contained in this circular, the Directors (including the independent non-executive Directors) consider that the above-mentioned resolutions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Independent Shareholders to vote in favor of the proposed resolutions as set out in the notice of the AGM.

IX. AGM

The AGM will be convened at 2:00 p.m. on Wednesday, 27 May 2015 during which ordinary resolutions will be proposed to approve, amongst other matters, (i) the proposal in relation to compliance and satisfaction by the Company of the requirements of the non-public issue and placing of A Shares; (ii) the Parent Subscription Agreement and the transactions contemplated thereunder; (iii) the proposal in relation to the feasibility study report on use of proceeds from the Proposed Placing; (iv) the proposal in relation to the usage report on proceeds from the Previous Placing; and (v) the proposal in relation to the plan on Shareholders' return for the three years ending 31 December 2017. At the AGM, special resolutions will also be proposed to approve, amongst other things, (i) the Proposed Placing; (ii) the proposal in relation to the plan of the Proposed Placing; and (iii) the authorization to the Board to handle all relevant matters in connection with the Proposed Placing.

The Parent and its associates who are interested in the Parent Subscription and who held 2,345,755,650 Shares as at the Latest Practicable Date, will abstain from voting in respect of (i) the Parent Subscription Agreement and the transactions contemplated thereunder (resolution no. 16); and (ii) the Proposed Placing (resolution no. 13); and (iii) the proposal in relation to the plan of the Proposed Placing (resolution no. 14).

The notice of the AGM was despatched on 26 March 2015. The form of proxy for use at the AGM was enclosed in and despatched to you with the notice of the AGM. Whether or not you intend to attend the AGM, please complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders

LETTER FROM THE BOARD

of H Shares as soon as possible and in any event not less than 24 hours before the time for holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

A reply slip for the purpose of informing the Company whether you will be attending (in person or by proxy) the AGM was also despatched to you together with the notice of the AGM. Shareholders who intend to attend the AGM are requested to complete and send the reply slip to the Company not later than 20 days before the date of the meeting in accordance with Article 66 of the Articles (i.e. no later than Thursday, 7 May 2015).

X. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from Gram Capital, as well as other information contained in the appendices to this circular before considering whether to vote for or against the relevant resolutions to be proposed at the AGM for approving the resolutions relating to the Proposed Placing and the Parent Subscription Agreement as set out in the notice of the AGM.

By Order of the Board
BBMG Corporation*
Jiang Weiping
Chairman

* *for identification purpose only*

LETTER FROM INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the Parent Subscription in accordance with the Hong Kong Listing Rules for inclusion in this circular.

BBMG 金隅
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)

30 April 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION –
PROPOSED SUBSCRIPTION OF A SHARES BY THE PARENT**

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Parent Subscription in accordance with the Hong Kong Listing Rules, the details of which are set out in the circular issued by the Company to the Shareholders dated 30 April 2015 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to the letter from the Board and the letter of advice from Gram Capital, the Independent Financial Adviser, contained in the Circular.

Having taken into account the principal factors and reasons considered by Gram Capital and its conclusion and advice, we concur with the view of Gram Capital and consider that the terms of the Parent Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Parent Subscription is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the AGM to approve the Parent Subscription.

Yours faithfully,
Independent Board Committee
Zhang Chengfu, Xu Yongmo, Yip Wai Ming and Wang Guangjin

* *for identification purpose only*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Parent Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

30 April 2015

*To: The independent board committee and the independent shareholders
of BBMG Corporation*

Dear Sirs,

CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY THE PARENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Parent Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 April 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 26 March 2015, the Board has approved the Proposed Placing, pursuant to which the Company shall issue A Shares to not more than 10 target subscribers (including the Parent) at the Subscription Price, which would raise gross proceeds of up to RMB5,000 million.

As part of the Proposed Placing, the Company entered into the Parent Subscription Agreement pursuant to which the Parent has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue A Shares at the Subscription Price at a total subscription price of not less than RMB500,000,000.

