



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

ANNUAL
REPORT

2014

*FOR IDENTIFICATION PURPOSES ONLY



BBMG



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FINANCIAL HIGHLIGHTS

	2014	2013	Change	
Revenue (RMB'000)	41,241,474	44,789,759	-3,548,285	-7.9%
Gross profit margin from principal business (%)	23.8	22.2		an increase of 1.6 percentage points
Net profit attributable to the shareholders of the parent company (RMB'000)	2,422,722	3,215,183	-792,461	-24.6%
Core net profit attributable to the shareholders of the parent company (excluding the after tax net gains on after tax fair value on investment property) (RMB'000)	1,951,506	2,711,386	-759,880	-28.0%
Basic EPS (RMB)	0.52	0.75	-0.23	-30.7%
Final dividend per share (RMB)	0.050	0.078	-0.028	-35.9%
Cash and bank balances (RMB'000)	10,980,172	8,595,510	2,384,662	27.7%
Total assets (RMB'000)	115,684,971	98,839,550	16,845,421	17.0%
Equity attributable to the shareholders of the parent company (RMB'000)	31,107,268	26,280,140	4,827,128	18.4%
Net profit margin (%)	6.57	7.24		a decrease of 0.67 percentage point
Return on total assets (%)	2.09	3.25		a decrease of 1.16 percentage points
Total debt to equity ratio (%)	68.7	69.6		a decrease of 0.9 percentage point
Net assets value per share attributable to the shareholders of the parent company (RMB)	6.50	6.13	0.37	6.0%

CORPORATE INFORMATION

Chinese name of the Company	北京金隅股份有限公司
English name of the Company	BBMG Corporation*
Headquarters	Tower D, Global Trade Center No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Registered office and principal place of business in the PRC	No. 36, North Third Ring East Road Dongcheng District, Beijing, the PRC
Principal place of business in Hong Kong	Room 405, Kai Wong Commercial Building, 222 Queen's Road Central, Hong Kong
Website of the Company	www.bbm.com.cn/listco
Legal representative	Jiang Weiping
The Board of Directors	
<i>Executive Directors</i>	Jiang Weiping (<i>Chairman</i>) Jiang Deyi (<i>President</i>) Shi Xijun Zang Feng Wang Hongjun Wang Shizhong
<i>Non-executive Director</i>	Yu Kaijun
<i>Independent non-executive Directors</i>	Zhang Chengfu Xu Yongmo Yip Wai Ming Wang Guangjin

* for identification purposes only

CORPORATE INFORMATION

The Supervisory Board

Supervisors

Wang Xiaojun (*Chairman*)

Li Bichi

Qian Xiaoqiang

Zhang Dengfeng

Zhang Yifeng

Wang Xin

Committees

Audit Committee

Zhang Chengfu (*Chairman*)

Yu Kaijun

Xu Yongmo

Yip Wai Ming

Wang Guangjin

Remuneration and

Nomination Committee

Xu Yongmo (*Chairman*)

Shi Xijun

Yu Kaijun

Zhang Chengfu

Wang Guangjin

Strategic Committee

Jiang Weiping (*Chairman*)

Jiang Deyi (*Vice Chairman*)

Wang Hongjun

Zhang Chengfu

Xu Yongmo

Wang Guangjin

Authorised Representatives

Wang Hongjun

Lau Fai Lawrence

Board Secretary

Wu Xiangyong

Company Secretary

Lau Fai Lawrence

CORPORATE INFORMATION

Listing Information*A Shares*

A share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building 166 Lujiazui Road East, Pudong New District, Shanghai, the PRC
Place of listing	Shanghai Stock Exchange
Stock name	BBMG
Board lot	100 shares
Stock code	601992.SH

H Shares

H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Place of listing	The Stock Exchange of Hong Kong Limited (the " Hong Kong Stock Exchange ")
Stock name	BBMG
Board lot	500 shares
Stock code	02009.HK

Principal Bankers

Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
Bank of Communications Co., Ltd.
Bank of Beijing Co., Ltd.
China Construction Bank Corporation

Independent Auditor

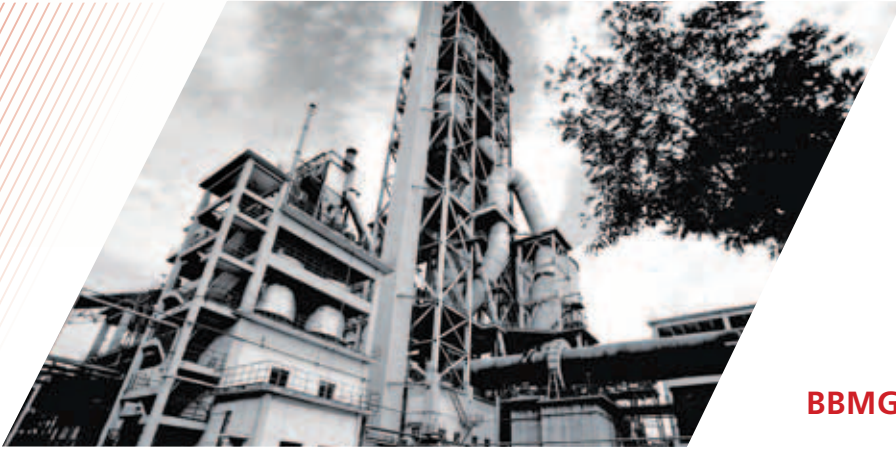
Ernst & Young Hua Ming LLP
Certified Public Accountants

Legal Advisers

Paul Hastings
As to Hong Kong law

Guantao Law Firm
As to PRC law

CORPORATE PROFILE



BBMG Corporation

BBMG Corporation (hereinafter referred to as “**BBMG**” or the “**Company**”) was established in December 2005. Fully leveraging on its unique resources, the Company and its subsidiaries (the “**Group**”) are principally engaged in the manufacture of building materials supplemented by property development and property investment and management, forging an unique, one-stop, vertical industrial chain structure among major building materials manufacturers in the People’s Republic of China (“**PRC**”).

1. Cement and Ready-mixed Concrete Segment

BBMG is the largest cement provider and manufacturer in Beijing, Tianjin and Hebei province as well as one of the 12 major cement conglomerates or groups supported by the PRC government. Its building materials are widely used in key construction projects and key infrastructure constructions of the PRC. Utilizing its technological edge in cement industry, the Company takes one step further in the development of environmental protection industry such as recycling and harmless treatment of industrial wastes, sludges from sewage treatment plants, hazard wastes and fly ashes from garbage incineration, achieving a harmonious development of benefits to economy, society and ecology.

2. Modern Building Materials and Commerce and Logistics Segment

BBMG is one of the largest modern, green and energy saving building materials manufacturers in the PRC and one of the leaders in the building materials industry in Pan Bohai Economic Rim. Its business covers four major segments, including furniture and woods, decorative and fitting materials, wall body and insulation materials and refractory materials. The Company has gradually established a unique development mode featuring “park-based production, high-end products, industrial scale merit, integrated sales and refined management”.

CORPORATE PROFILE



3. Property Development Segment

BBMG is one of the leading property developers in terms of comprehensive strength and the earliest and one of the largest affordable housing developers in Beijing with presence in other major cities such as Hangzhou, Tianjin, Chongqing, Chengdu, Haikou, Tangshan and Hohhot.

4. Property Investment and Management Segment

BBMG is the largest investor and manager of investment properties in Beijing holding over 749,000 sq.m. of real estates such as high-end office units and managing over 6 million sq.m. of properties (including residential communities and commercial units at low floors). The Company has been leading the industry in Beijing and even the PRC for years in areas including specialized techniques, brand awareness, occupancy rate and revenue.

The H shares of BBMG was successfully listed on the Main Board of the Hong Kong Stock Exchange on 29 July 2009 and the Company was successfully listed on the domestic A share market of the Shanghai Stock Exchange on 1 March 2011. The dual listing in both markets will lay a more solid and concrete foundation and create a broader platform for the future development of BBMG.

Positioned in a new historical starting line with numerous opportunities and challenges, the management of BBMG are determined to build on its century of achievements. In the epic pursuit of forging a top-level public listed company with expanding international presence, the Company will continuously create new values for the shareholders and help BBMG scale new heights.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Jiang Weiping, born in October 1954, is the secretary of the communist party committee of the Company and BBMG Group Company Limited (the “**Parent**” or “**BBMG Group**”), and the Chairman of the Parent. He has been the chairman of the board of directors (the “**Board**”) since 6 August 2008 and an executive Director of the Company since 20 September 2007. He was the general manager of the Company from August 2007 to June 2008. He is primarily responsible for leading the Board and presiding over the administration of the Company. Prior to joining the Company, Mr. Jiang served with the Parent from August 1979 with various senior positions. He served as the deputy general manager of the Parent, including its predecessors Beijing Building Material Group Corporation and Beijing Building Material Group Co., Ltd., from March 1994 to August 2007 and as the general manager of the Parent from August 2007 to June 2008. In June 2008, Mr. Jiang took up his current position as the Parent’s chairman and secretary of the communist party committee of the Parent. Mr. Jiang has accumulated more than 30 years of experience in the building materials industry in the PRC. He was the vice-mayor of Tongliao City, Inner Mongolia, from June 2002 to June 2003. Mr. Jiang graduated in 1998 from Beijing Administrative College with a master’s degree in national economic management. Mr. Jiang is a senior economist and a senior political officer.

Jiang Deyi, born in February 1964, is a standing member of the communist party committee of both the Company and the Parent. He has been an executive Director and the general manager of the Company since 28 April 2009. He was a deputy general manager of the Company from March 2006 to April 2009. He is primarily responsible for the overall management of the cement, concrete and resorts businesses of the Company and the formulation of development strategies for these business sectors. Mr. Jiang acted as the deputy chief engineer of the Parent from February 2002 to March 2006. Mr. Jiang has more than 25 years of experience in the cement industry and has served as the general manager of Beijing Liulihe Cement Co., Ltd., and the chairman of Hebei Taihang Cement Co., Ltd.. Mr. Jiang graduated from Beijing University of Science and Technology with a Doctorate in engineering in June 2009. He is a senior engineer.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Shi Xijun, born in September 1966, is the deputy secretary of the communist party committee and the secretary of discipline inspection committee of both the Company and the Parent. He has been an executive Director of the Company since 10 March 2006. He was also the Board secretary from March 2006 to April 2009. He is primarily responsible for the day to day work of the Board and the administration of the Group's human resources department. Mr. Shi first joined the Parent in August 1995 and, from September 2000 to August 2003, served as a manager of its production operation department. Mr. Shi has also served as a director of the organizing department, a member of the communist party committee and the secretary of the discipline inspection committee for the Parent since August 2003, July 2005 and September 2008, respectively. Mr. Shi has accumulated more than 16 years of experience in the building materials industry. Mr. Shi graduated in 1995 from the China University of Mining and Technology with a master's degree in engineering. He is a senior economist.

Wang Hongjun, born in April 1969, has been an executive Director of the Company since 28 April 2009. He has also been the chief financial officer of the Company since September 2007, and is primarily responsible for the Company's accounting and auditing functions, financial management and capital operations. Mr. Wang served as the general accountant for the Parent from July 2007 to May 2009. Mr. Wang has more than 19 years of experience in the financial and accounting industry. Mr. Wang has served as a standing deputy manager, a manager of the finance and capital department and a deputy general accountant of the Parent since March 2002, and as the head of the finance and capital department of the Company since March 2006. Mr. Wang graduated from Wuhan University of Technology in December 2008 with an MBA degree. He is a senior accountant and has obtained the qualifications for PRC Certified Public Accountants.

Zang Feng, born in November 1956, has held various significant governmental positions since May 1974. Mr. Zang served as secretary to Office of Wu Xiuquan, an executive member of Central Advisory Commission of the Communist Party of China, party branch secretary of the office and the advisor of General Military Services Department at deputy division commander level from 1991 to December 1999 and from December 1999 to November 2003, respectively. Mr. Zang served as deputy secretary of the Communist Party Committee of the Beijing Building Materials Trading Group Co., Ltd. (北京建材經貿集團總公司), secretary of the Communist Party Committee of its headquarters and the secretary of the Communist Party Committee of Beijing Building Materials Trading Co., Ltd. from November 2003 to January 2007 and from January 2007 to May 2010, respectively. Mr. Zang was appointed as the chairman of the Labor Union of BBMG Group and the Company in November 2009 and July 2012, respectively. Mr. Zang graduated from China University of Political Science and Law in January 2005 with a master's degree in economic management. Mr. Zang is a senior political officer.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wang Shizhong, born in October 1969, has been a vice president of the Company since October 2009, has also served as chief of the property development segment of the Company from March 2006 to October 2011. Mr. Wang has more than 17 years of extensive experience in property development, and served as a deputy manager of a property development company of the Parent from November 1996 to March 2006. He was the secretary of the communist party committee and a deputy manager of a property development company of the Parent from February 1999 to March 2006, and was appointed as an assistant to the general manager of the Parent in March 2006. He is mainly responsible for the overall business development and strategic planning for the property operations of the Group. He graduated from Tsinghua University majoring in civil engineering. He is a senior engineer.

Yu Kaijun, born in April 1963, has been a non-executive director of the Company since 7 August 2014. Mr. Yu graduated from the Hong Kong Polytechnic University with a major in accounting. Mr. Yu holds a master degree in accounting and is a senior accountant. Currently, Mr. Yu is chief financial controller of China National Materials Company Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited; stock code: 01893). Mr. Yu worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Mr. Yu served as chief financial officer, deputy general manager and other positions of Shenzhen Languang Science & Technology Co., Ltd. (and its predecessor, Shenzhen Languang Electronic Industrial Corporation) from November 1990 to October 2001. Mr. Yu served as chief financial officer of Sinoma International Engineering Co. Ltd. (listed on the Shanghai Stock Exchange; stock code: 600970) from December 2001 to January 2011. Mr. Yu has been a supervisor of Ningxia Building Materials Group Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 600449) and Xinjiang Tianshan Cement Co., Ltd. (listed on the Shenzhen Stock Exchange; stock code: 000877) since December 2011.

Zhang Chengfu, born in April 1963, has been an independent non-executive director of the Company since 6 August 2008. Mr. Zhang has extensive experience in public administration research. Mr. Zhang is currently a deputy dean of the School of Public Administration, a director of Government Administration and Reform Research Centre and a director of the Crisis Management Research Centre of Renmin University of China, as well as a delegate of the Chinese People's Political Consultative Conference of Beijing City. He is also a member of the Disciplines Evaluation Panel of the Academic Degrees Committee of the State Council (Public Administration). Mr. Zhang graduated in July 1999 from Renmin University of China, and holds a doctoral degree in law. He is also an instructor for doctoral degree candidates and a professor at Renmin University of China.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Xu Yongmo, born in April 1956, has been an independent non-executive director of the Company since 6 August 2008. Mr. Xu has extensive experience in the building materials industry. Mr. Xu was the independent director of Sinoma Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002080), between December 2004 and July 2011, an independent director of Huaxin Cement Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600801), since April 2009 and later appointed as a non-executive director and the chairman of Huaxin Cement Co., Ltd. in April 2012 and an independent non-executive director of China Resources Cement Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 01313), since July 2010. Besides, he is currently the full-time vice president of China Building Materials Federation, the president of China Concrete and Cement Products Association, the president of The Chinese Ceramic Society, the president of China Construction Units Association, and the vice president of China Cement Association. The duties of Mr. Xu at the China Cement Association are to provide advice and suggestions regarding the work of the China Cement Association and to attend important meetings of the same association. Mr. Xu graduated in 1997 from London South Bank University with a doctoral degree in philosophy majoring in civil engineering materials.

Yip Wai Ming, born in April 1965, has been an independent non-executive director of the Company since 28 April 2009. Mr. Yip has over 20 years of experience in accounting and corporate finance in the United Kingdom, Hong Kong and China. Mr. Yip has also been an independent non-executive director of Ju Teng International Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03336) since 25 May 2006, an independent non-executive director of PAX Global Technology Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00327) since 1 December 2010, an independent non-executive director of Far East Horizon Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03360), since 11 March 2011, and an independent non-executive director of Poly Culture Group Corporation Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03636), since December 2013. Mr. Yip served as the chief financial officer of Haier Electronics Group Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 01169) from 2004 to 2009 and was the deputy general manager of Yuzhou Properties Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 01628) from 2010. Mr. Yip graduated in 1987 from the University of Hong Kong with a bachelor degree in social sciences. He also holds a bachelor degree in laws from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants, respectively.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wang Guangjin, born in April 1960, has been an independent non-executive director of the Company since 22 May 2014. Mr. Wang holds a postgraduate and LLM qualifications and is a professor and supervisor for master's students in civil and commercial law and MBA. Mr. Wang is currently the party secretary cum associate dean of Civil, Commercial and Economic Law School of China University of Political Science and Law. Mr. Wang is concurrently the arbitrator of Zibo Arbitration Commission. Mr. Wang has been a member of Expert Advisory Committee of Changping District People's Court, Beijing; arbitrator of Shenzhen Arbitration Commission arbitrator of Nantong Arbitration Commission; and an independent director of Jiangsu Hecheng Display Technology Co., Ltd.

Supervisors

Wang Xiaojun, born in October 1964, has been a supervisor of the Company since 7 August 2014. Mr. Wang holds a bachelor's degree, is a certified public accountant in China. Mr. Wang started his career in July 1989. He had worked at Xicheng District Government of Beijing since July 1989, and served as a member of the Party's Standing Committee and propaganda minister of Xicheng District of Beijing from December 2000 and November 2003. Mr. Wang was a member of the Party's Group and deputy head of Beijing Municipal Audit Bureau from November 2003 to February 2012. Mr. Wang has been the bureau director-level chairman of Supervisory Committee of Beijing State-owned Enterprises since February 2013.

Li Bichi, born in December 1964, has been a supervisor of the Company since 26 October 2012. Ms. Li has worked in Beijing State-owned Enterprises Supervisory Committee since August 2001, currently serves as a full-time supervisor (leading role of divisions or equivalents) in the Supervisory Committee of the said institution. Before that, she worked in the Finance Bureau of Beijing from August 1987 to July 2001 as staff member, deputy-director-equivalent staff member and director-equivalent staff member successively. Ms. Li graduated from the School of Economics and Management of Beijing Union University in July 1987. She is a senior accountant.

Qian Xiaoqiang, born in December 1972, has been a supervisor of the Company since 26 October 2012 and has been the deputy general manager of China Cinda Asset Management Co., Ltd. (Beijing Branch) since July 2010. He has worked in the Beijing office of China Cinda Asset Management Corporation (now known as China Cinda Asset Management Co., Ltd. (Beijing Branch)) from September 1999 to July 2007, taking various positions successively, including manager, senior deputy manager, senior manager, director assistant and deputy director. Mr. Qian graduated from the Department of Applied Mathematics of Beijing University of Aeronautics and Astronautics in 1995, with a Bachelor of Science degree. He also obtained his master degree in engineering from Beijing University of Technology in 2009. Mr. Qian has also obtained land appraiser qualifications, debt collection qualification and securities practice qualification.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Dengfeng, born in September 1971, has been a supervisor of the Company since 26 October 2012. Mr. Zhang served as officer and assistant to manager of the Human Resources Department of the Beijing Building Material Group (北京建材集團) from July 1994 to November 2002. Mr. Zhang joined BBMG Group in November 2002 and served as deputy head of General Office and director of the research division. Mr. Zhang joined the Company as head of the Public Relations Department in March 2008 and has held the position of the head of the Company's General Office since June 2009. Mr. Zhang graduated from the School of Public Administration of Renmin University of China with a master's degree in management in July 2008. Mr. Zhang is a senior economist.

Zhang Yifeng, born in December 1964, has been a supervisor of the Company since 26 October 2012. Mr. Zhang served as secretary of the Communist Party Committee, secretary of the Discipline Inspection Committee and chairman of the Labor Union of Beijing Construction Hardware Scientific Research and Experiment Factory (北京市建築五金科研實驗廠) from July 1983 to September 2010. Mr. Zhang joined Siping BBMG Cement Co., Ltd., a subsidiary of the Company, in September 2010 and held the positions of secretary of the Communist Party Committee, secretary of the Discipline Inspection Committee and chairman of the Labor Union. Mr. Zhang was appointed as deputy secretary of the Disciplinary Inspection Commission and head of the Discipline Inspection and Supervision Office of BBMG Group and the Company, in December 2011 and July 2012, respectively. Mr. Zhang graduated from China Beijing Municipal Communist Party School in July 2002 with a bachelor's degree in economic management.

Wang Xin, born in March 1971, has been a supervisor of the Company since 26 October 2012. Mr. Wang served as officer and deputy manager of the Finance and Capital Department and corporate financial controller of BBMG Group from July 1994 to March 2008. Mr. Wang acted as financial controller of BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司) and BBMG Property Operation Management Co., Ltd. (北京金隅地產經營管理有限責任公司), both of which are wholly-owned subsidiaries of the Company, from March to September 2008. Mr. Wang held the position of financial controller of Beijing Dacheng Group Company Limited (北京大成集團有限公司) and Beijing Dacheng Property Development Co., Ltd. (北京大成房地產開發有限責任公司) from September 2008 to November 2010. Mr. Wang has served as head of Audit Department of the Company since November 2010. Mr. Wang graduated from Nanjing Audit University in July 1993 with a bachelor's degree in audit. Mr. Wang is a Certified Public Accountant in China.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior Management

Li Weidong, born in June 1968, has been a vice president of the Company since 26 October 2012 and has served as chief of the real estate division of the Company and a manager of BBMG Property Management Co., Ltd. since February 2008. Mr. Li also serves as an assistant to the general manager of the Parent. He has accumulated more than 20 years of work experience in the cement and property sectors. He had worked for more than 15 years at Beijing Yanshan Cement Factory. He was a manager of Beijing Yanshan Cement Factory from November 2002 to March 2006. He was appointed as chief of the real estate division of the Company and a manager of Tengda Plaza (騰達大廈) in March 2006. He is mainly responsible for the overall business development, planning and management of investment properties of the Group. He graduated from School of Public Administration, Renmin University of China with a MPA degree, and was awarded a master's degree and qualifications. He is an engineer and an economist.

Guo Yanming, born in January 1962, has been a vice president of the Company since 26 October 2012. He is primarily responsible for the overall operation and development of the modern building materials segment and production safety control. Mr. Guo served as the Company's general economist from March 2006 to April 2009. Mr. Guo has accumulated more than 26 years of experience in corporate management and human resources in the building materials industry. Since June 2003, Mr. Guo has been a general manager assistant for the Parent. Mr. Guo graduated in July 1985 from Beijing Economics College (currently known as Capital University of Economics and Business), where he majored in industrial enterprise administration. He is a senior economist.

Wang Zhaojia, born in September 1963, has been a vice president of the Company since 26 October 2012, has served as a president, the deputy secretary of the communist party committee and a director of Beijing Building Materials Research Institute, a subsidiary of the Company, since March 2006. Mr. Wang also serves as a deputy chief engineer of the Parent. He has worked in the building materials industry for more than 21 years. He served as a vice president of the Beijing Building Materials Research Institute from April 1994 and was promoted to president in September 2001. He was appointed as a deputy chief engineer of the Parent in January 2005. He is mainly responsible for the overall business development, planning and management of the cement and building materials operations of the Company. He graduated from Shanxi University majoring in inorganic chemistry. He is a doctorate degree graduate and a professorate senior engineer.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Liu Wenyan, born in June 1967, has been a vice president of the Company since 26 October 2012 and has served as a manager and deputy secretary of Luquan Dongfang Dingxin Cement Co., Ltd. since March 2007. Mr. Liu has more than 21 years of extensive experience in the cement industry and served as a deputy manager of Beijing Liulihe Cement Co., Ltd., a wholly-owned subsidiary of the Company, from February 2004 to March 2007. He is mainly responsible for the overall business development, planning and management of the cement operations of the Company. He graduated from the Materials Faculty of the Beijing University of Technology majoring in materials engineering. He is a master degree graduate and a senior engineer.

Wu Xiangyong, born in August 1973, has been the Board secretary of the Company since 26 October 2012. He was appointed as a joint company secretary of the Company on 28 April 2009 and served in this position until 26 October 2012. Mr. Wu has been appointed as the head of the administrative office of the Company in March 2006. He has also been the director of the Board secretariat of the Company since February 2008. Since January 2005, after joining the Parent in August 1995, Mr. Wu has been the head of the administrative office of the Parent. From November 1997 to March 1999, he served as a manager assistant of the technology department of the Parent. From March 1999 to January 2005, he served as a deputy head and then the head of the information centre of the Parent. Mr. Wu graduated from the Guanghua School of Management of Peking University with a master's degree in business administration in July 2006. Mr. Wu is an engineer.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of the Company, I am pleased to present to you the annual results of the Group for the twelve months ended 31 December 2014 (the “**Reporting Period**”), and the operating results of the Group during the said period for your review.

Annual Results

During the Reporting Period, the Group's operating revenue amounted to approximately RMB41,241.5 million, representing a year-on-year decrease of approximately 7.9%; net profit attributable to the shareholders of the parent company was approximately RMB2,422.7 million, representing a year-on-year decrease of approximately 24.6%; basic earnings per share attributable to the shareholders of the parent company was approximately RMB0.52.

Review

During the Reporting Period, the global economy witnessed a slowdown in its growth momentum and the risk for an economic downturn lingered. China's overall economy remained stable under the “new normal”, leading to steady growth, optimized structure, enhanced quality and improved livelihoods. Addressing the declining of China's high growth rate in fixed asset investment and the impact of continuous adjustment of industrial structure, the Company proactively took measures to optimize industrial layout, strengthen internal management, accelerate transformation and upgrade, and innovate development model to offset the adverse impacts, thus accomplishing substantially all of the main economic indicators and major tasks for the year and realizing a steady and sound growth in the overall economy of the Company.



Jiang Weiping
Chairman

CHAIRMAN'S STATEMENT

Adapting to the macro-control policy and the development trend of the industry, the four major business segments of the Company expedited the industrial transformation and upgrade and played an active role in air pollution control. By optimizing strategic planning and improving innovation, the Company continued to draw upon its competitive edge to enhance the capabilities of scientific control and efficient operation, maintaining a steady and sound growth in the overall financial condition of the Company.

To optimize the strategic "grand cross-shape" layout and further enhance the comprehensive regional market strength, the cement and ready-mixed concrete segment accelerated transformation and upgrade as well as resources integration, improved the capabilities of building and operating industry bases and reinforced regional competitiveness and the advantage of industrial chain. Amid challenging market situation, the property development segment expanded project portfolio, increased land reserve, adjusted product structure and explored business areas, achieving outstanding business performance. The property investment and management segment saw improvement of quality in its operations and service, relatively high occupancy rate of properties held by the Company and better-than-expected operating results of serviced apartments. Capitalizing on the effect of industrial clusters and the advantage of synergetic development, the modern building materials segment made new progress in "industrial park-based" development and "integrated" marketing model, and therefore enhanced the industry maturity and market competitiveness.

Prospects

In 2015, amid complex external economic landscapes, China's economic growth will remain sound, and the overall economy will make good progress while maintaining stability. Adapting to the economic development under the "new normal", 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.

Along with the expedited adjustment and relocation of non-core functions of the capital city and the tightening pollution control measures taken by the government, the Company will lay down the path and create the environment for its high-efficiency and high-quality transformation and upgrade to achieve further breakthroughs and development. The advancement of the integration strategy for Beijing, Tianjin and Hebei Province and the construction of major projects including a new airport in Beijing will create not only new market space and new platform for the industrial transformation and upgrade of the Company, but also new environment and new opportunities for the rapid development of the relevant sectors at a later stage.

CHAIRMAN'S STATEMENT

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.

The Company will expand financing channels through the innovation of financing model, constantly elevate the standards of internal control, and improve its corporate governance structure and control mechanism featuring coordinated operation, effective implementation and scientific check and balance, so as to achieve efficient operation and sustainable development of the Company.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to the shareholders and business partners of the Company for their support and assistance. I believe that with the tremendous support of the shareholders and the concerted efforts of all staff members, the Company will achieve rapid development of all its businesses and create greater investment value for shareholders.

Jiang Weiping

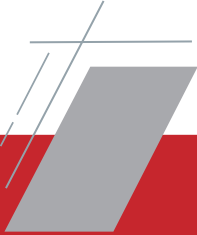
Chairman of the Board

Beijing, the PRC


26 March 2015



BBMG



MANAGEMENT DISCUSSION & ANALYSIS



2014

MANAGEMENT DISCUSSION & ANALYSIS

Summary of Financial Information

	2014 RMB'000	2013 RMB'000	Change
Operating revenue	41,241,474	44,789,759	-7.9%
Operating revenue from principal business	40,562,372	44,345,880	-8.5%
Gross profit from principal business	9,667,340	9,844,278	-1.8%
Gross profit margin from principal business	23.8%	22.2%	an increase of 1.6 percentage points
Net profit attributable to the shareholders of the parent company	2,422,722	3,215,183	-24.6%
Basic earnings per share attributable to the shareholders of the parent company	RMB0.52	RMB0.75	-30.7%
Cash and banks balances	10,980,172	8,595,510	27.7%
Current assets	75,018,806	60,157,226	24.7%
Current liabilities	59,513,656	52,059,972	14.3%
Net current assets	15,505,150	8,097,254	91.5%
Non-current assets	40,666,165	38,682,324	5.1%
Non-current liabilities	19,923,927	16,754,264	18.9%
Total assets	115,684,971	98,839,550	17.0%
Equity attributable to the shareholders of the parent company	31,107,268	26,280,140	18.4%
Debt ratio (total liabilities to total assets) (%)	68.7	69.6	a decrease of 0.9 percentage point

MANAGEMENT DISCUSSION & ANALYSIS

Summary of Business Information**1. Cement and Ready-mixed Concrete Segment**

	2014	2013	Change
Sales volume:			
Cement (in thousand tonnes)	40,550	38,890	4.3%
Concrete (in thousand cubic meters)	12,204	13,030	-6.3%

2. Modern Building Materials and Commerce and Logistics Segment

	2014	2013	Change
Sales volume:			
Refractory materials (in thousand tonnes)	201	209	-3.8%

3. Property Development Segment

	2014	2013	Change
Booked GFA (in thousand sq.m.)	1,497	1,177	27.2%
Presales (sales) GFA (in thousand sq.m.)	1,474	1,684	-12.5%

MANAGEMENT DISCUSSION & ANALYSIS

4. Property Investment and Management Segment

	2014	2013	Change
Gross GFA of investment properties (in thousand sq.m.)	749	760	-1.4%

In 2014, numerous challenges were tackled by the Company under the “12th Five-Year Plan”. In response to the complicated and changing economic environment and the increasingly challenging market conditions, the Board of the Company took initiative to adapt to new economic trends by adhering to the key note of making progress while maintaining stability and highlighting scientific development as the main principle. Confronted with the stagnant cement market in the region with a drop in prices and the decrease in the growth rate of property market, the Company enhanced its risk control, actively adjusted the business structure and accelerated the transformation of economic development pattern. Through layout optimisation, management enhancement, transformation and upgrading as well as innovative development, the Company achieved the major economic targets and completed key tasks for the year at a satisfactory level, and maintained stable growth as a whole with its major economic indicators taking the leading position in the industry.

During the Reporting Period, the Company recorded operating revenue of RMB41,241.5 million, of which operating revenue from its principal business amounted to RMB40,562.4 million, representing a year-on-year decrease of 8.5%; total profit amounted to RMB3,803.3 million, representing a year-on-year decrease of 4.8%; net profit amounted to RMB2,709.0 million, representing a year-on-year decrease of 16.5%; and net profit attributable to the shareholders of the parent company amounted to RMB2,422.7 million, representing a year-on-year decrease of 24.6%.

MANAGEMENT DISCUSSION & ANALYSIS

1. Cement and Ready-Mixed Concrete Segment

The segment continued to optimize the industrial layout, extend the industrial chain, enrich the essence of the Company's "grand cross-shape" (大十字) strategy in the cement and ready-mixed concrete industry, and steadily promoted the construction of building material base in southern, central and northern Hebei Province, so as to constantly consolidate and expand its influence over regional markets. Confronted with of the severe challenges arising from the regional overcapacity, weak market demand and the unprecedentedly strict regulations on resources and environment, the Company took advantage of its strategic layout, strengthened the control of strategic resources and implemented innovative operating strategies, so as to enhance the market expansion and extend the industrial chain. Besides, by deepening and refining internal control, strengthening the control of costs and account receivables, accelerating the structural adjustment and transformation and upgrading, the Company further improved its capacity of sustainable development and increased the market share of its products. Despite the fact that the government called for full suspension of or limitation on production during major conferences or events, the Company's sales volumes of clinker and cement hit record high and the Company attained the region's leading position with its strong operation results.

Meanwhile, the segment accelerated transformation and upgrading with stepped up efforts in technology innovation as well as industry and equipment upgrading, so as to proactively expand the green business, such as the synergistic use of cement kiln for the disposal of urban wastes. The cement rotary kilns have generally been upgraded with denitrification ability, while the production lines achieved the material management in closed space. The Company saved approximately 0.4 million tonnes of standard coal, 2 million KWH of electricity, 0.3 million cubic metres of gas and 30,000 tonnes of water, reduced dust emission by approximately 380 tonnes and cut NOx emissions by approximately 4,000 tonnes in 2014, demonstrating the large industry group's commitment to serving as a role model.

MANAGEMENT DISCUSSION & ANALYSIS

The cement segment recorded operating revenue from its principal business of RMB12,722.0 million in 2014, a year-on-year decrease of 3.1%. Gross profit from its principal business amounted to RMB2,013.0 million, a year-on-year decrease of 15.6%. The consolidated sales volume of cement and clinker reached 40.6 million tonnes, a year-on-year increase of 4.3%, among which cement sales volume amounted to 33.2 million tonnes and clinker sales volume amounted to 7.4 million tonnes, while the aggregated gross profit margin for cement and clinker was 15.8%, a year-on-year decrease of 2.4 percentage points. Sales volume of concrete totaled 12.2 million cubic meters, a year-on-year decrease of 6.3%, while the gross profit margin for concrete was 10.5%, a year-on-year decrease of 1.0 percentage point.

2. Modern Building Materials and Commerce and Logistics Segment

Adhering to the industrial park-based integrated pattern and the regional marketing mechanism, the segment carried out its production towards a park-based and integrated model supported by comprehensive auxiliary services, while promoting regional development of market. By upholding the quantitative standard of becoming a leading player in the industry and leveraging on benchmark management, the segment centred on the principle of “consolidating development foundation, focusing on principal business, expanding market share, enhancing profitability and improving internal control”, built a marketing platform for both international and domestic trade and streamlined the industrial structure, which further enhanced the overall operation quality. The operation and development of the BBMG Dachang Modern Industrial Park and the BBMG Doudian Technology Park achieved the expected effects in industry clusters and advantages in synergistic development, leading to continuous enhancement of the industry matureness and market competitiveness. Under the backdrop of transferring the industrial function of Beijing capital city, the smooth advancement of the infrastructure construction at the BBMG international logistics park has enabled it to become a high-end logistics base with accurate positioning and superior location. The commerce and logistics sector actively prevented and controlled risks and promptly adjusted and properly cut down the scale of bulk commodities business in response to macro-economic conditions and changes in business environment, and achieved satisfactory results.

In 2014, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB10,522.0 million, a year-on-year decrease of 28.2%, while the gross profit from its principal business amounted to RMB970.9 million, a year-on-year decrease of 5.4%.

MANAGEMENT DISCUSSION & ANALYSIS

3. Property Development Segment

By adhering to the “adjustment to two structures” (兩個結構調整) and the guideline of “accelerating cash flow” (好水快流), the segment, in response to the regulatory control over property market, properly positions the Company’s development and constantly enhanced the layout, expansion and project management strategies. It also standardized the management and control system and adjusted the sales strategy to enhance projects’ operating efficiency and profitability, thereby creating satisfactory operating results. Currently, based in Beijing, the Company has successfully expanded its business to three major economic zones of Bohai, Yangtze River Delta and Chengyu (成渝), covering 14 cities, such as Shanghai, Tianjin and Chongqing, with a reasonable product structure comprised of commodity housing, affordable housing and commercial property. The segment also started up the business layout in the industry of nursing and elderly support, and achieved initial success in the operation of four elderly care centres, enabling the Company to expand its business in the property segment and gain new experiences of diversified development and operation.

During the Reporting Period, the Company’s residential projects, such as “Jinyu Mantang” (金隅滿堂) in Tianjin, “Xixili” (西溪里) in Haikou, the Phase 4 of “BBMG Ziyouzhu” (金隅自由築) in Beijing, “BBMG Dacheng Mark Beijing” (金隅大成北京方向), “Chayuan Times” (茶園時代都匯) in Chongqing, and “Shuangliu Dachengjun” (雙流大成郡) in Chengdu sold at a fast pace. Beijing BBMG’s “Aigongguan” (愛公館) and “Bojuejun” (鉑爵郡) were sold out on the first day when the projects were released on the market, while the commercial portion of “Jincheng Center” (金城中心) in Beijing and “Chayuan Times” (茶園時代都匯) in Chongqing were successfully sold as an integral unit. The Company also successfully obtained a certain amount of land for development in other cities, including Beijing, Chengdu, Shanghai, Ningbo and Qingdao (for details, please refer to the table below), laying a new foundation for the sustainable development of the property development segment.

MANAGEMENT DISCUSSION & ANALYSIS

Major Land Reserve Acquired by the Group in 2014

No.	Name of projects (parcel of land)	Location	Use of the land	Land area of the project (sq.m.)	Planning plot ratio area (sq.m.)	Land price (RMB10 thousand)	Method of acquisition	Date of acquisition (Y/M/D)	Percentage of interest
1	Owner-occupied housing project in Dandian (單店)	Dandian, Dongba, Beijing	Owner-occupied housing	146,827	316,433	433,500	Public bidding	9 January 2014	100%
2	Land WH03 (211, 252, 244) 2014-006 project in Wuhou, Chengdu (成都武侯WH03 (211 · 252 · 244) 2014-006 地塊項目)	Wuhou District, Chengdu	Residential Commercial	70,217	225,983	102,822	Public bidding	27 February 2014	80%
3	Project of Juyuan New Area, Jiading District, Shanghai (上海嘉定菊園新區項目)	West of Liujiuhe and North of Shengzhu Road, Juyuan New Area, Jiading District, Shanghai	Residential (with affordable housing)	112,283	258,251	268,000	Public bidding	4 July 2014	100%
4	Project at the east side of the Yao River lock, Ningbo (寧波姚江船閘東側項目)	The east side of the Yao River lock, Ningbo	Commercial	23,669	47,338	19,172	Public bidding	19 September 2014	100%
5	Land A project of Zhangguo Zhuang, Beijing (北京張郭莊A地塊項目)	Zhangguo Zhuang, Changxindian, Fengtai District, Beijing	Residential	159,368	129,615	256,000	Public bidding	28 October 2014	70%
6	Land B project of Zhangguo Zhuang, Beijing (北京張郭莊B地塊項目)	Zhangguo Zhuang, Changxindian, Fengtai District, Beijing	Residential	63,627	93,545	182,500	Public bidding	29 October 2014	70%
7	Land project of 12 Zhenjiang Road, Shibei District, Qingdao (青島市市北區鎮江路12號地塊項目)	12 Zhenjiang Road, Shibei District, Qingdao	Residential Commercial	54,008	188,487	149,385	Auction	16 December 2014	100%
Total				629,999	1,259,652	1,411,379			

MANAGEMENT DISCUSSION & ANALYSIS

Properties Held for Development by the Group as at 31 December 2014

No.	Project Name	Geographic Location	Date of Land Acquisition	Estimated Project Completion Date	Total Land Reserve as at 31 December 2014 (thousand sq.m.)	Percentage of the Group's Interest
	Total				5,164.9	
	I. Commodity housing Sub-total				4,618.8	
1	Beijing-Jinyu Lanwan	Dongshahe West Bank, Changping New District, Beijing	25 June 2009	30 December 2016	50.9	100%
2	Beijing-Tuqiao Phase III	Tuqiao, Liyuan, Tongzhou District, Beijing	11 November 2010	30 September 2015	47.8	100%
3	Beijing-I Cube	Huang Village, Daxing District, Beijing	11 June 2009	1 January 2014	16.7	100%
4	Beijing-Ziyouzhu	Tuqiao, Liyuan, Tongzhou District, Beijing	25 May 2009 and 12 June 2009	1 December 2013	28.7	100%
5	Beijing-Jiaheyuan public facilities	Dongshahe, Changping District, Beijing	21 October 2008	15 September 2016	17.1	100%
6	Beijing-Jinyu Feili	Eastern Jiancaicheng, Xisanqi, Haidian District, Beijing	1 December 2009 and 18 July 2011	1 June 2017	47.6	100%
7	Beijing-Mark Beijing	Guogongzhuang, Fengtai District, Beijing	19 January 2012	30 October 2014	48.4	100%
8	Beijing-Jincheng Center	Jiukeshu, Tongzhou District, Beijing	9 December 2010	30 June 2014	19.9	100%
9	Beijing-Chaoyang New City	Dongba, Chaoyang District, Beijing	27 March 2008	To be confirmed	97.0	100%
10	Chongqing-Nanshanjun	Nanshan, Nan'an District, Chongqing	4 June 2010	30 December 2019	462.0	100%
11	Chongqing-Shidaiduhui	Chayuan, Nan'an District, Chongqing	1 December 2010	30 December 2017	369.8	100%
12	Chengdu-Dachengjun	Xihanggangjiedao, Shuangliu, Chengdu	12 December 2011	30 January 2015	174.7	80%
13	Tianjin-Jinyu Yuecheng	Zhangguizhuang, Dongli District, Tianjin	11 January 2010	31 December 2015	143.2	100%
14	Tianjin-Jinyu Mantang	Zhongbei Town, Tianjin	18 January 2013	30 June 2016	81.5	100%
15	Hangzhou-Guanlan Times	Economic and Technology Development Zone, Hangzhou	1 May 2007 and 1 December 2009	25 August 2016	358.4	100%
16	Hangzhou-Qianjiang Xuefu (錢江學府)	Shangcheng District, Hangzhou	25 June 2013	7 August 2017	64.4	100%
17	Hangzhou-Banshan Tianyuanwai (半山田員外)	Gongshu District, Hangzhou	30 November 2010	12 June 2015	148.3	100%
18	Inner Mongolia-Jinyu Times City	Saihan District, Huhhot	29 May 2007	23 June 2014	14.9	100%
19	Inner Mongolia-Jinyu Elegancy City	West of Zhonghai, Inner Mongolia	13 June 2012	15 November 2015	84.5	100%
20	Inner Mongolia-Global Financial Center	Saihan District, Huhhot	29 May 2007	1 October 2017	152.2	100%
21	Tangshan-Jinyu Lefu	Lubei District, Tangshan, Hebei	23 August 2010	20 June 2016	161.8	80%
22	Haikou-Haidian River Site	Haidian Island, Haikou	28 December 2012	30 April 2018	262.9	100%
23	Ma'anshan-Jiashanshu (佳山墅)	Huashan District, Ma'anshan	14 March 2013	15 May 2016	94.9	100%
24	Beijing-Others	-	-	-	45.7	-
25	Beijing-Changyang Commodity Housing	Changyang Town, Fangshan District, Beijing	27 August 2013	16 November 2016	80.0	100%
26	Beijing-Western Xijiao Gravel Plant Plot	Tiancunshan, Haidian District, Beijing	6 December 2013	10 November 2017	98.2	100%
27	Nanjing-Jinyu Zijinfu (金縷紫京府)	Jianye District, Nanjing	31 October 2013	1 April 2019	172.6	100%
28	Chendu-Wuhou Longxijun	Wuhou District, Chengdu	12 March 2014	30 December 2016	338.6	80%
29	Shanghai-Jiading Juyuan	Juyuan New District, Jiading District, Shanghai	23 October 2014	30 September 2018	370.0	100%
30	Ningbo-Yao River Lock	East side of Yao River lock, Ningbo	19 September 2014	30 April 2018	67.5	100%
31	Beijing-Zhangguo Zhuang	Guogongzhuang, Changxindian, Fengtai District, Beijing	29 October 2014	30 June 2018	279.0	70%
32	Qingdao-Zhenjiang Road Plot	12 Zhenjiang Road, Shibei District, Qingdao	16 December 2014	30 June 2018	219.6	100%

MANAGEMENT DISCUSSION & ANALYSIS

No.	Project Name	Geographic Location	Date of Land Acquisition	Estimated Project Completion Date	Total Land Reserve as at 31 December 2014 (thousand sq.m.)	Percentage of the Group's Interest
II. Affordable housing Sub-total					546.1	
1	Beijing-Kanghuiyuan	No. A1 Shuangqiao Road, Chaoyang District, Beijing	6 July 2010	20 March 2016	20.6	100%
2	Beijing-Chaoyang New City Group D	Dong Ba, Chaoyang District, Beijing	23 May 2011	17 November 2015	139.3	100%
3	Beijing-Beiao Plot	Dahongmen, Beijing	29 January 2013	To be confirmed	245.9	100%
4	Beijing-Nankou Quarry Plot	Nankou Town, Changping District, Beijing	23 December 2013	To be confirmed	86.1	100%
5	Others	-	-	-	54.2	-

In 2014, the property development segment recorded revenue from its principal business of RMB15,536.6 million, a year-on-year increase of 3.9%, while the gross profit from its principal business was RMB5,411.2 million, a year-on-year increase of 2.6%. The booked GFA was 1,497,200 sq.m. for the year, a year-on-year increase of 27.2%, among which booked GFA of commodity housing amounted to 966,700 sq.m., a year-on-year increase of 33.8%, and booked GFA of affordable housing amounted to 530,500 sq.m., a year-on-year increase of 16.8%. The aggregated contracted sales area of the Company was 1,473,500 sq.m., a year-on-year decrease of 12.5%, among which contracted sales area for commodity housing amounted to 1,296,500 sq.m., a year-on-year increase of 1.8%, while contracted sales area for affordable housing amounted to 177,000 sq.m., a year-on-year decrease of 56.9%. As at the end of the Reporting Period, the Company had a land reserve totaling 5,164,900 sq.m..