According to the Board Letter, as at the Latest Practicable Date, the Parent holds 2,292,881,099 Shares, representing approximately 47.92% of the total issued share capital of the Company and is a controlling Shareholder and therefore a connected person of the Company. Accordingly, the Parent Subscription constitutes a connected transaction for the Company under the Hong Kong Listing Rules, and is thereby subject to the reporting, announcement and independent shareholders’ approval requirements under the Hong Kong Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Zhang Chengfu, Mr. Xu Yongmo, Mr. Yip Wai Ming and Mr. Wang Guangjin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Parent Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Parent Subscription is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Parent Subscription at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Parent Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Parent or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Parent Subscription Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Parent Subscription, we have taken into consideration the following principal factors and reasons:

(1) Background and reasons for the Parent Subscription

Business overview of the Group

With reference of the Board Letter, 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 Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai 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.

Set out below is a summary of the consolidated financial information on the Group for the two years ended 31 December 2014 as extracted from the Company's the annual results announcement for the year ended 31 December 2014 (the "Annual Results Announcement"):

	For the year ended 31 December 2014	For the year ended 31 December 2013	Change from 2013 to 2014
	<i>RMB</i>	<i>RMB</i>	%
Operating revenue	41,241,473,853.97	44,789,759,261.89	(7.92)
– Cement segment and ready-mixed concrete	12,944,136,788.01	13,327,116,610.44	(2.87)
– Modern building materials and commerce and logistics	10,372,649,027.10	14,507,928,613.56	(28.50)
– Property development	15,708,965,957.24	14,978,779,846.59	4.87
– Property investment and management	2,215,722,081.62	1,975,934,191.30	12.14
Net profit	2,708,972,088.27	3,243,157,968.88	(16.47)
	As at	As at	Change from
	31 December 2014	31 December 2013	2013 to 2014
	<i>RMB</i>	<i>RMB</i>	%
Total assets	115,684,970,676.67	98,839,549,618.88	17.04
Total liabilities	79,437,582,535.24	68,814,236,575.13	15.44
Net assets	36,247,388,141.43	30,025,313,043.75	20.72
Cash and bank balances	10,980,171,602.68	8,595,510,330.36	27.74

LETTER FROM GRAM CAPITAL

As depicted by the above table, the Group's operating revenue decreased by approximately 7.92% in the year ended 31 December 2014 as compared to the prior year. The Group also recorded substantial decrease of approximately 28.50% in the operating revenue generated from the segment of modern building materials and commerce and logistics for the year ended 31 December 2014 as compared to the prior year. The Group's net profit for the year ended 31 December 2014 also decreased by approximately 16.47% as compared to the prior year.

As advised by the Directors, the Group recorded decrease in operating revenue mainly because of the Group's consolidation of the bulk commodities business for its commerce and logistics business during the year ended 31 December 2014. The decrease in net profit is in line with the decrease in operating revenue and the increase in administrative expenses and finance costs during the year ended 31 December 2014.

With reference to the Annual Results Announcement, the Company will seize development opportunities precisely by defining a clear direction for development, formulating development strategies in a scientific manner and fine-tuning the growth path, so as to rise to the challenges and carry forward the reform and development innovation. The Company will maintain integrated and comprehensive development of its principal business, carry out strategic planning of the four major business segments in domestic market while steadily expanding overseas markets, adjust the industrial and product structure, and optimize capital structure, with the aim of achieving an all-win situation for the benefits of economy, society and ecology.

Information on the Parent

With reference to the Board Letter, the Parent is a limited liability company established under the laws of the PRC on 6 December 1996 and is a wholly-owned subsidiary of 北京國有資本經營管理中心 (Beijing State-owned Capital Operation and Management Centre*) which in turn is a collectively-owned enterprise established under the laws of the PRC on 30 December 2008 with registered capital fully paid up by 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.

Financing alternatives available to the Group

With reference to the Board Letter, the Company has not conducted any equity fund raising activities in the past 12 months before the Latest Practicable Date.

Upon our enquiry with the Directors in this respect, we understand that the Directors have considered both debt and equity financing as fund raising methods for the Group from Hong Kong capital market and/or the PRC capital market. In relation to debt financing, the Directors advised us that in light of that (i) the debt financing may incur interest expenses as compared to equity financing; and (ii) the Company does not prefer to increase the Group's gearing level and create additional debt liabilities to the Group, debt financing is considered to be less preferable for the Group at present.

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The Directors advised us that having considered the Group mainly operates in the PRC with most of the transactions denominated, it will be in the interest of the Company to issue new A Shares to obtain the funding directly in RMB. In the event that, the Company conducts fund raising activities by issuance of new H Shares in Hong Kong, the Company is required to convert the foreign currencies raised from such issue to RMB, as well as to go through relevant procedures and approvals as required by the relevant PRC rules and regulations to transfer the proceeds back to the PRC for the Group's uses.

Furthermore, according to the 《上市公司證券發行管理辦法》(Measures for Administration of the Issue of Securities by Listed Companies*) and 《上市公司非公開發行股票實施細則》(the Implementation Rules for the Non-Public Issuance of Shares by Listed Companies*) issued by CSRC (the “**Measures**”), the non-public issuance of new A Shares is generally subject to a lock-up period of not less than (i) 36 months period for (a) the controlling shareholders, their beneficial owners, or their associates; (b) investors who obtain the controlling power upon the completion of the issuance; and (c) strategic investors as introduced by the board of the company; or (ii) 12 months period for the other investors from the date of the completion of the issuance. With reference to the Board Letter, the Parent has undertaken to the Company that it will not, during the period commencing from the completion of the Parent Subscription and ending on the date which is 36 months from the completion, transfer any of the A Shares subscribed by it under the Parent Subscription Agreement. However, there is no similar compulsory regulatory requirement in relation to lock-up for H shares listed in Hong Kong. In light of the aforementioned, the Directors are of the view that the lock-up period would limit the negative impact of the issuance of new A Shares on the market price of the Shares.

With regard to equity financing, the Directors advised us that although both open offer and rights issue would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company and at the same time strengthening the capital base of the Company, such fund raising exercises require the Company to procure commercial underwriting. The Directors also consider that there are certain difficulties for the Company to complete a rights issue or open offer in both Hong Kong and/or the PRC within a short period of time and in strict adherence with a pre-determined timetable, taking into account the time for application and approval procedures as required by the CSRC.

Having considered the above, the Directors are of the opinion that the Proposed Placing, including the Parent Subscription, is the most appropriate fund raising methods currently available for the Group.

Reasons for and benefits of the Parent Subscription and the use of proceeds

With reference to the Board Letter, the gross proceeds from the Proposed Placing will be up to RMB5,000 million. The net proceeds (after deduction of applicable costs and expenses associated with the Proposed Placing) will be used to finance the resident and commercial property development projects of the Group in Beijing, Nanjing and Tianjin (the “**Projects**”) and to supplement the working capital of the Group, as detailed in the section headed “II. Proposed Issue and Placing of A Shares – 2. Details of the Proposed Placing – Use of proceeds” in the Board Letter. The Board believes that the completion of the Proposed Placing will assist the Group in its development of property

LETTER FROM GRAM CAPITAL

development projects and enhance the Group's competitiveness in its core businesses, which would overall improve its business structure, financial conditions, results of operation, profit generation, cash inflows from operating activities, debt ratio and capital structure by laying a healthy, stable and solid development foundation, which are in the best interests of the Company and its Shareholders as a whole. For our due diligence purpose, we noted from the 北京金隅股份有限公司關於本次非公開發行股票募集資金運用的可行性分析報告 (the "**Feasibility Report**") dated 26 March 2015 which was published by the Company on the Shanghai Stock Exchange's website that the prospects of the Projects are positive.

In addition, the Parent Subscription also demonstrates the confidence of the Parent places in the Company and its support to the development of the Company's business, which is conducive to enhancing the market image of the Company.

Having also considered (i) the Parent Subscription being the most appropriate fund raising method currently available to the Group due to the reasons as set forth under the sub-section headed "Financing alternatives available to the Group" above; (ii) the proposed use of the net proceeds from the Proposed Placing; (iii) the positive prospects of the Projects which may improve the financial performance of the Group; and (iv) that the Parent Subscription demonstrates the confidence of the Parent places in the Company, we consider that the reasons for the Parent Subscription is justifiable and the Parent Subscription is in the interests of the Company and the Shareholders as a whole.

(2) **Principal terms of the Parent Subscription Agreement**

On 26 March 2015, the Board has approved the Proposed Placing, pursuant to which the Company shall issue A Shares to not more than 10 target subscribers (including the Parent) at the Subscription Price, which would raise gross proceeds of up to RMB5,000 million.

As part of the Proposed Placing, the Company entered into the Parent Subscription Agreement pursuant to which the Parent has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue A Shares at the Subscription Price at a total subscription price of not less than RMB500,000,000.