MANAGEMENT DISCUSSION & ANALYSIS

4. Property Investment and Management Segment

The Company adhered to its strategy of developing real estate projects in Beijing, resulting in continued asset value appreciation and profitability growth. The segment maintained a stable growth, driven by the continuous corporate adjustment and integration, the accelerated transformation and upgrading of property business, enhancement of management of project operation and improvement of service and project quality. Despite the pressure of increased market supply of office buildings, the Company maintained a relatively high occupancy rate thanks to the adoption of flexible and sound operating strategies, and its continuous optimization of customer structure, making the most of brand effects of quality customers. With its ever-enhancing service management quality, the Company continued to launch innovative services. The hotel and leisure sector stepped up efforts in brand building, timely adjusted its marketing strategies, expanded operating channels, proactively adapted to the market changes and adopted various measures to develop new customer resources, thus reaping the expected operating results. Leveraging on continuous optimization and integration, both the industrial property leasing sector and the community property management sector further enhanced the consolidated service capability, upgraded assets renovation and increased assets return, and gradually demonstrated the brand effects.

In 2014, the property investment and management segment recorded operating revenue from its principal business of RMB2,192.4 million, a year-on-year increase of 12.7%, while gross profit from its principal business was RMB1,336.7 million, a year-on-year increase of 13.8%. As at the end of the Reporting Period, the Company had investment properties totaling 749,000 sq.m. in the core districts of Beijing. The consolidated average occupancy rate was 90% and the consolidated average rental unit price was RMB7.5/sq.m./day.

MANAGEMENT DISCUSSION & ANALYSIS

Investment Properties Held by the Group as at 31 December 2014

Building/Property Name	Location	Usage	Property Gross Area (thousand sq.m.)	Fair Value (RMB million)	Rental Unit Price (RMB/ sq.m./day)	Average Occupancy Rate (Note)	Unit Fair Value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	Commercial	106.1	2,814.3	11.2	92%	26,522
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	Commercial	140.1	2,964.3	7.3	94%	21,156
Phase 3 of Global Trade Center (Ground Floor Commercial)	North Third Ring Road, Beijing	Retail	55.0	1,068.8	7.1	100%	19,425
Tengda Plaza	West Second Ring Road, Beijing	Commercial	69.5	1,456.6	8.9	92%	20,957
Jin Yu Building	West Second Ring Road, Beijing	Commercial	41.2	941.4	7.7	94%	22,874
Jianda Building/ Jiancai Jingmao Building	East Second Ring Road, Beijing	Commercial	51.2	1,206.5	4.9	94%	23,567
Dacheng Building	West Second Ring Road, Beijing	Commercial	36.9	850.4	9.5	78%	23,072
		Sub-total	500.0	11,302.3			
Other properties	Beijing Municipality	Commercial and retail	249.0	2,749.5	7.5	90%	18,760
		Total	749.0	14,051.8			

Note: The Group leases its investment properties under operating lease arrangements, with most of the leases negotiated for terms ranging from 1 to 19 years.

All the above investment properties are located in the PRC and held under medium term leases.

MANAGEMENT DISCUSSION & ANALYSIS

Analysis of Assets and Liabilities

Unit: RMB'000

	As at 31 December 2014	As at 31 December 2013	Change
Cash and bank balances	10,980,171.60	8,595,510.33	27.7%
Inventories	48,853,159.42	37,602,014.26	29.9%
Available for sale financial assets	1,105,113.25	505,404.30	118.7%
Construction in progress	834,891.67	1,699,222.84	-50.9%
Short-term financing bonds payable	6,600,000.00	3,000,000.00	120.0%
Bonds payable	9,069,911.16	6,305,600.00	43.8%

Cash and bank balances increased by approximately RMB2,384,661,000 as compared with that of the beginning of the Reporting Period, mainly attributable to the increase in non-public placement of shares, equity financing of property projects and expansion of the scale of borrowings by the Company during the Reporting Period.

Inventories increased by approximately RMB11,251,145,000 as compared with that of the beginning of the Reporting Period, mainly attributable to the increase in the expenditure of land reserve and the investment of projects in progress under the property development segment of the Company.

Available for sale financial assets increased by approximately RMB599,709,000 as compared with that of the beginning of the Reporting Period, mainly attributable to the financing of the Fangshan property development project of the Company for the acquisition of CITIC-CP Asset Management Co. Ltd.'s asset management scheme.

Construction in progress decreased by approximately RMB864,331,000 as compare with that of the beginning of the Reporting Period, mainly attributable to the transfer of construction in progress of the cement enterprises of the Company to fixed assets.

Short-term financing bonds payable increased by RMB3,600,000,000 as compared with that of the beginning of the Reporting Period, mainly attributable to the increase in issuance of short-term financing bonds by the Company.

Bonds payable increased by approximately RMB2,764,311,000 as compared with that of the beginning of the Reporting Period, mainly attributable to the increase in issuance of bonds by the Company.

MANAGEMENT DISCUSSION & ANALYSIS

Analysis of Financial Position for the Reporting Period**1. Principal business operations**

Unit: RMB million

	Revenue from principal business	Cost of sales from principal business	Gross profit margin from principal business (%)	Increase or decrease in revenue from principal business compared with last year (%)	Increase or decrease in cost of sales from principal business compared with last year (%)	Increase or decrease in gross profit margin from principal business compared with last year
Cement and Ready-mixed Concrete	12,722	10,709	15.8	-3.1	-0.3	Decrease of 2.4 percentage points
Modern Building Materials and Commerce and Logistics	10,522	9,551	9.2	-28.2	-29.9	Increase of 2.2 percentage points
Property Development	15,537	10,125	34.8	3.9	4.6	Decrease of 0.5 percentage point
Property Investment and Management	2,192	856	61.0	12.7	11.1	Increase of 0.6 percentage point
Eliminations	-411	-346	-	-	-	-
Total	40,562	30,895	23.8	-8.5	10.5	Increase of 1.6 percentage points

2. Investment properties measured at fair value

The Company conducted a subsequent measurement of investment properties at fair value at the end of the Reporting Period. Changes in fair value are recognized as “gains from changes in fair value” in the consolidated income statement. The fair value is reassessed by an independent professional qualified valuer based on the prices in the open market on a regular basis.

No depreciation or amortization of investment properties is included in the financial statements. The book value of investment properties is adjusted based on their fair value at the end of the Reporting Period. The difference between the fair value and the original book value is recognized in the profit or loss for the current period.

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group were RMB628.3 million, accounting for 16.5% of the profits before tax. The fair value gains on investment properties during the Reporting Period were mainly due to an upward revision to the fair value of the investment properties of the Group by the valuer given the overall surge in rental of commercial properties in the open market in Beijing during the Reporting Period.

MANAGEMENT DISCUSSION & ANALYSIS

3. Expenses during the Reporting Period

- (1) Selling expenses were RMB1,521.6 million, a decrease of RMB44.7 million year-on-year. Such decrease was mainly due to the decrease in agency intermediary fee and transportation expenses.
- (2) Administrative expenses were RMB2,886.6 million, an increase of RMB75.3 million year-on-year. Such increase was mainly due to the increase in employee remuneration and repair expenses.
- (3) Finance costs were RMB1,209.4 million, an increase of RMB191.9 million year-on-year. Such increase was mainly due to the increase in size of interest-bearing liabilities.

4. Cash flows

During the Reporting Period, a net increase of RMB613.2 million in cash and cash equivalents was recognized in the consolidated financial statements of the Company. Such increase was the net result of (i) the net cash outflow generated from operating activities of RMB6,156.2 million, representing an increase in outflow of RMB5,596.4 million year-on-year, which was attributable to the increase in the expenditure of land reserve under the property development segment of the Company; (ii) the net cash outflow generated from investment activities of RMB1,616.9 million, a decrease in outflow of RMB2,101.4 million year-on-year, which was attributable to the decrease in the Company's acquisition and construction of fixed assets and investments in projects; (iii) the net cash inflow generated from financing activities of RMB8,387.4 million, an increase in inflow of RMB1,799.8 million, which was attributable to the increase in non-public placement of shares, equity financing of property projects and expansion of the scale of borrowings by the Company during the Reporting Period and (iv) the exchange realignment of RMB1.1 million.

MANAGEMENT DISCUSSION & ANALYSIS

Core Competence Analysis

The Company is one of the 12 large cement enterprises that received key support from the Central Government, and the biggest cement manufacturer and supplier in the region covering Beijing, Tianjin and Hebei Province. Benefiting from the unique geographical advantages and national strategy of synergetic development of Beijing, Tianjin and Hebei Province, and the synchronized development of Beijing and Tianjin, the Company has developed notable edges in regional scale and market dominance, and has become a leading cement enterprise which is devoted to low-carbon, environmental protection, energy-saving and emission reduction initiatives, as well as development of the circular economy. As one of the largest affordable housing developers in Beijing, the Company owns low-cost land reserve for property development and abundant industrial land reserve in first-tier cities. Also, the Company is a leading supplier of green, eco-friendly and energysaving building materials in the Pan Bohai region and is one of the largest holders and managers of investment properties in Beijing. The four major business segments of the Company have witnessed strong growth and synergetic development by extending their principal businesses to more than 20 provinces, cities and regions in the PRC.

The core competitiveness of the Company is detailed as follows:

1. **Competitive Edge in the Industrial Chain:** The Company develops a core industrial chain in the form of “cement and ready-mixed concrete – modern building materials manufacturing and commerce and logistics – property development – property investment and management”, resulting in a unique development model with all four major business segments incorporated. With acceleration of industrial transformation and upgrading, the cement industry has turned from a grey industry to a green one, while the industry’s development layout has shifted from single products to a comprehensive industrial chain. By leveraging the advantages accumulated in the manufacture of green building materials, the Company extends its industrial chain upward and downward and expands toward property development. While focusing on business collaboration and high-end development, the Company has developed toward the modern service sector, including modern property management services and financial services. The Company has also evolved its edge in modern service sector through “Jingmaotong” (京貿通), the first foreign trade comprehensive services integrated platform in Beijing. The overall advantage stands out with prominent inter-segmental synergy. With industrial chain as the core, the advantages of scale, synergy and integration of the Company have witnessed continuous enhancement.

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2. **Competitive Edge in Technology R&D:** The Company enhances its overall strength through technology innovation and continues to increase investment in technology R&D, which gives the Company a sharp edge in the industry in respect of technologies. Technology innovation nurtures new economic growth point and strengthens the momentum of industrial development for the Company. The Company obtained the approval to establish science association and academic expert service centre. The Company's technology center passed the re-evaluation for state-level enterprise technology center with outstanding results. BBMG Academia Sinica (金隅中央研究院) was approved as a post-doctoral scientific research workstation, and enterprises including Academy of Scientific Research (科研總院) were approved as Beijing International Science and Technology Cooperation Base. The Company established the technology innovation system of "1+N+X" with BBMG Academia Sinica, professional R&D institutions as well as the enterprise's technology centre, engineering centre and key laboratory as its core players. The Company also established a mature cooperation mechanism of "production, study, research and application" with tertiary institutes and scientific research institutions including the University of Beijing, Beijing University of Technology and University of Science & Technology Beijing. In addition, the Company established and improved the system of dispatching chief technology officer, realizing the localization, regionalization, normalization of technical support service. The Company built technology innovation platforms of various levels including the academic workstation, the municipal-level technology cooperation base and the state-level testing centre.

With an investment of RMB650 million in technology R&D in 2014, the Company recorded revenue from sales of new products of approximately RMB2.5 billion, undertook 13 state-level science and technology projects, received 19 provincial and ministry-level (including industry) technology awards (among which, the construction of prevention mechanism of hazardous waste and pollution, as well as the key technology research and demonstration project won the Second Class Award of Science and Technology from the Ministry of Environmental Protection of the PRC), obtained 55 national patents, and played a leading role in formulating 17 national, industrial and local standards. The Company was recognized as a high-tech enterprise in Zhongguancun National Independent Innovation Demonstration Zone (中關村國家自主創新示範區) in 2014, creating new favourable conditions for further expediting the industrial transformation and upgrading as well as the building of innovation-driven patterns.

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3. **Competitive Edge in Sustainable Development of Green Operations:** Based on the integration of Beijing, Tianjin and Hebei Province and the objective of developing “people-oriented Beijing, high-tech Beijing and green Beijing” (人文北京、科技北京、綠色北京), the Company adapted to the capital’s positioning of core functions by putting more efforts in developing circular economy and low-carbon economy and establishing a sound system for environmental management, with an aim to accelerate its pace towards transformation and upgrading and embark on a sustainable path for green development. As one of the first pilot enterprises in China to develop the circular economy, the Company cooperates with the government to build a garbage pollution-free city by promoting the circular economy model with “resources-products-wastes-renewable resources” (資源－產品－廢棄物－再生能源) as its core procedure. The Company has accumulated a wealth of experience in the synergetic use of cement kiln for the disposal of waste and has developed a comprehensive scientific research system that focuses on hazard-free disposal of urban waste. In addition, the Company independently developed, built and operated a number of environmental protection facilities, including the first demonstration line of utilizing cement kiln for hazard-free disposal of industrial solid waste in China, the first production line of applying the synergetic use of cement kiln for the disposal of fly ashes from garbage incineration in China, and an integrated treatment center for hazardous waste which is equipped with the nation’s most advanced technology and facilities under the most comprehensive system. With the capacity to dispose of more than 200,000 tonnes of sludge, tens of thousands of tonnes of fly ashes and 43 types of hazardous waste per year, the Company is in charge of disposal of around 90% of hazardous waste in Beijing. The Company continues to launch new building material products, including ready-mixed mortar, modern unshaped refractories, heat-preservation materials in external walls such as glass wool and rock wool, and high-grade wooden doors and windows, which are environment-friendly, energy-saving and low-carbon with heat-insulation, heatpreservation and fireproof features. The Company successfully formulated quality and quantity standards for the transformation and upgrading of manufacturing enterprises, efficiently promoted the standardization of environmental protection, the environmental self-supervision and examination as well as the rectification and implementation mechanism for the enterprise, which maximize the Company’s economic and resource usage efficiencies. As a result, the Company has made significant contributions to urban development, environmental safety and social harmony, and became the first cement enterprise which received the “China’s Environment Award” (中華環境獎), a distinctive honor in the environmental protection field. The Company was the only enterprise to win the “Green Ecology Media Award” (綠色生態傳媒大獎) under the Beijing Influence Award (北京影響力). Beijing Cement Plant Co., Ltd., Beijing Liulihe Cement Co., Ltd. and Tianjin Zhenxing Cement Co., Ltd., all being subsidiaries of the Company, were among the first batch of enterprises recognized as “Energy Conservation and Emission Reduction Model Enterprises” in the building material sector.

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In 2014, the Company invested approximately RMB380 million in implementing environmental protection measures and clean energy transformation, and obtained the environmental protection incentive fund of more than RMB50 million from the government. The Company strengthened the comprehensive utilization of resources, with over 40 of its subsidiaries benefiting from the preferential tax policy in relation to comprehensive utilization of resources, over 50 certificates on comprehensive utilization of resources held as well as comprehensive utilization of 20 types of waste listed in the state directory totaling nearly 30 million tonnes. The residual heat power generators established by the cement enterprise subordinated to the Company has a total capacity of 185 MW. Upon the commencement of operation, it is expected that nearly 1.2 billion kWh of electricity can be provided per year, with reduction in consumption of standard coal by approximately 400,000 tonnes and CO₂ emissions by nearly 1 million tonnes. Among them, the project that has been completed and put into operation generates a total of approximately 800 million kWh of electricity per year, saving electricity charge of approximately RMB360 million. Enterprises including Beijing Cement Plant Co., Ltd were granted titles of the “First Cement Green Mines in China” and “Outstanding Technology Group for Contribution to Circular Economy in China”.

4. **Competitive Edge in Industry-Finance Integration:** The establishment and operation of BBMG Finance Co., Ltd. marks a significant step for the Company as its capital operational capacity and capability enter a new stage. BBMG Finance Co., Ltd. offers a new platform to enhance BBMG’s overall capital operational efficiency, diversify financing channels and prevent capital risks, facilitating the organic integration between industry capital and financial capital. By broadly cooperating with banks and financial institutions, the Company explores and adopts a wide variety of financing methods, including non-public offering, corporate bonds and convertible bonds. The multi-level and multi-channel financing approach effectively improves capital operational capacity and management efficiency, and further reduces corporate financing costs. In 2014, the Company completed its non-public offering of A Shares and raised funds of approximately RMB2.8 billion. The Company extended the maturity of bonds of approximately RMB1.324 billion by successfully reselling the portion of “2009 BBMG Bond” which sold back by investors at a lower rate as compared to bonds of the same category with the same maturity. The Company issued new short-term financing bonds of RMB6.6 billion, medium-term notes of RMB3.5 billion and private placement bonds of small-and-medium enterprises of RMB200 million, and applied for mid-and-long term business property loan of RMB3 billion. The Fangshan development project by BBMG GEM Real Estate Development Co., Ltd. served as a carrier to inject equity capital of RMB1.2 billion at a low cost. The Company further diversified the investment methods for overall development, expanded the financing channels and further strengthened capital protection.

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5. **Competitive Edge in Corporate Culture and Branding:** The Company established a scientific model for the control and management of corporate culture and improved the management procedures of the same. The Company forms core values of “faith, respect and responsibility” under the principle of “showing personality while obtaining general acceptance among employees, embracing core tasks while delivering results as soon as possible” (突出自身特色·員工普遍認同·圍繞中心任務·儘快見到成效), as well as the basic framework for the core essence of BBMG’s corporate culture which is composed of human spirits of “three emphasis and one endeavor” (三重一爭), “integration, communion, mutual benefit and prosperity” (共融·共用·共贏·共榮) and “eight specials” (八個特別). The Company established a comprehensive talent-fostering project to form BBMG’s talent cultural concept of “adopting people-oriented approach for everyone to develop their talents”, and established and improved the mechanism to foster, appoint, evaluate, encourage and exchange talents, thereby strengthening the employees’ loyalty, sense of identity and sense of belonging to the enterprise, as well as igniting and maintaining the powerful momentum to effectively drive the development of the enterprise. According to China’s 500 Most Valuable Brands issued by the World Brand Lab, BBMG’s brand value has exceeded RMB20 billion and “BBMG” has been consecutively honored as a well-known trademark in Beijing. The unique culture raises the brand awareness and prestige of BBMG. The continuous growth in corporate culture has created a sound cultural atmosphere and intelligence support for the materialization of development vision and objectives of the Company.

Discussion and Analysis on Future Development

1. Industry competition pattern and development trend

Currently, the global economy is still lingering in the post-financial crisis adjustment period, and there seems to be no clear signs of a significant overall recovery. Meanwhile, China’s economy is becoming more sophisticated, specialized and logical in structure. The economic development is entering into a phase of “new normal”, featuring a shift from highspeed growth to a medium-to-highspeed growth, and from an extensive pattern of scale and speed-oriented growth to an intensive pattern of quality and efficiency-oriented growth. The economic structure has undergone a transformation from highlighting quantity and capacity to enhancing quality and efficiency while adjusting existing resources. New growth points outperform traditional ones to be the momentum of economic growth. Although China is facing high pressures of economic downturn and the temporary adverse impact of restructuring appears, the economic fundamental upsides remain unchanged as a whole. The direction of “making progress while maintaining stability” is still quite clear. Understanding, adapting to and leading the “new normal” will remain for some time the “main logic” of China’s economic growth.

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In 2015, by adhering to the key note of “making progress while maintaining stability” with a priority to improving the quality and efficiency of economic development, China will take initiatives to adapt to the “new normal” of economic development, maintain economic operation within a reasonable range, emphasize model transformation and restructuring, tackle difficult problems, drive innovation, strengthen risk management, protect people’s livelihoods, so as to promote the steady and healthy economic growth and social harmony.

Cement industry: During the past year, despite further decrease in investment and growth rate of production capacity and volume of cement industry, the nationwide overcapacity has not been solved. In addition, the cement industry saw an unprecedentedly heightened environmental pressure and the calls for firmer dominance and voice in regional markets. In 2015, faced with huge overcapacity and increasingly fierce market competition, the industry’s development will rely on strategies of mergers and reorganizations and “going global”. Establishing environmental-friendly cement enterprises through transformation and upgrade, energy conservation and emission reduction will become an inevitable trend of the industry.

Property industry: During the past year, growth of investments in the property industry continued to slow down. Sales turnover and sales area decreased on a year-on-year basis and uncertainty in the property market grew significantly, especially in third and fourth-tier cities. The Chinese government continued to deepen the adjustments for the property market while eased the control over the property industry. Despite the various uncertainties in the market in 2015, the real estate policies will become more steady and easy as the economy enters a phase of “new normal”. Under the principles of stabilizing housing prices and supporting demands for owner-occupancy and housing condition upgrades, there will be further diversification and differentiation in the regulatory policies of different regions, which will accelerate the establishment of a long-term mechanism for stable and healthy development of the industry.

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2. The Company's development strategies

2015 will be a crucial year for China to deepen reforms. It will also be a year when difficult problems of economic development will be tackled in face of the "new normal". In response to the new characteristics, laws and requirements of economic development in the "new normal" phase, the company will adapt the changes, seize the opportunities arising from reforms, stay ahead to develop new trends and continue to strengthen and expand our principal business by grasping the opportunities arising from the synergetic development of Beijing, Tianjin and Hebei Province and giving full play to its advantages of location, market control, technology management and brand culture. Based on the BBMG model of overall, comprehensive and rapid development, we will strive to deepen internal integration and expand cooperation with external parties, service the base market of Beijing and develop new markets for strategic resources integration, in order to achieve a harmonious integration of economic, social and ecological benefits. The Company will further adjust and optimize its business structure, product structure, organizational structure, asset (capital) structure and human resources structure, which are closely linked to its sustainable development, to adapt to market competition and the "new normal" of economic development. By adhering to the development strategy of four major segments, the Company will improve the strategic layout in China by stages and expand overseas markets to achieve international development and improve the Company's overall strength and core competencies.

The strategies of each segment of the Company:

- (i) Based on the overall advantages of the Company, the cement and ready-mixed concrete segment will actively lead the industrial restructuring in the region, optimize and enrich the "grand cross-shape" strategic layout, build certain concentrated industry bases of enterprises in each region, enhance product concentration in regional markets and extend the industrial chain in an orderly manner, so as to strengthen its position as a leading player and strengthen the control and influence over regional markets. By leveraging on the Company's technological improvement, the segment will strengthen the internal control, press for transformation and upgrade, and improve business profitability and sustainability to achieve a healthy, stable and coordinated development.

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- (ii) The modern building materials and commerce and logistics segment will continue to adhere to the “industrial park-based” growth and “integrated” sales pattern, speed up adjustments in transformation of layouts and park construction, and make use of its advantages in industry concentration and industry synergy. Upholding the quantitative standard of becoming a leading player in the industry and leveraging on benchmark management, the segment will further strengthen the fundamentals, continue to focus on the principal business and make innovation in sales models to expand market share and improve profitability. The commerce and logistics sector will need to introduce and draw lessons from mature risk management mechanisms, enhance risk management of bulk commodity business and expand business scale to create new and better conditions for sustainable and quality development in the segment.
- (iii) The property development segment will adhere to the guidelines of “accelerating cash flow” and “adjustment to two structures”, and make the most of the macro control policies in a scientific approach. Based on strengthened capabilities in prediction of policy information and capturing of market opportunities, the segment will accurately judge market trends and changes, actively pursue market leadership, strengthen selfbuilding capacity, actively respond to market needs and improve supporting services of products for a breakthrough in property sales. The segment will also actively expand its financing channels and make innovations in development models in order to achieve an efficient and rapid growth.
- (iv) The property investment and management segment will deepen adjustments and consolidation in response to the complex economic situations, optimize resources allocation, make timely adjustments to development strategy and positioning, improve quality of assets management, and actively promote innovation in operations. Service upgrading will be promoted by introducing new technology, new business forms and new methods so as to increase the technical content and the added value of property services and maintain a sustainable growth in this segment.

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3. Operating Planning

2015 is the last year of the “12th Five-Year Plan”. In face of the complicated and volatile economic environment and new opportunities arising from reforms and development, the Board will study and make prudent judgements on macroeconomic conditions and industry dynamics. The Company will optimize its layout, strengthen its management, transform and upgrade and promote innovative development to make a fresh progress and lay a solid foundation for the formulation and implementation of the Company’s upcoming “13th Five-Year Plan”.

4. Capital Requirements for the Company to Maintain Current Businesses and Complete the Construction-in-Progress Investment Projects

In 2015, the Company will ensure normal production and operation by making overall plans to allocate capital and arrange for the proper use of capital. Meanwhile, the Company will further optimize its asset structure, intensify management over the progress of sales and settlement, strictly control various expenses and fully utilize various financial instruments to lower the costs of using capital, so as to ensure the benign circulation of cash flow to finance the Company’s strategic development.

5. Possible Risks

(i) Risks in Policies

Cement and property sectors are directly subject to macroeconomic development and macroeconomic control policies. Transformation and upgrade for sustainable development will become the main theme for cement companies, given the excessive production capacity across the cement industry and the heightened control of governments over overcapacity and environmental pollution. Before the long-term mechanisms conducive to healthy development of the real estate industry become mature, regulatory policies for the real estate industry, especially at regional levels, will be further differentiated and diversified.

Solution: Leveraging fully on the advantages in scale, region and brand, the Company will sharpen its core competence and minimize the risks brought by macroeconomic policies through enhancing the interpretation, analysis and judgment of the national macroeconomic policies, actively adapting to the “new normal” in response to national policies, making use of market trends, raising the awareness in opportunity identification, synergy among industry segments and development and incrementally enhancing the abilities in institutional innovation, system innovation, technology innovation and management innovation.

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(ii) Risks in Market Competition

The regional market where the cement and ready-mixed concrete segment of the Company operates is faced with unbalance in demand and supply and fierce price competition among enterprises, with concentration in need of further improvement, and which constrains and impedes the profitability of the cement segment of the Company.

Solution: Adhering to the principal business of cement, the Company will expedite the development of up and down-stream products and businesses such as aggregate, commercial concrete, mortar and cement products, and improve the layout of concrete stations to expand its regional market share. Meanwhile, the Company will intensify internal management and boost its market competitiveness by accelerating transformation and upgrading, enhancing technology research and development and innovation, tweaking equipment and technologies, saving energy and reducing consumption and lowering production costs.

(iii) Risks in Capital Operation

In 2015, the central bank will maintain a prudent monetary policy and a steady growth of credit and social financing scale. The interest rate liberalization will further drag down the growth rate of medium-to-long term credit. Since it is in the stage of rapid development, the Company will face certain level of financial pressures to maintain daily operations and meet needs of future development.

Solution: The Company will strengthen budget and liquidity management, improve coordinated capital allocation, and expand the scope of financing products and channels. BBMG Finance Co., Ltd. will continue to optimize its operation to give full play to its role as a financial vehicle and a platform for managing liquidity and economic risks.

Liquidity and Financial Resources

As at 31 December 2014, the Group's total assets amounted to RMB115,685.0 million, an increase of 17.0% from the beginning of the Reporting Period, of which liabilities amounted to RMB79,437.6 million, minority interests of RMB5,140.1 million and total equity attributable to the shareholders of the parent company of RMB31,107.3 million. The asset quality of the Group was significantly improved. Total equity attributable to shareholders amounted to RMB36,247.4 million, an increase of 20.7% from the beginning of the Reporting Period. As at 31 December 2014, the Group's net current assets were RMB15,505.2 million, an increase of RMB7,407.9 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2014 was 68.7%, a slight decrease of 0.9 percentage point from the beginning of the Reporting Period.

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As at 31 December 2014, the Group's cash and bank balances amounted to RMB10,980.2 million, an increase of RMB2,384.7 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, corporate bonds, medium-term notes and banking facilities provided by its principal bankers in the PRC. As at 31 December 2014, the Group's interest-bearing bank borrowings amounted to RMB21,728.6 million (as at 31 December 2013: RMB21,692.9 million) and bore fixed interest rates. Of these borrowings, approximately RMB14,949.1 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB136.1 million from the beginning of the Reporting Period. Approximately RMB6,779.5 million interest-bearing bank borrowings were due for repayment after one year, a decrease of approximately RMB100.4 million from the beginning of the Reporting Period.

During the Reporting Period, the Company signed cooperation agreements with various banks to obtain credit facilities. The Company has sufficient capital for its operation. As at 31 December 2014, the Group has no future plans for material investments or capital assets.

Material Acquisitions or Disposal of Subsidiaries

During the Reporting Period, the material disposal of subsidiary of the Group that was required to be disclosed is as follows:

On 26 August 2014, BBMG GEM Real Estate Development Co., Ltd. ("**BBMG GEM**") (a wholly-owned subsidiary of the Company), Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (the "**Project Company**") (an indirect wholly-owned subsidiary of the Company through BBMG GEM) and CITIC-CP Asset Management Co. Ltd. ("**CITIC-CP Asset Management**") entered into the Capital Increase Agreement pursuant to which CITIC-CP Asset Management agreed to make a capital contribution of RMB1,200 million to the Project Company (the "**Capital Increase**").

Upon completion of the Capital Increase, (i) the registered capital of the Project Company shall be RMB2,372,549,020; and (ii) the equity interest in the Project Company shall be held as to 51% by BBMG GEM and as to 49% by CITIC-CP Asset Management.

The Project Company is principally engaged in the business of property development and sale of commodity housing. It has entered into a land use right contract with the relevant government authority for the Fangshan Project, which is a project located at parcels of land including land no. 10-01-05 situated at Fangshan Xincheng Liangxiang Zutuan, Fangshan District, Beijing (Land Parcel No.1 of Institute of Technology), intended to be developed into commodity housing units.

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The Company believes that the transactions contemplated under the Capital Increase Agreement are highly beneficial to the Company and its shareholders as a whole by providing a strong and stable source of capital for the Project Company to develop the Fangshan Project, which would enrich the Group's property development model and improve debt and asset structure of the Group. Following the completion of the Capital Increase, the Project Company would remain a subsidiary of the Company and the Company would remain in control of the future development of the Project Company.

Save for the transaction disclosed above, the Group had not conducted any material acquisition or disposal of subsidiaries and associates that was required to be disclosed during the Reporting Period.

Material Contracts

On 5 September 2013, the Board approved the proposed non-public issue and placing of not more than 500,903,224 A Shares (the "**Proposed Placing**") at the subscription price of RMB5.58 per share by the Company to two target subscribers including BBMG Group and Beijing Jingguofa Equity Investment Fund (Limited Partnership) (the "**Fund**") (the "**Parent Subscription**" and the "**Fund Subscription**", respectively). Each of BBMG Group and the Fund agreed to subscribe for 448,028,673 A Shares and 52,874,551 A Shares to be issued by the Company at a total consideration of approximately RMB2,500 million and RMB295 million respectively.

Assuming no further shares was issued by the Company prior to the completion of the Proposed Placing, the Parent Subscription and the Fund Subscription, upon completion of the Proposed Placing, the Parent Subscription and the Fund Subscription, the interests held by BBMG Group, the Fund and parties acting in concert with any of them (the "**Combined Concert Group**") would increase from 43.07% to 49.03% of the total issued share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing, the Parent Subscription and the Fund Subscription. The Combined Concert Group would, in the absence of the whitewash waiver (the "**Whitewash Waiver**"), be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Code on Takeovers and Mergers (the "**Takeovers Code**") as a result of the Proposed Placing, the Parent Subscription and the Fund Subscription.

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A formal application was made by the Combined Concert Group to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director (the “**Executive**”) for the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, was subject to, among other things, the approval by the Independent Shareholders at the Extraordinary General Meeting held on 30 October 2013 (the “**EGM**”) by way of poll. It was a condition precedent to completion of the Proposed Placing, the Parent Subscription and the Fund Subscription that the Whitewash Waiver was granted by the Executive.

On 10 October 2013, the Company was notified by BBMG Group that it has received on 10 October 2013 the approval from Beijing SASAC as to the Proposed Placing of the Company and therefore, one of the conditions precedent of the Proposed Placing, the Parent Subscription and the Fund Subscription has been fulfilled.

On 15 October 2013, the Executive has indicated that it has agreed, subject to the approval by the Independent Shareholders at the EGM by way of poll, to waive the Combined Concert Group from any obligation to make a general offer for all the shares under Rule 26 of the Takeovers Code as a result of the Proposed Placing, the Parent Subscription and the Fund Subscription.

At the EGM, all the relevant resolutions regarding the Proposed Placing, the Parent Subscription, the Fund Subscription and the Whitewash Waiver were duly passed.

As the Whitewash Waiver was granted by the Executive and the conditions imposed thereon are being fulfilled, the Proposed Placing, the Parent Subscription or the Fund Subscription would proceed as scheduled. In such case, the requirement of the Combined Concert Group to make a mandatory general offer under Rule 26 of the Takeovers Code as a result of the Proposed Placing, the Parent Subscription and the Fund Subscription would not be triggered.

On 7 March 2014, the Company received approval from CSRC for the Proposed Placing and therefore, all of the conditions precedent of the Proposed Placing, the Parent Subscription and the Fund Subscription have been fulfilled. After completion of the requisite procedures, the issue of A Shares under the Proposed Placing, the Parent Subscription and the Fund Subscription was completed on 26 March 2014.

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After completion of the issuance of A Shares, the total assets and net assets of the Group have increased substantially, and the capital strength of the Group has been improved. The gearing ratio of the Group further decreased, which is conducive to rationalizing its capital structure, minimizing its financial risks and enhancing its solvency. The net proceeds of approximately RMB2,774.7 million raised will be used for the development of the modern building materials and commerce and logistics segment of the Company. The competitiveness of the modern building materials and commerce and logistics segment will be further enhanced.

Use Of Proceeds From The Proposed Placing

Gross proceeds raised from the Proposed Placing were approximately RMB2,795 million. Based on the estimation of all applicable costs and expenses in association with the Proposed Placing, the net proceeds from the Proposed Placing (after deducting all applicable costs and expenses in association with the proposed placing) were approximately RMB2,774.7 million, and approximately RMB1,795.2 million of which would be used to fund the investment in the furniture manufacturing project situated at the BBMG Da Chang Industrial Park, Da Chang Hui Autonomous County, Hebei Province, the PRC (the "**Furniture Project**").

Due to the change of business plans and to make better use of existing resources instead of purchasing new facilities, the total investment amount for the Furniture Project is proposed to be adjusted from RMB2,538.1 million to RMB1,294.1 million, and the Company proposed to use RMB900.0 million of the net proceeds from the Proposed Placing to fund the Furniture Project, with the remaining net proceeds from the Proposed Placing of approximately RMB895.2 million to be used for the Group's working capital purposes (the "**Proposed Change of Proceeds**").

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Details of the Use of Proceeds from the Proposed Placing are as follows:

RMB million

No.	Project	Total Investment for the project according to the original plan	Total investment for the project after the change	Proceeds from the Proposed Placing to be used according to the original plan	Proceeds from the Proposed Placing to be used according to the proposed change of proceeds	Actual use of proceeds from the Proposed Placing during the Reporting Period
1.	Engineering project of BBMG international logistics park	1,369.4	1,369.4	979.5	979.5	172.4
2.	Furniture manufacturing project with an annual production capacity of 0.8 million pieces of furniture	2,538.1	1,294.1	1,795.2	900.0	203.9
3.	Proceeds not yet utilized (amount in the designated account for proceeds from the Proposed Placing)	-	-	-	-	204.2
4.	Agency fee and interest income to be paid	-	-	-	-	(5.8)
5.	Temporary replenishment of working capital (Note)	-	-	-	-	2,200.0
6.	Permanent replenishment of working capital	-	-	-	895.2	-
Total		<u>3,907.5</u>	<u>2,663.5</u>	<u>2,774.7</u>	<u>2,774.7</u>	<u>2,774.7</u>

According to the relevant PRC laws, Rules Governing the Listing of Stocks on Shanghai Stock Exchange and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Proposed Change of Proceeds is subject to the approval from the shareholders of the Company at the forthcoming annual general meeting of the Company for the year ended 31 December 2014 (“**2014 AGM**”). A resolution will be proposed by the Company at the 2014 AGM to consider and approved, if thought fit, the Proposed Change of Proceeds.

Note: The term of use for the RMB2,200.0 million from the idle proceeds from the Proposed Placing used by the Company as temporary replenishment of working capital shall be not more than 12 months from the date the Board considered and approved the use at a meeting on 12 April 2014, upon expiry of which the monies shall be returned to the designated account for proceeds from the proposed placing.

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Pledge of Assets

As at 31 December 2014, certain of the Group's bills receivable, inventories, fixed assets and investment properties amounting to RMB8,935.3 million (as at 31 December 2013: RMB5,791.8 million) were pledged to certain banks for securing the loans granted to the Group and accounted for approximately 7.7% of the total assets of the Group (as at 31 December 2013: 5.9%).

Contingencies

		As at 31 December 2014	Unit: RMB As at 31 December 2013
Provision of guarantee to a related party	Note 1	–	800,000,000.00
Provision of guarantee to third parties	Note 2	6,229,968,642.05	4,301,550,334.04
		6,229,968,642.05	5,101,550,334.04

Note 1: Being the guarantee provided by BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Company, to BBMG Group. As at 31 December 2014, BBMG Group repaid the loans, and the procedures on release of the investment properties from charge are in progress.

Note 2: Certain customers of the Group have purchased the commodity housing developed by the Group by way of bank mortgage (secured loans). According to the bank requirement in respect of the secured loans of the individual purchase of housing, the Group has provided guarantees to secure the periodical and joint obligation of such secured loans granted by banks for home buyers. These guarantees will be released upon obtaining building ownership certificates and completion of formalities of mortgage by the home buyers. The Directors are of the opinion that in the event of default in payments, the net realizable value of the relevant properties is sufficient to cover the outstanding mortgage principals together with the accrued interests and penalties, and therefore no provision for the guarantees has been made in the financial statements.

MANAGEMENT DISCUSSION & ANALYSIS

Commitments

	As at	Unit: RMB
	31 December 2014	As at 31 December 2013
Acquisition or construction of fixed assets which are contracted but not completed	135,966,972.58	163,519,660.43
Property development contracts which are contracted and being executed or will be executed	7,638,005,516.15	5,767,254,870.36
Equity acquisition contracts which are approved but not executed	245,668,600.00	–
	8,019,641,088.73	5,930,774,530.79

The significant commitments made by the Group as at 31 December 2013 have been duly performed as previously undertaken.

Significant Events After the Balance Sheet Date

Save for (i) the profit distribution proposal for 2014, whereby a cash dividend of RMB0.050 per share (inclusive of tax) will be distributed with a total amount of approximately RMB239,232,000 and subject to the approval of the Company's shareholders at the forthcoming 2014 AGM and (ii) the new proposed placing approved by the Board on 26 March 2015 to raise gross proceeds of up to RMB5,000 million to not more than 10 target subscribers (including the Parent) 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, details of which have been set out in the announcement of the Company dated 26 March 2015, as at the date of this report, the Group did not have any significant event after the balance sheet date required to be disclosed.

MANAGEMENT DISCUSSION & ANALYSIS

Employees and Remuneration Policy

As at 31 December 2014, the Group had 28,753 employees in total (as at 31 December 2013: 28,790). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB1,720.7 million (for the year ended 31 December 2013: RMB1,627.8 million), representing an increase of approximately of 5.7%.

During the Reporting Period, the Company's core technical team or key technical personnel remained stable in general, as there was no significant turnover of staff in the core technical team or staff possessing key technologies that are significant to the Company's core competitiveness. By a series of ongoing measures, such as stepping up efforts in both external and internal training and development, attracting and introducing core technical talents and carrying out practice and training in key positions, we were able to constantly optimize the staff structure of the Company, enabling the Company to develop toward a younger, more knowledgeable and professional direction, and to maintain a sound growth momentum in the establishment of a team of talents.

The Company has attached great importance to the training and development of core technical team and key technical personnel. The Company maintained the stability and expansion of staff by various measures, such as stepped-up efforts in training and development, providing training for key positions, job rotation, internal and external work exchange, on-the-job training, dual establishment of management and technical team, improved package and benefits for key personnel, enhanced benefits and protection for the key personnel and stepped up efforts in the introduction of talents as well as the "delivering-warm" project, resulting in the maintenance of core competitiveness and creativity of the Company.

The Company maximized the enthusiasm and creativity of its staff through staff deployment to give full play to synergistic growth of the staff income and economic benefits, so as to maintain the stability of our staff team as well as attract, introduce and retain talents, strengthening the core competitiveness and creativity of the development of the Company on an ongoing basis. The Company has established a fairer and more reasonable, scientific and standardized remuneration and benefit system for employees by making continuous improvement on the same. The adaptability and effectiveness of remuneration policy towards the Company's business development has played an active role in maintaining the capacity for the sustained robust development of the Company. As the actual situation of the Company and the features of business developments of its subsidiaries varied, with a view to executing the remuneration and benefit programme in a more flexible and efficient manner, the Company's remuneration policy was mainly implemented in certain forms set out as follows:

MANAGEMENT DISCUSSION & ANALYSIS

Operations and management staff (including senior management of parent company and subsidiaries) receives salaries mainly on an annual basis. The Company raised the proportion of performance-based pay in the total remuneration, as well as implemented deferred payment for the performance-based pay within their tenure of service, facilitating the performance of due diligence and diligent responsibility of senior management through its policies and systems. The Company adopted a position-based salary system for its general management, technicians and production personnel, featuring salaries according to role. The Company raised the proportion of fixed income to enhance the security function of salary and guarantee the stability of staff team through a well-established position evaluation system. Meanwhile, the Company put greater efforts in performance assessment to develop a fairer and more scientific income distribution system so that all staff could be benefited from the development of the Company. Focusing on the different characteristics of our subsidiaries, we also proactively explored a remuneration distribution system with various allocation factors for management, sales and technical personnel in a bid to boost the enthusiasm and creativity of key talents and enhance the production efficiency by adopting piece rate for production staff. The Company proactively facilitated the trial operation of a broad band salary system and the assessment and engagement system for professional and technical personnel and core staff for enterprises with solid foundation in management and stable business development, opened up channels for career development and remuneration adjustment, in order to give full play to boosting the enthusiasm and creativity of its staff and create a harmonious and stable working environment.

In addition, the Company has also established a sound benefit system for employees by paying comprehensive social insurance and housing fund, adopting annuity system (to supplement the pension insurance) and supplemental medical insurance. The Company released the high temperature subsidy and keep warm subsidy in a timely manner, and gave comprehensive protection for its staff in respect of their legal right and interest.

Training scheme

More than 9,000 people participated in the training scheme of the Company, including training for directors, supervisors and senior management, training for senior operational and management talents of enterprise, induction training for college graduates, training for human resources managers, training in investor relations, continuing education for legal advisers, training for special operations personnel, training in production and management for cement enterprises, training in environmental energy-saving quality, technology and statistics, training for the chief staff and training in the standardization of branches.

MANAGEMENT DISCUSSION & ANALYSIS

The statistics of the profession composition of the employees (as of 31 December 2014):

Employee profession	Number of employees
Production personnel	17,185
Sales personnel	2,976
Technical personnel	2,993
Financial personnel	1,053
Administrative personnel	3,427
Other personnel	1,119
Total	<u>28,753</u>

The statistics of the education level of the employees (as at 31 December 2014):

Education level	Number of employees
Postgraduate or higher	627
Undergraduate	7,923
Tertiary college graduate	5,796
Secondary vocational school graduates or lower qualifications	14,407
Total	<u>28,753</u>

MANAGEMENT DISCUSSION & ANALYSIS

Foreign Exchange Risk Management

The Group mainly operates its business in the PRC. During the Reporting Period, sales proceeds and procurement expenses of the Group were mainly denominated in RMB. Most of the Group's financial instruments such as accounts and bills receivable, cash and bank balances and borrowings are denominated in RMB. Accordingly, it is believed that the Group has minimal foreign currency risks. The Group has not used any forward contract or currency borrowing to hedge its interest rate risks. Fluctuations of the exchange rates of foreign currencies did not constitute any major challenges for the Group nor had any significant effects on its operations or working capital during the Reporting Period. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

Treasury Policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and bank balances are held mainly in RMB. Surplus cash is generally placed in short term deposits denominated in RMB.

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting to the shareholders their report and the audited financial statements of the Group for the year ended 31 December 2014. The Company was established and registered as a joint stock company with limited liability in the PRC under the Company Law of the PRC on 22 December 2005 and registered on 4 November 2008 as a non-Hong Kong company in Hong Kong under part XI of the Hong Kong Companies Ordinance. The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 29 July 2009. The A shares of the Company were listed on the Shanghai Stock Exchange on 1 March 2011.

Principal Activities

The principal activities of the Company are investment holding and property investment. 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 activities of the Group's principal subsidiaries are shown on pages 269 to 277. An analysis of the performance of the operating segments of the Group for the year by business segments is set out in Note XIV. 2 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the financial statements on pages 115 to 116 and 112 to 114 of this Annual Report.

No interim dividend had been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.050 per share (totaling approximately RMB239,232,000) for the year ended 31 December 2014 to the shareholders on or before 27 July 2015 subject to the approval of the shareholders of the Company at the forthcoming 2014 AGM.

As far as the Company is aware of, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the Reporting Period.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the Reporting Period are set out in Notes V. 13 and V. 12 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 32.

REPORT OF THE DIRECTORS

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years is set out on page 332 of this Annual Report. This summary does not form part of the audited financial statements.

Bank Loans, Corporate Bonds and Notes

Details of the Company's and the Group's bank loans, corporate bonds and notes as at 31 December 2014 are set out in Notes V. 22, 23, 31, 33 and 34 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB963,251,872.63, details of which were set out in Note V. 51 to the financial statements. Pursuant to the approval of a special resolution at the extraordinary general meeting of the Company held on 26 October 2012, the Company (1) issued the first tranche of short-term financing bonds in the total amount of RMB2.6 billion on 23 January 2014 with a coupon rate of 6.5%; (2) issued the second tranche of short-term financing bonds in the total amount of RMB2 billion on 17 March 2014 with a coupon rate of 5.49%; (3) issued the third tranche of short-term financing bonds in the total amount of RMB1 billion on 4 May 2014 with a coupon rate of 5.35%; and (4) issued the fourth tranche of short-term financing bonds in the total amount of RMB1 billion on 1 September 2014 with a coupon rate of 4.97%. Pursuant to the approval of a special resolution at the annual general meeting of the Company held on 22 May 2014, the Company (1) issued the first tranche of medium-term notes in the total amount of RMB2 billion on 15 October 2014 with a term of five years and a coupon rate of 5.35%; and (2) issued the second tranche of medium-term notes in the total amount of RMB1.5 billion on 17 November 2014 with a term of five years and a coupon rate of 5.3%. The proceeds of the short-term financing bonds and medium-term notes were used for general working capital and including but not limited to the capital requirements for project investments and capital operations.

Share Capital and Sufficiency of Public Float

Details of movements in the share capital of the Company during the Reporting Period are set out in Note V. 40 to the financial statements.

Up to the date of this report, based on publicly available information and to the knowledge of the Directors, the Company has been complying with the prescribed public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in Notes V. 41, 43, 44, 45 and 46 to the financial statements, the consolidated statement of changes in equity and the statement of changes in equity.

REPORT OF THE DIRECTORS

Distributable Reserves of the Company

As at 31 December 2014, an amount of approximately RMB8,749,324,200 standing to the credit of the Company's reserve account is available for distribution, of which RMB239,232,000 has been proposed as a final dividend for the year.

Directors and Supervisors

The Directors and the Supervisors of the Company who held office during the Reporting Period and up to the date of this report were as follows:

Executive Directors:

Jiang Weiping (*Chairman*)

Jiang Deyi (*President*)

Shi Xijun

Zang Feng

Wang Hongjun

Wang Shizhong

Non-executive Director:

Yu Kaijun (appointed on 7 August 2014)

Yu Shiliang (resigned on 6 June 2014)

Independent non-executive Directors:

Zhang Chengfu

Xu Yongmo

Yip Wai Ming

Wang Guangjin (appointed on 22 May 2014)

Hu Zhaoguang (resigned on 22 May 2014)

Supervisors:

Wang Xiaojun (appointed on 7 August 2014)

Li Bichi

Qian Xiaoqiang

Zhang Dengfeng

Zhang Yifeng

Wang Xin

Liu Yi (resigned on 6 June 2014)

Hu Jingshan (resigned on 27 August 2014)

REPORT OF THE DIRECTORS

The terms of office of the Directors and Supervisors of the current session of the Board and Supervisory Committee of the Company will be expired on 27 May 2015. The election of the new session of the Board and Supervisory Committee will be postponed as the nomination of Director and Supervisor candidates for the next session of the Board and Supervisory Committee of the Company has not been completed yet. The postponed election of the new session of the Board and Supervisory Committee will not be later than 27 November 2015.

Before the completion of new election, all Directors and Supervisors of the current session of the Board and Supervisory Committee and senior management of the Company shall exercise due diligence and care in discharging their duties and responsibilities in accordance with the laws, executive regulations and requirements of the articles of association of the Company (the “**Articles of Association**”).

The Company has received an annual confirmation issued by each of the independent non-executive Directors as to his independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all of the four independent non-executive Directors of the Company are considered as independent persons.

Directors’, Supervisors’ and Senior Management’s Biographies

Biographical details of the Directors, the Supervisors and the senior management of the Group are set out on pages 8 to 15 of this Annual Report.

Directors’ and Supervisors’ Service Contracts

None of the Directors or the Supervisors has entered into a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation, other than normal statutory compensation.

Directors’ and Supervisors’ Interests in Arrangements or Contracts

No Director or Supervisor, either directly or indirectly, has any interests in any arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

Directors’ Interests in Businesses Competing with the Group

None of the Directors has interests in any business which directly or indirectly competes or may compete with the Group.

REPORT OF THE DIRECTORS

Employee Retirement Plan

Please refer to Notes III. 21 and V. 36 to the financial statements for details of the Group's employee retirement plan.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Period.

Directors' and Supervisors' Remunerations

Details of the remunerations of the Directors and the Supervisors of the Company are set out in Note XIV. 4 to the financial statements.

The remuneration of the executive directors will be determined in the annual general meetings held by the Company based on the corporate policy on directors' remuneration as well as his workload and responsibilities. The remuneration of the non-executive directors and independent non-executive directors will be determined in the general meetings held for approving their appointment based on the corporate policy or directors' remuneration as well as his workload and responsibilities, of which the non-executive directors will receive RMB80,000 per year and the independent non-executive directors will receive RMB150,000 per year.

The remuneration of supervisors will be determined in general meetings held for approving their appointment, of which (i) supervisors nominated by the controlling shareholder will not receive any separate remuneration; (ii) supervisors nominated by other shareholders will receive an annual remuneration of RMB50,000; and (iii) supervisors elected democratically by the staff and workers of the Company will not receive any separate remuneration.

REPORT OF THE DIRECTORS

Top Five Highest-Paid Employees

Details of the top five highest-paid employees of the Company during the Reporting Period are set out in Note XIV.5 to the financial statements.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, none of the Directors, the 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 Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)) (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 interest and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

For this purpose, the relevant provisions of the SFO will be interpreted as if applied to the Supervisors.

Pre-Emptive Rights

There is no provision regarding pre-emptive rights under the Articles of Association or in the laws of the PRC which would oblige the Company to offer new shares to its existing shareholders on a pro rata basis.

Charitable Donations

Charitable donations made by the Group during the Reporting Period amounted to RMB1,108,057.91 (for the year ended 31 December 2013: RMB876,423.30).

REPORT OF THE DIRECTORS

Taxation for Shareholders of H Shares

According to the Law on Enterprise Income Tax of the People's Republic of China and its implementing rules which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% before distributing any dividends to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company. Any H shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations shall be deemed as shares held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the enterprise income tax. The Company will not withhold enterprise income tax in respect of the dividends payable to any natural person shareholders whose names appear on the Company's H share register of members on the relevant record date for determining the eligibility for the dividends.

The Company will withhold payment of the enterprise income tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on what has been registered on the Company's share register of members on the relevant record date for determining the eligibility for the dividends. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding of enterprise income tax.

Profit Distribution for Investors of Northbound Trading

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of the Company listed on the Shanghai Stock Exchange (the "**Northbound Trading**"), their dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such Shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Northbound Trading will be the same as those for the holders of A Shares of the Company.

REPORT OF THE DIRECTORS

Profit Distribution for Investors of Southbound Trading

For investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on Hong Kong Stock Exchange (the “**Southbound Trading**”), in accordance with the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (港股通H股股票現金紅利派發協議) between the Company and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

Transactions in Respect of the Group’s Own Securities

During the Reporting Period, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2014, the Group had no redeemable securities.

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as was known to the Directors, as at 31 December 2014, shareholders of the Company who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests 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	BBMG Group Company Limited	Directly and beneficially owned	2,292,881,099	63.24	47.92
A shares	China National Materials Co., Ltd.	Directly and beneficially owned	239,580,000	6.63	5.01
H shares	BlackRock, Inc.	Directly and beneficially owned	100,385,889	8.58	2.10
H shares	FMR LLC	Directly and beneficially owned	72,155,812	6.17	1.51
H shares	Macquarie Group Limited	Directly and beneficially owned	70,948,300	6.07	1.48
H shares	Sloane Robinson LLP	Directly and beneficially owned	70,497,000	6.03	1.47
H Shares	JPMorgan Chase & Co.	Directly and beneficially owned	58,602,821	5.01	1.22

REPORT OF THE DIRECTORS

Lending pool:

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	JPMorgan Chase & Co.	Custodian corporation/ approved lending agent	42,649,277	3.65	0.89

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	10,328,000	0.88	0.22
H shares	JPMorgan Chase & Co.	Directly and beneficially owned	1,304,000	0.11	0.03
H shares	Macquarie Group Limited	Directly and beneficially owned	30,000	0.00	0.00

Save as disclosed above, as at 31 December 2014, so far as was known to the Directors, there were no other parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Major Customers and Suppliers

For the Reporting Period, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchase from the Group's five largest suppliers accounted for less than 30% of the total purchase for the year.

REPORT OF THE DIRECTORS

Competition and Conflict of Interests

None of the Directors or the management shareholders as defined under the Listing Rules of the Company or their respective associates has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the following transactions are “connected transactions” or “continuing connected transactions” under the Listing Rules and are required to be disclosed in the annual report of the Company. Details of the connected transactions between the Company and the related parties are set out in Note X “Related Party Relationships and Transactions” to the financial statements. Other than the transactions set out below, there are no other related party transactions that constitute connected transactions under the Listing Rules. The Company confirms that it has complied with the requirements of the Listing Rules in relation to the connected transactions.

Continuing Connected Transactions

(1) Leasing of properties from the Parent Group

On 28 October 2011, the Company and the Parent entered into a lease framework agreement (the “**Lease Framework Agreement**”), pursuant to which the Parent and its subsidiaries (the “**Parent Group**”) leased to the Group certain land and properties owned by the Parent Group (including its associates) mutually identified by the parties from time to time during the term of the Lease Framework Agreement commenced on 1 January 2012 and expired on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Lease Framework Agreement for the Reporting Period was RMB40,000,000 and the total actual transaction amount for the Reporting Period was approximately RMB3,307,000.

(2) Purchase of services from the Parent Group

On 28 October 2011, the Company and the Parent entered into a service purchase framework agreement (the “**Service Purchase Framework Agreement**”), pursuant to which the Group agreed to purchase services such as property management, quality control and checking, property demolishing and other services needed for the business operation of the Group from the Parent Group (including its associates) for a term commenced on 1 January 2012 and expired on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Service Purchase Framework Agreement for the Reporting Period was RMB52,000,000 and the total actual transaction amount for the Reporting Period was approximately RMB489,000.

REPORT OF THE DIRECTORS

(3) Sale of goods to the Parent Group

On 28 October 2011, the Company and the Parent entered into a sales framework agreement (the “**Goods Sales Framework Agreement**”), pursuant to which the Group agreed to supply goods such as cement, clinker, refractory materials, furniture, colour boards, toiletry, wooden products and other woods to the Parent Group (including its associates) for a term commenced on 1 January 2012 and expired on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Goods Sales Agreement for the Reporting Period was RMB70,000,000 and the total actual transaction amount for the Reporting Period was approximately RMB2,382,000.

(4) Purchase of goods from the Parent Group

On 28 October 2011, the Company entered into a goods purchase framework agreement with the Parent (the “**BBMG Group Goods Purchase Framework Agreement**”), pursuant to which the Parent Group (including its associates) agreed to supply to the Group goods including cement, cement clinker, limestone, stone, fuel, plastic-steel windows and other goods for a term commenced on 1 January 2012 and expired on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the BBMG Group Goods Purchase Agreement for the Reporting Period was RMB40,000,000 and the total actual transaction amount for the Reporting Period was approximately RMB122,000.

(5) Provision of services to the Parent Group

On 28 October 2011, the Company entered into a service provision framework agreement with the Parent (the “**BBMG Group Service Provision Framework Agreement**”), pursuant to which the Group agreed to provide services such as property management, consultancy, conference services, accommodation services and other services needed for the operation of the Parent Group (including its associates) for a term commenced on 1 January 2012 and expired on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the BBMG Group Service Provision Framework Agreement for the Reporting Period was RMB90,000,000 and the total actual transaction amount for the Reporting Period was approximately RMB8,363,000.

The independent non-executive Directors of the Company, Zhang Chengfu, Xu Yongmo, Yip Wai Ming and Wang Guangjin, have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the above continuing connected transactions and confirmed that such continuing connected transactions, for the Reporting Period, have been entered into:

- (i) in the ordinary and usual course of business of the Group;

REPORT OF THE DIRECTORS

- (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young Hua Ming LLP, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 – Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young Hua Ming LLP has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Independent Auditor

At the 2011 annual general meeting held on 24 May 2012, Beijing Xinghua Certified Public Accountants Co., Ltd. and Ernst & Young retired as the domestic auditor and the international auditor of the Company and Ernst & Young Hua Ming Certified Public Accountants was appointed as the sole external auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 December 2014 of the Company have been audited by Ernst & Young Hua Ming LLP, who will retire and, being eligible, offer themselves for re-appointment. A resolution reappointing Ernst & Young Hua Ming LLP as the independent auditor of the Company will be proposed at the forthcoming 2014 AGM.

On behalf of the Board

Jiang Weiping

Chairman

Beijing, the PRC

26 March 2015

REPORT OF THE SUPERVISORY BOARD

During the Reporting Period, the Supervisory Board exercised supervision over the Company's financial conditions, lawful operation and the performance by the Board and the management with an aim to protect the interests of both of Company and the shareholders of the Company in accordance with the Company Law of the People's Republic of China, the Articles of Association of BBMG Corporation and the Rules of Procedures of the Supervisory Board of BBMG Corporation. All Supervisors exercised due diligence and care in discharging their duties and fulfill substantially all of the objectives of the Supervisory Board for the Reporting Period.

1. Meetings of the Supervisory Board in 2014

During the Reporting Period, the Supervisory Board held 8 meetings in total. Details are set out as follows:

(I) The seventh meeting of the third session of the Supervisory Board

The seventh meeting of the third session of the Supervisory Board was convened on-site in Beijing on 28 March 2014. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the annual report and its summary and the annual results announcement of the Company for 2013;
2. The resolution for considering the audited accounts of the Company for 2013;
3. The resolution for considering the preliminary profit distribution of the Company for 2013;
4. The resolution for considering the corporate social responsibility report of the Company for 2013; and
5. The resolution for considering the report of the Supervisory Board for 2013.

REPORT OF THE SUPERVISORY BOARD

(II) The eighth meeting of the third session of the Supervisory Board

The eighth meeting of the third session of the Supervisory Board was convened by way of communication voting on 11 April 2014. All seven eligible Supervisors attended the meeting. At the meeting, the following resolutions were considered and approved.

1. The resolution for considering the replacement of prepaid self-financing funds with proceeds; and
2. The resolution for considering the temporary supplement of working capital by certain idle proceeds.

(III) The ninth meeting of the third session of the Supervisory Board

The ninth meeting of the third session of the Supervisory Board was convened on-site in Beijing on 22 April 2014. All seven eligible Supervisors attended the meeting. At the meeting, the resolution for considering the first quarterly report of the Company for 2014 was considered and approved.

(IV) The tenth meeting of the third session of the Supervisory Board

The tenth meeting of the third session of the Supervisory Board was convened on-site in Beijing on 16 June 2014. All six eligible Supervisors attended the meeting. At the meeting, the resolution for considering the nomination of the candidates of Supervisor was considered and approved.

(V) The eleventh meeting of the third session of the Supervisory Board

The eleventh meeting of the third session of the Supervisory Board was convened on-site in Beijing on 7 August 2014. All seven eligible Supervisors attended the meeting. At the meeting, the resolution for considering the election of the chairman of Supervisor was considered and approved.

REPORT OF THE SUPERVISORY BOARD

(VI) The twelfth meeting of the third session of the Supervisory Board

The twelfth meeting of the third session of the Supervisory Board was convened on-site in Beijing on 26 August 2014. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the interim report, summary and the interim results announcement of the Company for 2014
2. The resolution for considering the "Special Report on the Deposit and the Actual Use of Proceeds" of the Company

(VII) The thirteenth meeting of the third session of the Supervisory Board

The thirteenth meeting of the third session of the Supervisory Board was convened by way of communication and voting on 28 October 2014. All six eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the third quarterly report of the Company for 2014
2. The resolution for considering the changes in accounting policies of the Company

(VIII) The fourteenth meeting of the third session of the Supervisory Board

The fourteenth meeting of the third session of the Supervisory Board was convened on-site in Beijing on 23 December 2014. All six eligible Supervisors attended the meeting. At the meeting, the resolution for considering the day-to-day related party transactions of the Company was considered and approved.

REPORT OF THE SUPERVISORY BOARD

2. Attendance of Members of the Supervisory Board at General Meetings and their In-attendance at Board Meetings in 2014

During the Reporting Period, members of the Supervisory Board attended two shareholders' general meetings of the Company, and were in attendance at seven Board meetings of the Company, and reviewed the resolutions proposed during the meetings. The Supervisors exercised their supervision over the meetings' compliance, voting procedures, major decision-making processes of the Company and the performance of duties by the members of the Board and the senior management by attending relevant meetings.

3. Opinion of the Supervisory Board on Certain Issues of the Company for the Year 2014

During the Reporting Period, the Supervisory Board exercised its supervision over the standardized operation, compliance with laws and regulations, major decision-making and the performance of duties by members of the Board and the senior management of the Company by convening meetings of the Supervisory Board, attending shareholders' general meetings, attending relevant meetings such as Board meetings and conducting specific independent inspections, and expressed independent opinions on the relevant issues.

(I) Opinion on standardized operation and performance of duties by the Directors and senior management

Pursuant to the laws and regulations of the jurisdiction(s) where the shares of the Company are listed, the Supervisory Board had duly overseen and examined the convening procedures and resolutions of the Board meetings of the Company, implementation by the Board of the resolutions of the shareholders' general meetings, the performance of duties by the senior management of the Company under relevant laws and the establishment and implementation of a mature internal management system of the Company in 2014. With respect to the business operations of the Company and the performance of duties by the Directors and the senior management, the Supervisory Board was not aware of any violation of laws, regulations, the Articles of Association and relevant protocols, rules of procedures, nor any power being abused or infringement of the interests of the shareholders of the Company and the legitimate rights of the employees.

REPORT OF THE SUPERVISORY BOARD

(II) Opinion on financial position of the Company

During the Reporting Period, the Supervisory Board had duly supervised and inspected the financial system and financial position of the Company, and carefully considered the financial information of the Company as contained in the Audited Accounts of the Company for 2013, Preliminary Profit Distribution Plan for 2013, the financial reports included in the regular reports (定期報告) in 2013 and the interim report for 2014, and is of the opinion that the Company's financial information gives a true, fair and complete view of its financial conditions and operating performance.

(III) Opinion on regular reports of the Company

During the Reporting Period, the Supervisory Board exercised supervision over the preparation, review and disclosure procedures of the Company's regular reports disclosed in 2014, and is of the opinion that such procedures are in compliance with laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company. The content and format of the regular reports are in line with all provisions of the regulatory authorities and the information contained therein gives a true, accurate and complete view of the business activities of the Company in 2014. No violation of the regulations regarding confidentiality, information disclosure and other aspects by personnel involved in preparation, review and disclosure of the regular reports has been found.

(IV) Opinion on transactions including acquisition or disposal of assets, external investment and guarantees of the Company

With respect to transactions including acquisition or disposal of assets, external investment and guarantees of the Company during the Reporting Period, the Supervisory Board is not aware of any violation of laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company or any other insider trading or any matters that are detrimental to the interests of the shareholders of the Company or may cause any loss to the Company's assets.

(V) Opinion on connected transactions of the Company

The Supervisory Board is of the opinion that the connected transactions were conducted by the Company during the Reporting Period in strict compliance with laws and regulations, regulatory requirements, the Articles of Association and other provisions, with approving procedures in compliance with laws and regulations, on a fair and reasonable basis and free of any behaviour in prejudice to the interests of the Company and its shareholders.

REPORT OF THE SUPERVISORY BOARD

(VI) Opinion on corporate social responsibility report

During the Reporting Period, the Supervisory Board reviewed the Company's corporate social responsibility report for 2013, and is of the opinion that the report gives an objective and practical view of the performance of corporate social responsibilities of the Company during the year.

4. Work Plan of the Supervisory Board for 2015

In 2015, the Supervisory Board will continue to discharge its duties diligently in strict compliance with the relevant requirements under applicable laws and regulations including the Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Board of the Company, thereby protecting the legitimate rights and interests of the Company and its shareholders as a whole.

(I) Duly discharging duties under the laws and regulations

In 2015, the Supervisory Board will exercise supervision over standardized operations and the performance of duties by the Directors and the senior management of the Company in strict compliance with the Company Law, the Articles of Association and relevant requirements. Firstly, it will procure the Company to further improve its corporate governance structure and governance practices according to the requirements of the modern enterprise systems. Secondly, it will continue to strengthen its supervisory functions by attending the general meetings and the Board meetings under the laws to keep informed of the Company's major decisions and the legitimacy of decision-making processes to better protect the rights and interests of the shareholders of the Company. Thirdly, it will implement the Rules of Procedures of the Supervisory Board and convene meetings of the Supervisory Board on a regular basis.

(II) Strengthening supervision and inspections to avoid operational risks

Firstly, it will focus on financial control to carry out supervision and inspections on the financial affairs of the Company. Secondly, it will prioritize its supervision and inspections on the Company's significant events including major investment, asset disposal, merger and acquisition and connected transactions, so as to effectively avoid operational risks. Thirdly, it will follow up the establishment and implementation of the internal control system of the Company to ensure its effectiveness. Fourthly, it will maintain communications with the internal audit function and external auditors of the Company, taking full use of internal and external audit information to keep abreast of the updates.

REPORT OF THE SUPERVISORY BOARD

- (III) Enhancing communications of the Board and the management to facilitate rational and scientific decisions and management of the Company; enhancing communications with the staff to advance the Company's democratic management and harmonious development.**

- (IV) Uplifting professional capabilities through self-improvements to better perform the supervisory duties of the Supervisory Board.**

Wang Xiaojun

Chairman

Beijing, the PRC

26 March 2015

INVESTOR RELATIONS REPORT

Overview

The Group strongly believes that effective and close communications with the shareholders of the Company is the key to good corporate governance and investor relations are an integral part of maintaining good corporate governance of a listed company. The Group has been actively maintaining contact with investors and keeping them abreast of the latest industry updates, corporate communications and business development in a timely manner, so as to establish a platform for fair, open, accurate and transparent information disclosure and facilitating two-way communication between investors and the Group. The Board secretary, Wu Xiangyong, is responsible for the investor relations of the Group with the full support from the Board and the senior management. During the Reporting Period, the Group actively participated in various investor relations activities and provided on-time information to investors through the company website. In addition, the Group has also demonstrated a high level of compliance with the Listing Rules and relevant requirements under the Hong Kong Stock Exchange during the Reporting Period.

Investor Relations Review

1. Meetings with Investors

The Group endeavors to continue to actively participate in roadshows and presentations organized by sizable and major investment banks after the results announcement in major international financial markets in Hong Kong and overseas. The roadshows were proved to be an excellent opportunity and platform to convey a clear message to the investors about the Group's latest operational and financial performances and business prospect for the investors' deeper and clearer understanding of the Group.

During the Reporting Period, the Group attended a number of investor forums, roadshows and presentations held by renowned investment and securities firms in the PRC and Hong Kong and actively organized one-on-one and group meetings with various fund managers and analysts. During the Reporting Period, the Group has arranged meetings of various forms with more than one thousand analysts, fund managers and financial commentators and maintained close communications with institutional investors, providing them with up-to-date information about the Group. Constructive suggestions and feedbacks collected from the investors and analysts will be addressed carefully by the management.

INVESTOR RELATIONS REPORT

2. Ongoing Communications with Shareholders, Investors and Analysts

The Group has adopted an active and progressive approach to provide the shareholders and investors of the Company with the opportunity to communicate with the senior management of the Group through one-on-one and group meetings and luncheons to share with them the financial performance, business updates and future prospects of the Group. During the Reporting Period, sell side research reports have been issued by several prominent research institutions to cover the operation of the Company. The Group also believes that the shareholders' general meetings is an important channel for communication with its shareholders and Investors and encourages an open dialogue between its shareholders and the directors and/or senior management of the Company.

3. Results Announcement

The Group had prepared detailed results reports and presentation materials upon finalization of interim and annual results of the Group. Investors' presentations, press conferences and teleconferences were also held to provide updates in relation to the market environment, financial performance, operating strategies and future prospects to the public in an accurate and effective manner, so as to maintain the Group's transparent investor relations strategy and strengthen the communications with the public.

4. Maintaining Interactive Communications with Media

The Group endeavors to maintain a close relationship with the overseas and local media, and disseminate the Group's updates to the public through various channels, ranging from organizing press conferences for the A shares listing, interim and annual results announcements, issuing regular press releases, and arranging media interviews with the management of the Group, and thus increasing the Group's publicity and further strengthening its corporate image and position.

INVESTOR RELATIONS REPORT

5. Timely Dissemination of Latest Corporate Updates

Company website is considered to be one of the quickest means to communicate with investors. The Group regularly updated the contents of the company's website (www.bbmj.com.cn/listco), disseminated the latest corporate updates, developments and disclosed financial information of the Group so as to enable the public to obtain such information in a timely manner. In addition, the Group also swiftly responded to different enquiries made by the shareholders of the Company, investors, analysts and media by means of email, facsimile and telephone; and published announcements, press releases and other latest updates on the development of the Group, so as to strengthen the effectiveness of information dissemination.

Prospects

The foundation of investor relations is based on the seamless integration of advanced public communication strategies and the dedicated involvement by the senior management of the Group. In the coming year, the Group will continue to maintain highly transparent and effective corporate governance practices and is endeavored to maintain timely and accurate information dissemination and quality disclosure in order to strengthen the relationship with investors.

The Group also welcomes constructive recommendation and feedback from the investment community. With the invaluable support from the investors and the public, we are committed to providing the best investor relations service and continuously improving the quality and transparency of public disclosure so as to maximize the return to the shareholders of the Company.

INVESTOR RELATIONS REPORT

Investor Information

- | | | |
|---|---|---|
| 1 | Share Particulars | |
| | <i>H Shares</i> | |
| | Listing date | 29 July 2009 |
| | Board lot | 500 shares |
| | Number of issued H shares | 1,169,382,435 shares
(as at 31 December 2014 and
26 March 2015) |
| | Stock code | 02009.HK |
| | <i>A Shares</i> | |
| | Listing date | 1 March 2011 |
| | Board lot | 100 shares |
| | Number of issued A shares | 3,615,257,849 shares
(as at 31 December 2014
and 26 March 2015) |
| | Stock code | 601992.SH |
| 2 | Financial Calendar | |
| | 2013 annual results announcement | published on 28 March 2014 |
| | 2014 first quarterly results announcement | published on 24 April 2014 |
| | 2014 interim results announcement | published on 26 August 2014 |
| | 2014 third quarterly results announcement | published on 28 October 2014 |
| | 2014 annual results announcement | published on 26 March 2015 |
| | Closure of register of H shares members
for attending the 2013 AGM | from 23 April 2014 to 22 May 2014 |
| | 2013 AGM | 22 May 2014 |
| | Closure of register of H shares members
for attending the 2014 AGM | from 28 April 2015 to 27 May 2015 |
| | 2014 AGM | 27 May 2015 |
| | Financial year end | 31 December |
| 3 | Dividends | |
| | 2013 final dividend | RMB0.078 per share |
| | Closure of register of H shares members
for 2013 final dividend | from 29 May 2014 to 2 June 2014 |
| | Proposed 2014 final dividend | RMB0.050 per share |
| | Closure of register of H shares members
for 2014 final dividend | from 4 June 2015 to 8 June 2015 |

INVESTOR RELATIONS REPORT

For any queries, please contact:

BBMG Corporation

Room 2220

22nd Floor, Tower D, Global Trade Center

No. 36 North Third Ring East Road

Dongcheng District 100013

Beijing

The People's Republic of China

Investor Relations Department

Phone: (8610) 6641 7706

Fax: (8610) 6641 0889

Email: ir@bbmg.com.cn

Company website: www.bbmg.com.cn/listco



BBMG





CORPORATE GOVERNANCE REPORT



2014

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2014.

1 Commitment to Corporate Governance

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with Shareholders through continuous effort in improving its corporate governance practices and processes. Through the establishment of a quality and effective Board, a comprehensive internal control system and a stable corporate structure, the Company strives to achieve completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and profit.

During the Reporting Period, the Company had applied the laws and regulations of the places where it operated its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code (the "CG Code"), as amended from time to time, set out in Appendix 14 to the Listing Rules during the year ended 31 December 2014 and adopted as its own code of corporate governance practices. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

In the opinion of the Directors, the Company had complied with the code provisions of the CG Code to the Listing Rules for year ended 31 December 2014.

In addition to the existing internal protocols and guidelines to ensure accurate and timely information disclosure in accordance with the requirements under the Listing Rules, in contemplating the listing of the A shares in 2011, the Board has further formulated additional rules of procedures to comply with the relevant requirements under the PRC laws and regulations. The Company has adopted: Continuing Connected Transactions Practical Guidelines (關連交易實施細則); System on Managing Investor Relationship (投資者關係管理制度); System on Managing Insiders and External Information (內幕資訊知情人和外部資訊使用人管理制度); Management Protocol on Information Disclosures (信息披露管理辦法); System on Managing Use of Proceeds (募集資金使用與管理制度); Securities Dealing Code for Management (管理層證券交易守則); Management Protocol on Related Party Transactions (關聯交易管理辦法); System on Managing External Guarantee (對外擔保管理制度); Management Protocol on External Investment (對外投資管理辦法); Working Guidelines

CORPORATE GOVERNANCE REPORT

for President (總經理工作細則); System on Internal Reporting on Material Information (重大資訊內部報告制度); System on Managing Fund Flow To And From Related Parties (與關聯方資金往來管理制度); Rules of Procedure for the Remuneration and Nomination Committee (薪酬與提名委員會議事規則); Rules of Procedure for the Meetings of the Board (董事會議事規則); Working System of Independent Directors (獨立董事工作制度); Rules of Procedure for General Meetings (股東大會議事規則); Rules of Procedure for the Strategic Committee (戰略與投融資委員會議事規則); Rules of Procedure for the Audit Committee (審計委員會議事規則); Rules of Procedure for the Supervisory Board (監事會議事規則); Guidelines on Identifying Connected Parties (關連人士確認細則); Working Guidelines for Board Secretary (董事會秘書工作細則); and Protocol on Internal Control Evaluation (內控評價辦法).

The Company will continue to adopt measures to refine its corporate governance structures, improve its corporate governance and enhance its corporate governance standards in light of the actual circumstances of the Company. In addition, the Company will closely study the development of corporate governance practices among the leading public companies and the requirements of the investing community continuously. The Company will also review and strengthen the corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.

2 The Board

Duties and Functions of the Board

The Board is responsible for leading and monitoring the Company's affairs. The Board oversees the strategic development of the Company and determines the objectives, strategies and policies of the Company. The Board also monitors and controls the operating and financial performance in pursuit of the strategic development of the Company. All Directors are liable to act in the best interests of the Company and collectively assume the responsibility for overseeing and monitoring the Company's affairs so as to ensure the success of the Company through achievement of the adopted business plans by the Board to enhance the value for the shareholders of the Company. The Board makes regular assessment on the management's business prospects and results as well as exercises other power and makes decisions objectively in the interests of the Company, including the approval and monitoring of key policy matters, overall strategies, business plans (inclusive of annual budgets), internal control and risk management systems, material transactions such as acquisitions, investments, divestments, disposal of assets (in particular those which may involve conflicts of interest), major and significant capital expenditures, appointment of Directors, recommendation to shareholders of the Company on final dividend and the declaration of any interim dividends and other significant financial and operational matters.

CORPORATE GOVERNANCE REPORT

The Directors are responsible for the preparation of the accounts of each financial period with a view to giving a true and fair view of the state of affairs of the Group and of the financial position, results and cash flows for that period. Since October 2010, in compliance with the relevant rules and regulations for information disclosure, the Group has been releasing quarterly financial results. Starting in January 2012, the Group commenced the disclosure of preliminary annual major operational data and financial information to enable the investment public to have an advance overview and assessment of the Group's business operations. Regular management reports on the financial position and prospects of each business unit of the Group are reviewed by the senior management to enable the Board to make an informed assessment of the performance of the Group.

According to the Working Guidelines for President (總經理工作細則), all routine operations are delegated to the president of the Company. The day-to-day management, administration and operation of the Company are delegated to the management team under the supervision of the executive Directors. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

All Directors have full and timely access to appropriate business documents and all relevant information about the Group on a timely basis as well as the advice and services of the Board secretary and the company secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. When needed and upon making request to the Board, all Directors and Board committees may have recourse to external legal counsel and other independent professionals for advice at the Company's expense in carrying out their functions.

The management team has an obligation to supply to the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. Each Director has separate and independent access to the management team.

CORPORATE GOVERNANCE REPORT

Composition

As at the end of the Reporting Period, the Board comprised six executive Directors, one non-executive Director and four independent non-executive Directors:

Executive Directors:

Jiang Weiping	Chairman of the Board and the Strategic Committee
Jiang Deyi	President and vice chairman of the Strategic Committee
Shi Xijun	Member of the Remuneration and Nomination Committee
Zang Feng	
Wang Hongjun	Chief financial officer and member of the Strategic Committee
Wang Shizhong	

Non-executive Director:

Yu Kaijun	Members of the Audit Committee and the Remuneration and Nomination Committee
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Independent non-executive Directors:

Zhang Chengfu	Chairman of the Audit Committee, members of the Remuneration and Nomination Committee and the Strategic Committee
Xu Yongmo	Chairman of the Remuneration and Nomination Committee, members of the Audit Committee and the Strategic Committee
Yip Wai Ming	Member of the Audit Committee
Wang Guangjin	Member of the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee

The biographical details of each Director are disclosed on pages 8 to 12 of this Annual Report. All Directors shall report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflict of interest in any proposal under consideration, such Director shall declare his interests and abstain from voting and may, when necessary, apply for absence. The Board requires the Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries during each reporting period. Any material transactions relating to connected persons, which have been confirmed, will be disclosed in accordance with the Listing Rules and in the notes to the financial statements of the annual report.

CORPORATE GOVERNANCE REPORT

The independent non-executive Directors of the Company possess wide professional expertise and experience, and can fully perform their important functions of supervision and balance to protect the interests of the Company and its Shareholders as a whole. The Board considers that the independent non-executive Directors are able to make independent judgment effectively and satisfy the guideline on assessing independence set out in Rule 3.13 of the Listing Rules and has received written annual confirmations from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules.