The table below summarises the major terms of the Parent Subscription Agreement:

Date

26 March 2015

Parties

The Company as issuer; and

The Parent as the subscriber

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Subscription of A Shares

The Parent has agreed to subscribe for A Shares at the total subscription price of not less than RMB500,000,000. Assuming the subscription is made at the Subscription Price per Share of RMB8.53 per Share (being the higher of (i) RMB8.53 per A Share; and (ii) the audited net asset value attributable to the Shareholders as at 31 December 2014 of RMB6.50 per Share), the total number of A Shares to be subscribed by the Parent will be at least 58,616,647.

Subscription Price

The minimum Subscription Price shall not be lower than the higher of (i) 90% of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the Reference Date (the average trading price of A Shares during the 20 trading days immediately preceding the Reference Date, being RMB8.53 per A Share; and (ii) the latest audited net asset value attributable to the Shareholders per Share prior to the issue date (the “**Pricing Basis**”).

Subject to the above minimum Subscription Price, the final Subscription Price shall be determined by the Board after negotiations with the lead underwriters in accordance with the relevant PRC laws and regulations and the requirements of the CSRC. The Parent will not participate in the process for the determination of the Subscription Price, but will undertake to accept the results of the bidding by the other target subscribers and subscribe at the same price as offered by other subscribers.

The minimum Subscription Price represents:

- (a) a discount of approximately 34.98% to the closing price of RMB13.12 per A Share as at the Latest Practicable Date;
- (b) a discount of approximately 15.2% to the closing price of RMB10.06 per A Share as quoted on Bloomberg on 18 March 2015, being the last trading day prior to the Parent Subscription Agreement (the “**Last Trading Day**”);
- (c) a discount of approximately 11.7% to the average closing price of RMB9.66 per A Share as quoted on Bloomberg for the last five trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 9.5% to the average closing price of RMB9.42 per A Share as quoted on Bloomberg for the last ten trading days up to and including the Last Trading Day;
- (e) a premium of approximately 60.8% over the closing price of HK\$6.58 (equivalent to approximately RMB5.31 based on the exchange rate of RMB1: HK\$1.24) per H Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;

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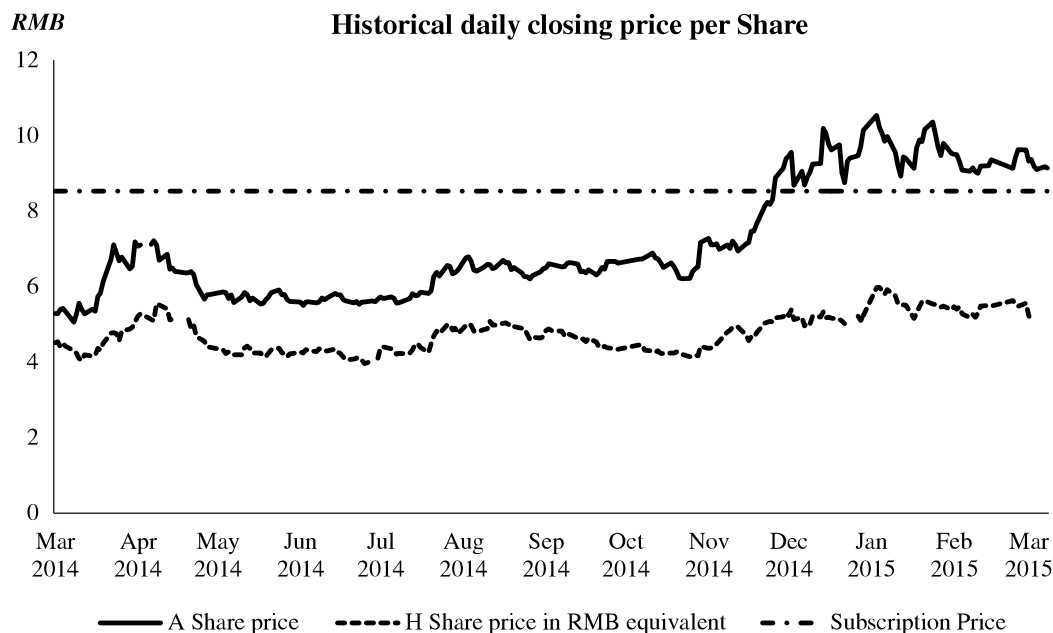
- (f) a premium of approximately 66.1% over the average closing price of HK\$6.37 (equivalent to approximately RMB5.14 based on the exchange rate of RMB1: HK\$1.24) per H Share as quoted on the Hong Kong Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (g) a premium of approximately 67.6% over the average closing price of HK\$6.31 (equivalent to approximately RMB5.09 based on the exchange rate of RMB1:HK\$1.24) per H Share as quoted on the Hong Kong Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (h) a premium of approximately 31.2% over the net asset value per Share of approximately RMB6.50 as at 31 December 2014, which is calculated based on the number of Shares 4,784,640,284 in issue as at the Latest Practicable Date and the audited consolidated net asset value attributable to the Shareholders of RMB31,107,268,197.80 as at 31 December 2014.