The Company complies with the requirement concerning the appointment of sufficient independent non-executive Directors and that at least one of them possesses appropriate professional qualification or accounting or relevant financial expertise set out in Rules 3.10(1) and 3.10(2) of the Listing Rules. The Company has made appropriate arrangement to insure against the possible legal action that the Directors and senior management may be involved. The Board reviews annually on the insurance arrangement.

The non-executive Directors (including the independent non-executive Directors) advise the Company on strategic and significant matters. The Board considers that each non-executive Director brings his own level of experience and expertise to the effective functioning of the Board. The Board seeks the development of an effective working environment for the executive and non-executive Directors so as to improve the quality of the decisions made by the Board without constraining the independent views of the non-executive Directors. Regular Board meetings were held during the year with open discussion between the executive Directors and the non-executive Directors so as to enhance mutual understanding and effective working relationships.

Save as disclosed herein, to the best of knowledge of the Directors, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

Board Diversity

With a view to achieving a sustainable and balanced development, the Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development and has formulated the board diversity policy. The Remuneration and Nomination Committee regularly reviews the structure, number of members and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board in support of the Company's strategy.

CORPORATE GOVERNANCE REPORT

The Remuneration and Nomination Committee reviews and implements the board diversity policy as and when appropriate, and proposes any recommended revisions as and when necessary to the Board for consideration and approval so as to ensure the effectiveness of the policy. The Company will make proper information disclosure on board composition (including gender, ethnicity, age and length of service) according to laws and regulations and listing rules.

The Chairman and the Chief Executive Officer

To ensure a balance of power and authority, the roles of the Chairman and the chief executive officer are segregated and are not exercised by the same individual.

Jiang Weiping is the Chairman. The primary role of the Chairman is to lead the Board and to ensure that it works effectively in discharging its responsibilities by setting the overall strategy and making major development decisions of the Company and monitoring their implementation and ensuring the creation of value for Shareholders. He takes part in cultivating and maintaining good relationships with strategic associates of the Company and creating a favourable environment for the development of the Company's core businesses.

Jiang Deyi is the President, who also acts as the chief executive officer of the Company. The President is responsible for the day-to-day operation and management of the Company's business, formulating different business and financial targets and management rules, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Company.

Term of Office of Directors, Supervisors and Senior Management

Each of the Directors, Supervisors and senior management has entered into a service contract with the Company for a term not exceeding three years from the date of appointment and will expire on the date of the annual general meeting of the Company for the year of 2014, i.e. 27 May 2015.

Since the recommendation of the candidates for the director of the new session of the Board and supervisor of the new session of the Supervisory Committee of the Company is still in progress, the election of the new session of the Board of the Company will be postponed to no later than 27 November 2015. The term of office of the senior management of the Company shall be the same as that of this session of the Board.

CORPORATE GOVERNANCE REPORT

Before the completion of the election of the new session, each of the Directors and Supervisors of the current session of the Board and Supervisory Committee and the senior management of the Company will continue to diligently fulfill the obligation and responsibility of directors, supervisors and senior management pursuant to the requirements of the laws, administrative regulations and the Articles of Association.

Company Secretary

All Directors are entitled to the company secretary's services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, and prepares and despatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board meetings. With the assistance of the Company's legal advisers, the company secretary is in charge of arranging the publication of annual, interim and quarterly reports and disclosure of information and data in accordance with the Listing Rules and the relevant rules and guidelines of the Company and ensure the Company's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Company Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. The company secretary makes timely and regular enquiries with the Company's finance department in accordance with the Company's protocols and guidelines such as the Continuing Connected Transactions Practical Guidelines (關連交易實施細則), Management Protocol on Related Party Transactions (關聯交易管理辦法) and Guidelines on Identifying Connected Parties (關連人士確認細則) for information on connected transactions to secure the full compliance with the Listing Rules in respect of such transactions.

The company secretary is also in charge of preparing and keeping written resolutions and/or minutes of meetings of the Board and the Board committees together with any relevant documents. All matters under consideration including any enquiry and objection by Directors will be minuted in details. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comments and final written resolutions and minutes will be sent to all Directors for their records.

According to Rule 3.29 of the Listing Rules, the company secretary had taken no less than 15 hours of relevant professional training during the Reporting Period.

CORPORATE GOVERNANCE REPORT

Board Meetings

The Chairman is responsible for convening and holding the Board meetings. Assisted by the Board secretary and the company secretary, the Chairman tries to ensure all Directors have proper access to accurate, timely and sufficient data on the proposals to be considered by the Board to enable them to reach their final decisions at the relevant Board meeting. While a not less than fourteen days' notice of a regular Board meeting is given, the agenda of meeting and the meeting documents enclosed are circulated at least three days prior to the holding of a Board meeting or a meeting of any Board committee.

The Chairman encourages the Directors to be fully engaged in the Board's affairs and make contributions to the functions of the Board. The Board has adopted comprehensive and sound corporate governance practices and procedures and encourages an open and frank communication among all Board members so as to ensure enquiries raised by the Board members are addressed efficiently and effectively by the appropriate personnel of the Company.

It is expressly provided in the Rules of Procedure for the meetings of the Board (董事會議事規則) that, in the event that a substantial shareholder or a Director of the Company has a conflict of interests in the matter to be considered at the Board meeting, such matter shall not be dealt with by Board committees or by way of circulation. Any Director who has a conflict of interests in the matters to be considered shall abstain from voting.

The Board held four regular Board meetings during the Reporting Period to review the financial performance of the Group. Between these regular meetings, the Board also met to discuss and consider major issues (whether or not required by the Listing Rules) and also on other occasions when Board decisions are required. With respect to regular meetings of the Board, Directors were given a formal written notice of the meeting and an agenda with supporting Board papers to the meeting in accordance with the Listing Rules and the CG Code. With respect to other meetings called, Directors were given as much notice as is reasonable and practicable in the circumstances. During the Reporting Period, the Board also convened the 2013 annual general meeting ("**2013 AGM**") on 22 May 2014 and the 2014 extraordinary general meeting on 7 August 2014 ("**2014 EGM**"). The number of meetings and attendance details of each Director during the Reporting Period are set out in the table below:

CORPORATE GOVERNANCE REPORT

Name of Director	Number of attendance/ Number of meetings		
	Board Meetings	2013 AGM	2014 EGM
<i>Executive Directors</i>			
Jiang Weiping (<i>Chairman</i>)	8/8	1/1	0/1
Jiang Deyi (<i>President</i>)	8/8	1/1	1/1
Shi Xijun	8/8	1/1	1/1
Zang Feng	8/8	1/1	1/1
Wang Hongjun	8/8	1/1	1/1
Wang Shizhong	8/8	1/1	1/1
<i>Non-executive Director</i>			
Yu Kaijun (appointed on 7 August 2014)	4/4	—/—	1/1
Yu Shiliang (resigned on 6 June 2014)	2/3	1/1	—/—
<i>Independent non-executive Directors</i>			
Zhang Chengfu	8/8	1/1	1/1
Xu Yongmo	8/8	1/1	1/1
Yip Wai Ming	8/8	1/1	1/1
Wang Guangjin (appointed on 22 May 2014)	5/5	1/1	1/1
Hu Zhaoguang (resigned on 22 May 2014)	2/2	0/1	—/—

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

CORPORATE GOVERNANCE REPORT

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Companies law and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong and China so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written materials to develop and refresh their professional skills. The Company also organises and arranges training sessions on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Reporting Period, the Company regularly provided the Directors and senior management with materials on corporate governance, the Listing Rules and relevant updates on laws, rules and regulations.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the Reporting Period:

Types of training	
<i>Executive Directors:</i>	
Jiang Weiping (<i>Chairman</i>)	A+B+C
Jiang Deyi (<i>President</i>)	A+B+C
Shi Xijun	A+C
Zang Feng	A+C
Wang Hongjun	A+C
Wang Shizhong	A+C
<i>Non-executive Director:</i>	
Yu Kaijun (appointed on 7 August 2014)	A+C
Yu Shiliang (resigned on 6 June 2014)	A+C
<i>Independent non-executive Directors:</i>	
Zhang Chengfu	A+C
Xu Yongmo	A+C
Yip Wai Ming	A+C
Wang Guangjin (appointed on 22 May 2014)	A+C
Hu Zhaoguang (resigned on 22 May 2014)	A+C

CORPORATE GOVERNANCE REPORT

- A: attending seminars, conferences and/or forums
- B: giving talks at seminars, conferences and/or forums
- C: reading newspapers, journals and updates relating to the economy, general business, building materials, property development or director's duties and responsibilities, etc.

All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

Board Committees

There are three Board committees under the Board, namely, the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, established to administer certain specified functions of the Company's affairs. Their terms of reference which set out, among other things, the duties, functions and composition of these committees are determined in accordance with the principles set out in the CG Code and are available on the Company's website. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to appoint legal advisors, accountants or other professionals to provide professional advice if necessary, at the Company's expenses.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee assumes the responsibilities for reviewing the Company's financial reports, the internal control and corporate governance work and provision of relevant advices to the Board. As at 31 December 2014, the Audit Committee comprised four independent non-executive Directors and one non-executive Director, namely Zhang Chengfu (Chairman), Yu Kaijun, Xu Yongmo, Yip Wai Ming and Wang Guangjin.

CORPORATE GOVERNANCE REPORT

The major functions and roles of the Audit Committee are:

- To review the financial statements of the Company;
- To consider and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- To review and opine on the connected transactions and continuing connected transactions of the Group;
- To review the accounting policies adopted by the Group and their implementation;
- To oversee the engagement of external auditors and their independence;
- To review and monitor the effectiveness of the internal audit function;
- To oversee the effective implementation of the internal control system and the self-evaluation of internal control;
- To oversee and examine the operation of the Company and make proposals to the Board;
- To control and carry out day-to-day management of the connected transactions of the Company; and
- To inspect and review the corporate governance of the Company.

During the Reporting Period, the Audit Committee convened five meetings. The senior management and external auditors were invited to attend these meetings.

CORPORATE GOVERNANCE REPORT

The attendance details of the Audit Committee members during the Reporting Period are as follows:

Name of Director	Number of attendance/ Number of meetings
<i>Independent non-executive Directors</i>	
Zhang Chengfu (<i>Chairman</i>)	5/5
Xu Yongmo	5/5
Yip Wai Ming	5/5
Wang Guangjin (appointed on 22 May 2014)	3/3
Hu Zhaoguang (resigned on 22 May 2014)	3/3
<i>Non-executive Director</i>	
Yu Kaijun (appointed on 7 August 2014)	3/3
Yu Shiliang (resigned on 6 June 2014)	2/2

The work of the Audit Committee during the Reporting Period included:

- review of the external auditors' report in respect of the audited financial statements, annual report and results announcement for the year ended 31 December 2014;
- the proposed appointment of Ernst & Young Hua Ming LLP as the Company's independent auditor for the year ended 31 December 2014;
- review of the 2014 interim report and interim results announcement;
- review of the 2014 first quarter and third quarter results reports;
- review of the internal control system of the Group with the discussion of the internal auditors;
- review of the internal control report;
- review of the Company's audit planning report prepared by Ernst & Young Hua Ming LLP for the year ended 31 December 2013; and
- review of the connected transactions and continuing connected transactions of the Group.

CORPORATE GOVERNANCE REPORT

This Annual Report and annual results announcement of the Company for the Reporting Period have been reviewed by the Audit Committee during the meeting convened on 27 March 2014.

The most updated rules of procedures of the Audit Committee are posted on the websites of the Company and the Hong Kong Stock Exchange.

Remuneration and Nomination Committee

The Company established the Remuneration and Nomination Committee with written terms of reference in compliance with the CG Code. The main responsibilities of the committee are (i) to review and consider the remuneration policies and structure of the Directors and senior management and make relevant proposals to the Board; (ii) to review and approve the performance-based remuneration by reference to the objectives of the Group (as adopted from time to time by the Board); (iii) to submit the remuneration plan proposed by the committee for the Directors to the general meeting for consideration and approval after being approved by the Board before its implementation; (iv) to submit the remuneration distribution plan for the senior management personnel to the Board for approval; (v) to nominate candidates as Directors and senior management; and (vi) to examine nominations for Directors and senior management and to make recommendations to the Board for appointments. The candidates of Directors are selected and recommended based on their working experience, professional expertise and commitment. The recommendations of the Nomination and Remuneration Committee are then put forward for consideration by the Board. As at 31 December 2014, the Remuneration and Nomination Committee consisted of five members, one of whom is executive Director, namely Shi Xijun, together with one non-executive Director, namely Yu Kaijun and three independent non-executive Directors, namely, Xu Yongmo (serving as chairman of the committee), Zhang Chengfu and Wang Guangjin.

During the Reporting Period, the Remuneration and Nomination Committee convened three meetings. Key resolutions considered and approved at the meeting were:

- a. The resolution of determining the remuneration of executive Directors of the Board and the senior management of the Company by the Remuneration and Nomination Committee;
- b. The proposals to the Board on 2013 performance-based remuneration plan for the Company's senior management and 2013 remuneration plan;

CORPORATE GOVERNANCE REPORT

- c. The consideration and review on the proposed appointment of the third session of the board of directors of the Company; and
- d. Reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

The attendance details of the Remuneration and Nomination Committee members during the Reporting Period are as follows:

Name of Director	Number of attendance/ Number of meetings
<i>Executive Directors</i>	
Shi Xijun	3/3
<i>Non-executive Director</i>	
Yu Kaijun (appointed on 7 August 2014)	0/0
Yu Shiliang (resigned on 6 June 2014)	2/2
<i>Independent non-executive Directors</i>	
Xu Yongmo (<i>Chairman</i>)	3/3
Zhang Chengfu	3/3
Wang Guangjin (appointed on 22 May 2014)	0/0
Hu Zhaoguang (resigned on 22 May 2014)	1/1

The work of the Remuneration and Nomination Committee during the Reporting Period included the recommendation for the appointment of senior management and their remuneration. As at the date of this Annual Report, the Remuneration and Nomination Committee had reviewed the remuneration packages in respect of the Directors and members of senior management of the Company for the Reporting Period as disclosed and considered that their respective remuneration packages were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

The most updated rules of procedures of the Remuneration and Nomination Committee are posted on the websites of the Company and the Hong Kong Stock Exchange.

The biographical details of senior management are disclosed on pages 14 to 15 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Strategic Committee

The Company established the Strategic Committee whose primary duties are to formulate the overall development plans and investment decision-making procedures of the Group. As at 31 December 2014, the Strategic Committee consisted of six members, three of whom are executive Directors, namely Jiang Weiping, Jiang Deyi and Wang Hongjun, with Jiang Weiping serving as its Chairman and Jiang Deyi as its Vice Chairman, together with three independent non-executive Directors, namely, Zhang Chengfu, Xu Yongmo and Wang Guangjin.

During the Reporting Period, the Strategic Committee convened one meeting with an attendance rate of 100% to review the investment and financing proposals of the Company for 2014.

3 Statement of Financial Responsibility of the Board

It is the responsibility of the Board for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for (i) the preparation of the Company's financial statements; (ii) the completeness and legitimacy of the financial data; and (iii) the efficiency of the Company's internal control system and risk management process for the year ended 31 December 2014.

Management team shall provide such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2014, the Directors have:

- consistently applied appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the accounts on the going concern basis.

The quarterly, interim and annual results of the Company are announced in a timely manner within the relevant limits of the Listing Rules after the end of the relevant reporting period.

CORPORATE GOVERNANCE REPORT

The Company has received a statement by the independent auditors of the Company about their reporting responsibilities. The statement of the independent auditors of the Company on its reporting responsibilities on the financial statements is set out in the "Auditors' Report" on pages 110 to 111 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

4 Directors' and Supervisors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules and the Securities Dealing Code for Management (管理層證券交易守則) as the Company's code of conduct and rules to govern dealings by all Directors in the securities of the Company. The Model Code is also applicable to the Supervisors, specific employees and/or senior management of the Group who may have certain inside information that has not been disclosed. The Model Code is sent four times a year, namely, no less than 30 days prior to the Board meeting to approve the Company's interim and quarterly results and no less than 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice, to remind the Directors, the Supervisors and the specific employees who may have certain price sensitive information that they may not deal in the Shares until the publication of the results announcement.

The Company has also adopted the System on Managing Insides and External information (內幕資訊知情人和外部資使用人管理制度) and Securities Dealing Code for Management (管理層證券交易守則) for controlling and monitoring the relevant employees who are likely to be in possession of unpublished price-sensitive information in relation to the Group or its securities.

All Directors confirmed that as at 31 December 2014, none of the Directors, the Supervisors and the specific employees who may have certain inside information that has not been disclosed complied with the Model Code has interests or short positions which are required to notify the Company and the Hong Kong Stock Exchange, or incur any conduct in violation of regulations. Having made specific enquiries to all Directors and all Supervisors of the Company, they have confirmed that they had complied with the required standards set out in the Model Code throughout the Reporting Period.

CORPORATE GOVERNANCE REPORT

5 Senior Management's Remuneration

The Company considers the Executive Directors, the President, the Vice President, the Chief Financial Officer, the Board Secretary and the Company Secretary as the members of the senior management.

For the year ended 31 December 2014, remuneration paid to the members of the senior management other than the Executive Directors is as follows:

	2014 RMB	2013 RMB
Total remuneration	4,543,500	5,101,000

Remunerations of these senior management members fall within the following range:

	2014	2013
RMB0-1,000,000	5	6
RMB1,000,001-1,500,000	1	1
	6	7

CORPORATE GOVERNANCE REPORT

6 Internal Control and Audit

Internal Control

The Board has the ultimate responsibility to maintain a sound and effective internal control system for the Company so as to safeguard the interests of the Company and its shareholders as a whole and to ensure strict compliance with relevant laws, rules and regulations. The Board is fully in charge of the internal control system and is responsible for reviewing the effectiveness of the internal control system.

The Company's internal control system comprises a well established organizational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances. The procedures have been designed for safeguarding assets against any unauthorised use or disposition, for maintaining proper accounting records, and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. The procedures have also been designed to ensure compliance with all applicable laws, rules and regulations. During the Reporting Period, the Company has carried out an overview on the effectiveness of the internal control system of the Company. The review covered all material controls, including financial, operational and compliance controls and risk management functions of the Company. No material internal control aspects of any significant problems were noted. Both the Audit Committee and the Board were satisfied that the internal control system of the Company had functioned effectively during the Reporting Period. With the completion of the corporate governance update project during the Reporting Period, the corporate governance of the Company was further improved, the transparency of the Company was further enhanced and the awareness of regulatory operation was continuously strengthened. During the Reporting Period, the Company continued to strengthen the management foundation and improve the steady and sound development of the Company in accordance with the requirements by regulatory authorities, so as to better protect the interests of shareholders of the Company.

CORPORATE GOVERNANCE REPORT

The Board's Statement on Its Responsibility for Internal Control

The Board has conducted self-evaluation on the effectiveness of the design and implementation of the internal control of the Company as at 31 December 2014 pursuant to the requirements of fundamental standards, evaluation guidelines and other relevant laws and regulations.

1. During the Reporting Period, the Company had established and effectively implemented an internal control system covering all businesses and issues required for evaluation with no significant or material pitfalls. The Company managed to realize its goals of internal control.
2. From the benchmark date of the internal control evaluation report to the date of issuing the internal control evaluation report, there were no significant changes in internal control process which might impose any substantial impacts on the evaluation results.
3. A standard unqualified internal control audit report has been issued to the Company by Ernst & Young Hua Ming LLP, the internal control auditor engaged by the Company.

The Company will continuously adjust and perfect the internal control system in accordance with operating scale, business scope, competition environment and risk levels, requirements of development as well as other actual conditions, so as to regulate the implementation of the internal control system, strengthen internal supervision and inspection and facilitate the healthy and sustainable development of the Company.

CORPORATE GOVERNANCE REPORT

Auditors' Remuneration

The Audit Committee reviewed the letter from Ernst & Young Hua Ming LLP to confirm its independence and objectiveness, and held meetings with Ernst & Young Hua Ming LLP to discuss the audit scope and fees by Ernst & Young Hua Ming LLP. The Company engaged Ernst & Young Hua Ming LLP as the sole external auditor of the Company. The remuneration in respect of audit services and non-audit services provided by Ernst & Young Hua Ming LLP in 2014 is summarised as follows:

Ernst & Young Hua Ming LLP	RMB
Annual results auditing services	9,500,000
Review of 2014 interim results	2,700,000
Other non-audit services	—
Total	<u>12,200,000</u>

7 Communications with Shareholders

The Board fully recognizes that effective communication with investors is the key to building up investors' confidence and attract new investors. The Company held briefs to investment analysts and investors immediately following the announcement of its annual and interim results. Senior management were present to analyze the performance of the Company, expound the business development of the Company and answer questions raised by investors, so as to make known the Company's existing operation, investment status and business development, thereby enhancing the investors' confidence in the Company.

For further details, please refer to the section headed "Investor Relations Report" in this Annual Report.

CORPORATE GOVERNANCE REPORT

8 Shareholders' Rights

Procedure for shareholders to convene an extraordinary general meeting:

Pursuant to Articles 64 and 106 of the Articles of Association and Rules of Procedure for General Meetings of the Company, the following procedures are set out for shareholders to convene an extraordinary general meeting or class meeting of shareholders:

- (1) Two or more shareholders severally or jointly holding 10% or more of shares of the Company may, by signing written requests in one or more counterparts stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class meeting of shareholders. The Board shall within two months after receipt of such written request convene an extraordinary general meeting or class meeting of shareholders. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s) by the shareholders;
- (2) Where the Board disagrees on the proposal for convening a general meeting or fails to give feedback within ten days upon receipt of the above written request, the shareholder(s) shall request in writing to the Supervisory Board to convene a general meeting. Where the Supervisory Board agrees on the convening of meeting, it shall give a notice of meeting within five days upon receipt of the written request. Where no notice of meeting is issued by the Supervisory Board within the prescribed period, the Supervisory Board shall be deemed not to convene and preside over the meeting. Shareholders severally or jointly holding 10% or more of shares of the Company for more than ninety consecutive days may convene and preside over the meeting on their own accord (the shareholding of such shareholder(s) who convene the meeting shall not be less than 10% prior to the announcement on the resolutions passed at the general meeting). The convening procedures shall as much as possible be the same as those for meeting convened by the Board.

The Company would inform all the registered shareholders of the time and venue of the extraordinary general meeting in writing or other forms permitted in the Articles of Association at least forty-five days before the date of the meeting. Shareholders who plan to attend the meeting shall give a written reply to the Company or the convener at least twenty days before the date of the meeting.

CORPORATE GOVERNANCE REPORT

Procedure for election of directors nominated by shareholders

Pursuant to Articles 67 and 132 of the Articles of Association and Rules of Procedure for General Meetings of the Company, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Stock Listing Rules of Shanghai Stock Exchange, the following procedure is set out for election of directors nominated by shareholders:

Shareholder(s) severally or jointly holding 3% or more shares of the Company may nominate directors for election through a proposal to the Company. A written notice of the intention to nominate a person (namely shareholder) for election as director and a notice in writing by that person indicating his acceptance of such nomination shall be given to the Company not earlier than the day of announcement of notice of general meeting and not later than seven days before the date of the general meeting. The relevant period for nomination and acceptance of nomination shall not be less than seven days. The Company will, ten workdays before the date of the relevant general meeting, send to all shareholders a supplementary notice of general meeting carrying information about the resume of the director candidates, reasons for election of them and the candidates' attitudes toward the nomination.

Proposals at a general meeting shall meet the following requirements:

- (I) The contents of the proposals shall not contravene provisions of the laws, administrative regulations and the Articles of Association and shall fall within the scope of business of the Company and terms of reference of general meeting;
- (II) The proposals shall have specific topics for discussion and specific issues to be resolved; and
- (III) The proposals shall be submitted or served to the convener in writing.

Voting on proposals for election of Directors shall take the form of cumulative voting, namely, if more than two directors are to be elected at the general meeting, every share held by the voting shareholders shall have voting rights equal to the number of directors to be elected, and any shareholder may concentrate his/her voting rights on one director candidate or distribute his/her voting rights among several director candidates.

Cumulative voting mentioned in the preceding paragraph means that when Directors or supervisors are being elected at a general meeting, each share has as many voting rights as the candidates for directors or supervisors, and the shareholders' voting rights may be used in a concentrated manner.

CORPORATE GOVERNANCE REPORT

Procedure for Shareholders to put forward proposals at a general meeting

Pursuant to Article 67 of the Articles of Association and Rules of Procedure for General Meetings of the Company, the Listing Rules and Stock Listing Rules of Shanghai Stock Exchange, the following procedures are set out for the Shareholders to put forward proposals at a general meeting:

Shareholder(s) severally or jointly holding 3% or more shares of the Company may put forward proposals at a general meeting. A written notice of the intention to put forward a proposal shall be given to the meeting convener through contacting the Investor Relations Department of the Company. For details of contact methods, please refer to the Investor Relations Report. The convener should make an announcement no earlier than two days upon receipt of the request and no later than ten days before the date of the general meeting specifying details of the proposals.

Other than the above requirements, after the convener makes the announcement, no amendment or addition shall be made in the proposal listed in the announcement.

Proposals at a general meeting shall meet the following requirements:

- (I) The contents of the proposals shall not contravene provisions of the laws, administrative regulations and the Articles of Association and shall fall within the scope of business of the Company and rules of procedure of general meeting;
- (II) The proposals shall include a clear subject and particulars of the subject matters; and
- (III) The proposals shall be submitted or served to the convener in writing.

CORPORATE GOVERNANCE REPORT

When the relevant issues or proposals are being considered at the general meeting, shareholders or their proxies present at the meeting may express their opinions in either oral or written form. Shareholders who wish to express their opinions or raise questions on the issues to be considered shall obtain prior approval from the chairman of the meeting. Shareholders shall not intervene when reports are being made at the meeting or when other shareholders are speaking. When expressing their opinions, shareholders shall focus on the subject matters based on facts and reliable supports with courtesy and respect to others. Insult or defamation on others is prohibited. Shareholders who are in violation of the above rules shall be prohibited from speaking or forced to stop by the chairman of the meeting. Any person present at the meeting may submit their opinions or questions in writing to the chairman of the meeting. Opinions or questions raised at the meeting should be concise and to the point and shall not exceed the time limit and frequency stated in the rules of procedure.

9 Constitutional Documents

Subsequent to the completion of the Proposed Placing, the Parent Subscription and the Fund Subscription on 26 March 2014, the Board has resolved two amendments to the Articles of Association to reflect the changes in the total issued share capital and the shareholding structure of the Company after completion of the Proposed Placing. The amendments to the Articles of Association took effect on 11 April 2014. Details of the amendments were disclosed in the announcement of the Company dated 11 April 2014.

The most updated Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

On behalf of the Board

Jiang Weiping

Chairman

Beijing, the PRC

26 March 2015



AUDITORS' REPORT

Auditors' Report



Ernst & Young Hua Ming (2015) Shen Zi No. 60667053_A01

To the shareholders of BBMG Corporation:

We have audited the accompanying financial statements of BBMG Corporation, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

The management of BBMG Corporation is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: (1) preparing and fairly presenting financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Standards on Auditing. Those standards require that we comply with Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Auditors' Report (continued)

3. Opinion

In our opinion, the financial statements present fairly, in all material aspects, the consolidated and company's financial position of BBMG Corporation as at 31 December 2014 and their financial performance and cash flows for 2014 in accordance with Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: **Meng Dong**

Chinese Certified Public Accountant: **Gong Xiaoqing**

Beijing, the People's Republic of China

26 March 2015

Consolidated Balance Sheet

As at 31 December 2014

RMB	Note V	31 December 2014	31 December 2013
Assets			
Current assets			
Assets Cash and bank balances	1	10,980,171,602.68	8,595,510,330.36
Bills receivable	2	2,651,027,709.78	1,373,660,444.38
Accounts receivable	3	5,404,832,534.14	5,005,865,494.62
Advances to suppliers	4	3,526,981,050.00	3,640,625,094.32
Interests receivable	5	2,641,275.74	2,641,275.74
Dividends receivable	6	2,190,000.00	–
Other receivables	7	1,875,875,683.44	2,639,819,809.34
Inventories	8	48,853,159,420.39	37,602,014,262.50
Other current assets	9	1,721,926,542.06	1,297,088,888.16
Total current assets		75,018,805,818.23	60,157,225,599.42
Non-current assets			
Available-for-sale financial assets	10	1,105,113,250.00	505,404,297.22
Long-term equity investments	11	313,866,323.17	345,799,792.73
Investment properties	12	14,051,809,039.03	13,545,900,000.00
Fixed assets	13	18,021,194,232.60	16,934,316,116.16
Construction in progress	14	834,891,670.62	1,699,222,835.50
Construction materials	15	10,744,028.39	7,869,443.85
Intangible assets	16	3,977,201,603.72	3,962,675,437.19
Goodwill	17	261,109,608.57	307,562,412.28
Long-term deferred expenditures	18	289,777,104.17	204,694,176.91
Deferred income tax assets	19	1,400,919,003.46	1,168,879,507.62
Other non-current assets	20	399,538,994.71	–
Total non-current assets		40,666,164,858.44	38,682,324,019.46
Total assets		115,684,970,676.67	98,839,549,618.88

The notes on pages 128 to 329 form an integral part of these financial statements.

Consolidated Balance Sheet (continued)

As at 31 December 2014

RMB	Note V	31 December 2014	31 December 2013
Liabilities and shareholders' equity			
Current Liabilities			
Short-term loans	22	11,635,636,481.02	13,516,500,000.00
Bills payable	23	237,215,529.94	506,106,696.49
Accounts payable	24	9,297,548,205.02	8,516,698,306.54
Advances from customers	25	16,529,668,285.63	15,567,949,491.14
Wages payable	26	124,579,259.90	143,861,648.17
Taxes payable	27	819,948,626.81	750,894,143.53
Interest payable	28	493,293,223.16	253,810,076.41
Dividends payable	29	55,522,242.70	45,192,199.03
Other payables	30	3,078,343,439.23	2,757,269,782.36
Short-term financing bonds payable	34	6,600,000,000.00	3,000,000,000.00
Non-current liabilities due within one year	31	6,116,513,981.62	3,199,218,336.70
Other current liabilities	32	4,525,386,360.91	3,802,471,794.62
Total current liabilities		59,513,655,635.94	52,059,972,474.99
Non-current liabilities			
Long-term loans	33	6,779,500,000.00	6,879,920,000.00
Bonds payable	34	9,069,911,156.24	6,305,600,000.00
Long-term payables	35	22,209,372.56	22,414,048.18
Long-term wages payable	36	444,185,934.00	422,795,184.00
Accrued liabilities	37	101,078,282.54	101,979,128.78
Deferred income	38	641,674,749.80	602,729,940.01
Deferred income tax liabilities	19	2,551,167,406.15	2,418,825,799.17
Other non-current liabilities	39	314,199,998.01	–
Total non-current liabilities		19,923,926,899.30	16,754,264,100.14
Total liabilities		79,437,582,535.24	68,814,236,575.13

Consolidated Balance Sheet (continued)

As at 31 December 2014

RMB	Note V	31 December 2014	31 December 2013
Equity			
Share Capital	40	4,784,640,284.00	4,283,737,060.00
Capital reserve	41	7,898,685,039.67	5,579,836,540.13
Other comprehensive income	42	234,799,933.63	271,080,253.50
Specific reserve	43	7,925,485.30	13,788,160.64
Surplus reserve	44	828,495,276.27	711,195,322.63
Provision for general risks	45	37,637,667.87	698,454.78
Retained earnings	46	17,315,084,511.06	15,419,803,804.11
Equity attributable to shareholders of the parent company		31,107,268,197.80	26,280,139,595.79
Minority interests		5,140,119,943.63	3,745,173,447.96
Total equity attributable to shareholders		36,247,388,141.43	30,025,313,043.75
Total liabilities and equity attributable to shareholders		115,684,970,676.67	98,839,549,618.88

The financial statements have been signed by:

Legal representative:

Jiang Weiping

CFO:

Wang Hongjun

Head of the accounting department:

Hu Juan

Consolidated Income Statement

For the year 2014

RMB	Note V	2014	2013
Operating revenue	47	41,241,473,853.97	44,789,759,261.89
Less: Operating costs	47	31,272,820,459.85	34,799,883,524.55
Tax and surcharges	48	1,789,409,056.80	1,586,185,890.01
Selling expenses	49	1,521,568,509.32	1,566,232,335.03
Administrative expenses	50	2,886,604,421.20	2,811,322,533.52
Finance costs	51	1,209,437,114.59	1,017,497,260.29
Asset impairment losses	54	210,438,063.48	380,923,672.60
Add: Gains from changes in fair value	52	628,288,802.13	671,729,628.37
Investment losses	53	(28,439,683.58)	(34,746,071.77)
Including: Share of losses of associates and jointly-controlled entities		(28,449,783.58)	(34,333,852.32)
Operating profit		2,951,045,347.28	3,264,697,602.49
Add: Non-operating income	55	903,990,939.46	767,847,286.22
Including: Gain on disposal of non-current assets		140,661,272.43	66,816,837.93
Less: Non-operating expenses	56	51,691,143.61	38,821,166.08
Including: Loss on disposal of non-current assets		12,792,410.98	20,305,299.15
Total profit	57	3,803,345,143.13	3,993,723,722.63
Less: Income tax expenses	58	1,094,373,054.86	750,565,753.75
Net profit		2,708,972,088.27	3,243,157,968.88
Net profit attributable to shareholders of the parent company		2,422,721,815.83	3,215,183,494.65
Minority interests		286,250,272.44	27,974,474.23
Other comprehensive income (net of tax)			
Other comprehensive income (net of tax) attributable to shareholders of the parent company			
Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting periods			
Changes arising from re-measurement of net liabilities or net assets of defined benefit plans		(36,280,233.00)	70,770,401.00

The notes on pages 128 to 329 form an integral part of these financial statements.

Consolidated Income Statement (continued)

For the year 2014

RMB	Note V	2014	2013
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting periods			
For owner-occupied properties or inventories converted to investment properties measured using the fair value model, the portion of fair value in excess of book value at the date of conversion		–	9,144,791.28
Exchange differences on foreign currency translation		(86.87)	(269.89)
Net other comprehensive income after deducting income tax effect	42	(36,280,319.87)	79,914,922.39
Other comprehensive income (net of tax) attributable to minority interests		–	–
Total comprehensive income		2,672,691,768.40	3,323,072,891.27
Including:			
Total comprehensive income attributable to shareholders of the parent company		2,386,441,495.96	3,295,098,417.04
Total comprehensive income attributable to minority interests		286,250,272.44	27,974,474.23
Earnings per share	59		
Basic earnings per share (RMB/share)		0.52	0.75
Diluted earnings per share (RMB/share)		0.52	0.75

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year 2014

	Equity attributable to shareholders of the parent company								Total equity	
	Share capital	Capital reserve	Other comprehensive income			Retained earnings	Subtotal	Non-controlling interests		
			Capital reserve	Specific reserve	Surplus reserve					Provision for general risks
1. Balance at the beginning of the year	4,283,737,060.00	5,579,836,540.13	271,080,253.50	13,788,160.64	711,195,322.63	698,454.78	15,419,803,804.11	26,280,139,595.79	3,745,173,447.96	30,025,313,043.75
2. Movements during the year	-	-	(36,280,319.87)	-	-	-	2,422,721,815.83	2,386,441,495.96	286,250,272.44	2,672,691,768.40
(1) Total comprehensive income	-	-	(36,280,319.87)	-	-	-	2,422,721,815.83	2,386,441,495.96	286,250,272.44	2,672,691,768.40
(2) Capital contribution and reduction from shareholders	-	45,820,989.98	-	-	-	-	-	45,820,989.98	1,200,347,642.33	1,246,168,632.31
1. Capital contribution from minority interests	-	45,820,989.98	-	-	-	-	-	45,820,989.98	1,200,347,642.33	1,246,168,632.31
2. Non-public issuance of shares	500,903,224.00	2,273,832,665.92	-	-	-	-	-	2,774,735,889.92	-	2,774,735,889.92
3. Acquisition of non-controlling interests in subsidiaries	-	(805,156.36)	-	-	-	-	-	(805,156.36)	(46,537,643.64)	(47,342,800.00)
(3) Profit distribution	-	-	-	-	117,299,953.64	-	(117,299,953.64)	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	117,299,953.64	-	(117,299,953.64)	-	-	-
2. Dividend to shareholders	-	-	-	-	-	-	(373,201,942.15)	(373,201,942.15)	(46,817,526.01)	(420,019,468.16)
3. Appropriation of provision for general risks	-	-	-	-	-	36,939,213.09	(36,939,213.09)	-	-	-
(4) Specific reserve	-	-	-	-	-	-	-	-	-	-
1. Accrued during the year	-	-	-	27,136,349.77	-	-	-	27,136,349.77	5,583,653.97	32,720,003.74
2. Used during the year	-	-	-	(32,999,025.11)	-	-	-	(32,999,025.11)	(3,879,903.42)	(36,878,928.53)
3. Balance at the end of the year	4,784,640,284.00	7,898,685,039.67	234,799,933.63	7,925,485.30	828,495,276.27	37,637,667.87	17,315,084,511.06	31,107,268,197.80	5,140,119,943.63	36,247,388,141.43

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year 2013

	Equity attributable to shareholders of the parent company							Total equity		
	State capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Provision for general risks	Retained earnings		Subtotal	Non-controlling interests
1. Balance at the end of the previous year	4,283,737,060.00	5,206,869,553.48	191,165,331.11	9,552,984.58	580,908,395.02	-	12,639,750,823.11	22,911,984,347.30	2,120,784,841.43	25,032,769,188.73
2. Movements during the year	-	-	79,914,922.39	-	-	-	3,215,183,494.65	3,295,098,417.04	27,974,474.23	3,323,072,891.27
(1) Total comprehensive income	-	-	79,914,922.39	-	-	-	3,215,183,494.65	3,295,098,417.04	27,974,474.23	3,323,072,891.27
(2) Capital contribution and reduction from shareholders	-	403,960,934.52	-	-	-	-	-	403,960,934.52	2,086,968,324.21	2,490,929,258.73
1. Capital contribution from minority interests	-	403,960,934.52	-	-	-	-	-	403,960,934.52	2,086,968,324.21	2,490,929,258.73
2. Unilateral capital increase in subsidiaries	-	338,743.82	-	-	-	-	-	338,743.82	(338,743.82)	-
3. Acquisition of non-controlling interests in subsidiaries	-	(31,332,691.69)	-	-	-	-	-	(31,332,691.69)	(439,829,412.31)	(471,162,104.00)
4. Business combination not under common control	-	-	-	-	-	-	-	-	10,401,718.00	10,401,718.00
(3) Profit distribution	-	-	-	-	130,286,727.61	-	(130,286,727.61)	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	130,286,727.61	-	(130,286,727.61)	-	-	-
2. Dividend to shareholders	-	-	-	-	-	-	(304,145,331.26)	(304,145,331.26)	(61,491,962.51)	(665,637,293.77)
3. Appropriation of provision for general risks	-	-	-	-	-	688,454.78	(688,454.78)	-	-	-
(4) Specific reserve	-	-	-	26,575,853.06	-	-	-	26,575,853.06	4,261,512.71	30,837,365.77
1. Accrued during the year	-	-	-	26,575,853.06	-	-	-	26,575,853.06	4,261,512.71	30,837,365.77
2. Used during the year	-	-	-	(22,340,677.00)	-	-	-	(22,340,677.00)	(3,557,303.98)	(25,897,980.98)
3. Balance at the end of the year	4,283,737,060.00	5,579,836,540.13	271,080,253.50	13,788,160.64	711,195,322.63	688,454.78	15,419,803,804.11	26,280,139,595.79	3,745,173,447.96	30,025,313,043.75

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year 2014

RMB	Note V	2014	2013
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		44,349,099,656.49	46,097,589,335.51
Refunds of taxes		419,241,171.47	443,874,166.56
Cash received from other operating activities	60	1,218,499,576.11	1,203,301,244.50
Subtotal of cash inflows from operating activities		45,986,840,404.07	47,744,764,746.57
Cash paid for goods and services		42,281,039,984.68	38,604,295,558.22
Net increase in deposits placed with the Central Bank		659,436,963.19	243,380,705.74
Cash paid to and on behalf of employees		3,072,601,989.09	2,622,883,628.56
Cash paid for all types of taxes		3,894,072,483.85	3,327,003,735.59
Cash paid for other operating activities	60	2,235,856,910.18	3,507,038,479.25
Subtotal of cash outflows from operating activities		52,143,008,330.99	48,304,602,107.36
Net cash flows from operating activities	61(1)	(6,156,167,926.92)	(559,837,360.79)
II. Cash flows from investing activities			
Cash received from return on investments		1,293,685.98	5,629,321.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		198,256,190.27	190,311,670.52
Net cash received from disposal of subsidiaries and other business entities	61(2)	-	12,147,873.99
Cash received from other investing activities	60	402,360,000.00	3,737,927.34
Subtotal of cash inflows from investing activities		601,909,876.25	211,826,793.78
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,745,955,268.33	3,437,698,444.15
Cash paid for acquisition of investments		-	500,000,000.00
Net cash paid for acquisition of subsidiaries and other business entities	61(2)	-	(7,590,520.08)
Cash paid relating to other investing activities	60	472,850,000.00	-
Subtotal of cash outflows from investing activities		2,218,805,268.33	3,930,107,924.07
Net cash flows from investing activities		(1,616,895,392.08)	(3,718,281,130.29)

The notes on pages 128 to 329 form an integral part of these financial statements.

Consolidated Statement of Cash Flows (continued)

For the year 2014

RMB	Note V	2014	2013
III. Cash flows from financing activities			
Cash received from capital contributions		4,021,909,989.92	2,380,750,037.03
Including: Cash received by subsidiaries from minority interests		1,242,670,000.00	2,380,750,037.03
Cash received from borrowings		19,318,547,545.02	17,551,844,359.27
Cash received from other financing activities	60	11,624,131,029.99	4,500,000,000.00
Subtotal of cash inflows from financing activities		34,964,588,564.93	24,432,594,396.30
Cash paid for repayment of borrowings		19,882,886,968.61	14,580,306,880.00
Cash paid for distribution of dividends and profits or for interest expenses		2,303,494,282.97	1,855,009,123.70
Including: Dividends and profits paid by subsidiaries to minority interests		37,125,697.28	59,557,424.67
Cash paid for other financing activities	60	4,390,842,800.00	1,409,662,104.00
Subtotal of cash outflows from financing activities		26,577,224,051.58	17,844,978,107.70
Net cash flows from financing activities		8,387,364,513.35	6,587,616,288.60
IV. Effect of changes in exchange rate on cash and cash equivalents		(1,057,924.80)	(708,606.05)
V. Net increase in cash and cash equivalents		613,243,269.55	2,308,789,191.47
Add: Cash and cash equivalents at the beginning of the year		5,866,492,301.67	3,557,703,110.20
VI. Cash and cash equivalents at the end of the year	61(3)	6,479,735,571.22	5,866,492,301.67

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2014

RMB	Note XV	31 December 2014	31 December 2013
Assets			
Current assets			
Cash and bank balances		3,990,411,184.97	1,890,829,405.71
Accounts receivable		531,095.49	60,332.04
Interest receivable		297,231,546.37	182,081,098.70
Dividends receivable		1,229,423,193.59	974,975,154.14
Other receivables	1	26,209,553,076.06	19,705,837,953.34
Other current assets		2,595,024.86	–
Total current assets		31,729,745,121.34	22,753,783,943.93
Non-current assets			
Available-for-sale financial assets		500,200,000.00	500,200,000.00
Long-term equity investments	2	23,561,454,792.85	19,666,506,383.12
Investment properties	3	9,045,893,879.03	8,257,191,000.00
Fixed assets		1,389,520,144.73	1,323,329,966.27
Construction in progress		–	4,980,000.00
Intangible assets		452,246,643.94	466,580,823.46
Total non-current assets		34,949,315,460.55	30,218,788,172.85
Total assets		66,679,060,581.89	52,972,572,116.78
Liabilities and shareholders' equity			
Current liabilities			
Current liabilities		11,430,000,000.00	12,818,500,000.00
Accounts payable		7,883,071.33	5,050,771.04
Advances from customers		96,859,820.45	64,497,785.03
Wages payable		109,430.15	374,749.52
Taxes payable		5,751,228.26	30,850,868.54
Interest payable		486,964,793.76	246,525,930.56
Dividends payable		21,300,208.09	21,101,776.09
Other payables		4,319,269,438.21	3,336,506,200.51
Short-term financing bonds payable		6,600,000,000.00	3,000,000,000.00
Non-current liabilities due within one year		4,870,000,000.00	2,324,228,475.57
Total current liabilities		27,838,137,990.25	21,847,636,556.86

The notes on pages 128 to 329 form an integral part of these financial statements.

Balance Sheet (continued)

As at 31 December 2014

RMB	Note XV	31 December 2014	31 December 2013
Non-current liabilities			
Long-term loans		5,449,000,000.00	4,220,000,000.00
Bonds payable		8,869,911,156.24	6,305,600,000.00
Long-term wages payable		435,040,166.97	414,142,674.22
Deferred income		1,048,621.13	-
Deferred income tax liabilities		<u>1,730,841,212.22</u>	<u>1,578,510,245.70</u>
Total non-current liabilities		<u>16,485,841,156.56</u>	<u>12,518,252,919.92</u>
Total liabilities		<u>44,323,979,146.81</u>	<u>34,365,889,476.78</u>
Shareholders' equity			
Share capital		4,784,640,284.00	4,283,737,060.00
Capital reserve		7,930,110,712.98	5,656,278,047.06
Other comprehensive income		62,510,991.79	97,014,699.79
Surplus reserve		828,495,276.27	711,195,322.63
Retained earnings		<u>8,749,324,170.04</u>	<u>7,858,457,510.52</u>
Total shareholders' equity		<u>22,355,081,435.08</u>	<u>18,606,682,640.00</u>
Total liabilities and shareholders' equity		<u>66,679,060,581.89</u>	<u>52,972,572,116.78</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Income Statement

For the year 2014

RMB	Note	2014	2013
Operating revenue	4	766,683,819.25	710,756,819.19
Less: Operating costs	4	110,473,019.72	132,070,922.52
Business tax and surcharges		42,595,784.46	39,802,382.19
Selling expenses		22,716,653.89	13,629,691.60
Administrative expenses		194,275,342.64	212,985,872.78
Finance costs		597,137,378.47	404,896,433.06
Asset impairment loss		9,113,985.00	–
Add: Gain from changes in fair value		514,844,018.30	478,898,912.63
Investment income	5	917,739,718.41	875,688,992.34
Including: Share of losses of associates and jointly-controlled entities		(30,563,565.27)	(38,375,746.03)
Operating profit		1,222,955,391.78	1,261,959,422.01
Add: Non-operating income		32,748,753.64	176,874,230.03
Including: Gain on disposal of non-current assets		8,704,600.00	57,726,536.08
Less: Non-operating expenses		309,278.09	350,270.85
Including: Loss on disposal of non-current assets		63,267.79	128,531.65
Total profit		1,255,394,867.33	1,438,483,381.19
Less: Income tax expenses		82,395,330.96	135,616,105.10
Net profit		1,172,999,536.37	1,302,867,276.09
Other comprehensive income (net of tax)			
Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting period			
Changes arising from re-measurement of net liabilities or net assets of defined benefit plans		(34,503,708.00)	70,670,811.00
Total comprehensive income		1,138,495,828.37	1,373,538,087.09

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Statement of Changes in Equity

For the year 2014

RMB

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
I. Balance at the beginning of the year	<u>4,283,737,060.00</u>	<u>5,656,278,047.06</u>	<u>97,014,699.79</u>	<u>711,195,322.63</u>	<u>7,858,457,510.52</u>	<u>18,606,682,640.00</u>
II. Movements during the year						
(1) Total comprehensive income	<u>-</u>	<u>-</u>	<u>(34,503,708.00)</u>	<u>-</u>	<u>1,172,999,536.37</u>	<u>1,138,495,828.37</u>
(2) Shares issued	<u>500,903,224.00</u>	<u>2,273,832,665.92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,774,735,889.92</u>
(3) Profit distribution						
1. Appropriation of surplus reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,299,953.64</u>	<u>(117,299,953.64)</u>	<u>-</u>
2. Dividend to shareholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(373,201,942.15)</u>	<u>(373,201,942.15)</u>
(4) Merger of subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,369,018.94</u>	<u>208,369,018.94</u>
III. Balance at the end of the year	<u>4,784,640,284.00</u>	<u>7,930,110,712.98</u>	<u>62,510,991.79</u>	<u>828,495,276.27</u>	<u>8,749,324,170.04</u>	<u>22,355,081,435.08</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Statement of Changes in Equity (continued)

For the year 2013

RMB						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
I. Balance at the beginning of the year	4,283,737,060.00	5,656,278,047.06	26,343,888.79	580,908,595.02	6,990,022,293.30	17,537,289,884.17
II. Movements during the year						
(1) Total comprehensive income	-	-	70,670,811.00	-	1,302,867,276.09	1,373,538,087.09
(2) Profit distribution						
1. Appropriation of surplus reserves	-	-	-	130,286,727.61	(130,286,727.61)	-
2. Dividend to shareholders	-	-	-	-	(304,145,331.26)	(304,145,331.26)
III. Balance at the end of the year	4,283,737,060.00	5,656,278,047.06	97,014,699.79	711,195,322.63	7,858,457,510.52	18,606,682,640.00

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Statement of Cash Flows

For the year 2014

RMB	Note XV	2014	2013
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		785,479,250.16	734,145,715.68
Cash received from other operating activities	6	41,016,011,511.26	49,151,581,305.24
Subtotal of cash inflows from operating activities		41,801,490,761.42	49,885,727,020.92
Cash paid for goods and services		68,297,536.83	79,488,665.26
Cash paid to and on behalf of employees		65,213,285.90	70,994,891.72
Cash paid for all types of taxes		146,104,925.95	138,810,280.70
Cash paid for other operating activities	6	45,149,692,840.64	50,651,524,148.28
Subtotal of cash outflows from operating activities		45,429,308,589.32	50,940,817,985.96
Net cash flows from operating activities	7(1)	(3,627,817,827.90)	(1,055,090,965.04)
II. Cash flows from investing activities			
Cash received from redemption of investments		–	2,845,425.00
Cash received from return on investments		197,374,527.69	70,659,332.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	39,100,000.00
Net cash received from disposal of subsidiaries and other business entities		–	61,247,700.00
Subtotal of cash inflows from investing activities		197,374,527.69	173,852,457.52
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		54,765,263.80	109,650,138.85
Cash paid for acquisition of investments		3,743,151,975.00	3,149,341,492.75
Net cash paid for acquisition of subsidiaries and other business entities		–	–
Subtotal of cash outflows from investing activities		3,797,917,238.80	3,258,991,631.60
Net cash flows from investing activities		(3,600,542,711.11)	(3,085,139,174.08)

The notes on pages 128 to 329 form an integral part of these financial statements.

Statement of Cash Flows (continued)

For the year 2014

RMB	Note XV	2014	2013
III. Cash flows from financing activities			
Cash received from investments		2,779,239,989.92	–
Cash received from borrowings		19,447,996,000.00	15,538,500,000.00
Cash received from other financing activities		11,424,131,029.99	4,500,000,000.00
		33,651,367,019.91	20,038,500,000.00
Subtotal of cash inflows from financing activities		33,651,367,019.91	20,038,500,000.00
Cash paid for repayment of borrowings		17,961,496,000.00	12,443,500,000.00
Cash paid for distribution of dividends and profits or for interest expenses		1,993,166,219.63	1,585,446,068.56
Cash paid for redemption of bonds		4,370,000,000.00	1,000,000,000.00
		24,324,662,219.63	15,028,946,068.56
Subtotal of cash outflows from financing activities		24,324,662,219.63	15,028,946,068.56
Net cash flows from financing activities		9,326,704,800.28	5,009,553,931.44
IV. Effect of changes in exchange rate on cash and cash equivalents		(1,212,482.01)	406,558.61
V. Net increase in cash and cash equivalents		2,097,131,779.26	869,730,350.93
Add: Cash and cash equivalents at the beginning of the year		1,868,279,405.71	998,549,054.78
VI. Cash and cash equivalents at the end of the year	7(2)	3,965,411,184.97	1,868,279,405.71

The financial statements have been signed by:

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CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 128 to 329 form an integral part of these financial statements.

Notes to Financial Statements

As at 31 December 2014

I. BASIC INFORMATION OF THE GROUP

BBMG Corporation (the “**Company**”) is a joint stock company with limited liability incorporated in Beijing, the People’s Republic of China and was established on 22 December 2005. The Renminbi-denominated ordinary shares (A shares) and H shares of the Company are listed on the Shanghai Stock Exchange (“**Shanghai Stock Exchange**”) and the Stock Exchange of Hong Kong Limited (“**Stock Exchange of Hong Kong**”), respectively. The Company’s headquarter is located at No. 36, North Third Ring East Road, Dongcheng District, Beijing. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the businesses of manufacture and sale of cement and building materials, real estate development, property investment, and the provision of property management services.

The scope of business of the Company includes: cement, building materials manufacturing, construction and decoration, trade and logistics, tourism services, real estate development and property management.

The Group’s parent and ultimate holding company is Beijing BBMG Group Co., Ltd. (“**BBMG Group**”), a company established in the PRC.

These financial statements were approved by a resolution of the board of directors of the Company on 26 March 2015. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review and approval.

The scope of consolidated financial statements was determined on the basis of control. Refer to Note VI. 2. for changes during the year.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements are prepared in accordance with Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance (the “**MOF**”) as well as specific accounting standards, the implementation guidance, interpretations and other relevant provisions issued and revised subsequently (collectively referred to as “**Accounting Standards for Business Enterprises**”).

The financial statements are presented on a going concern basis.

Except for certain financial instruments and investment properties, the financial statements have been prepared under the historical cost convention. If the assets are impaired, corresponding provisions for impairment shall be provided according to relevant provisions.

Notes to Financial Statements

As at 31 December 2014

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2. Adoption of certain revised/new accounting standards

Between January and March 2014, the Ministry of Finance formulated the Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement, Accounting Standards for Business Enterprises No. 40 – Joint Arrangements and Accounting Standards for Business Enterprises No.41 – Disclosure of Interests in Other Entities; and revised the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments, Accounting Standards for Business Enterprises No. 9 – Employee Benefits, Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements and Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements. All of the above 7 accounting standards will be effective from 1 July 2014, but overseas-listed enterprises are encouraged to early adopt them. In June 2014, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments, which will be effective for financial reports for the year 2014 and subsequent periods.. As an overseas-listed enterprise, the Company early adopted other six accounting standards for business enterprises except for Accounting Standards for Business Enterprises No. 41 – Disclosure of Interests in Other Entities and conducted accounting treatment in accordance with relevant transitional requirements when preparing the financial statements for 2013. Please refer to the 2013 financial statements for the major effects.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended.

2. Accounting period

The accounting year for the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The Group's reporting and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB yuan.

The subsidiaries, joint ventures and associates of the Group may determine their own functional currencies based on the specific economic environments in their place of business. In the preparation of financial statements, their functional currencies shall be translated into RMB.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

4. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations under common control and business combinations not under common control.

Business combinations under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. The combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities (including the goodwill arising from acquisition of the party being acquired by the ultimate controlling party) that are obtained by the acquirer in a business combination under common control shall be subject to relevant accounting treatment on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve and the balance of capital reserve transferred in under the old accounting system. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

4. Business combinations *(continued)*

Business combinations not under common control (continued)

Where the aggregate of the fair value of the consideration paid (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration paid (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, reassessment of the measurement of these items is conducted first, if the sum of the fair value of this consideration and other items mentioned above is still lower than the fair value of the net assets acquired, the difference is recognised in profit or loss for the current period.

For a business combination not under common control achieved in stages, the equity interest in the acquiree before the acquisition date will be remeasured at fair value on the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; previously held equity interests in the acquiree involving other comprehensive income under the equity method will be subject to accounting treatment on the same basis as direct disposal of underlying assets or liabilities by the investee, and other changes in shareholders' equity will be reclassified as gains and losses for the period in which the acquisition date falls, except for net profit or loss, other comprehensive income and profit distribution.

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries as of 31 December 2014. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural body controlled by the Company, etc.) that is controlled by the Company.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. All assets, liabilities, interests, income, fees and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses for the current period attributed to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against non-controlling interests.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

5. Consolidated financial statements *(continued)*

For subsidiaries acquired through a business combination not under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. In preparing consolidated financial statements, adjustments shall be made to the subsidiaries' financial statements based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries acquired through a business combination under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the beginning of the combination period. In preparing consolidated financial statements, adjustments shall be made to related items of prior year's financial statements, as if the reporting entities after the combination had existed from the date when the combining entities first came under control of the ultimate controlling party.

The Group reassesses whether or not it controls an investee if facts or circumstances indicate that there are changes to one or more elements of control.

A change in the minority interests, without a loss of control, is accounted for as an equity transaction.

6. Classification of joint arrangements and joint operation

Joint arrangements are divided into joint operation and joint venture. Joint operation refers to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations of the liabilities, relating to the arrangement. Joint venture refers to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand for payment purposes. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and translation of the financial statements prepared in foreign currencies

The Group translates the amounts of foreign currency transactions occurred into its functional currency.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

8. Foreign currency transactions and translation of the financial statements prepared in foreign currencies *(continued)*

Foreign currency transactions are recorded, on initial recognition, in their functional currencies, by applying to the foreign currency amounts at the spot exchange rates at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rates at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for acquisition and construction of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rates prevailing on the transaction dates, while the amounts denominated in the functional currencies do not change. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rates prevailing at the date on which the fair values are determined. The exchange differences thus resulted are recognised in profit or loss or as other comprehensive income for the current period, depending on the nature of the non-monetary item.

For foreign operations, the Group translates their functional currency amounts into Renminbi in preparing the financial statements as follows: asset and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, and equity items other than "retained earnings" are translated using the spot exchange rates at the date of transactions; revenue and expense items in the income statement are translated using the weighted average exchange rate for the period during which the transactions occur. The resulting exchange differences are recognised as other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to profit and loss in the period during which the disposal occurs. If the disposal only involves a portion of a particular foreign operation, the calculations will be made on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

9. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

9. Financial Instruments *(continued)*

Recognition and derecognition of financial instruments *(continued)*

The Group derecognises and writes off a financial asset (or part of a financial asset, or part of a group of similar financial assets) from its account and balance sheet when the following conditions are met:

- (1) the rights to receive cash flows from the asset have expired; or
- (2) the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period established by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the asset.

Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge. A financial asset is recognised initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit and loss for the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognised.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

9. Financial Instruments *(continued)*

Classification and measurement of financial assets (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: (i) the financial asset is acquired for the purpose of selling in the near term; (ii) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the entity recently manages this portfolio for the purpose of short-term profit-taking; (iii) the financial asset is a derivative, except for a derivative that is designated and an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss for the current period. Dividend income or interest income related to financial assets at fair value through profit or loss is credited to profit or loss for the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold them to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss for the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortization or impairment are recognised in profit or loss for the current period.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

9. Financial Instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as any of the other categories at initial recognition. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. The discount/premium is amortised using the effective interest rate method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income, except that impairment losses and foreign exchange gains or losses from monetary financial assets are recognised as profit or loss for the current period, until the financial asset is derecognised or determined to be impaired, at which time its accumulated gain or loss is transferred to profit or loss for the current period. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss for the current period.

Equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured are carried at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as hedging instruments in an effective hedge. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on its classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: (i) the financial liability is assumed for the purpose of repurchasing in the near term; (ii) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the entity recently manages this portfolio for the purpose of short-term profit-taking; (iii) the financial liability is a derivative, except for a derivative that is designated and an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such a kind of financial liabilities, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss for the current period.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

9. Financial Instruments *(continued)*

Classification and measurement of financial liabilities (continued)

Other financial liabilities

After initial recognition, such kind of financial liabilities are subsequently measured at amortised cost by using the effective interest rate method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet to the extent that there is a currently enforceable legal right to offset the recognised amounts and that there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of each financial asset. If there is objective evidence indicating a financial asset may be impaired, a provision is made for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Objective evidence that a financial asset is impaired includes: significant financial difficulty of the issuer or obligor; a breach of contract by the obligor, such as a default or delinquency in interest or principal payments; it becoming probable that the obligor will enter bankruptcy or other financial reorganisations; and observable data indicating that there is a measurable decrease in the estimated future cash flows of the obligor.

Financial assets carried at amortised cost

If impairment on a financial asset has occurred, the carrying amount of the asset is reduced to the present value of expected future cash flows through a deduction item (excluding future credit losses that have not been incurred). Impairment is recognised in profit or loss for the current period. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income of the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss. Loans and receivables together with any associated provision for impairment are written off when there is no realistic prospect of future recovery and all collaterals have been realised or have been transferred to the Group.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

9. Financial Instruments *(continued)*

Impairment of financial instruments *(continued)*

Financial assets carried at amortised cost *(continued)*

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss for the current period if there is objective evidence of impairment. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment or is individually assessed for impairment. If no objective evidence of impairment occurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics for collective assessment for impairment.

If, subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery can be related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale asset is impaired, the accumulated losses arising from decline in fair value previously recognised in other comprehensive income are removed and recognised in profit or loss for the current period. The accumulated losses that removed from other comprehensive income are the difference between the initial acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

The objective evidence of the available-for-sale equity instrument investment is impaired, includes a significant or prolong decline in fair value. "Significant" is evaluated against the extent of fair value under the cost, while "prolong" is evaluated by the length of duration when fair value was under the cost. Where there is objective evidence that a financial asset is impaired, the transferred cumulative loss is calculated using its acquisition cost less its current fair value and any impairment loss previously recognised in profit or loss. Impairment losses for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. Increase in their fair value after impairment is recognised directly in other comprehensive income.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

9. Financial Instruments *(continued)*

Impairment of financial instruments (continued)

Available-for-sale financial assets (continued)

The determination of what is “significant” and “prolong” requires judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed with the amount of the reversal recognised in profit or loss for the current period.

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss for the current period. Once an impairment loss is recognised, it is not reversed.

Transfers of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognises the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transactions as follows: (i) if the Group has not retained control, it derecognises the financial asset and recognises any resulting assets or liabilities; (ii) if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.

Continuing involvement that takes the form of a financial guarantee over the transferred financial asset is measured at the lower of the carrying amount of the financial asset and the amount of financial guarantee. The amount of financial guarantee refers to the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

10. Receivables

(1) Receivables that are individually significant and individually assessed for bad debt provision

As at the balance sheet date, accounts receivable and other receivables greater than RMB10,000,000 individually are considered as significant and are subject to separate impairment assessment. If there is objective evidence that an impairment loss has been incurred, impairment loss is recognised and bad debt provision is made based on the shortfall of the present value of estimated future cash flows as compared to the carrying amount of the receivable.

(2) Receivables that are assessed for bad debt provision by group of credit risk characteristics

Except for receivables that are impaired through individual assessment, the Group considers receivables due from governmental institutions, BBMG Group and its affiliates as a group with special credit risk characteristics. According to assessment, the risk of these receivables is low and therefore the Group generally makes no provisions for bad debt for such receivables. As for other receivables, the Group determines the receivable group based on the aging as the credit risk characteristics. The provisions for bad debt of accounts receivable and other receivable are determined based on the aging analysis and the accrual percentages are stated as follows:

	Accounts receivable Percentage of provision (%)	Other receivables Percentage of provision (%)
1 year or less	–	–
1 to 2 years (inclusive)	30	30
2 to 3 years (inclusive)	60	60
3 to 4 years (inclusive)	85	85
4 to 5 years (inclusive)	100	100
More than 5 years	100	100

(3) Receivables that are not individually significant but individually assessed for bad debt provision

Receivable that is not individually significant but with objective evidence that an impairment loss may have been incurred is separated from the relevant group and individually assessed for impairment loss. The bad debt provision is made according to the difference between the present value of estimated future cash flows and the carrying amount of the receivable.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

11. Inventories

Inventories include raw materials, work in progress, finished goods, trading goods, turnover materials, properties under development and completed properties held for sale.

Inventories are initially carried at cost. Except for properties under development and completed properties held for sale, cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the weighted average method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortised by using the immediate write-off method. Costs of properties under development and completed properties held for sale mainly consist of land acquisition cost, construction cost, interests capitalised and other direct and indirect development expenses. Cost of properties under development is transferred to cost of completed properties held for sale upon completion of development.

Within the construction cost, public ancillary facilities represent government-approved public ancillary projects, i.e. roads. The relevant costs are recognised under the properties under development, and are accounted for and allotted by cost item. Land use rights for development purpose are classified as part of properties under development.

The Group adopts perpetual inventory system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist and result in the net realisable value higher than their carrying amount, the amount of the write-down is reversed to the extent of the amount of the provision for the inventories and is recognised in profit or loss for the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated expenses and the related taxes necessary to make the sale. The provision for decline in value is made on an individual basis, provided that for inventories with large quantity and lower unit cost, the provision for decline in value is made on a category basis; For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar, and if it is difficult to measure them by separating them from other items, the provision for decline in value of inventories are made on a combination basis.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

12. Non-current assets classified as held for sale

Save for financial assets, deferred income tax assets and investment properties measured at fair value, the integral part of an entity (or non-current assets) that meets all of the following criterias is classified as held for sale:

- (1) The integral part of an entity (or non-current assets), must be available for immediate sale in its present condition subject only to terms that are usually and customary for sales of such integral part;
- (2) The Group has made a resolution regarding the disposal of the integral part (or non-current assets) and has obtained relevant approval at a general meeting where required;
- (3) A non-revocable transfer agreement has been signed with the transferee;
- (4) The transfer is expected to be completed within one year.

Individual assets and disposal groups that are classified as non-current assets held for sale are neither depreciated nor amortised, and stated at fair value less costs to sell, which shall not exceed the original carrying amount when the criteria of being held for sale are met. The excess of the original carrying amount over the fair value less costs to sell is recognised as impairment loss of the asset in the profit or loss for the current period.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

13. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

A long-term equity investment is initially measured at its initial investment cost on acquisition. For a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the carrying amount of the absorbing party's share of the owner's equity of the party being absorbed on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted to capital reserve (where the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). Other comprehensive income prior to the date of the merger is accounted for on the same basis as used to directly account for relevant assets or liabilities by the investee upon such disposal, and shareholders' equity recognised as a result of changes in the investee's shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. The initial investment cost of the long-term equity investment is the cost of acquisition for a business combination not under common control (for a business combination not under common control achieved in stages, the initial investment cost is measured at the carrying amount of the equity investments in the acquiree before the acquisition date plus the additional investment cost incurred on the acquisition date). The cost of combination includes the assets transferred and the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued. Other comprehensive income held prior to the date of the acquisition and recognised using the equity method is accounted for on the same basis as used to directly account for relevant assets or liabilities by the investee upon such disposal, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. Any change in accumulated fair value of the equity investment held prior to the date of the acquisition included in other comprehensive income as financial instruments are transferred into profit or loss for the current period in full when the cost method is adopted. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: (i) if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; (ii) if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; (iii) if acquired by exchange of non-monetary assets, the initial investment cost is determined in accordance with Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

13. Long-term equity investments *(continued)*

For a long-term equity investment where the Company can exercise control over the investee, the long-term equity investment is accounted for using the cost method in the Company's separate financial statements. Control refers to having the power over the investee, the entitlement to variable returns through the participation in the relevant activities of the investee, and the ability to affect the amount of returns by using its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. If investment is increased or withdrawn, the cost of long-term equity investment shall be adjusted. Cash dividends or profit distributions declared by the investee are recognised as investment income for the current period.

The equity method is adopted when the Group holds joint control, or exercises significant influence on the investee. Joint control is the relevant agreed sharing of control over an arrangement, and relevant activities of such arrangement shall be decided upon the unanimous consent of the parties sharing control. Significant influence is the power to participate in decision making of the financial and operating policies of the investee, but without the power to control or jointly control with other parties the formulation of those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, long-term equity investment is measured at the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

13. Long-term equity investments *(continued)*

Under the equity method, the Group recognises, upon acquisition of the long-term equity investment, its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits or losses, except for those from dispensing or selling businesses constituted by assets, based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its jointly-controlled entities and associates, attributable to the investing party according to its entitled ratio (but impairment losses for assets arising from internal transactions shall be recognised in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit distributions) and includes the corresponding adjustments in the shareholders' equity.

On disposal of a long-term investment, the difference between the carrying amount of the investment and the sales proceeds actually received is recognised in profit or loss for the current period. For long-term equity investments accounted for using the equity method, where the equity method is no longer adopted, relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as used to directly account for relevant assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in full for the current period; where the equity method is still adopted, relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as used to directly account for relevant assets or liabilities by the investee and transferred to profit or loss in proportion for the current period, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in corresponding proportion for the current period.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

14. Investment properties

Investment property is held to earn rentals or for capital appreciation or both. Investment properties include land use right that is leased out, land use right held for transfer upon capital appreciation, and building that is leased out. The Group's investment properties are held for long term purposes and are leased to earn rentals.

An investment property is measured initially at its cost. Subsequent costs incurred for an investment property are included in its cost only when the economic benefits associated with the asset will probably flow in and the cost can be measured reliably. Otherwise, subsequent costs are recognised in profit or loss for the period during which they are incurred.

The Group uses the fair value model for subsequent measurement of its investment properties. Fair value changes are included in "Gains from changes in fair value" on the face of income statement. Reasons for the adoption of the fair value model as the accounting policy for subsequent measurement by the Group are as follows:

- (1) The investment properties are located in places where the property markets are active.

The Group's current investment properties, most of which are commercial properties at developed commercial districts, are primarily located at core districts of Beijing where the property markets are relatively active. The Group is able to obtain market price and other related information of properties of the same category or similar nature. It is practicable for the Group to adopt the fair value model for subsequent measurement of the investment properties.

- (2) The Group is able to obtain market price and other related information of properties of the same category or similar nature from the property markets, by which the Group makes a reasonable estimation of the fair value of its investment properties.

The Group has engaged a valuer with relevant qualifications to make valuation on the fair value of the investment properties of the Group using the income method and with reference to the prices in the open market. The result of such valuation is used as the fair value of the investment properties of the Group.

Key assumptions and major uncertain factors adopted by the Group for the estimation of the fair value of the investment properties of the Group mainly include: assuming the investment properties are traded in the open market and will continue to be used for their existing purposes; there will be no significant changes in the macro-economic policies of the PRC and the social and economic environment, tax policies, credit interests and foreign exchange rates in the places where the Group operates; and there is no other force majeure and unforeseeable factor that may have a material impact on the Group's operation.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

15. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in its cost, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the assets is considered. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Except for those fixed assets formed by using production safety fees accrued, depreciation of fixed assets is calculated using the straight-line method. The useful lives, estimated net residual value and annual depreciation rates of fixed assets are as follows:

	Useful life	Estimated net residual value	Annual depreciation rate (%)
Buildings	20 – 35 years	5%	2.71 – 4.75%
Machinery and equipment	15 years	5%	6.33%
Transportation equipment	8 – 10 years	5%	9.50 – 11.88%
Electronic equipment	5 years	5%	19.00%
Office equipment	5 years	5%	19.00%

Different depreciation rates are applied where the components of fixed assets have different useful lives or provide benefit to the entity in different patterns.

A fixed asset under finance lease is depreciated according to the same policy as that of a self-owned fixed asset. If it is reasonably certain that ownership of the leased asset can be obtained upon expiry of the lease term, the leased asset is depreciated over its useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term or its useful life.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

16. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that shall be capitalised before the construction gets ready for its intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

17. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing. Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense during the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred;
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as an expense for the period during which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

17. Borrowing costs *(continued)*

- (1) where funds are borrowed for a specific purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
- (2) where funds are borrowed for a general purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than three months. Borrowing costs incurred during these periods are recognised as expenses for the current period until the acquisition, construction or production is resumed.

18. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefit associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is estimated to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when the period over which the asset is estimated to generate economic benefits for the Group is uncertain.

The intangible assets of the Group consist of land use rights, mining rights, trademarks and software use right.

Land use rights that are purchased by the Group for purposes other than real estate development are generally accounted for as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets. Land use rights of the Group are amortised on the straight-line basis over the term stipulated on the certificates of land use rights obtained by the Group.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

18. Intangible assets *(continued)*

Costs of mining rights included costs that were incurred to obtain the mining license and estimated mine restoration cost. Amortization is calculated using the production method based on the relevant recoverable mining reserves.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each financial year-end and makes adjustment if necessary.

Intangible assets with indefinite use life (mainly the trademarks) are tested for impairment at each year-end, irrespective of whether there is any indication that the asset may be impaired. An intangible asset with indefinite useful life shall not be amortised, for which the useful life is reassessed in each accounting period. If there is evidence indicating that the useful life of that intangible asset becomes finite, it shall be accounted for by applying the accounting policy for intangible asset with a finite useful life.

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits, for which, among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

19. Impairment of assets

The Group determines the impairment of assets other than inventories, investment properties measured under the fair value model, deferred income tax assets, financial assets and assets classified as held for sale, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and intangible assets with indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is not possible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset group or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

19. Impairment of assets *(continued)*

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment test, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compare the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then by the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

20. Long-term deferred expenditures

Long-term deferred expenditures represent expenditures incurred but should be recognised as expenses over more than one year in the current and subsequent periods, including costs of leasehold improvements, renovation expenses, stripping cost of mines and lease prepayments. A long-term deferred expenditure is amortised using the straight-line method according to the period over which it is estimated to generate economic benefits for the Group.

21. Employee benefits

Employee benefits are all forms of considerations or compensations given by the Group in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the Group to the spouses, children and dependents of the employees as well as families and other beneficiaries of the deceased employees are also classified into employee benefits.

Short-term benefits

In the accounting period which services are rendered by employees, short-term benefits actually incurred is recognised as liabilities and included in profit or loss for the current period or cost of underlying assets.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

21. Employee benefits *(continued)*

Post-employment benefits (the defined contribution plan)

The employees of the Group participate in the pension insurance scheme administered by the local government and enterprise annuity, and the corresponding expenses are included in the costs of the relevant assets when incurred or recognised in profit or loss for the current period.

Post-employment benefits (the defined benefit plan)

The Group operates a defined benefit pension plan, which provides certain eligible retirees (those having completed retirement procedures before 2007) with supplementary allowance benefits. No capital has been injected into the plan. The benefits cost under the defined benefit plan is calculated using the projected accumulative benefit unit method.

The items to be remeasured as a result of the defined benefit pension plan, which include actuarial gains or losses, movements arising from assets cap (net of amounts included in net interest of liabilities in the defined benefit plan) and return on plan assets (net of amounts included in net interest of liabilities in the defined benefit plan), are all immediately recognised in the balance sheet, and are included in shareholders' equity through other comprehensive income during the period they are incurred. They will not be reversed to profit or loss in subsequent periods.

The past service costs are recognised as expenses for the current period when the defined benefit plan is modified or when the Group recognises relevant restructuring costs or termination benefits, whichever occurs earlier.

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit by the discount rate. The Group recognised the changes in net liabilities of the defined benefit under the finance expenses in the income statement. Service cost includes current service cost, past service costs and gains or losses on settlement; net interest includes interest income on plan assets, interest expenses on plan obligations and interest arising from assets cap.

Termination benefits

Where the Group provides termination benefits to employees, the employee benefits liabilities arising from termination benefits are recognised and accounted for in profit or loss for the current period at the earlier of the following dates: when the Group cannot unilaterally withdraw the offer of these termination benefits as a result of termination of employment plan or downsizing proposal, and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

22. Provisions

Except for contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

23. Revenue

Revenue is recognised only when it is probable that the associated economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases.

Revenue from the sales of goods

The Group recognises the revenue from the sales of goods when it has transferred the significant risks and rewards of ownership of the goods to the buyer; and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sales of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred so that the arrangement is in substance of a financing nature, the amount of revenue arising on the sales of goods is measured at the fair value of the consideration receivable.

Revenue from the sales of completed properties is recognised when the significant risks and rewards of property ownership have been transferred to the buyer, i.e., when the properties has been completed and delivered to the buyer pursuant to the sale agreement and the collection of the consideration determined under the purchase and sales contract can be assured reasonably. The deposits and instalments of sold properties and proceeds from presale collected prior to the revenue recognition will be presented under advances from customers in the balance sheet.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

23. Revenue *(continued)*

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; the stage of completion of the transaction can be measured reliably; and the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services based on the proportion of services performed to date to the total services to be performed. The total service revenue on a transaction involving the rendering of services is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair.

When the Group has entered into a contract or agreement with other entities comprising both sales of goods and rendering of services, if the sales of goods component and the rendering of services component can be separately identified and measured, they are accounted for separately; if the sales of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as sales of goods.

Interest income

It is determined according to the length of period for which the Group's currency fund is used by others and the effective interest rate.

Lease income

Lease income from operating leases is recognised on a straight-line basis over the lease term. Contingent rental incomes are recognised in profit or loss in the period in which they actually arise.

24. Government grants

Government grants are recognised when all attaching conditions will be complied with and the grant can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value cannot be reliably determined, it is measured at a nominal amount.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

24. Government grants *(continued)*

Government grants shall be recognised as government grants related to assets where long-term assets are built or otherwise developed in accordance with the requirements of government documents. If there are no specific requirements of government documents, judgment shall be exercised based on the basic conditions required for the grants. Government grants shall be recognised as government grants related to assets where the building or otherwise development of long-term assets is considered as the basic condition; otherwise, they shall be recognised as government grants related to income.

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; and (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss for the current period. A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period.

25. Income tax

Income tax comprises current and deferred income tax. Income tax is recognised as an expense or income in profit or loss for the current period, or otherwise recognised directly in shareholders' equity if it arises from goodwill on a business combination or relates to a transaction or event which is recognised directly in shareholders' equity.

The Group measures a current tax liability or asset arising from the current and prior periods based on the amount of income tax estimated to be paid by the Group or returned by taxation authority calculated in accordance with the requirements of related tax laws.

Deferred income tax is recognised under the balance sheet liability method based on the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and carrying amount in respect of items not recognised as assets and liabilities, but the tax bases being determinable under tax law.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

25. Income tax *(continued)*

- (2) in respect of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred income tax asset is recognised for deductible temporary differences, and unused deductible tax losses and tax credits that can be carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible tax losses and tax credits can be utilised, except:

- (1) where the deductible temporary difference arises from a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss; or
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, a deferred income tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is recovered or the liability is settled, according to the requirements of tax laws. The measurement of deferred income tax assets and deferred income tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset and the net amount reported if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

26. Maintenance and quality guarantee funds

Maintenance fund is collected on behalf of housing administration bureau from property buyers in certain proportion to selling price in accordance with the relevant regulations. The fund will be remitted to housing administration bureau upon registration of property ownership. Maintenance fund is accounted for under other payables.

Quality guarantee fund is reserved by certain percentage of the project payment. The fund will be repaid to the constructor after the properties are completed, in condition that examined by government authorities, and with no quality issue within the agreed warranty period. The fund is accounted for under accounts payable.

27. Lease

Leases that transfer substantially all the risks and rewards of ownership of assets are accounted for as finance leases. An operating lease is a lease other than a finance lease.

In the case of being the lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rental payments are charged to profit or loss in the period in which they actually arise.

In the case of being the lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease terms through profit or loss. Contingent rental incomes are credited to profit or loss in the period in which they actually arise.

In the case of being the lessee of a finance lease

An asset held under a finance lease is recognised at the lower of its fair value as at the effective date of lease and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance cost, which is amortised using the effective interest rate method during periods over the lease term. Contingent rental payments are charged to profit or loss in the period in which they actually arise.

28. Distribution of profit

Cash dividend of the Company is recognised as a liability upon being approved in the shareholders' general meeting.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

29. Production safety cost

Production safety cost appropriated pursuant to the related regulations is recognised in the cost of the relevant products or in profit or loss for the current period, and also in the specific reserve. The use of production safety cost is accounted for according to whether a fixed asset is formed; The cost incurred through expenditure will be reduced from the specific reserve; The cost incurred for a fixed asset shall be pooled and recognised as a fixed asset when it reaches the working condition for its intended use, meanwhile an equivalent amount shall be deducted from the specific reserve and recognised as accumulated depreciation.

30. Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group's relevant assets and liabilities are measured at fair value based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At each balance sheet date, for assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

31. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements:

Operating lease – as lessor

The Group has entered into lease contracts on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and inventories

The properties constructed by the Group may be held for sale, earning rental income and/or capital appreciation. The properties are designated as inventories or investment properties according to the intention of holding at the early development stage. During the course of construction, the properties which are intended for sale after their completion are accounted for as inventories – properties under development included in current assets, whereas, the properties which are intended to be held to earn rental income and/or for capital appreciation are accounted for as investment properties under construction included in non-current assets. Upon completion, the properties held for sale are transferred to inventories – completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties.

Classification between investment properties and fixed assets

The Group determines whether a property held qualifies as an investment property, and has developed relevant criteria for making the judgment. Properties held to earn rental income or for capital appreciation or both (including buildings under construction or development which are supposed to be used for rental earning) are classified as investment properties. Therefore, the Group considers whether a property generates cash flows largely independently of other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation while the remaining portion is held for use in the production or supply of goods or services or for administrative purpose. The Group accounts for the portion that is held to earn rentals or for capital appreciation separately if such portion can be sold or leased out separately. Otherwise, the property is classified as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose. The Group's judgment is made on an individual basis when determining whether ancillary services are so significant that a property does not qualify as an investment property.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

31. Significant accounting judgments and estimates *(continued)*

Uncertainty of estimation

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.

Deferred income tax assets

Deferred income tax assets are recognised for all unused deductible tax losses to the extent that it is probable that taxable profit will be available against which the deductible tax losses can be utilised. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of non-current assets other than financial assets (other than goodwill)

The Group assesses whether there are any indication of impairment for all non-current assets other than financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indication exists. Other non-current assets other than financial assets are tested for impairment when there is indication that the carrying amounts may not be recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e. the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in sales agreement or observable market price in arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. Estimating the present value of the expected future cash flows requires the management to make an estimation of the expected future cash flows from an asset or asset group and also choose a suitable discount rate in order to calculate the present value of those future cash flows

Impairment of goodwill

The Group determines whether the goodwill is impaired at least on annual basis. This requires an estimation of the present value of the expected future cash flows from an asset group or set of asset groups to which the goodwill is allocated. Estimating the present value of the expected future cash flows requires the Group to make an estimation of the expected future cash flows from an asset group or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those future cash flows.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

31. Significant accounting judgments and estimates *(continued)*

Uncertainty of estimation (continued)

Land appreciation tax

The Group is subject to land appreciation tax ("LAT"). The provision for land appreciation tax is based on the management's best estimates according to their understanding of the requirements set forth in the relevant tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the settlement of land appreciation tax. The Group has not finalised the assessment for its land appreciation tax calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences are realized.

Fair value of investment properties

The fair value of investment properties are revalued at the balance sheet date by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might differ from the actual results. In making the relevant estimation, information from current market rentals for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are adopted.

Recognition and allocation of development costs on properties under construction

Development costs of properties are recorded as inventory during the construction stage and will be transferred to the income statement upon the recognition of the sale of the properties. Before the final settlement of the development cost and other costs relating to the development of the properties, the management of the Group is required to make estimation on these costs according to the budgeted cost and the progress of development. When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the costs of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Impairment of accounts receivable and other receivables

The impairment of accounts receivable and other receivables is based on the evaluation of the collectability of the outstanding accounts receivable and other receivables. The management's judgment and estimation are required in the recognition of the impairment of accounts receivable and other receivables. Provisions for impairment will be made where there is objective evidence that such receivables are not collectible. If the actual results or future expectation differ from the original estimate, such differences will affect the carrying amount of accounts receivable and other receivables and bad debt provisions/reversal in the period in which the estimate changes.