As depicted above, we noticed that the minimum Subscription Prices represents premium to the recent closing price of the H Share and the net asset value per Share. In addition, we noted that the Pricing Basis complies with the Measures issued by CSRC, which requires the A share issue price to be not less than 90% of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the Reference Date.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the A Shares as quoted on Bloomberg during the period commencing from 3 March 2014 up to and including the Last Trading Day (the “**Review Period**”), being approximate one year period prior to and including the Last Trading day, which is commonly used for analysis purpose. The comparison of closing price of the A Shares and the minimum Subscription Price are

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illustrated as follows (the daily closing price of the H Shares (presented in RMB equivalent based on the exchange rate of RMB1:HK\$1.24) as quoted on the Hong Kong Stock Exchange is also included for reference):



Note: Trading dates of the A Shares may vary from those of the H Shares.

Source: Bloomberg

We noted that the daily closing price of the A Shares ranged from RMB5.06 to RMB10.54 during the Review Period. The minimum Subscription Price hence falls within the said price range. In addition, we noted that Subscription Price represents a premium of approximately 18.8% over the average daily closing price of the A Shares of RMB7.18 during the Review Period. The minimum Subscription Price also represents premium over the daily closing price of the H Shares in RMB equivalent during the Review Period.

As illustrated in the above diagram, the daily closing price of the A Shares surged from RMB5.29 on 3 March 2014 to RMB7.11 on 25 March 2014. Subsequently, the daily closing price of the A Shares retreated to RMB5.67 on 28 April 2014 and stayed within RMB5.50 to RMB6.89 until 30 October 2014. Thereafter, the daily closing price of the A Shares surged to RMB10.19 on 16 December 2014 and fluctuated between RMB8.75 and RMB10.54 until the Last Trading Day. Save as and except for the surge in the daily closing price of the A Shares from 31 October 2014, the daily closing price of the H Shares follow the trend of the daily closing price of the A Shares in general during the Review Period.

Although the Subscription Price is at discounts to the closing price, the average closing price per A Share for the last five/ten trading days up to and including the Last Trading Day, having taken into account that (i) the minimum Subscription Price falls within the range of the daily closing price of the A Shares during the Review Period; (ii) the minimum Subscription Price represents a premium of approximately 18.8% over the average daily closing price of the A Shares during the Review

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Period; (iii) the minimum Subscription Price represents premium over the daily closing price of the H Shares in RMB equivalent during the Review Period; and (iv) the Pricing Basis complies with the Measures, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Lock-up period

With reference to the Board Letter, the Parent has undertaken to the Company that it will not, during the period commencing from the completion of the Parent Subscription and ending on the date which is 36 months from the completion, transfer any of the A Shares subscribed by it under the Parent Subscription Agreement. As aforementioned, we concur with the Directors that the lock-up period would limit the negative impact of the issuance of new A Shares on the market price of the Shares.

Having considered the above, we are of the view that the terms of the Parent Subscription Agreement (including the Subscription Price and the lock-up period) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and its Shareholders as a whole.

(3) Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the section headed “Effects on shareholding structure of the Company”, the shareholding interests of the existing public Shareholders (including all of the public holders of A Shares and H Shares) in the Company would be diluted by approximately 5.69 percentage point immediately after completion of the Proposed Placing (including the Parent Subscription). Taking into account (i) the reasons for and benefits of the Proposed Placing and the Parent Subscription; and (ii) that the terms of the Parent Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

(4) Financial effects of the Parent Subscription

Effect on net asset value

Based on the Annual Results Announcement, the audited consolidated net asset value (“NAV”) of the Group was approximately RMB36.2 billion as at 31 December 2014. As confirmed by the Directors, the Parent Subscription would increase the NAV of the Group.