Notes to Financial Statements

As at 31 December 2014

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

31. Significant accounting judgments and estimates *(continued)*

Uncertainty of estimation (continued)

Provision of decline in value of inventory

The Group's inventory is measured at the lower of the costs and net realisable value. Net realizable value of inventory is the estimated selling price of inventory less the estimated costs upon completion of production, the estimated selling expenses and the related taxes and surcharges necessary to make the sale. Management's calculation of the net realisable value of inventory involves the estimation on the estimated selling price, the estimated costs upon completion, the estimated selling expenses and the related taxes and surcharges necessary to make the sale. Any changes on such estimates will impact the carrying amount of the inventory and the profit for the subsequent years.

Measurement of defined benefit obligations

Supplementary subsidies and benefits paid to certain retired and early retired employees are recognised as a liability. The amounts of the related benefit expenses and liabilities are determined using actuarial valuations conducted by an independent professional actuary who conducts annual assessment of the actuarial position of the Group's retirement plans. The actuarial valuation involves making assumptions on discount rates, pension benefit inflation rates, and other factors. Due to their long term nature, such estimates are subject to uncertainties.

Useful lives and residual value of fixed assets

Fixed assets are depreciated over their estimated useful lives by taking into account of their residual values. The Group regularly reviews the estimated useful lives and residual value of relevant assets to determine the total amount of depreciation which will be included in each reporting period. Useful lives and residual value of assets are determined on the basis of the previous experience from assets of the same category and the expected change of technology. If the past estimates change significantly, the depreciation costs shall be adjusted during future periods.

Notes to Financial Statements

As at 31 December 2014

IV. TAXATION

(1) Major categories of taxes and respective tax rates

Value-added tax ("VAT"):	The VAT payable is determined as the output VAT calculated based on the taxable revenue at the tax rate of 17% less the deductible input VAT for the current period. For small-scale taxpayers, VAT is levied based on the sales revenue at the tax rate of 3%. For the concrete industry, VAT is levied based on the sales at a simplified tax rate of 6%.
Business tax:	It is levied at 3%, 5% and 20% of the taxable business turnover.
City maintenance and construction tax:	It is levied at 7%, 5% and 1% of net VAT and business tax paid.
Education surcharge:	It is levied at 3% of net VAT and business tax paid.
Property tax:	It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10% – 30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.
Vehicle and vessel tax:	It is levied, by number of passenger in service vehicles and by tonnage of trucks, to the vehicles owned or managed by the Group.
Land use tax:	It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local governments.
Individual income tax:	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group.
Land appreciation tax:	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the compensatory transfer of ownership by the Group.
Resource tax:	It is levied to the minerals exploited by the Group on a quantity basis under the relevant tax laws of the PRC.
Corporate income tax:	Except the items listed in (2) below, the tax is levied on the Group at the tax rate of 25% based on the taxable profit.

Notes to Financial Statements

As at 31 December 2014

IV. TAXATION *(continued)*

(2) Tax preferences

1. Value-added tax (VAT)

Certain subsidiaries of the Group enjoy the following VAT preferences:

- (1) In accordance with the Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products and the Supplementary Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products, some of the Group's subsidiaries engaged in cement production enjoyed the VAT refund upon collection preferential policy in 2014 in respect of their eligible cement products. Such subsidiaries include Beijing Liulihe Cement Co., Ltd., Beijing BBMG Pinggu Cement Co., Ltd., Luquan BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang BBMG Cement Co., Ltd., Beijing Taihang Qianjing Cement Co., Ltd., Baoding Taihang Heyi Cement Co., Ltd., Beijing Qianglian Cement Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Zanhuang BBMG Cement Co., Ltd., Zhangjiakou Jinyu Cement Co., Ltd., Zhuolu Jinyu Cement Co., Ltd., Siping BBMG Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd., Nanxian BBMG Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., Beijing Cement Plant Co., Ltd., Xuanhua BBMG Cement Co., Ltd., Beijing Xingfa Cement Co., Ltd., Beijing BBMG Shunfa Cement Co., Ltd. and Boai BBMG Cement Co., Ltd.
- (2) In accordance with the Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products and the Supplementary Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products, some of the Group's subsidiaries engaged in concrete production enjoyed the VAT exemption preferential policy in 2014 in respect of their eligible concrete products. Such subsidiaries include Beijing Jianhua-Bulangni Concrete Co., Ltd., Beijing BBMG Concrete Co., Ltd., Guantao BBMG Taihang Concrete Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Tianjin BBMG Concrete Co., Ltd., Shijiazhuang BBMG Xucheng Concrete Co., Ltd., Handan Fengfeng BBMG Concrete Co., Ltd., Shijiazhuang BBMG Beiyue Concrete Co., Ltd., Handan Danshan BBMG Concrete Co., Ltd. and Handan BBMG Concrete Co., Ltd.
- (3) In accordance with the Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products and the Supplementary Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products, Tianjin Jinyu Treasure Bright Mortar Co., Ltd., Beijing Jinyu Aerated Concrete Co., Ltd., BBMG Mortar Co., Ltd. and Tangshan Jinyu Aerated Concrete Co., Ltd., all being the Group's subsidiaries, enjoyed the VAT exemption preferential policy in respect of their selected building materials in 2014.

Notes to Financial Statements

As at 31 December 2014

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

1. Value-added tax (VAT) *(continued)*

- (4) In accordance with the Notice on Continuing Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heating Enterprises, Beijing Jinhaiyan Property Management Co., Ltd., Beijing Xisanqi Heating Co., Ltd., and BBMG Dacheng Property Management Co., Ltd., all being the Group's subsidiaries, enjoy the VAT exemption for their revenue from the heating services to individual residents in the period from the heating season of 2011 to 31 December 2015
- (5) In accordance with the relevant financial and tax documents, Beijing Bio-Island Science and Technology Co., Ltd., a subsidiary of the Group, complies with Products of Integrated Utilisation of Resources Utilising Waste Lead Acid Batteries, and enjoys refund upon collection of value-added tax.

2. Business tax

Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd., Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd., Beijing Bio-Island Science and Technology Co., Ltd. and Beijing Liulihe Cement Co., Ltd., all being the Group's subsidiaries, are exempted from business tax on revenue from disposal of hazardous wastes pursuant to the Reply of the State Administration of Taxation of the PRC regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes, the Notice on Circulating the "Reply of the State Administration of Taxation of the PRC regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes" issued by Beijing Local Taxation Bureau and the Reply of Sanhe Local Taxation Bureau regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes.

3. Corporate income tax

Certain subsidiaries of the Group enjoy the following preferences:

- (1) Certain subsidiaries of the Group are certified as high-tech enterprises by relevant governmental authorities and enjoyed a preferential corporate income tax rate of 15% for high-tech enterprises in 2014 pursuant to the implementation rules of the Law on Enterprise Income Tax of the People's Republic of China and the Notice of the State Administration of Taxation of the PRC regarding Corporate Income Tax Preferences for High-tech Enterprises. Such subsidiaries include BBMG Tiantan Furniture Co., Ltd., Tongda Refractory Technology Co., Ltd, Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd., Beijing Building Materials Academy Co., Ltd., Beijing Building Material Test Center Co., Ltd., Beijing Jiandu Design and Research Institute Co., Ltd., Beijing Alavus Building Energy Saving Components Co., Ltd., Beijing BBMG Cement Energy Saving Technology Co., Ltd., BBMG Mangrove Environmental Protection Technology Co., Ltd. and Beijing Quinette Great Wall Seats Co., Ltd.

Notes to Financial Statements

As at 31 December 2014

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

3. Corporate income tax *(continued)*

- (2) In accordance with the Indices on Corporate Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects,, Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. enjoys the preferential corporate income tax policy of “three-year exemption and three-year 50% reduction” from 1 January 2010 to 31 December 2015.
- (3) In accordance with the Indices on Corporate Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects, Beijing Bio-Island Science and Technology Co., Ltd. enjoys a preferential corporate income tax rate of 12.5% from 1 January 2012 to 31 December 2014.
- (4) Hetian Yuhe Sand Stone Company Limited enjoys a preferential tax rate of 15% from 2011 to 2020 pursuant to the Catalogue of Encouraged Industries in Western China and Announcement of the State Administration of Taxation on Implementation of the Catalogue of Encouraged Industries in Western China.
- (5) Beijing Liulihe Cement Co., Ltd. enjoys the preferential corporate income tax policy of bonus deduction of payroll for disabled persons pursuant to the Notice Concerning Corporate Income Tax Preferential Policies for Employment of Disable Persons.
- (6) Zanhuang BBMG Cement Co., Ltd., Beijing Liulihe Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Boai BBMG Cement Co., Ltd. and Zhangjiakou Jinyu Cement Co., Ltd. were approved to deduct its corporate income tax with 10% of total investment in energy conservation and environmental friendly equipment pursuant to the Indices on Corporate Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects.
- (7) Qinyang BBMG Cement Co., Ltd. enjoys the preferential corporate income tax policy of “three-year exemption and three-year 50% reduction” from 1 January 2014 to 31 December 2019 pursuant to the Indices on Corporate Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31 December 2014	31 December 2013
Cash in stock	1,188,238.10	2,565,131.39
Bank deposits	10,066,508,786.59	8,332,061,921.22
Other cash and bank balances	9,656,909.05	17,502,572.00
Statutory deposit reserve placement with central bank by Finance Company	<u>902,817,668.94</u>	<u>243,380,705.75</u>
	<u>10,980,171,602.68</u>	<u>8,595,510,330.36</u>
	31 December 2014	31 December 2013
Pledged cash and bank balances:		
Statutory deposit reserve placement with central bank by Finance Company	902,817,668.94	243,380,705.75
Deposits for letter of credit	45,147,170.74	69,664,988.35
Quality/performance Guarantees	47,217,112.71	81,643,118.95
Deposits for acceptance bills	65,774,311.91	130,068,004.30
Other cash and bank balances with restrictions:		
Restricted part of property pre-sale funds	3,422,787,771.29	2,173,262,645.12
Others	<u>16,691,995.87</u>	<u>30,998,566.22</u>
	<u>4,500,436,031.46</u>	<u>2,729,018,028.69</u>

Cash at bank earns interest based on daily bank deposits rates. Short-term time deposits for varying periods from 7 days to 3 months are made depending on the Group's immediate requirement for cash, and earn interest at the respective time deposit interest rates.

As at 31 December 2014, the Group has no frozen bank deposits.

As at 31 December 2014, the Group's cash and bank balances deposited overseas amounted to RMB924,880.55 (31 December 2013: RMB 3,607,173.44).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2. Bills receivable

	31 December 2014	31 December 2013
Commercial acceptance bills	554,063,523.20	139,426,301.73
Bank acceptance bills	<u>2,096,964,186.58</u>	<u>1,234,234,142.65</u>
	<u>2,651,027,709.78</u>	<u>1,373,660,444.38</u>

Bills receivable endorsed or discounted but not yet due at the balance sheet date are as follows:

	2014		2013	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	–	157,807,360.25	–	–
Bank acceptance bills	<u>1,804,158,397.17</u>	<u>933,652,137.04</u>	<u>1,049,767,318.50</u>	–
Total	<u>1,804,158,397.17</u>	<u>1,091,459,497.29</u>	<u>1,049,767,318.50</u>	–

As at 31 December 2014, bills receivable of RMB4,983,581.02 were pledged to secure short-term borrowings (Note V.61) (31 December 2013: Nil).

As at December 31 2014, no bills receivable were reclassified as accounts receivable due to the drawer's inability to perform (31 December 2013: Nil).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Accounts receivable

The credit periods of accounts receivable are generally 1 to 6 months. Accounts receivable are non-interest bearing.

An aging analysis of the accounts receivable is as follows:

	31 December 2014	31 December 2013
Within 1 year	4,613,212,359.21	4,436,957,762.02
1 to 2 years	869,454,190.39	622,181,383.91
2 to 3 years	180,097,325.16	147,972,157.16
3 to 4 years	33,917,799.92	29,200,238.34
4 to 5 years	26,077,898.89	21,734,976.76
Over 5 years	62,663,210.83	79,396,423.43
	5,785,422,784.40	5,337,442,941.62
Less: Provision for bad debts	(380,590,250.26)	(331,577,447.00)
	5,404,832,534.14	5,005,865,494.62

The movements in provision for bad debt are as follows:

	31 December 2014	31 December 2013
At the beginning of the year	331,577,447.00	291,243,701.70
Provision for the year	90,855,743.03	71,905,204.33
Transferred in upon acquisition of subsidiaries	–	615,971.05
Reversal for the year	(39,657,429.33)	(31,581,367.38)
Write-off for the year	(2,185,510.44)	(606,062.70)
	380,590,250.26	331,577,447.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Accounts receivable *(continued)*

	31 December 2014			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	10,972,785.00	0.19	1,471,200.46	13.41
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	4,563,671,027.00	78.87	–	–
1 to 2 years (inclusive of 2 years)	617,598,916.63	10.68	185,279,674.99	30.00
2 to 3 years (inclusive of 3 years)	90,831,391.88	1.57	54,498,835.12	60.00
3 to 4 years (inclusive of 4 years)	27,683,942.04	0.48	23,531,350.73	85.00
4 to 5 years (inclusive of 5 years)	16,645,875.70	0.29	16,645,875.70	100.00
Over 5 years	42,443,867.02	0.73	42,443,867.02	100.00
	5,358,875,020.27	92.62	322,399,603.56	
Provision for bad debts by special credit characteristics group	276,281,358.95	4.78	–	–
Individually not significant but subject to separate provision for bad debts	139,293,620.18	2.41	56,719,446.24	40.72
	5,785,422,784.40	100.00	380,590,250.26	

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Accounts receivable *(continued)*

	31 December 2013			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	–	–	–	–
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	4,420,764,349.68	82.83	–	–
1 to 2 years (inclusive of 2 years)	426,472,064.17	7.99	127,941,619.25	30.00
2 to 3 years (inclusive of 3 years)	122,232,973.92	2.29	73,339,784.35	60.00
3 to 4 years (inclusive of 4 years)	24,736,339.22	0.45	21,025,888.34	85.00
4 to 5 years (inclusive of 5 years)	19,042,147.68	0.36	19,042,147.68	100.00
Over 5 years	69,799,548.35	1.31	69,799,548.35	100.00
	5,083,047,423.02	95.23	311,148,987.97	
Provision for bad debts by special credit characteristics group	232,021,417.84	4.35	–	–
Individually not significant but subject to separate provision for bad debts	22,374,100.76	0.42	20,428,459.03	91.30
	5,337,442,941.62	100.00	331,577,447.00	

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Accounts receivable *(continued)*

As at 31 December 2014, accounts receivable which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit A	10,972,785.00	1,471,200.46	13.41	Partly uncollectible

As at 31 December 2013, there were no accounts receivable which were individually significant and subject to separate provision for bad debts.

During 2014, details on reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reasons for reversal	Basis of determining the original provision for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit A	Payment for goods received	Aging analysis	10,142,027.70	10,142,027.70

The receivable from Unit A was originally aged over five years, and management classified it into the group with credit risk characteristics in aging and made full provision for bad debts. The Group received cash repayments from Unit A in the current year, and reversed the provision for bad debts previously made.

During 2013, there was no reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable.

During 2014, no individually significant accounts receivable were written-off (2013: Nil).

As at 31 December 2014, no accounts receivable were pledged as guarantee for the Group's bank loans (31 December 2013: Nil).

Accounts receivable from related parties as at 31 December 2014 and 31 December 2013 were set out in Note X. Related Party Relationships and Transactions.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Accounts receivable *(continued)*

As at 31 December 2014, the top 5 of accounts receivable were as follows:

	Proportion in total accounts receivable		Balance of provision for bad debts at the end of the year	
	Balance	(%)		Net amount
Unit 1	156,000,000.00	2.70	–	156,000,000.00
Unit 2	60,512,235.97	1.05	8,612,308.93	51,899,927.04
Unit 3	54,200,000.00	0.94	–	54,200,000.00
Unit 4	49,956,476.97	0.86	216,758.84	49,739,718.13
Unit 5	45,577,567.55	0.79	5,521,653.90	40,055,913.65
	366,246,280.49	6.34	14,350,721.67	351,895,558.82

4. Advances to suppliers

An aging analysis of advances to suppliers is as follows:

	31 December 2014		31 December 2013	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,263,225,423.25	35.82	3,592,784,738.61	98.68
1 to 2 years	2,248,767,096.28	63.76	33,019,646.90	0.91
2 to 3 years	4,890,367.16	0.14	6,470,152.48	0.18
Over 3 years	10,098,163.31	0.29	8,350,556.33	0.23
	3,526,981,050.00	100.00	3,640,625,094.32	100.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Advances to suppliers

As at 31 December 2014, the significant advances to suppliers aging over 1 year were as follows:

	Aging	Amount	Percentage of total advances to suppliers	Reasons for being not yet settled in time
Unit 1	1 – 2 years	2,230,771,235.88	63.25%	Time for transaction under the contract not yet due

As at 31 December 2013, the Group did not have significant advances to suppliers aging over 1 year.

As at 31 December 2014, the top 5 of advances to suppliers were as follows:

	Amount	Percentage of total advances to suppliers
Unit 1	2,209,291,114.88	62.64%
Unit 2	297,615,580.22	8.44%
Unit 3	86,985,829.21	2.47%
Unit 4	52,888,588.52	1.50%
Unit 5	39,405,795.38	1.12%
	2,686,186,908.21	76.17%

The advances to related parties as at 31 December 2014 and 31 December 2013 are set out in Note X "Related Party Relationships and Transactions".

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Interests receivable

	31 December 2014	31 December 2013
STAR-USG Building Materials Co., Ltd.	2,641,275.74	2,641,275.74

As at 31 December 2014, there was no outstanding interests receivable (31 December 2013: Nil).

6. Dividends receivable

	31 December 2014	31 December 2013
Beijing Gaoqiang Concrete Co., Ltd.	2,190,000.00	–

7. Other receivables

An aging analysis of other receivables is as follows:

	31 December 2014	31 December 2013
Within 1 year	1,155,417,729.22	2,026,679,990.10
1 to 2 years	229,436,091.20	192,936,880.11
2 to 3 years	142,918,234.48	443,439,565.60
3 to 4 years	395,689,469.69	11,973,399.72
4 to 5 years	3,919,836.35	7,055,518.98
Over 5 years	80,483,535.98	77,769,106.18
	2,007,864,896.92	2,759,854,460.69
Less: Provision for bad debts of other receivables	(131,989,213.48)	(120,034,651.35)
	1,875,875,683.44	2,639,819,809.34

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables (continued)

Movements in provision for bad debts of other receivables are as follows:

	2014	2013
At the beginning of the year	120,034,651.35	111,097,223.13
Provision for the year	15,867,554.81	10,096,779.47
Reversal for the year	(3,154,167.64)	(779,406.57)
Write-off for the year	(758,825.04)	–
Transferred out on disposal of subsidiaries	–	(379,944.68)
At the end of the year	131,989,213.48	120,034,651.35

	31 December 2014			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	74,128,733.06	3.69	49,411,768.06	66.66
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	1,126,902,301.86	56.12	–	–
1 to 2 years (inclusive of 2 years)	8,563,670.20	0.43	2,569,101.07	30.00
2 to 3 years (inclusive of 3 years)	5,981,188.68	0.30	3,588,713.21	60.00
3 to 4 years (inclusive of 4 years)	4,160,290.52	0.21	3,536,246.94	85.00
4 to 5 years (inclusive of 5 years)	1,736,330.81	0.09	1,736,330.81	100.00
Over 5 years	48,543,523.97	2.42	48,543,523.97	100.00
	1,195,887,306.04	59.56	59,973,916.00	
Provision for bad debts by special credit characteristics group	713,354,126.38	35.53	–	–
Individually not significant but subject to separate provision for bad debts	24,494,731.44	1.22	22,603,529.42	92.98
	2,007,864,896.92	100	131,989,213.48	

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

	31 December 2013			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	49,748,783.06	1.80	40,297,783.06	81.00
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	1,982,628,098.82	71.83	–	–
1 to 2 years (inclusive of 2 years)	7,619,861.70	0.28	2,285,958.51	30.00
2 to 3 years (inclusive of 3 years)	7,180,855.67	0.26	4,308,513.40	60.00
3 to 4 years (inclusive of 4 years)	1,884,024.44	0.07	1,601,420.77	85.00
4 to 5 years (inclusive of 5 years)	2,116,358.16	0.08	2,116,358.16	100.00
Over 5 years	48,076,404.67	1.74	48,076,404.67	100.00
	2,049,505,603.46	74.26	58,388,655.51	
Provision for bad debts for special credit characteristics group	628,924,691.33	22.79	–	–
Individually not significant but subject to separate provision for bad debts	31,675,382.84	1.15	21,348,212.78	67.40
	<u>2,759,854,460.69</u>	<u>100.00</u>	<u>120,034,651.35</u>	

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

As at 31 December 2014, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Second	23,697,783.06	20,246,783.06	85.44	Partly uncollectible
Third	20,051,000.00	20,051,000.00	100.00	Likely uncollectible
	74,128,733.06	49,411,768.06		

As at 31 December 2013, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	29,697,783.06	20,246,783.06	68.18	Partly uncollectible
Second	20,051,000.00	20,051,000.00	100.00	Likely uncollectible
	49,748,783.06	40,297,783.06		

Other receivables by nature were as follows:

	2014	2013
Current account with other entities	754,672,144.64	944,370,287.20
Deposits	420,966,006.38	997,361,375.77
Government grants receivable	242,057,644.40	251,463,239.46
Other current account	458,179,888.02	446,624,906.91
Total	1,875,875,683.44	2,639,819,809.34

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

As at 31 December 2014, the top 5 of other receivables were as follows:

	Balance at the end of the year	Proportion in total other receivables (%)	Nature	Aging	Balance of provision for bad debts at the end of the year
Unit 1	466,959,259.45	23.26	Current account with other entities	Within 1 year, 3 – 4 years	–
Unit 2	86,711,019.01	4.32	Government grants receivable	Within 1 year, 1 – 2 years	–
Unit 3	85,821,753.31	4.27	Current account with other entities	Within 1 year, 1 – 2 years, 2 – 3 years, over 3 years	9,113,985.00
Unit 4	63,727,946.42	3.17	Government grants receivable	Within 1 year, 1 – 2 years	–
Unit 5	55,782,501.50	2.78	Other current account	1 – 2 years	–
	759,002,479.69	37.80			9,113,985.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

As at 31 December 2013, the top 5 of other receivables were as follows:

	Balance at the end of the year	Proportion in total other receivables (%)	Nature	Aging	Balance of provision for bad debts at the end of the year
Unit 1	625,000,000.00	22.65	Deposits	Within 1 year	–
Unit 2	340,000,000.00	12.32	Current account with other entities	Within 1 year	–
Unit 3	339,203,583.49	12.29	Current account with other entities ²	2 – 3 years	–
Unit 4	86,808,579.96	3.15	Current account with other entities	Within 1 year, 1 – 2 years, 2 – 3 years, over 3 years	–
Unit 5	68,497,583.50	2.48	Government grants receivable	Within 1 year	–
	<u>1,459,509,746.95</u>	<u>52.89</u>			<u>–</u>

Other receivables from related parties as at 31 December 2014 and 31 December 2013 are set out in Note X. Related Party Relationships and Transactions.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

As at 31 December 2014, government grants receivable were as follows:

	Description of government grant	Amount	Aging	Expected time of receipt
Unit 1	Refunds of VAT	86,711,019.01	Within 1 year, 1 to 2 years	2015
Unit 2	Refunds of VAT	63,727,946.42	Within 1 year, 1 to 2 years	2015
Unit 3	Refunds of VAT	42,259,698.98	Within 1 year	2015
Unit 4	Refunds of VAT	28,432,735.63	Within 1 year	2015
Unit 5	Refunds of VAT	8,593,409.33	Within 1 year	2015
Unit 6	Refunds of VAT	5,613,228.79	Within 1 year	2015
Unit 7	Refunds of VAT	2,993,955.00	Within 1 year	2015
Unit 8	Refunds of VAT	1,698,334.98	Within 1 year	2015
Unit 9	Refunds of VAT	1,413,260.67	Within 1 year	2015
Unit 10	Refunds of VAT	371,197.85	Within 1 year	2015
Unit 11	Refunds of VAT	242,857.74	Within 1 year	2015
		242,057,644.40		

As set out in Note IV. Taxation, certain companies of the Group enjoy the preference of immediate refund of VAT levied. The above value-added tax payable refund policies have been verified by various tax bureaus, and management of the Company expects that the amounts will be fully recovered in 2015.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

As at 31 December 2013, government grants receivable were as follows:

	Description of government grant	Amount	Aging	Expected time of receipt
Unit 1	Refunds of VAT	68,497,583.50	Within 1 year	2014
Unit 2	Refunds of VAT	63,310,811.34	Within 1 year	2014
Unit 3	Refunds of VAT	44,322,259.68	Within 1 year, 1 to 2 years	2014
Unit 4	Refunds of VAT	22,298,123.96	Within 1 year	2014
Unit 5	Refunds of VAT	14,827,519.95	Within 1 year	2014
Unit 6	Refunds of VAT	14,372,747.78	Within 1 year	2014
Unit 7	Refunds of VAT	8,855,073.54	Within 1 year	2014
Unit 8	Refunds of VAT	7,951,413.00	Within 1 year	2014
Unit 9	Refunds of VAT	6,953,820.73	Within 1 year	2014
Unit 10	Refunds of VAT	73,885.98	Within 1 year	2014
		<u>251,463,239.46</u>		

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories

	31 December 2014		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	1,008,625,755.43	(20,782,015.04)	987,843,740.39
Work in progress	596,497,578.41	(28,288,017.90)	568,209,560.51
Finished goods	534,938,635.02	(21,184,301.39)	513,754,333.63
Turnover materials	69,911,143.13	(4,569,291.97)	65,341,851.16
Trading goods	537,241,526.35	(967,842.71)	536,273,683.64
Properties under development	35,904,163,070.57	(7,169,850.12)	35,896,993,220.45
Completed properties held for sale	10,337,782,329.71	(53,039,299.10)	10,284,743,030.61
	48,989,160,038.62	(136,000,618.23)	48,853,159,420.39

	31 December 2013		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	1,028,985,778.64	(14,018,794.74)	1,014,966,983.90
Work in progress	624,411,316.66	(6,010,407.59)	618,400,909.07
Finished goods	504,900,873.53	(12,060,305.69)	492,840,567.84
Turnover materials	71,621,119.82	(4,569,291.97)	67,051,827.85
Trading goods	555,988,536.24	(141,828.29)	555,846,707.95
Properties under development	27,392,974,691.17	(7,169,850.12)	27,385,804,841.05
Completed properties held for sale	7,467,102,424.84	–	7,467,102,424.84
	37,645,984,740.90	(43,970,478.40)	37,602,014,262.50

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories *(continued)*

The movements in provision for decline in value of inventories are as follows:

2014

	Opening balance	Provision for the year	Decrease in the year			Closing balance
			Disposal of subsidiaries	Reversal	Write-off	
Raw materials	14,018,794.74	8,134,360.10	-	-	(1,371,139.80)	20,782,015.04
Work in progress	6,010,407.59	22,277,610.31	-	-	-	28,288,017.90
Finished goods	12,060,305.69	10,739,448.68	-	-	(1,615,452.98)	21,184,301.39
Turnover materials	4,569,291.97	-	-	-	-	4,569,291.97
Trading goods	141,828.29	903,865.24	-	(74,564.00)	(3,286.82)	967,842.71
Properties under development	7,169,850.12	-	-	-	-	7,169,850.12
Completed properties held for sale	-	53,039,299.10	-	-	-	53,039,299.10
	43,970,478.40	95,094,583.43	-	(74,564.00)	(2,989,879.60)	136,000,618.23

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories *(continued)*

The movements in provision for decline in value of inventories are as follows:

2013

	Opening balance	Provision for the year	Decrease in the year			Closing balance
			Disposal of subsidiaries	Reversal	Write-off	
Raw materials	3,228,859.52	12,064,333.09	-	-	(1,274,397.87)	14,018,794.74
Work in progress	4,287,515.14	3,500,000.00	-	-	(1,777,107.55)	6,010,407.59
Finished goods	10,640,251.43	2,107,718.31	-	-	(687,664.05)	12,060,305.69
Turnover materials	256,144.54	4,313,147.43	-	-	-	4,569,291.97
Trading goods	202,618.35	14,062.15	-	-	(74,852.21)	141,828.29
Properties under development	7,169,850.12	-	-	-	-	7,169,850.12
	<u>25,785,239.10</u>	<u>21,999,260.98</u>	<u>-</u>	<u>-</u>	<u>(3,814,021.68)</u>	<u>43,970,478.40</u>

As at 31 December 2014, the balance of properties under development included the capitalized interest of RMB1,807,296,142.72 (31 December 2013: RMB1,371,750,622.71), of which RMB936,555,642.00 was capitalized during the current period (31 December 2013: RMB520,472,305.00), and the rate of interest capitalization was 5.96% (31 December 2013: 6%).

As at 31 December 2014, the properties under development with carrying amount of RMB1,831,171,909.70 were pledged as guarantee for the Group's bank loans (31 December 2013: RMB4,351,941,452.22) (Note V.62).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories (continued)

1. The breakdown of cost of properties under development:

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	31 December 2014	31 December 2013
Chongqing – Shidaiduhui	December 2011	December 2015	2,818,620,999.22	1,080,980,073.03	2,151,707,998.57
Chongqing – Nanshanjun	December 2011	December 2015	3,372,478,050.21	1,852,912,771.53	1,761,624,271.16
Chengdu – Shuangliu Project	December 2012	March 2015	1,519,880,000.00	383,947,672.30	876,620,854.55
Chengdu – Wuhou Longxijun Project	September 2015	December 2017	2,761,300,000.00	1,151,917,404.14	–
Hangzhou – Banshan Project	November 2012	December 2015	1,191,875,565.04	1,050,700,251.37	1,606,321,385.32
Hangzhou – Plot at Laochengxiang	July 2014	December 2016	2,374,000,000.00	1,423,591,937.88	669,469,345.99
Inner Mongolia – Jinyu Times City	October 2007	Completed	2,450,000,000.00	–	400,926,138.10
Inner Mongolia – Jinyu Elegancy City	April 2013	June 2015	938,950,000.00	624,992,914.37	434,572,068.68
Inner Mongolia – Jinyu Global Financial Center	July 2013	December 2016	1,200,000,000.00	330,513,504.50	–
Hangzhou – Guanlan Times	March 2010	March 2015	6,272,882,913.39	696,030,318.39	584,841,387.84
Hangzhou 2D Plot	May 2013	May 2016	598,668,946.24	254,808,097.51	302,563,026.33
Hangzhou 2G Plot	July 2016	2018	Nil for the time being	35,607,771.98	–
Hangzhou 2F Plot	July 2016	2018	Nil for the time being	86,113,840.39	–
Haikou – Haidianxi Project	June 2014	December 2015	1,886,070,000.00	706,664,031.50	567,794,101.26
Tangshan – Jinyu Lefu	March 2011	June 2015	2,478,239,600.00	1,030,202,052.07	1,188,108,658.36
Beijing – Xisanqi Commercial Residential Project	October 2012	December 2015	1,085,830,000.00	508,291,189.49	1,271,041,939.85
Tianjin – Jinyu Yuecheng	September 2010	December 2015	1,973,876,083.86	1,862,293,030.71	1,970,782,654.02
Tianjin – Elegancy City	May 2013	December 2015	2,138,470,000.00	1,438,924,033.42	1,131,425,140.40
Beijing – Jinyu Vanke City	March 2008	June 2016	4,011,000,000.00	24,436,820.60	776,901,859.63
Beijing – Chaoyang New City	August 2013	October 2015	1,677,250,000.00	1,373,939,480.89	794,722,727.47
Beijing – Jinyu Town-House	February 2009	Completed	593,280,000.00	–	59,916,011.49
Beijing – Kanghuiyuan	February 2009	March 2016	2,220,000,000.00	157,385,910.56	127,893,030.83
Beijing – Hongshizuo	March 2012	December 2015	544,660,000.00	315,294,110.13	293,508,167.80
Beijing – Xi Hai'an	August 2012	May 2015	1,092,433,800.00	813,347,720.70	582,301,385.52
Beijing – Tuqiao Project	October 2009	March 2015	4,672,150,000.00	596,957,417.80	1,343,977,738.10
Beijing – Binheyuan	September 2011	Completed	3,384,510,000.00	–	1,518,019,268.83

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories (continued)

1. The breakdown of cost of properties under development: (continued)

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	31 December 2014	31 December 2013
Beijing – I Cube	November 2011	March 2015	880,000,000.00	206,549,441.95	467,697,222.28
Beijing – Ruiheyuan	December 2012	Completed	831,700,000.00	–	314,822,127.49
Beijing – Phase III of Tuqiao	December 2012	March 2015	1,187,197,300.00	771,434,497.05	445,606,713.17
Qingdao – Plot at Jिंगgangshan Road	May 2013	June 2015	240,000,000.00	192,919,692.27	147,210,996.78
Beijing – Plot 1 of Changyang University of Science and Technology (長陽理工大學)	March 2014	March 2015	3,000,000,000.00	1,979,039,306.72	1,765,000,000.00
Beijing – Chaoyang New City – B Plot Commercial Building	December 2012	June 2015	927,138,000.00	154,515,565.13	–
Nanjing – Plot A2 of Xinglong Avenue North	March 2014	May 2017	4,540,170,000.00	3,143,982,184.42	1,465,326,283.30
Ma'anshan – Project at the Eastern Foot of Jiashan Hill (佳山)	May 2013	September 2015	1,052,398,300.00	659,655,978.61	246,634,373.38
Beijing – Phase II of Dandian	April 2014	September 2016	4,263,660,000.00	2,348,951,668.37	–
Beijing – Nankou Project	2015	June 2018	439,470,000.00	125,350,236.68	–
Beijing – Phase II of Xingpai	April 2014	December 2015	2,216,590,000.00	1,009,621,493.68	–
Shanghai – Jiading Juyuan	December 2015	December 2018	5,500,000,000.00	2,804,968,444.50	–
Qingdao – Qingdao Project	2015	December 2017	3,404,000,000.00	313,780,000.00	–
Beijing – Fengtai Project	2015	June 2017	7,000,000,000.00	3,073,000,000.00	–
Beijing – Guogongzhuang Project	March 2013	Completed	2,509,040,000.00	–	1,732,249,895.70
Beijing – Western Xijiao Gravel Plant (西郊砂石廠西區)	September 2015	October 2017	2,400,000,000.00	751,293,501.10	401,800.00
Others				562,078,854.71	385,816,268.85
Total				35,896,993,220.45	27,385,804,841.05

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories (continued)

2. The breakdown of completed properties held for sale:

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Jinyu Town-House	October 2014	30,861,338.12	62,943,350.40	28,940,525.61	64,864,162.91
Beijing – Chaoyang New City	June 2012	65,858,227.30	–	1,444,852.68	64,413,374.62
Beijing – Miaopu Housing Renovation Project	December 2008	4,307,791.32	–	168,201.61	4,139,589.71
Beijing – Lijingyuan	June 2010	9,021,862.86	–	296,749.08	8,725,113.78
Beijing – Meiheyuan	June 2010	6,828,909.76	120,192.08	–	6,949,101.84
Beijing – Kanghuiyuan	March 2011	182,617,101.89	22,983,911.29	15,597,816.40	190,003,196.78
Beijing – Hongshizuo	June 2011	4,136,765.09	–	–	4,136,765.09
Beijing – Tuqiao Project	February 2014	150,145,246.99	803,462,484.97	570,257,092.26	383,350,639.70
Beijing – Guanlan Times (觀瀾時代)	June 2013	123,332,524.92	–	118,097,227.20	5,235,297.72
Beijing – Yueheyuan	September 2013	2,795,124.46	–	2,358,463.66	436,660.80
Beijing – Binheyuan	June 2014	64,781,674.11	1,741,190,153.72	1,663,297,755.88	142,674,071.95
Beijing – Taiheyuan	December 2013	392,540,533.45	–	339,659,824.28	52,880,709.17
Beijing – Jinyu Vanke City	May 2014	976,713,029.69	794,553,189.36	1,677,643,962.35	93,622,256.70
Inner Mongolia – Jinyu Times City	June 2014	19,239,101.71	284,868,816.25	175,668,613.44	128,439,304.52
Hangzhou – Guanlan Times	August 2013	1,634,554,440.24	–	316,243,270.98	1,318,311,169.26
Beijing – Chang'an New City	December 2007	91,844,167.70	–	2,191,641.39	89,652,526.31
Beijing – Dachengjun	August 2012	58,020,224.53	–	17,931,961.48	40,088,263.05
Beijing – Dacheng Times Center	November 2010	162,834,598.27	–	67,420,483.75	95,414,114.52
Beijing – Linglong Tiandi	June 2013	4,723,327.61	–	1,204,433.35	3,518,894.26
Beijing – Liyuan Jincheng Center	December 2013	1,488,172,970.00	–	1,176,371,444.63	311,801,525.37
Beijing – Western Group (西組團) public facilities	January 2013	28,206,826.44	–	10,865,827.97	17,340,998.47
Hainan – Dacheng Business Apartments	February 2005	40,712,088.47	–	1,705,034.70	39,007,053.77
Haikou – Meilinghu	December 2013	105,976,091.84	–	88,905,282.47	17,070,809.37
Tianjin – Jinyu Yuecheng	December 2014	284,006,745.79	677,595,453.08	580,278,862.30	381,323,336.57
Beijing – Jianxinyuan Affordable Housing	December 2008	97,347,905.58	–	22,267,737.09	75,080,168.49

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories (continued)

2. The breakdown of completed properties held for sale: (continued)

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Tiantan Gongguan	June 2008	19,236,530.33	4,042,529.51	2,100,171.54	21,178,888.30
Tangshan – Jinyu Lefu	September 2014	489,394,735.15	290,227,796.89	120,547,001.74	659,075,530.30
Beijing – Ruiheyuan	October 2014	–	626,068,496.42	372,440,888.88	253,627,607.54
Beijing – Jinyu Feili	November 2014	285,801,338.40	1,206,201,300.14	26,321,161.22	1,465,681,477.32
Beijing – I Cube	November 2014	117,586,058.91	428,146,175.05	294,881,115.91	250,851,118.05
Chongqing – Nanshanjun	December 2014	322,787,012.19	114,859,469.70	99,441,400.15	338,205,081.74
Beijing – Dacheng	December 2011	67,547,463.62	–	36,944,054.87	30,603,408.75
International					
Beijing – BBMG	April 2005	82,155,385.00	2,956,330.33	–	85,111,715.33
International (金隅國際)					
Chongqing – Shidaiduhui	December 2014	–	1,434,809,000.78	989,573,980.24	445,235,020.54
Hangzhou – Banshan	October 2014	–	977,962,033.64	252,610,262.52	725,351,771.12
Tianyuan					
Beijing – Guogongzhuang project	December 2014	–	2,385,190,999.44	405,540,822.45	1,979,650,176.99
Chengdu – Dachengjun	December 2014	–	1,099,165,369.57	657,354,622.77	441,810,746.80
Others		53,015,283.10	7,390,503.66	10,524,403.66	49,881,383.10
Total		<u>7,467,102,424.84</u>	<u>12,964,737,556.28</u>	<u>10,147,096,950.51</u>	<u>10,284,743,030.61</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Other current assets

	31 December 2014	31 December 2013
Prepaid enterprise income tax	313,058,854.54	172,930,336.09
Prepaid land appreciation tax	382,120,759.19	230,346,732.44
Prepaid business tax and other tax	877,634,593.24	779,431,964.56
Prepaid expenses	31,439,423.90	26,656,914.28
Amortisation of long-term prepaid expenses within one year	51,676,745.84	29,866,506.29
Others	65,996,165.35	57,856,434.50
	1,721,926,542.06	1,297,088,888.16

10. Available-for-sale financial assets

	Note	31 December 2014	31 December 2013
Available-for-sale equity instruments	(1)	1,105,113,250.00	505,404,297.22

- (1) On 17 October 2013, the Company purchased trust scheme of RMB500,000,000.00 from CCB Trust and became a deeply subordinated beneficiary of the trust scheme. The trust scheme will mature on 17 October 2015. Gains on the trust scheme are calculated based on floating returns without principal protection, and to be allocated upon termination of the trust scheme.

In December 2014, BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司) ("BBMG GEM"), a subsidiary of the Company, purchased trust scheme of RMB600,000,000.00 from CITIC-CP Asset Management Company Limited (中信信誠資產管理有限公司) using the debt of RMB600,000,000.00 due from its wholly-owned subsidiary Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業房地產開發有限公司), and BBMG GEM became the beneficiary of subordinated tranches of the trust scheme. The trust scheme will mature in December 2017. Gains on the trust scheme are calculated based on floating returns without principal protection, and to be allocated upon termination of the trust scheme.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Available-for-sale financial assets (continued)

As at 31 December 2014 and 31 December 2013, the fair value of domestic non-listed equity investments held by the Group could not be reliably measured due to lack of a quoted price in an active market, and these equity investments were measured at cost. The specific details are as follows:

2014:

	Book balance				Provision for impairment				Cash dividends for the year	
	Opening balance	Increase in the year	Decrease in the year	Closing balance	Opening balance	Increase in the year	Decrease in the year	Closing balance		
Tianjia (Tianjin) Building Materials Company Limited (天嘉天津建材有限公司)	1,000,000.00	-	-	1,000,000.00	-	-	-	-	10.00	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京房山区城关农村信用合作社)	101,000.00	-	-	101,000.00	-	-	-	-	-	10,100.00
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油销售有限公司)	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
* Beijing Beizhuan Gas Station (北京市北疃加油站)	648,297.22	-	-	648,297.22	-	291,047.22	-	291,047.22	62.50	-
* Beijing Xinjianxin Yuan Farmer's Market Co., Ltd. (北京市鑫建欣苑农贸市场有限公司)	380,000.00	-	-	380,000.00	-	-	-	-	95.00	-
Beijing Tianyun Industrial Co., Ltd. (北京天云实业)	75,000.00	-	-	75,000.00	-	-	-	-	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亚都科技股份有限公司)	200,000.00	-	-	200,000.00	-	-	-	-	0.20	-
* Hainan Dihao Furniture Co., Ltd. (海南帝豪家具公司)	2,645,418.54	-	-	2,645,418.54	2,645,418.54	-	-	2,645,418.54	55.00	-
** Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清华紫光方大高技术陶瓷有限公司)	3,267,700.00	-	-	3,267,700.00	3,267,700.00	-	-	3,267,700.00	27.14	-
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	-	-	100,000.00	100,000.00	-	-	100,000.00	0.34	-
	11,417,415.76	-	-	11,417,415.76	6,013,118.54	291,047.22	-	6,304,165.76		10,100.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Available-for-sale financial assets (continued)

2013:

	Book balance				Provision for impairment				Percentage of shareholding (%)	Cash dividends for the year
	Opening balance	Increase in the year	Decrease in the year	Closing balance	Opening balance	Increase in the year	Decrease in the year	Closing balance		
Tianjia (Tianjin) Building Materials Company Limited (天嘉天津建材有限公司)	1,000,000.00	-	-	1,000,000.00	-	-	-	-	10.00	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京房山區城關農村信用合作社)	101,000.00	-	-	101,000.00	-	-	-	-	-	-
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油銷售有限公司)	3,000,000.00	-	-	3,000,000.00	-	-	-	-	10.00	-
* Beijing Beizhuan Gas Station (北京市北疇加油站)	648,297.22	-	-	648,297.22	-	-	-	-	62.50	-
* Beijing Xinjianxinyuan Farmer's Market Co., Ltd. (北京市鑫建欣苑農貿市場有限公司)	380,000.00	-	-	380,000.00	-	-	-	-	95.00	-
Beijing Tianyun Industrial Co., Ltd. (北京天雲實業)	75,000.00	-	-	75,000.00	-	-	-	-	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司)	200,000.00	-	-	200,000.00	-	-	-	-	0.20	-
* Hainan Dihao Furniture Co., Ltd. (海南帝豪家具公司)	2,645,418.54	-	-	2,645,418.54	2,645,418.54	-	-	2,645,418.54	55.00	-
** Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清華紫光方大高技術陶瓷有限公司)	3,267,700.00	-	-	3,267,700.00	3,267,700.00	-	-	3,267,700.00	27.14	-
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	-	-	100,000.00	100,000.00	-	-	100,000.00	0.34	-
	<u>11,417,415.76</u>	<u>-</u>	<u>-</u>	<u>11,417,415.76</u>	<u>6,013,118.54</u>	<u>-</u>	<u>-</u>	<u>6,013,118.54</u>		

* The reasons for holding more than 50% of the equity interest in those companies but without having control over them are set out in Note VI.1.

** The reasons for holding more than 20% of the equity interest in those companies but without having substantial influence on them are set out in Note VII.2.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term equity investments

2014

	Movements during the year					Book value at the end of the year	Provision for impairment at the end of the year
	Opening balance	Increase/ (decrease) in Investment	Investment gain or loss under equity method	Other movements of equity interest	Cash dividends declared		
Joint ventures							
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	68,744,196.28	-	(50,954,258.44)	-	-	17,789,937.84	-
BBMG Landao Commercial Operation Management Co., Ltd. (北京藍島金隅商業運營管理有限公司)	4,907,182.99	-	313,957.59	-	(1,293,685.98)	3,927,454.60	-
Subtotal of joint ventures	73,651,379.27	-	(50,640,300.85)	-	(1,293,685.98)	21,717,392.44	-
Associates							
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)	5,469,434.67	-	-	-	-	5,469,434.67	5,469,434.67
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	102,271,114.69	-	(4,641,862.59)	-	-	97,629,252.10	-
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	81,940,177.36	-	16,422,530.86	-	-	98,362,708.22	-
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科複合材料(北京)有限公司)	54,139,111.52	-	6,171,096.29	-	-	60,310,207.81	-
Beijing Gaoqiang Concrete Co., Ltd. (北京高強混凝土有限責任公司)	27,561,913.48	-	2,438,928.61	-	(2,190,000.00)	27,810,842.09	-
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	6,236,096.41	-	1,799,824.10	-	-	8,035,920.51	-
Subtotal of associates	277,617,848.13	-	22,190,517.27	-	(2,190,000.00)	297,618,365.40	5,469,434.67
Total	351,269,227.40	-	(28,449,783.58)	-	(3,483,685.98)	319,335,757.84	5,469,434.67

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term equity investments (continued)

2013

	Opening balance	Movements during the year				Book value at the end of the year	Provision for impairment at the end of the year
		Increase/ (decrease) in Investment	Investment gain or loss under equity method	Other movements of equity interest	Cash dividends declared		
Joint ventures							
STAR-USG Building Materials Co., Ltd.	94,745,132.09	-	(26,000,935.81)	-	-	68,744,196.28	-
BBMG Landao Commercial Operation Management Co., Ltd.	4,551,378.08	-	1,572,631.85	-	(1,216,826.94)	4,907,182.99	-
BBMG Zhaode Property Development Co., Ltd.	10,000,000.00	(10,000,000.00)	-	-	-	-	-
Subtotal of joint ventures	109,296,510.17	(10,000,000.00)	(24,428,303.96)	-	(1,216,826.94)	73,651,379.27	-
Associates							
Krono(Beijing) Flooring Co., Ltd.	5,469,434.67	-	-	-	-	5,469,434.67	5,469,434.67
Krono (Beijing) Woods Co., Ltd.	110,194,337.47	-	(7,923,222.78)	-	-	102,271,114.69	-
Zehnder (china) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	93,190,431.09	-	(11,250,253.73)	-	-	81,940,177.36	-
Beijing Dynea Chemical Industry Co., Ltd	11,748,696.65	(12,206,816.70)	458,120.05	-	-	-	-
OCV Reinforcements (Beijing) Co., Ltd.	52,332,845.11	-	1,806,266.41	-	-	54,139,111.52	-
Beijing Gaoqiang Concrete Co., Ltd	24,657,633.65	-	4,534,279.83	-	(1,630,000.00)	27,561,913.48	-
Beijing Sinobaide Technology Co., Ltd.	6,521,950.19	(1,195,115.65)	2,469,261.87	-	(1,560,000.00)	6,236,096.41	-
Subtotal of associates	304,115,328.83	(13,401,932.35)	(9,905,548.36)	-	(3,190,000.00)	277,617,848.13	5,469,434.67
Total	413,411,839.00	(23,401,932.35)	(34,333,852.32)	-	(4,406,826.94)	351,269,227.40	5,469,434.67

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Investment properties

Fair value model is applied for subsequent measurement:

2014

	Buildings
Opening balance	13,545,900,000.00
Disposed during the year	(5,953,882.88)
Self-occupied properties transferred from investment properties	(116,425,880.22)
Gains from changes in fair value	628,288,802.13
Closing balance	14,051,809,039.03

2013

	Buildings
Opening balance	12,840,400,000.00
Addition	1,465,362.97
Investment properties transferred from inventories	32,305,008.66
Gains from changes in fair value	671,729,628.37
Closing balance	13,545,900,000.00

All the above investment properties are located in the PRC and held under medium term leases.

The Group's investment properties were valued by Savills Valuation and Professional Services Limited, an independent valuer with professional qualifications, using market-based approach and future earnings method on an open market and existing use basis, the appraised value of which as at 31 December 2014 was RMB14,051,809,039.03 (31 December 2013: RMB13,545,900,000.00).

As at 31 December 2014, procedures for the title certificates for the investment properties with carrying amount of approximately RMB266,300,000.00 were yet to be completed. These investment properties were acquired through the business combination under common control in 2011, and the Group is in the process of handling the procedures for changing the relevant titles. The management of the Company is of the view that the Group has the legitimate and valid right to occupy and use or dispose of the above properties. The management of the Company is of the opinion that the above matters will not impose any material adverse effect on the overall financial position of the Group as at 31 December 2014.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Investment properties *(continued)*

Investment properties for which the procedures for title certificates were yet to be completed were as follows:

	31 December 2014	31 December 2013
GanLu Yuan YiTiao Street	–	37,100,000.00
Jianjin Building	144,400,000.00	140,000,000.00
Jinhuanyu Building	121,900,000.00	134,000,000.00
	266,300,000.00	311,100,000.00

As at 31 December 2014, investment properties with carrying amount of RMB803,578,160.00 were pledged as securities for the debts of the parent BBMG Group (31 December 2013: RMB889,300,000.00) (Note V.62 and Note X.5(3)); and as at 31 December 2014, investment properties with carrying amount of RMB6,287,630,879.03 (31 December 2013: RMB542,400,000.00) were pledged as securities for the bank loans of the Group (Note V.62).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Fixed assets

2014

	Buildings	Machinery equipment	Transportation equipment	Other equipment	Total
Cost					
Opening balance	11,464,921,065.21	11,376,243,073.61	973,950,853.31	484,041,992.20	24,299,156,984.33
Addition	47,558,613.63	130,455,306.04	78,974,955.49	28,177,084.41	285,165,959.57
Transfer from					
construction in progress	927,783,623.40	1,045,335,462.74	2,591,879.73	16,035,549.80	1,991,746,515.67
Finance leases	-	2,889,306.00	-	-	2,889,306.00
Transfer from					
investment properties	116,425,880.22	-	-	-	116,425,880.22
Disposal or retirement	<u>(81,747,889.46)</u>	<u>(163,361,780.74)</u>	<u>(55,554,186.21)</u>	<u>(26,151,323.91)</u>	<u>(326,815,180.32)</u>
Closing balance	<u>12,474,941,293.00</u>	<u>12,391,561,367.65</u>	<u>999,963,502.32</u>	<u>502,103,302.50</u>	<u>26,368,569,465.47</u>
Accumulated depreciation					
Opening balance	2,402,728,400.40	3,800,757,307.77	463,180,786.71	321,104,771.69	6,987,771,266.57
Provision of the year	390,963,439.05	668,486,380.34	108,193,109.61	46,003,638.44	1,213,646,567.44
Disposal or retirement	<u>(20,632,355.52)</u>	<u>(110,685,667.16)</u>	<u>(42,811,660.95)</u>	<u>(23,122,345.60)</u>	<u>(197,252,029.23)</u>
Closing balance	<u>2,773,059,483.93</u>	<u>4,358,558,020.95</u>	<u>528,562,235.37</u>	<u>343,986,064.53</u>	<u>8,004,165,804.78</u>
Provision for impairment					
Opening balance	145,087,499.21	223,194,862.69	7,090,305.97	1,696,933.73	377,069,601.60
Provision of the year	-	4,329,345.12	-	-	4,329,345.12
Disposal or retirement	<u>(17,988,847.65)</u>	<u>(19,374,850.71)</u>	<u>(823,869.60)</u>	<u>(1,950.67)</u>	<u>(38,189,518.63)</u>
Closing balance	<u>127,098,651.56</u>	<u>208,149,357.10</u>	<u>6,266,436.37</u>	<u>1,694,983.06</u>	<u>343,209,428.09</u>
Book value					
At the end of the year	<u>9,574,783,157.51</u>	<u>7,824,853,989.60</u>	<u>465,134,830.58</u>	<u>156,422,254.91</u>	<u>18,021,194,232.60</u>
At the beginning of the year	<u>8,917,105,165.60</u>	<u>7,352,290,903.15</u>	<u>503,679,760.63</u>	<u>161,240,286.78</u>	<u>16,934,316,116.16</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets (continued)

2013

	Buildings	Machinery equipment	Transportation equipment	Other equipment	Total
Cost					
Opening balance	10,365,385,759.55	9,838,696,001.06	919,252,096.85	452,454,764.19	21,575,788,621.65
Addition	169,377,448.28	213,614,010.19	92,274,764.64	45,735,476.70	521,001,699.81
Transfer from					
construction in progress	1,319,371,455.76	1,495,764,822.88	5,826,021.17	13,237,421.48	2,834,199,721.29
Business combination					
not under common control	18,911,424.53	18,328,828.00	2,110,346.50	1,018,860.53	40,369,459.56
Finance leases	–	26,278,823.40	–	–	26,278,823.40
Disposal or retirement	(395,919,155.14)	(216,439,411.92)	(45,512,375.85)	(26,908,898.54)	(684,779,841.45)
Disposal of subsidiaries	(12,205,867.77)	–	–	(1,495,632.16)	(13,701,499.93)
Closing balance	<u>11,464,921,065.21</u>	<u>11,376,243,073.61</u>	<u>973,950,853.31</u>	<u>484,041,992.20</u>	<u>24,299,156,984.33</u>
Accumulated depreciation					
Opening balance	2,087,587,692.71	3,318,511,940.79	398,932,915.50	296,116,944.77	6,101,149,493.77
Provision for the year	362,949,568.84	580,540,614.50	94,524,353.24	43,211,475.13	1,081,226,011.71
Business combination					
not under common control	3,685,359.52	14,806,756.42	255,692.38	663,814.81	19,411,623.13
Disposal or retirement	(50,971,958.80)	(113,102,003.94)	(30,532,174.41)	(17,770,832.43)	(212,376,969.58)
Disposal of subsidiaries	(522,261.87)	–	–	(1,116,630.59)	(1,638,892.46)
Closing balance	<u>2,402,728,400.40</u>	<u>3,800,757,307.77</u>	<u>463,180,786.71</u>	<u>321,104,771.69</u>	<u>6,987,771,266.57</u>
Provision for impairment					
Opening balance	40,914,492.85	93,343,134.36	6,849,306.02	2,381,563.85	143,488,497.08
Provision for the year	153,320,799.35	145,255,705.43	1,012,128.53	515,643.36	300,104,276.67
Disposal or retirement	(37,085,185.52)	(15,403,977.10)	(771,128.58)	(1,200,273.48)	(54,460,564.68)
Disposal of subsidiaries	(12,062,607.47)	–	–	–	(12,062,607.47)
Closing balance	<u>145,087,499.21</u>	<u>223,194,862.69</u>	<u>7,090,305.97</u>	<u>1,696,933.73</u>	<u>377,069,601.60</u>
Book value					
At the end of the year	<u>8,917,105,165.60</u>	<u>7,352,290,903.15</u>	<u>503,679,760.63</u>	<u>161,240,286.78</u>	<u>16,934,316,116.16</u>
At the beginning of the year	<u>8,236,883,573.99</u>	<u>6,426,840,925.91</u>	<u>513,469,875.33</u>	<u>153,956,255.57</u>	<u>15,331,150,630.80</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Fixed assets *(continued)*

As at 31 December 2014, the Group had no temporarily idle fixed assets (31 December 2013: Nil).

As at 31 December 2014, the original cost, the accumulated depreciation and the net value of the fixed assets obtained by the Group under finance leases were RMB29,168,129.40, RMB3,328,650.96 and RMB25,839,478.44 (31 December 2013: the original cost, the accumulated depreciation and the net value of the fixed assets obtained by the Group under finance leases were RMB26,278,823.40, RMB1,664,325.48 and RMB24,614,497.92 respectively), respectively.

The book values of the fixed assets leased out under operating leases are as follows:

	31 December 2014	31 December 2013
Buildings	84,390,245.32	96,793,620.58
Machinery equipment	–	4,819,409.91
Total	84,390,245.32	101,613,030.49

As at 31 December 2014, fixed asset for which the procedures for title certificates were yet to be completed were as follows:

	Book values	Reasons for the absence of title certificates
Office building for Chengde BBMG Cement	68,504,758.55	Pending acceptance
Office building for Xuanhua BBMG Cement	20,075,512.03	In process, insufficient capital paid by minority shareholders
Office building for Zuoquan BBMG Cement	36,505,573.11	In process

As at 31 December 2014, fixed assets with book value of RMB7,937,010.21 were pledged as securities for bank borrowings of the Group (31 December 2013: RMB8,141,747.38) (Note V.62).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress

	31 December 2014			31 December 2013		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Beijing Liulih Cement						
– Renovation project for line 1 coal vertical mills	18,857,117.45	–	18,857,117.45	13,451,149.83	–	13,451,149.83
– Project concerning the technological improvement of clinker	14,011,312.95	–	14,011,312.95	–	–	–
– Capacity improvement project of the disposal of fly ashes	15,095,172.30	–	15,095,172.30	–	–	–
Luquan BBMG Dingxin						
– Stripping of 1st sub orebody	–	–	–	42,438,443.89	–	42,438,443.89
– Stripping of 2nd sub orebody	42,809,346.91	–	42,809,346.91	32,443,164.60	–	32,443,164.60
Baoding Taihang Heyi						
– Environmental renovation of cement production line	12,227,760.52	–	12,227,760.52	–	–	–
– Activated limestone project	–	–	–	11,093,420.00	–	11,093,420.00
Handan BBMG Taihang Building Materials						
– Project concerning 2 million tonnes of slag powder	–	–	–	96,604,326.86	–	96,604,326.86
Zanhuang BBMG						
– Sandstone mine	11,737,058.18	–	11,737,058.18	10,549,892.48	–	10,549,892.48
Beijing BBMG Energy Saving Technology						
– Project concerning 50,000 tonnes complex production line	11,859,538.48	–	11,859,538.48	–	–	–
Zhangjiakou BBMG						
– Base for fly ash	47,758,330.84	–	47,758,330.84	–	–	–
Tianjin Zhenxing Cement						
– Project concerning clinker storage tent	28,347,508.05	–	28,347,508.05	–	–	–
BBMG Mineral Industry						
– Integration of non-coal mines in Fangshan District	50,866,885.04	–	50,866,885.04	61,001,504.86	–	61,001,504.86
Beijing Cement Plant						
– Upgrading of 3# cement grinding to combined grinding	–	–	–	39,456,477.30	–	39,456,477.30
– Demonstration project for brick making by stone crusher	–	–	–	33,975,784.58	–	33,975,784.58

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

	31 December 2014			31 December 2013		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Xuanhua BBMG Cement						
– Project concerning the completion of the cement production by utilisation of carbide slag	15,870,585.38	-	15,870,585.38	43,432,719.35	-	43,432,719.35
Chengde BBMG Cement						
– Treatment of mine environment and other projects	10,416,122.21	-	10,416,122.21	-	-	-
– Project of 400,000 tonnes dry mix mortar	43,733,336.20	-	43,733,336.20	-	-	-
– 4,000 tonnes/day clinker production line	-	-	-	730,113,186.60	-	730,113,186.60
Beijing Aerated Concrete						
– logistics park project	168,249,241.83	-	168,249,241.83	21,513,607.29	-	21,513,607.29
Beijing Jinyu Aerated Concrete						
– Phase II of aerated production line	-	-	-	24,598,257.03	-	24,598,257.03
Beijing Building Materials Academy						
– National testing centre for fire prevention products	-	-	-	26,647,591.46	-	26,647,591.46
BBMG (Dachang) Modern Industrial Park						
– Tiantan furniture project (Phase I)	129,296,519.76	-	129,296,519.76	91,395,105.76	-	91,395,105.76
Beijing BBMG Doudian Technology						
– Fire prevention detection project	-	-	-	30,853,536.84	-	30,853,536.84
– Phase II of the aeration project	-	-	-	34,000,453.00	-	34,000,453.00
Badaling Hot Spring						
– Project concerning the expansion of eastern area	-	-	-	27,694,399.38	-	27,694,399.38
Others	223,527,998.58	(9,772,164.06)	213,755,834.52	337,731,978.45	(9,772,164.06)	327,959,814.39
	844,663,834.68	(9,772,164.06)	834,891,670.62	1,708,994,999.56	(9,772,164.06)	1,699,222,835.50

As at 31 December 2014, none of the construction in progress of the Group had restrictions in ownership (31 December 2013: Nil).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

2014

Projects	Budget	Opening balance	Increase in the year	Transferred to	Other	Closing balance	Source of funding	Percentage of
				fixed assets In the year	decreases (notes)			project investment in budget
	RMB thousand							
Beijing Liulhe Cement								
Project concerning comprehensive utilisation of fly ash	61,290	8,525,878.06	12,001,121.94	-	-	20,527,000.00	Self-financing	99.00
Collaborative project of the disposal of lime-stabilised sludge and cement kiln	32,000	722,695.65	-	-	-	722,695.65	Self-financing	2.26
- Improvement project of the productivity of fly ash production line	22,960	-	15,095,172.30	-	-	15,095,172.30	Self-financing	65.75
- Renovation project for line 1 coal vertical mills	25,000	13,451,149.83	5,405,967.62	-	-	18,857,117.45	Self-financing	96.29
Luquan BBMG Dingxin								
- Stripping of 1st sub orebody	127,328	42,438,443.89	28,204,087.35	-	70,642,531.24	-	Self-financing	100.00
- Stripping of 2nd sub orebody	86,146	32,443,164.60	42,809,346.91	-	32,443,164.60	42,809,346.91	Self-financing	87.35
Baoding Taihang Heyi								
- Activated limestone project	110,184	11,093,420.00	488,056.35	11,581,476.35	-	-	Self-financing	100.00
- "Green Mine"	30,200	273,220.35	1,182,739.71	-	-	1,455,960.06	Self-financing	4.82
- Environmental renovation of cement production line	20,000	-	12,227,760.52	-	-	12,227,760.52	Self-financing	61.14
Guantao BBMG								
- Project concerning 400,000 tonnes dry mix mortar	59,300	-	3,297,919.07	-	-	3,297,919.07	Self-financing	5.56
Handan BBMG Taihang Building Materials Project concerning 2 million tonnes of slag powder	102,078	96,604,326.86	5,473,510.21	102,077,837.07	-	-	Borrowing	100.00
Zanhuang BBMG Cement								
- Sandstone mine	42,360	10,549,892.48	16,938,883.43	15,751,717.73	-	11,737,058.18	Self-financing	64.89
Cement Energy Saving Technology								
- Project concerning 50,000 tonnes complex production line	31,968	-	12,577,276.24	717,737.76	-	11,859,538.48	Self-financing	39.34
Zhangjiakou BBMG								
- Base for fly ash	73,400	-	47,758,330.84	-	-	47,758,330.84	Self-financing	65.07

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. Construction in progress *(continued)*

2014 *(continued)*

Projects			Increase	Transferred to	Other			Percentage of
	Budget	Opening balance	in the year	fixed assets	decreases	Closing balance	Source of funding	project investment
	RMB thousand			In the year	(notes)			in budget
								%
Quyang Jinyu Cement								
– Solid wastes treatment project	22,700	–	22,051.28	–	–	22,051.28	Self-financing	0.10
Bio-Island								
– Project concerning 10,000 tonnes of mineral oil	49,820	334,340.10	–	–	–	334,340.10	Self-financing	0.67
– Pre-treatment centre project	25,460	13,005,826.72	8,245,793.05	21,251,619.77	–	–	Self-financing	100.00
Tianjin Zhenxing Cement								
– Composite micro powder project	27,660	105,650.94	1,482,194.99	–	–	1,587,845.93	Self-financing	5.74
– Project concerning clinker storage tent	27,470	–	28,347,508.05	–	–	28,347,508.05	Self-financing	100.00
Beijing Cement Plant								
– Demonstration project for brick making by stone crusher	56,118	33,975,784.58	11,271,061.62	45,246,846.20	–	–	Self-financing	100.00
– Construction project of limestone mine in Xiazhuang								
Upgrading of 3# cement grinding to combined grinding	38,320	–	120,000.00	–	–	120,000.00	Self-financing	0.31
	37,800	39,456,477.30	6,065,943.39	45,522,420.69	–	–	Self-financing	100.00
Xuanhua BBMG Cement								
– Project concerning completion of cement production by utilisation of carbide slag	65,000	43,432,719.35	22,151,745.39	49,713,879.36	–	15,870,585.38	Self-financing	100.00
Bo'ai BBMG Cement								
– Upgrading of 2# cement grinding	31,138	–	4,100,000.00	–	–	4,100,000.00	Self-financing	13.17
BBMG Mortar								
– Pinggu production line	46,170	92,000.00	40,435,788.37	38,094,544.37	–	2,433,244.00	Borrowing	87.78

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

2014 (continued)

Projects	Budget	Opening balance	Increase in the year	Transferred to	Other	Closing balance	Source of funding	Percentage of
				fixed assets	decreases			project investment
	RMB thousand			In the year	(notes)			in budget
								%
Chengde BBMG Cement 4,000								
– tonnes/day clinker production line	833,940	730,113,186.60	89,496,152.07	819,609,338.67	-	-	Borrowing	100.00
– Project concerning 400,000 tonnes dry mix mortar	76,720	-	43,733,336.20	-	-	43,733,336.20	Borrowing	57.00
– Treatment of mine environment and other projects	20,440	-	10,416,122.21	-	-	10,416,122.21	Self-financing	50.96
Beijing Aerated Concrete								
– Logistics park	1,369,000	21,513,607.29	146,735,634.54	-	-	168,249,241.83	Self-financing	12.29
Beijing Jinyu Aerated Concrete								
– Phase II of aerated production line	68,560	24,598,257.03	32,251,883.97	56,850,141.00	-	-	Self-financing	82.92
BBMG (Dachang) Modern Industrial Park								
– Tiantan furniture project	338,849	91,395,105.76	40,314,290.42	2,412,876.42	-	129,296,519.76	Self-financing	39.02
Beijing BBMG Doudian Technology								
– Phase II of the aeration project	61,950	34,000,453.00	22,960,502.75	56,960,955.75	-	-	Borrowing	100.00
– Fire prevention detection project	45,150	30,853,536.84	12,277,976.00	43,131,512.84	-	-	Borrowing	100.00
Xisanqi Heating								
– Gas oil boiler	53,000	628,188.68	35,100,149.12	35,728,337.80	-	-	Self-financing	67.41
Badaling Hot Spring								
– Project concerning the expansion of eastern area	102,800	27,694,399.38	87,132,345.18	114,826,744.56	-	-	Self-financing	100.00
Others		401,693,274.27	384,380,395.54	532,268,529.33	-	253,805,140.48		
Total		1,708,994,999.56	1,230,501,046.63	1,991,746,515.67	103,085,695.84	844,663,834.68		

Note: The stripping of orebody project under construction by Luquan BBMG Dingxin Co., Ltd., a subsidiary of the Company, was completed in the year and transferred to long-term deferred expenditures.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

2013

Projects	Budget	Opening balance	Increase in the year	Transferred to fixed assets In the year	Other decreases	Closing balance	Source of funding	Percentage of project investment in budget %
	RMB thousand							
Beijing Lulihe Cement								
-Renovation project for line 1 coal vertical mills Project	25,000	240,000.00	13,211,149.83	-	-	13,451,149.83	Self-financing	54.00
- concerning comprehensive utilisation of fly ash	61,290	51,930,432.60	13,140,214.02	56,544,768.56	-	8,525,878.06	Self-financing/ borrowing	99.00
Luquan BBMG Dingxin								
- Stripping of 1st sub orebody	45,000	16,533,915.74	25,904,528.15	-	-	42,438,443.89	Self-financing	94.00
- Stripping of 2nd sub orebody	34,000	18,182,915.88	14,260,248.72	-	-	32,443,164.60	Self-financing	95.00
- Upgrading on raw mill into roll mill	32,000	-	26,776,042.52	26,776,042.52	-	-	Self-financing	100.00
Baoding Taihang Heyi "Green Mine"								
- Activated limestone project	30,200	-	273,220.35	-	-	273,220.35	Self-financing	1.00
	110,184	119,179,342.02	20,193,736.99	128,279,659.01	-	11,093,420.00	Self-financing/ borrowing	99.00
Zanhuang BBMG Cement								
- Sandstone mine	42,360	1,070,600.00	9,479,292.48	-	-	10,549,892.48	Self-financing	25.00
- Phase III project	418,000	770,337.70	52,057,591.38	52,827,929.08	-	-	Self-financing/ borrowing	13.00
Zhangjiakou BBMG								
- Works for cement grinding station with capacity of 1 million tonnes	85,759	68,097,901.80	8,209,543.74	76,307,445.54	-	-	Self-financing	100.00
Tianjin Zhenxing Cement								
- Composite micro powder project	160,000	65,650.94	40,000.00	-	-	105,650.94	Self-financing	1.00
- Energy-saving technological improvement of line 1 cement mill	40,730	38,246,556.57	-	38,246,556.57	-	-	Self-financing	100.00
Qinyang BBMG								
- Clinker cement production line	381,142	11,297,540.06	369,844,170.49	381,141,710.55	-	-	Self-financing	100.00
BBMG Mineral Industry								
- Integration of non-coal mines in Fangshan District	157,920	42,377,141.36	18,624,363.50	-	-	61,001,504.86	Self-financing/ borrowing	39.00

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As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

2013 (continued)

Projects	Budget	Opening balance	Increase in the year	Transferred to	Other decreases	Closing balance	Source of funding	Percentage of
				fixed assets In the year				project investment in budget
	RMB thousand							%
Beijing Cement Plant								
- Upgrading of 3# cement grinding to combined grinding	37,800	-	39,456,477.30	-	-	39,456,477.30	Self-financing	99.00
- Demonstration project for brick making by stone crusher	25,000	20,217,391.06	17,660,188.40	3,901,794.88	-	33,975,784.58	Self-financing	99.00
Zuoquan BBMG Cement								
- Clinker cement production line with capacity of 2,500 tonnes per day	545,420	464,119,740.91	109,429,666.12	564,063,198.00	-	9,486,209.03	Self-financing	99.00
Xuanhua BBMG Cement								
- 2,500 tonnes cement production line by utilisation of carbide slag	419,000	424,949,649.94	8,540,556.89	433,490,206.83	-	-	Self-financing	100.00
Guangling Jinyu Cement								
- Clinker cement production line	184,169	107,867,495.19	76,301,531.19	184,169,026.38	-	-	Self-financing	100.00
Chengde BBMG Cement								
- 4,000 tonnes/day clinker production line	833,940	-	730,260,186.60	147,000.00	-	730,113,186.60	Self-financing/ borrowing	88.00
Handan Jinyu Taihang Building Materials								
- 2 million tonnes slag powder project	251,000	-	96,604,326.86	-	-	96,604,326.86	Self-financing	38.00
Beijing Jinyu Aerated Concrete								
- Phase II of aerated production line project	68,560	-	24,598,257.03	-	-	24,598,257.03	Self-financing	36.00
Beijing Aerated Concrete								
- Phase I of the logistics park	140,000	-	21,513,607.29	-	-	21,513,607.29	Self-financing	15.00
Beijing BBMG Doudian Technology								
- Fire prevention detection project	45,150	8,594.32	30,844,942.52	-	-	30,853,536.84	Borrowing	68.00
- Phase II of the aeration project	61,950	-	34,000,453.00	-	-	34,000,453.00	Borrowing	55.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

2013 (continued)

Projects	Budget	Opening balance	Increase in the year	Transferred to	Other decreases	Closing balance	Source of funding	Percentage of
				fixed assets In the year				project investment in budget %
RMB thousand								
Jinyu Energy-Saving Technology								
– Mineral wool project	170,000	100,906,598.64	32,088,703.25	132,995,301.89	–	–	Self-financing	100.00
Beijing BBMG Coating								
– Dachang base project	36,080	27,357,384.93	2,456,062.92	29,813,447.85	–	–	Self-financing	100.00
Beijing Alavus project	31,500	23,089,647.23	–	23,089,647.23	–	–	Self-financing	100.00
BBMG (Dachang) Modern Industrial Park								
– Mineral wool project	50,500	42,247,587.93	7,367,092.76	49,614,680.69	–	–	Self-financing	100.00
– Tiantan furniture project (Phrase I)	155,900	2,994,506.28	88,400,599.48	–	–	91,395,105.76	Self-financing/ borrowing	59.00
Xisanqi Heating								
– Coal-to-gas conversion project for boilers	65,000	–	628,188.68	–	–	628,188.68	Self-financing	1.00
BBMG								
– Decoration project for Huanmao Apartment	130,000	104,753,257.68	17,676,426.18	122,429,683.86	–	–	Self-financing	100.00
– Decoration project for Xiaohuangzhuang	50,000	47,664,623.90	11,035,376.10	58,700,000.00	–	–	Self-financing	100.00
Others		421,043,176.60	467,105,986.83	471,661,621.85	–	416,487,541.58		
Total		2,155,211,989.28	2,387,982,731.57	2,834,199,721.29	–	1,708,994,999.56		

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As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. Construction in progress *(continued)*

The analysis of amount and capitalization rate of borrowing costs included in balances for construction in progress is sets out below:

2014

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Chengde BBMG Cement – Project concerning 400,000 tonnes dry mix mortar	57.00	227,996.66	227,996.66	5.96
BBMG (Dachang) Modern Industrial Park – Tiantan furniture project	39.02	4,825,752.84	3,495,502.58	5.96
Beijing Liulihe Cement – Project concerning comprehensive utilisation of fly ash	99.00	418,103.12	–	–
		<u>5,471,852.62</u>	<u>3,723,499.24</u>	

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. Construction in progress *(continued)*

2013

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Beijing Liulihe Cement				
– Project concerning comprehensive utilisation of fly ash	99.00	418,103.12	418,103.12	6.00
Baoding Taihang Heyi				
– Limestone project	99.00	4,796,519.99	1,768,009.99	6.00
BBMG Mineral Industry				
– Integration project for non-coal mines in Fangshan District	39.00	18,413,397.96	-	-
Chengde BBMG Cement				
– 4,000 tonnes/day cement clinker production line	88.00	6,101,402.61	6,101,402.61	6.00
Beijing BBMG Doudian Technology				
– Fire prevention detection project	68.00	405,198.76	405,198.76	6.00
– Phase II of the aeration project	55.00	315,017.64	315,017.64	6.00
BBMG (Dachang) Modern Industrial Park				
– Tiantan furniture project	59.00	1,330,250.26	1,330,250.26	6.00
Total		31,779,890.34	10,337,982.38	

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

Provision for impairment of construction in progress for 2014:

	Opening and closing balance	Reason for making provisions
Luquan BBMG Dingxin – Project for the first branch	1,299,924.00	Recoverable amount after testing is lower than the carry amount
Handan BBMG Taihang – Technological upgrading projects of old lines	6,009,693.38	Shut down for years due to problems occurring in technological upgrading
Beijing BBMG Cement Trading Co., Ltd. (北京金隅水泥經貿有限公司) – New countryside bulk cement logistics distribution	751,763.47	It is expected it cannot generate assets due to suspension of construction in progress
Luquan BBMG Dingxin – Assets in Zhuozhou	656,000.00	Recoverable amount after testing is lower than the carrying amount
Jinyu Pinggu Cement – Production line renovation project	1,054,783.21	Dismantlement of the production line
	9,772,164.06	–

15. Construction materials

	31 December 2014	31 December 2013
Special-purpose equipment	20,856,003.21	20,345,829.89
Special-purpose materials	865,982.58	1,598,957.89
Equipment and instruments	2,161,107.44	2,265,382.40
	23,883,093.23	24,210,170.18
Provision for impairment	(13,139,064.84)	(16,340,726.33)
	10,744,028.39	7,869,443.85

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Intangible assets

2014

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	3,395,593,577.94	35,222,990.60	1,116,003,138.48	16,670,000.00	73,325,133.77	4,636,814,840.79
Addition	108,023,480.52	5,536,636.72	52,233,847.34	-	-	165,793,964.58
Disposal or scrapping	<u>(60,126,812.52)</u>	<u>(7,662.15)</u>	<u>(179,755.20)</u>	<u>-</u>	<u>(11,177,969.29)</u>	<u>(71,492,199.16)</u>
Closing balance	<u>3,443,490,245.94</u>	<u>40,751,965.17</u>	<u>1,168,057,230.62</u>	<u>16,670,000.00</u>	<u>62,147,164.48</u>	<u>4,731,116,606.21</u>
Accumulated depreciation						
Opening balance	474,802,742.33	20,184,075.26	92,959,083.68	-	38,839,660.62	626,785,561.89
Provision for the year	73,151,222.79	4,106,413.82	20,838,152.75	-	1,402,206.15	99,497,995.51
Disposal or scrapping	<u>(17,251,493.28)</u>	<u>(91,467.04)</u>	<u>-</u>	<u>-</u>	<u>(2,379,436.30)</u>	<u>(19,722,396.62)</u>
Closing balance	<u>530,702,471.84</u>	<u>24,199,022.04</u>	<u>113,797,236.43</u>	<u>-</u>	<u>37,862,430.47</u>	<u>706,561,160.78</u>
Provision for impairment						
Opening and closing balance	<u>-</u>	<u>-</u>	<u>40,043,841.71</u>	<u>5,000,000.00</u>	<u>2,310,000.00</u>	<u>47,353,841.71</u>
Book value						
At the end of the year	<u>2,912,787,774.10</u>	<u>16,552,943.13</u>	<u>1,014,216,152.48</u>	<u>11,670,000.00</u>	<u>21,974,734.01</u>	<u>3,977,201,603.72</u>
At the beginning of the year	<u>2,920,790,835.61</u>	<u>15,038,915.34</u>	<u>983,000,213.09</u>	<u>11,670,000.00</u>	<u>32,175,473.15</u>	<u>3,962,675,437.19</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Intangible assets (continued)

2013

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	3,163,974,686.65	30,682,423.29	878,342,159.80	16,670,000.00	100,340,166.86	4,190,009,436.60
Addition	250,393,211.29	4,612,888.92	240,432,642.68	-	15,186,739.93	510,625,482.82
Disposal or scrapping	-	(72,321.61)	(2,771,664.00)	-	(42,201,773.02)	(45,045,758.63)
Disposal of subsidiaries	(18,774,320.00)	-	-	-	-	(18,774,320.00)
Closing balance	<u>3,395,593,577.94</u>	<u>35,222,990.60</u>	<u>1,116,003,138.48</u>	<u>16,670,000.00</u>	<u>73,325,133.77</u>	<u>4,636,814,840.79</u>
Accumulated depreciation						
Opening balance	405,206,991.21	14,575,686.45	75,194,450.23	-	40,656,428.73	535,633,556.62
Provision for the year	69,883,607.12	5,652,543.81	17,764,633.45	-	1,661,861.42	94,962,645.80
Disposal or scrapping	-	(44,155.00)	-	-	(3,478,629.53)	(3,522,784.53)
Disposal of subsidiaries	(287,856.00)	-	-	-	-	(287,856.00)
Closing balance	<u>474,802,742.33</u>	<u>20,184,075.26</u>	<u>92,959,083.68</u>	<u>-</u>	<u>38,839,660.62</u>	<u>626,785,561.89</u>
Provision for impairment						
Opening balance	6,340,399.11	-	40,043,841.71	5,000,000.00	2,310,000.00	53,694,240.82
Disposal of subsidiaries	(6,340,399.11)	-	-	-	-	(6,340,399.11)
Opening balance	<u>-</u>	<u>-</u>	<u>40,043,841.71</u>	<u>5,000,000.00</u>	<u>2,310,000.00</u>	<u>47,353,841.71</u>
Book value						
At the end of the year	<u>2,920,790,835.61</u>	<u>15,038,915.34</u>	<u>983,000,213.09</u>	<u>11,670,000.00</u>	<u>32,175,473.15</u>	<u>3,962,675,437.19</u>
At the beginning of the year	<u>2,752,427,296.33</u>	<u>16,106,736.84</u>	<u>763,103,867.86</u>	<u>11,670,000.00</u>	<u>57,373,738.13</u>	<u>3,600,681,639.16</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Intangible assets *(continued)*

All land use rights owned by the Group are within the PRC and are analysed as follows according to the remaining useful lives:

	31 December 2014	31 December 2013
Less than 50 years	2,904,035,899.92	2,912,038,961.43
Longer than 50 years (inclusive)	8,751,874.18	8,751,874.18
Total	2,912,787,774.10	2,920,790,835.61

As at 31 December 2014, the useful life of trademark rights with a carrying amount of RMB11,670,000.00 was indefinite (31 December 2013: RMB11,670,000.00). The Group can apply for extension at the end of the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during indefinite periods.

As at 31 December 2014, intangible assets for which the procedures for title certificates were yet to be completed were as follows:

	Carrying amount	Reasons for the absence of title certificates
Exploration rights and land use rights of the old factory of Zuoquan BBMG Cement	122,422,311.84	In process

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Goodwill

Asset group	31 December 2014	31 December 2013
Luquan BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing Taihang Qianjing Cement Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Handan Taihang Cement Co., Ltd.	522,323.32	522,323.32
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	2,742,710.29
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	56,276,121.38	56,276,121.38
	312,051,745.55	312,051,745.55
Provision for impairment	(50,942,136.98)	(4,489,333.27)
	261,109,608.57	307,562,412.28

Measurement basis and major assumptions for determining the recoverable amount of the above assets groups are as follows:

The recoverable amounts of the above assets groups are recognised according to their present value of estimated future cash flows, which are based on the five-year financial budget approved by the management at a discount rate of 12% – 13% (2013: 12% – 14%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1% (2013: 1%) per annum. Other key assumptions adopted during the evaluation include the estimated cash inflows and outflows relevant to the estimated sales and gross profit, and the above assumptions are based on the previous performance of these assets groups and the management's expectations on market development. In 2014, according to the expected cash flow of each asset group, the management made provision for goodwill impairment loss of RMB10,931,009.96 and RMB35,521,793.75 for asset group Tianjin Zhenxing Cement Co., Ltd. and Handan Shexian BBMG Cement Co., Ltd., respectively.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Long-term deferred expenditures

2014

	Opening balance	Increase in the year	Amortisation for the year	Closing balance
Decoration	94,777,887.19	31,718,927.50	25,003,326.12	101,493,488.57
Leasehold improvement for fixed assets rented	12,584,984.79	773,712.07	3,633,281.47	9,725,415.39
Land lease prepayments	21,318,569.71	3,398,672.88	4,197,977.43	20,519,265.16
Cost of stripping mines	42,487,262.22	110,712,925.18	15,148,506.47	138,051,680.93
Others	63,391,979.29	43,379,100.65	35,107,079.98	71,663,999.96
	234,560,683.20	189,983,338.28	83,090,171.47	341,453,850.01
Less: amount categorised as current assets amortised within one year	(29,866,506.29)			(51,676,745.84)
	204,694,176.91			289,777,104.17

2013

	Opening balance	Increase in the year	Amortisation for the year	Closing balance
Decoration	80,557,988.03	32,223,670.91	18,003,771.75	94,777,887.19
Leasehold improvement for fixed assets rented	9,619,087.59	6,450,596.23	3,484,699.03	12,584,984.79
Land lease prepayments	14,249,192.39	10,312,053.53	3,242,676.21	21,318,569.71
Cost of stripping mines	45,898,433.37	35,250.00	3,446,421.15	42,487,262.22
Others	64,705,560.80	16,059,371.69	17,372,953.20	63,391,979.29
	215,030,262.18	65,080,942.36	45,550,521.34	234,560,683.20
Less: amount categorised as current assets amortised within one year	(25,801,700.06)			(29,866,506.29)
	189,228,562.12			204,694,176.91

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Deferred income tax assets/liabilities

	2014		2013	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets				
Provision for LAT	1,933,592,588.08	483,398,147.02	1,559,006,001.32	389,751,500.33
Deductible tax losses	805,209,167.64	201,302,291.91	225,240,000.88	56,310,000.22
Provisions for impairment of assets	461,011,249.24	115,252,812.31	510,259,348.20	127,564,837.05
Accrual of property development cost	1,651,599,904.00	412,899,976.00	1,031,591,212.32	257,897,803.08
Unrealised profits and losses of internal transactions	658,846,866.60	164,711,716.65	1,269,837,632.44	317,459,408.11
Others	93,416,238.28	23,354,059.57	79,583,835.32	19,895,958.83
	5,603,676,013.84	1,400,919,003.46	4,675,518,030.48	1,168,879,507.62

Note: The management of the Company considers it is probable that sufficient taxable profit will be available in the future to offset the deductible temporary differences according to the profit forecast and hence deferred tax assets are recognized.