Effect on working capital

As confirmed by the Directors, upon completion of the Parent Subscription, the working capital (as calculated by current assets minus current liabilities) of the Group would be increased.

In view of the above possible financial effects of the Parent Subscription, we concur with the Directors that the Parent Subscription is in the interests of the Company and its Shareholders as a whole.

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It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Parent Subscription.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Parent Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Parent Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the AGM to approve the Parent Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purpose only*

1. 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 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.

2. DIRECTORS AND SUPERVISORS' INTERESTS

As at Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date and to the best knowledge of the Directors and the chief executive of the Company, persons having interests and short positions in 5% or more in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long Positions:

Type of shareholding	Name of Shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of issued share capital	Percentage of total issued share capital
A Shares	the Parent	Directly and beneficially owned	1,844,852,426	59.24%	43.07%
A Shares	China National Materials Co. Ltd.	Directly and beneficially owned	239,580,000	7.69%	5.59%
H Shares	BlackRock, Inc.	Directly and beneficially owned	140,392,588	12.01%	2.93%
H Shares	FMR LLC	Directly and beneficially owned	90,368,312	7.73%	1.89%
H Shares	JP Morgan Chase & Co.	Directly and beneficially owned	70,784,802	6.05%	1.48%
H Shares	Sloane Robinson LLP	Directly and beneficially owned	70,497,000	6.03%	1.65%
H Shares	UBS Group AG	Directly and beneficially owned	61,749,874	5.28%	1.29%

Short Positions:

Type of shareholding	Name of Shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of issued share capital	Percentage of total issued share capital
H Shares	BlackRock, Inc.	Directly and beneficially owned	7,950,000	0.68%	0.16%
H Shares	UBS Group AG	Directly and beneficially owned	2,976,594	0.25%	0.06%
H Shares	JP Morgan Chase & Co.	Directly and beneficially owned	937,000	0.08%	0.02%

Save as disclosed above, as at the Latest Practicable Date, there were no other parties who had interests or short positions in the Sharers or underlying Shares of the Company which would fall to be recorded in the register required to be kept under section 336 of SFO.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, up to the Latest Practicable Date.

6. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or Supervisors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS AND SUPERVISORS' INTERESTS IN THE GROUPS ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors or Supervisors was materially interested in any contract or arrangement, which was significant in relation to the business of the Group; and

- (b) so far as the Directors are aware, none of the Directors or Supervisors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. EXPERT

- (a) The following sets out the qualifications of the expert who have given its opinions or advice as contained in this circular:

Name	Qualification
Gram Capital	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO

- (b) As at the Latest Practicable Date, Gram Capital had no shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (c) As at the Latest Practicable Date, Gram Capital had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.
- (d) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Tower D, Global Trade Center, No.36 of North Third Ring East Road, Dongcheng District, Beijing 100013, PRC.
- (b) The company secretary of the Company is Mr. Lau Fai Lawrence, a practising certified public accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

- (c) The registered address of the Parent is at No. 129 Xuan Wu Men Xi Da Street, Xi Cheng District, Beijing, PRC. The board of directors of the Parent comprises Jiang Weiping, Wang Jianguo, Li Jianjun, Li Zhongyuan and Sun Weilin. The legal owner of the Parent is the 北京國有資本經營管理中心 (Beijing State-owned Capital Operation and Management Center*) (“Center”), whose registered address is at Huaibaishu St.2, Xuanwu District, Beijing, PRC. The managing committee of the Center comprises Lin Fusheng, Lu Yuguo, Zhao Linhua, Pang Jianguo, Zhang Xianping, Meng Tao, Yin Yisheng and Qian Kai. The ultimate controller of the Parent is Beijing SASAC.
- (d) The Company’s H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 22nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong, during normal office hours on Monday to Friday from the date of this circular up to and including the date of the AGM:

- (a) the Articles;
- (b) the audited consolidated accounts of the Company for the last two financial years ended 31 December 2013 and 31 December 2014, respectively;
- (c) the Parent Subscription Agreement;
- (d) the letter from the Board, the text of which is set out on pages 4 to 20 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 21 of this circular;
- (f) the letter from Gram Capital, the text of which is set out on pages 22 to 32 of this circular; and
- (g) the letter of consent from Gram Capital referred to in the paragraph headed “Expert” in this appendix.