	2014		2013	
	taxable temporary differences	Deferred income tax liabilities	taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities				
Revaluation of investment properties	6,881,625,459.26	1,717,140,788.40	6,253,336,657.13	1,560,701,887.86
Accumulated differences arising from deductible depreciation expenses	1,389,977,600.20	347,494,400.05	1,254,932,827.80	313,733,206.95
Fair value adjustment arising from business combination	719,665,612.52	179,916,403.13	940,818,720.20	235,204,680.05
Deferred relocation compensation income	1,045,132,851.17	261,283,212.79	1,045,132,851.17	261,283,212.79
Others	168,268,101.45	45,332,601.78	181,082,140.38	47,902,811.52
	10,204,669,624.60	2,551,167,406.15	9,675,303,196.68	2,418,825,799.17

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Deferred income tax assets/liabilities *(continued)*

Unrecognised deferred income tax assets are as follows:

	31 December 2014	31 December 2013
Deductible tax losses	749,376,007.82	521,312,816.32
Deductible temporary differences	612,816,931.87	435,859,562.25
	1,362,192,939.68	957,172,378.57

The deductible tax losses that are not recognised as deferred income tax assets will expire in the following years:

	31 December 2014	31 December 2013
2014	–	17,414,358.18
2015	16,149,667.58	17,373,931.43
2016	25,262,717.52	26,506,975.74
2017	168,281,878.01	168,281,878.01
2018	281,443,670.32	291,735,672.96
2019	258,238,074.38	–
	749,376,007.82	521,312,816.32

20. Other non-current assets

	31 December 2014	31 December 2013
Other non-current assets	399,538,994.71	–

The prepayment of RMB23,854,130.00 for acquisition of certain machinery equipment for the integration of non-coal mines project in Fangshan District by Beijing BBMG Mining Co., Ltd., a subsidiary of the Company, was projected to and presented as other non-current assets.

Chongqing BBMG Dacheng Shanshui Properties Co., Ltd., a sub-subsidiary of the Company, entered into an en bloc sales agreement for a commercial property in Chongqing. As the agreement provided for a possible repurchase after five years, management classified and presented the relevant commercial property with a carrying amount of RMB375,684,864.71 as other non-current assets.

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As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. Provisions for impairment of assets

2014

	Opening Balance	Provision for the year	Acquisition of subsidiaries	Disposal of subsidiaries	Reversal for the year	Write-off for the year	Closing balance
Provision for bad debts:	451,612,098.35	106,723,297.84	-	-	(42,811,596.97)	(2,944,335.48)	512,579,463.74
Of which: Accounts receivable	331,577,447.00	90,855,743.03	-	-	(39,657,429.33)	(2,185,510.44)	380,590,250.26
Other receivables	120,034,651.35	15,867,554.81	-	-	(3,154,167.64)	(758,825.04)	131,989,213.48
Provision for decline in value of inventories	43,970,478.40	95,094,583.43	-	-	(74,564.00)	(2,989,879.60)	136,000,618.23
Provision for impairment of available-for-sale financial assets	6,013,118.54	291,047.22	-	-	-	-	6,304,165.76
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	-	5,469,434.67
Provision for impairment of fixed assets	377,069,601.60	4,329,345.12	-	-	-	(38,189,518.63)	343,209,428.09
Provision for impairment of construction materials	16,340,726.33	433,147.13	-	-	-	(3,634,808.62)	13,139,064.84
Provision for impairment of construction in progress	9,772,164.06	-	-	-	-	-	9,772,164.06
Provision for impairment of intangible assets	47,353,841.71	-	-	-	-	-	47,353,841.71
Provision for impairment of goodwill	4,489,333.27	46,452,803.71	-	-	-	-	50,942,136.98
	<u>962,090,796.93</u>	<u>253,324,224.45</u>	<u>-</u>	<u>-</u>	<u>(42,886,160.97)</u>	<u>(47,758,542.33)</u>	<u>1,124,770,318.08</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. Provisions for impairment of assets

2013

	Opening Balance	Provision for the year	Acquisition of subsidiaries	Disposal of subsidiaries	Reversal for the year	Write-off for the year	Closing balance
Provision for bad debts:	402,340,924.83	82,001,983.80	615,971.05	(379,944.68)	(32,360,773.95)	(606,062.70)	451,612,098.35
Of which:							
Accounts receivable	291,243,701.70	71,905,204.33	615,971.05	-	(31,581,367.38)	(606,062.70)	331,577,447.00
Other receivables	111,097,223.13	10,096,779.47	-	(379,944.68)	(779,406.57)	-	120,034,651.35
Provision for decline in value of inventories	25,785,239.10	21,999,260.98	-	-	-	(3,814,021.68)	43,970,478.40
Provision for impairment of available-for-sale financial assets	6,013,118.54	-	-	-	-	-	6,013,118.54
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	-	5,469,434.67
Provision for impairment of fixed assets	143,488,497.08	300,104,276.67	-	(12,062,607.47)	-	(54,460,564.68)	377,069,601.60
Provision for impairment of construction materials	12,705,917.71	3,634,808.62	-	-	-	-	16,340,726.33
Provision for impairment of construction in progress	8,717,380.85	1,054,783.21	-	-	-	-	9,772,164.06
Provision for impairment of intangible assets	53,694,240.82	-	-	(6,340,399.11)	-	-	47,353,841.71
Provision for impairment of goodwill	-	4,489,333.27	-	-	-	-	4,489,333.27
	<u>658,214,753.60</u>	<u>413,284,446.55</u>	<u>615,971.05</u>	<u>(18,782,951.26)</u>	<u>(32,360,773.95)</u>	<u>(58,880,649.06)</u>	<u>962,090,796.93</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Short-term loans

	31 December 2014	31 December 2013
Guaranteed loans (Note 1)	227,000,000.00	628,000,000.00
Credit loans	10,805,152,900.00	12,888,500,000.00
Mortgaged loans (Note 2)	598,500,000.00	–
Pledged loans (Note 3)	4,983,581.02	–
	11,635,636,481.02	13,516,500,000.00

Note 1: As at 31 December 2014, the guaranteed loans were guaranteed by the Company and its subsidiaries.

Note 2: Details and values of the collaterals for mortgaged loans of the Group as at 31 December 2014 are set out in note V.62.

Note 3: As at 31 December 2014, pledged loans of the Group were obtained by discounting the bills receivable of the Group's subsidiaries. Values of the collaterals for pledged loans are set out in note V.62.

As at 31 December 2014, the above loans bore an interest rate of 3.95% – 8.0% (31 December 2013: 5% – 7.22%) per annum.

As at 31 December 2014, the Group had no outstanding short-term loans that were due.

23. Bills payable

	31 December 2014	31 December 2013
Bank acceptance bills	231,215,529.94	484,106,696.49
Commercial acceptance bills	6,000,000.00	22,000,000.00
	237,215,529.94	506,106,696.49

As at 31 December 2014, all the balances of this account would be due in six months.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. Accounts payable

Accounts payable are non-interest bearing and shall generally be paid within 90 days

An aging analysis of accounts payable is as follows:

	31 December 2014	31 December 2013
Within 1 year	7,245,401,853.28	5,823,071,526.78
1 to 2 years	1,192,618,646.19	1,942,470,635.46
2 to 3 years	661,708,058.41	622,394,795.70
Over 3 years	197,819,647.14	128,761,348.60
	9,297,548,205.02	8,516,698,306.54

Please refer to note X "Related Party Relationships and Transactions" for accounts payable to related parties as at 31 December 2014.

As at 31 December 2014, significant accounts payable aging over 1 year were as follows:

	Relationship with the Group	Amount	Percentage of total accounts payable (%)	Reasons for non-payment
Customer 1	Third party	167,319,571.52	1.80	Undue
Customer 2	Third party	130,865,832.57	1.41	Undue
Customer 3	Third party	74,750,000.00	0.80	Undue
Customer 4	Third party	71,182,772.58	0.77	Undue
Customer 5	Third party	59,941,204.91	0.64	Undue

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Advances from customers

An aging analysis on receipts in advance is as follows:

	31 December 2014	31 December 2013
Within 1 year	15,880,877,699.74	13,863,348,931.27
1 to 2 years	315,576,441.44	1,616,131,426.54
2 to 3 years	316,923,033.99	75,605,972.14
Over 3 years	16,291,110.46	12,863,161.19
	16,529,668,285.63	15,567,949,491.14

An analysis on receipts in advance by nature is as follows:

	31 December 2014	31 December 2013
Advances on sale of goods	1,275,459,155.09	1,272,501,372.95
Advances on pre-sale of properties	14,716,828,867.55	13,787,043,067.47
Advances on construction costs	89,947,788.57	90,368,185.31
Advances on rents and property fees	447,432,474.42	418,036,865.41
	16,529,668,285.63	15,567,949,491.14

Please refer to Note X "Related Party Relationships and Transactions" for receipts in advance from related parties as at 31 December 2014.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Advances from customers *(continued)*

Details of advances on pre-sale of properties are as follows:

Projects	Expected settlement date of the next batch	Proportion of the pre-sales	31 December 2014	31 December 2013
Beijing – Chaoyang New City Group EFG	December 2015	99%	50,259,788.75	29,574,507.20
Beijing – Chaoyang New City Group D	October 2015	30%	103,138,320.00	–
Beijing – Jinyu Town-House	December 2015	95%	19,913,809.18	61,759,417.22
Beijing – Tuqiao Huashijiang	March 2015	98%	956,910,726.23	633,662,912.91
Beijing – Tuqiao Tongheyuan	December 2015	100%	7,747,415.89	42,177,554.41
Beijing – Kanghuiyuan	March 2016	95%	4,888,394.44	30,984,255.36
Beijing – Guanlan Times	December 2015	100%	–	142,441,979.81
Beijing – Yueheyuan	December 2015	100%	–	2,662,991.00
Beijing – Jinheyuan	December 2015	100%	–	2,421,945.96
Beijing – Taiheyuan	December 2015	100%	20,985,602.40	648,108,826.20
Beijing – Tuqiao Ziyouzhu	December 2015	88%	81,759,375.99	885,497,100.06
Beijing – Binheyuan	December 2015	98%	33,419,442.21	2,710,634,732.42
Beijing – Ruiheyuan	December 2015	100%	296,630,054.08	514,481,601.31
Beijing – Meiheyuan	December 2015	99%	10,170,882.07	20,637,544.07
Beijing – Jiaheyuan	December 2015	84%	340,080,819.76	113,476,307.31
Beijing – Phase III of Tuqiao	March 2015	63%	505,181,423.66	–
Beijing – Jinyu Huixingyuan	June 2016	98%	1,684,223,820.00	–
Beijing – Jinyu Huijingyuan	December 2015	89%	2,805,452,720.00	–
Beijing – Jinyu Lanwan	June 2015	45%	490,957,550.40	–
Tangshan – Jinyu Lefu	December 2015	23%	95,248,032.93	105,717,092.49
Hangzhou – Guanlan Times	December 2015	65%	169,244,818.00	211,055,798.00
Hangzhou – Banshan project	December 2015	21%	148,294,347.00	314,360,827.00
Beijing – Chang'an New City	December 2015	100%	16,594,568.26	22,978,910.02
Beijing – Dacheng Times	December 2015	100%	–	6,962,447.00
Beijing – Linglong Tiandi	December 2015	99%	–	2,157,006.00
Beijing – Dachengjun	December 2015	97%	28,188,063.00	132,791,491.00
Beijing – Xi Gongguan	December 2015	94%	–	18,072,689.00
Beijing – Liyuan Jincheng Center	December 2015	90%	77,005,400.00	1,109,199,444.00
Beijing – Guogongzhuang project	December 2015	41%	969,335,443.00	1,167,392,228.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Advances from customers (continued)

Projects	Expected settlement date of the next batch	Proportion of the pre-sales	31 December 2014	31 December 2013
Tianjin – Jinyu Yuecheng	December 2015	80%	1,010,031,870.00	514,807,370.00
Inner Mongolia – Jinyu Times City	December 2015	99%	40,104,764.28	178,447,708.43
Inner Mongolia – Jinyu Elegancy City	June 2015	31%	209,059,092.19	32,206,325.70
Inner Mongolia – Jinyu Global International Center	January 2017	12%	6,700,918.53	–
Beijing – Jinyu Feili	December 2015	71%	1,775,538,585.00	830,958,438.00
Beijing – Jinyu Vanke City	December 2015	99%	57,489,451.00	719,184,425.00
Haikou – Meilinghu	December 2015	100%	2,202,226.00	65,828,439.01
Haikou – Xixili – prepaid rentals	December 2015	100%	77,426,887.00	–
Chongqing – Times Metro	December 2015	33%	331,550,377.60	1,069,983,101.00
Chongqing – Nanshanjun	December 2015	28%	186,183,943.12	110,477,346.00
Chengdu – Shuangliu project	December 2015	92%	156,782,857.86	573,785,186.00
Beijing – I Cube	December 2015	97%	278,568,035.00	617,359,205.60
Qingdao – Site in Jinggangshan Rd.	August 2015	77%	131,831,194.88	66,272,776.08
Ma'anshan – Project at the Eastern Foot of Jiashan Hill (佳山)	May 2015	51%	234,112,760.00	–
Beijing – Changyang Polytechnic University Land No.1	May 2015	44%	709,225,812.00	–
Jinyu Mantang	December 2016	33%	446,957,700.00	–
Jinyu Dacheng International Center	June 2015	100%	90,483,920.00	53,883,920.00
Others			56,947,655.84	24,639,218.90
			14,716,828,867.55	13,787,043,067.47

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. Wages payable

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short term benefits	132,487,247.05	2,543,376,704.48	2,560,639,129.45	115,224,822.08
Post-employment benefits (defined contribution plan)	11,374,401.12	321,918,805.30	323,938,768.60	9,354,437.82
Termination benefits	–	31,003,660.90	31,003,660.90	–
	143,861,648.17	2,896,299,170.68	2,915,581,558.95	124,579,259.90

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short term benefits	136,640,166.28	2,378,410,597.53	2,382,563,516.76	132,487,247.05
Post-employment benefits (defined contribution plan)	16,823,140.68	315,112,287.09	320,561,026.65	11,374,401.12
Termination benefits	–	7,371,455.00	7,371,455.00	–
	153,463,306.96	2,700,894,339.62	2,710,495,998.41	143,861,648.17

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. Wages payable *(continued)*

Details of short term benefits are as follows:

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	74,230,104.91	1,999,505,618.33	2,004,138,581.34	69,597,141.90
Staff welfare	4,699,980.41	120,952,742.63	125,652,723.04	–
Social insurance	23,062,347.38	204,117,606.58	212,002,486.19	15,177,467.77
Including: Medical insurance	21,263,097.80	178,449,147.50	186,347,809.67	13,364,435.63
Work injury insurance	1,209,039.32	14,754,560.73	14,579,347.93	1,384,252.12
Maternity insurance	590,210.26	10,913,898.35	11,075,328.59	428,780.02
Housing funds	5,289,007.00	154,664,027.00	156,567,516.00	3,385,518.00
Union fund and employee education fund	21,499,714.24	48,336,357.11	46,305,258.78	23,530,812.57
Others	3,706,093.11	15,800,352.83	15,972,564.10	3,533,881.84
	132,487,247.05	2,543,376,704.48	2,560,639,129.45	115,224,822.08

As at 31 December 2014, there was no wages payable in arrears, and all balances were expected to be paid within one year.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. Wages payable *(continued)*

Short term benefits *(continued)*

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	72,903,271.00	1,864,878,003.10	1,863,551,169.19	74,230,104.91
Staff welfare	6,843,597.57	132,389,908.56	134,533,525.72	4,699,980.41
Social insurance	22,057,143.22	187,318,745.41	186,313,541.25	23,062,347.38
Including: Medical insurance	19,369,554.22	165,642,607.46	163,749,063.88	21,263,097.80
Work injury insurance	1,644,667.00	12,131,136.74	12,566,764.42	1,209,039.32
Maternity insurance	1,042,922.00	9,545,001.21	9,997,712.95	590,210.26
Housing funds	10,001,850.00	137,596,628.00	142,309,471.00	5,289,007.00
Union fund and employee education fund	17,889,273.01	45,151,409.46	41,540,968.23	21,499,714.24
Others	6,945,031.48	11,075,903.00	14,314,841.37	3,706,093.11
	<u>136,640,166.28</u>	<u>2,378,410,597.53</u>	<u>2,382,563,516.76</u>	<u>132,487,247.05</u>

Details of the defined contribution plan are as follows:

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	10,364,400.92	260,385,510.57	262,386,168.15	8,363,743.34
Unemployment insurance	1,010,000.20	19,373,700.04	19,393,005.76	990,694.48
Corporate annuity	–	42,159,594.69	42,159,594.69	–
	<u>11,374,401.12</u>	<u>321,918,805.30</u>	<u>323,938,768.60</u>	<u>9,354,437.82</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Wages payable (continued)

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	14,029,661.16	243,783,860.65	247,449,120.89	10,364,400.92
Unemployment insurance	2,361,185.52	16,576,072.82	17,927,258.14	1,010,000.20
Corporate annuity	432,294.00	54,752,353.62	55,184,647.62	-
	<u>16,823,140.68</u>	<u>315,112,287.09</u>	<u>320,561,026.65</u>	<u>11,374,401.12</u>

27. Taxes payable

	31 December 2014	31 December 2013
VAT	(245,147,313.63)	(231,932,222.35)
Business tax	124,955,318.46	162,291,868.89
Corporate income tax	615,401,633.08	647,506,940.28
Individual income tax	10,683,999.22	13,708,604.00
City maintenance and construction tax	11,946,839.83	13,130,179.29
Education surcharges	9,779,347.95	9,639,781.44
Resource tax	14,365,351.12	13,912,202.77
Land appreciation tax	102,397,072.78	106,912,723.10
Urban and rural land use tax	4,699,643.58	4,482,694.80
Real estate tax	4,243,276.53	3,458,802.19
Others	166,623,457.89	7,782,569.12
	<u>819,948,626.81</u>	<u>750,894,143.53</u>

28. Interest payable

	31 December 2014	31 December 2013
Interests on borrowings	34,757,435.49	33,277,854.18
Of which: Interests on long-term borrowings	14,179,935.22	13,063,003.92
Interests on short-term borrowings	20,577,500.27	20,214,850.26
Interests of corporate bonds	458,535,787.67	220,532,222.23
	<u>493,293,223.16</u>	<u>253,810,076.41</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

29. Dividends payable

	31 December 2014	31 December 2013
Sinoma	16,770,600.00	16,770,600.00
Other shareholders of circulating shares	4,529,608.09	392,760.04
Dividends payable to non-controlling shareholders	<u>34,222,034.61</u>	<u>28,028,838.99</u>
	<u>55,522,242.70</u>	<u>45,192,199.03</u>

30. Other payables

An aging analysis of other payables is as follows:

	31 December 2014	31 December 2013
Within 1 year	1,551,478,821.37	1,849,627,597.08
1 to 2 years	956,705,882.29	626,696,411.50
2 to 3 years	332,843,449.12	32,018,561.68
Over 3 years	<u>237,315,286.45</u>	<u>248,927,212.10</u>
	<u>3,078,343,439.23</u>	<u>2,757,269,782.36</u>

An analysis on other payables by nature is as follows:

	31 December 2014	31 December 2013
Payables to related parties (Note X.7)	90,536,318.61	12,632,885.28
Construction costs payable	151,485,625.56	194,444,225.75
Payables for acquisition of equity investments	89,821,576.90	128,210,431.14
Payables for relocation compensation	148,475,199.63	135,643,813.15
Payables for land use right	86,687,419.01	87,062,419.01
Deposits	843,947,699.98	589,544,252.41
Amounts collected on behalf and temporary receipts	649,810,861.62	841,627,474.35
Current portion of defined benefit obligations	40,469,114.00	40,813,993.00
Others	<u>977,109,623.92</u>	<u>727,290,288.27</u>
	<u>3,078,343,439.23</u>	<u>2,757,269,782.36</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

30. Other payables *(continued)*

Please refer to Note X "Related Party Relationships and Transactions" for other payables to related parties as at 31 December 2014.

As at 31 December 2014, significant other payables aging more than one year are as follows:

	Relationship with the Group	Amount	Percentage of total other payable (%)	Reasons for non-payment
Customer 1	Third party	197,295,754.20	6.41	Not yet settled
Customer 2	Third party	148,492,248.52	4.82	Not yet settled
Customer 3	Third party	103,250,000.00	3.35	Not yet settled
Customer 4	Third party	61,500,000.00	2.00	Not yet settled
Customer 5	Third party	57,276,993.00	1.86	Not yet settled

31. Non-current liabilities due within one year

	31 December 2014	31 December 2013
Long-term loans due within one year (Note 1)	3,313,420,000.00	1,296,475,904.61
Bonds payable due within one year	2,800,000,000.00	1,900,228,475.57
Long-term payables due within one year	3,093,981.62	2,513,956.52
	6,116,513,981.62	3,199,218,336.70

Note 1:

	31 December 2014	31 December 2013
Guaranteed loans (Note 2)	1,215,920,000.00	462,420,000.00
Credit loans	1,050,000,000.00	–
Mortgaged loans (Note 3)	1,047,500,000.00	834,055,904.61
	3,313,420,000.00	1,296,475,904.61

Note 2: As at 31 December 2014, among the long-term loans due within one year, an amount of RMB141,600,000.00 (31 December 2013: RMB76,500,000.00) was guaranteed by BBMG Group.

Note 3: Details and values of collaterals for mortgaged loans of the Group as at 31 December 2014 are set out in note V.62.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

32. Other current liabilities

	31 December 2014	31 December 2013
Deferred income (Note V.38)	50,233,453.43	49,469,425.70
Accrued expenses	4,475,152,907.48	3,753,002,368.92
Of which: Accrued development cost	2,354,163,715.43	2,029,655,708.59
Accrued LAT	2,016,392,553.19	1,646,767,461.23
Accrued costs for treatment of solid wastes	37,146,667.17	24,336,077.69
Other accrued expenses	67,449,971.69	52,243,121.41
	4,525,386,360.91	3,802,471,794.62

Of which, the details of deferred income are as follows:

	31 December 2014	31 December 2013
Government grants related to assets		
Environmental protection projects	24,274,517.19	22,092,495.02
Cogeneration projects	4,240,700.00	2,398,275.76
Relocation compensation	9,373,319.40	11,215,743.64
Others	8,312,962.38	7,860,650.75
Government grants related to income		
Research and development funds	4,031,954.46	5,902,260.53
	50,233,453.43	49,469,425.70

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Long-term loans

	31 December 2014	31 December 2013
Mortgaged loans (Note 1)	4,629,500,000.00	2,648,000,000.00
Guaranteed loans (Note 2)	840,000,000.00	2,031,920,000.00
Credit loans	1,310,000,000.00	2,200,000,000.00
	6,779,500,000.00	6,879,920,000.00

Note 1: As at 31 December 2014, the details and value of collaterals corresponding to mortgaged loans of the Group were set out in note V. 62.

Note 2: As at 31 December 2014, included in the guaranteed loans, balances of RMB840,000,000.00 (31 December 2013: RMB827,600,000.00) were guaranteed by BBMG Group.

As at 31 December 2014, the above loans bore an interest rate of 5.54% – 6.55% (31 December 2013: 5.54% – 7.54%) per annum.

34. Bonds payable

	31 December 2014	31 December 2013
Non-current:		
Corporate bonds	1,869,911,156.24	–
Medium-term notes	7,000,000,000.00	6,305,600,000.00
Private placement bonds	200,000,000.00	–
	9,069,911,156.24	6,305,600,000.00
Current:		
Short-term financing bonds	6,600,000,000.00	3,000,000,000.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Bonds payable (continued)

2014

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Non-current portion:											
2009 BBMG Bond	RMB1.9 billion	27 April 2014	2 years	1,900,000,000.00	-	1,854,131,029.99	82,080,000.00	15,780,126.25	-	-	1,869,911,156.24
RMB2 billion medium-term notes	RMB2 billion	29 September 2010	5 years	2,000,000,000.00	2,001,500,000.00	-	87,600,000.00	-	-	(2,000,000,000.00)	-
RMB800 million medium-term notes	RMB800 million	7 December 2010	5 years	800,000,000.00	804,100,000.00	-	46,800,000.00	-	-	(800,000,000.00)	-
RMB2 billion medium-term notes	RMB2 billion	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	111,600,000.00	-	-	-	2,000,000,000.00
RMB1.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00	-	87,000,000.00	-	-	-	1,500,000,000.00
RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	-	2,000,000,000.00	22,588,888.89	-	-	-	2,000,000,000.00
RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	-	1,500,000,000.00	9,495,833.33	-	-	-	1,500,000,000.00
RMB100 million private placement bonds	RMB100 million	26 December 2014	2 years	100,000,000.00	-	100,000,000.00	125,000.00	-	-	-	100,000,000.00
RMB100 million private placement bonds	RMB100 million	27 December 2014	2 years	100,000,000.00	-	100,000,000.00	123,287.67	-	-	-	100,000,000.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Bonds payable (continued)

2014 (continued)

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Current portion:											
RMB2 billion short-term financing bonds	RMB2 billion	13 March 2013	1 year	2,000,000,000.00	2,000,000,000.00	-	17,554,444.44	-	(2,000,000,000.00)	-	-
RMB1 billion short-term financing bonds	RMB1 billion	22 July 2013	1 year	1,000,000,000.00	1,000,000,000.00	-	29,033,333.33	-	(1,000,000,000.00)	-	-
RMB2.6 billion short-term financing bonds	RMB2.6 billion	23 January 2014	1 year	2,600,000,000.00	-	2,600,000,000.00	158,202,777.78	-	-	-	2,600,000,000.00
RMB2 billion short-term financing bonds	RMB2 billion	17 March 2014	1 year	2,000,000,000.00	-	2,000,000,000.00	86,620,000.00	-	-	-	2,000,000,000.00
RMB1 billion short-term financing bonds	RMB1 billion	4 May 2014	1 year	1,000,000,000.00	-	1,000,000,000.00	35,359,444.44	-	-	-	1,000,000,000.00
RMB1 billion short-term financing bonds	RMB1 billion	1 September 2014	1 year	1,000,000,000.00	-	1,000,000,000.00	16,290,555.56	-	-	-	1,000,000,000.00
				21,500,000,000.00	9,305,600,000.00	12,154,131,029.99	790,483,565.44	15,780,126.25	(3,000,000,000.00)	(2,800,000,000.00)	15,669,911,156.24

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Bonds payable (continued)

2013

	Par value	issuance date	Term	issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Non-current portion:											
2009 BBMG Bond	RMB1.9 billion	27 April 2009	5 years	1,900,000,000.00	1,895,253,587.34	-	82,080,000.00	-	-	(1,900,228,475.56)	-
RM82 billion medium-term notes	RMB2 billion	29 September 2010	5 years	2,000,000,000.00	1,995,500,000.00	-	87,600,000.00	-	-	-	2,001,500,000.00
RM8800 million medium-term notes	RM8800 million	7 December 2010	5 years	800,000,000.00	801,700,000.00	-	46,800,000.00	-	-	-	804,100,000.00
RM82 billion medium-term notes	RMB2 billion	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	111,600,000.00	-	-	-	2,000,000,000.00
RM81.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	-	1,500,000,000.00	18,850,000.00	-	-	-	1,500,000,000.00
Current portion:											
RM81 billion short-term financing bonds	RMB1 billion	19 September 2012	1 year	1,000,000,000.00	1,000,000,000.00	-	34,533,333.33	-	(1,000,000,000.00)	-	-
RM82 billion short-term financing bonds	RMB2 billion	13 March 2013	1 year	-	-	2,000,000,000.00	67,845,555.56	-	-	-	2,000,000,000.00
RM81 billion short-term financing bonds	RMB1 billion	22 July 2013	1 year	-	-	1,000,000,000.00	22,966,666.67	-	-	-	1,000,000,000.00
				9,200,000,000.00	7,692,453,587.34	4,500,000,000.00	472,275,555.55	0.00	(1,000,000,000.00)	(1,900,228,475.56)	9,305,600,000.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

34. Bonds payable *(continued)*

Pursuant to the approval document (Fa Gai Cai Jin [2009] No.1009) issued by National Development and Reform Commission on 27 April 2009, the Company issued the 2009 corporate bonds of BBMG Corporation ("2009 BBMG Bond") in open market, totaling RMB1,900,000,000 at a nominal interest rate of 4.32%. Bond holders may exercise their sale back rights on 27 April 2014, being the 5-year maturity date. On 11 April 2014, the Company published a notice through the website of China Bond (www.chinabond.com.cn) reminding investors of 2009 BBMG Bond (098064) to exercise their sale back rights. Of the total, the amount of bonds on which bond holders exercised their sale back rights was RMB1,370,000,000, and the amount of bonds on which bond holders did not exercise such rights was RMB530,000,000. In respect of the RMB1,370,000,000 worth of bonds on which sale back rights were exercised, the Company re-sold such portion of bonds with the same nominal interest rate of 4.32% on 27 April 2014, and actual interest rate was 6.15%. The maturity date of the original RMB530,000,000 worth of bonds and the RMB1,370,000,000 worth of bonds re-sold is 27 April 2016.

Upon consideration and approval by the 2009 annual general meeting of the Company held on 29 June 2010, the Company intended to issue medium-term notes of no more than RMB3,400,000,000 with a maturity of 5 years. On 8 September 2010, the registration for the issue of the medium-term notes was accepted by the National Association of Financial Market Institutional Investors pursuant to the Notice of Registration Acceptance (Zhong Shi Xie Zhu [2010] No.MTN89). According to the notice, the medium-term notes issued by the Company had a registered amount of RMB2,800,000,000, which would be valid for 2 years, and may be issued in tranches within the validity period of the registration. On 29 September 2010, the Company issued the first tranche of medium-term notes totaling RMB2,000,000,000 with a term of 5 years and a nominal interest rate of 4.38%. On 7 December 2010, the Company issued the second tranche of medium-term notes totaling RMB800,000,000 with a term of 5 years and a nominal interest rate of 5.85%.

Upon consideration and approval by the 2011 annual general meeting of the Company held on 24 May 2012, the Company intended to issue bonds (including short-term financing bonds and medium-term notes) of no more than RMB3,000,000,000. Pursuant to the file Zhong Shi Xie Zhu [2012] No. MTN241 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes totaling RMB2,000,000,000 on 20 September 2012 with a term of 5 years and a coupon of 5.58%.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

34. Bonds payable *(continued)*

Upon consideration and approval by the 19th meeting of the 2nd session of the Board held on 28 August 2012 and the first extraordinary general meeting in 2012 held on 26 October 2012, the Company intended to issue short-term financing bonds of no more than RMB7,600,000,000. Pursuant to the document Zhong Shi Xie Zhu [2013] No. CP54 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2013 from 13 March to 19 March 2013, totaling RMB2,000,000,000 with a coupon of 4.27%; and the Company issued its second tranche of short-term financing bonds for 2013 on 22 July 2013, totaling RMB1,000,000,000 with a coupon of 5.2%. Pursuant to the document Zhong Shi Xie Zhu [2014] No. CP54 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2014 on 23 January 2014, totaling RMB2,600,000,000 with a coupon of 6.5%. The Company issued its second tranche of short-term financing bonds for 2014 on 17 March 2014, totaling RMB2,000,000,000 with a coupon of 5.49%; the Company issued its third tranche of short-term financing bonds for 2014 on 4 May 2014, totaling RMB1,000,000,000 with a coupon of 5.35%; and the Company issued its fourth tranche of short-term financing bonds for 2014 on 1 September 2014, totaling RMB1,000,000,000 with a coupon of 4.97%.

Pursuant to the document Zhong Shi Xie Zhu [2013] No. MTN279 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2013 on 14 October 2013, totaling RMB1,500,000,000 with a term of 5 years and a coupon of 5.8%.

Pursuant to the document Zhong Shi Xie Zhu [2014]MTN316 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2014 on 15 October 2014, totaling RMB2,000,000,000 with a term of 5 years and a coupon of 5.35%; and the Company issued its second tranche of medium-term notes for 2014 on 17 November 2014, totaling RMB1,500,000,000 with a term of 5 years and a coupon of 5.3%.

As approved at the fifteenth meeting of the third session of the Board of the Company on 23 December 2014, Beijing Building Material Test Center Co., Ltd. ("Building Material Test Center"), Beijing BBMG Cement Energy Saving Technology Co., Ltd. ("Cement Energy Saving Technology"), all being wholly-owned subsidiaries of the Company, issued SME private placement bonds on Beijing Equity Exchange Centre Co. Ltd., with an intended total issue size of RMB200,000,000, of which Building Material Test Center issued RMB100,000,000 on 26 December 2014 and Cement Energy Saving Technology issued RMB100,000,000 on 27 December 2014, respectively. The bonds have a maturity of 2 years with a coupon of 7.5%.

The bonds interests payable of the above corporate bonds, medium-term notes, short-term financing bonds and private placement bonds for the current year were charged to "Interests payable".

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Long-term payables

	31 December 2014	31 December 2013
Finance leases	22,209,372.56	22,414,048.18

BBMG Badaling Hot Spring Resort Co., Ltd., a subsidiary of the Company, rented geothermal well equipment in the year under finance lease. The value of the fixed asset under finance lease initially recognised was RMB29,168,129.40, with a lease period of 8 years and the unrecognised finance charges amortised at an annual interest rate of 6.55%. As at 31 December 2014, the balance of long-term payables was RMB25,303,354.18 (31 December 2013: RMB24,928,004.70), of which RMB3,093,981.62 (31 December 2013: RMB2,513,956.52) would be due within one year and RMB5,706,110.96 (31 December 2013: RMB6,575,534.30) was unrecognised finance lease payment.

36. Long-term wages payable

	31 December 2014	31 December 2013
Net liabilities of defined benefit plan	444,185,934.00	422,795,184.00

The Group operates a defined benefit plan without fund injection for its employees in China who retired before 31 December 2007.

The Group's defined benefit plan is a supplementary benefit plan targeting at employees retiring before 31 December 2007, and the plan is subject to impacts from interest rate risk and changes in the life expectancy of pension beneficiaries.

The present value of the net liabilities of the defined benefit plan was determined by Towers Watson Consulting (Shanghai) Company Limited (韜睿惠悅諮詢(上海)有限公司), a member of the China Association of Actuaries (中國精算學會), on 31 December 2014 using the projected accumulated benefit units method.

The following table sets forth the principal actuarial assumptions used as at the balance sheet date:

	2014	2013
Discount rate (%)	3.50% – 3.75%	4.50% – 4.75%
Expected growth rate of future retiree benefit costs (%)	2.50%	2.50%

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36. Long-term wages payable *(continued)*

The following table sets forth the quantitative sensitivity analysis of significant assumptions used as at 31 December 2014:

	Increase (%)	Increase/(decrease) in present value of defined benefit obligations	Decrease (%)	Increase/(decrease) in present value of defined benefit obligations
Discount rate (%)	0.25	(10,946,292)	(0.25)	11,417,028
Expected growth rate of future retiree benefit costs (%)	0.50	20,483,845	(0.50)	(18,925,725)

The following table sets forth the quantitative sensitivity analysis of significant assumptions used as at 31 December 2013:

	Increase (%)	Increase/(decrease) in present value of defined benefit obligations	Decrease (%)	Increase/(decrease) in present value of defined benefit obligations
Discount rate (%)	0.25	(9,986,751)	(0.25)	10,402,802
Expected growth rate of future retiree benefit costs (%)	0.50	18,670,011	(0.50)	(17,286,62)

The above sensitivity analysis represents the inference on the impacts over the defined benefit obligations based on reasonable changes in key assumptions as at the balance sheet date.

Relevant costs recognised in the income statement are as follows:

	2014	2013
Net interest expenses charged to finance expenses	20,694,834.00	20,171,288.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Long-term wages payable (continued)

Movements in present value of net liabilities of defined benefit plan are as follows:

	2014	2013
Amount at the beginning of the year	463,609,177.00	551,895,997.00
Interest expenses for the year	20,694,834.00	20,171,288.00
Welfare benefits paid for the year	(35,929,196.00)	(37,687,707.00)
Actuarial gains recognised in other comprehensive income	36,280,233.00	(70,770,401.00)
Of which: Actuarial changes arising from changes in financial assumptions	41,198,935.00	(34,344,158.00)
Actuarial gains on difference in experience	(4,918,702.00)	(36,426,243.00)
Amount at the end of the year	484,655,048.00	463,609,177.00

Accrued future payments under the defined benefit plan:

	2014	2013
Within 1 year (Note V. 30)	40,469,114.00	40,813,993.00
2 to 5 years	152,288,171.00	155,301,182.00
6 to 10 years	159,464,115.00	166,094,480.00
Over 10 years	372,625,035.00	407,016,144.00
	724,846,435.00	769,225,799.00

37. Accrued liabilities

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance	
Accrued concrete loss	39,912,059.69	4,055,492.22	8,323,560.38	35,643,991.53	Note 1
Restoration cost of mines	61,067,069.09	9,468,681.64	5,101,459.72	65,434,291.01	Note 2
Legal cost	1,000,000.00	-	1,000,000.00	-	
	101,979,128.78	13,524,173.86	14,425,020.10	101,078,282.54	

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

37. Accrued liabilities *(continued)*

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance	
Accrued concrete loss	39,910,698.17	1,361.52	–	39,912,059.69	Note 1
Restoration cost of mines	60,166,504.00	3,974,124.09	3,073,559.00	61,067,069.09	Note 2
Legal cost	–	1,000,000.00	–	1,000,000.00	
	<u>100,077,202.17</u>	<u>4,975,485.61</u>	<u>3,073,559.00</u>	<u>101,979,128.78</u>	

Note 1: Accrued concrete loss was recognized based on potential difference between concrete's warehouse-out amount and future settlement amount by the Group's subsidiaries engaged in the production of concrete.

Note 2: Accrued restoration cost was recognized based on the expenditure on restoration of mines required to be incurred in subsequent years by the Group's subsidiaries engaged in the production of cement.

38. Deferred income

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Government grants	<u>652,199,365.71</u>	<u>89,365,521.00</u>	<u>49,656,683.48</u>	<u>691,908,203.23</u>

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Government grants	<u>664,523,030.51</u>	<u>37,954,900.00</u>	<u>50,278,564.80</u>	<u>652,199,365.71</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Deferred income (continued)

Of which, the details of government grants are as follows:

	31 December 2014	31 December 2013
Government grants related to assets		
Environmental protection projects	337,330,021.73	299,964,190.86
Cogeneration projects	13,710,684.37	16,108,960.13
Relocation compensation	281,261,316.02	292,477,059.62
Others	54,047,559.98	37,401,894.59
Government grants related to income		
Research and development funds	5,558,621.13	6,247,260.51
	691,908,203.23	652,199,365.71
Less: Deferred income carried over within one year and included in current liabilities (Note V. 32)	(50,233,453.43)	(49,469,425.70)
	641,674,749.80	602,729,940.01

As at 31 December 2014, the major liabilities items related to government grants were as follows:

	Opening balance	Increase in the year	Recognised in non-operating income in the year	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	235,361,908.06	-	9,373,319.40	225,988,588.66	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	218,605,657.50	-	15,375,917.64	203,229,739.86	Related to assets
Appropriation for mud project of Beijing Cement Plant	39,806,388.88	-	2,976,666.67	36,829,722.21	Related to assets
Relocation compensation for Jianji	57,115,151.56	-	1,842,424.20	55,272,727.36	Related to assets
Subsidy for Zanhuang – 2,500 tonnes new dry method clinker production line project	10,168,444.44	-	730,666.67	9,437,777.77	Related to assets

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Deferred income *(continued)*

As at 31 December 2013, the major liabilities items related to government grants were as follows:

	Opening balance	Increase in the year	Recognised in non-operating income in the year	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	244,735,227.46	–	9,373,319.40	235,361,908.06	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	233,981,575.14	–	15,375,917.64	218,605,657.50	Related to assets
Appropriation for mud project of Beijing Cement Plant	42,783,055.55	–	2,976,666.67	39,806,388.88	Related to assets
Relocation compensation for Jianji	58,957,575.76	–	1,842,424.20	57,115,151.56	Related to assets
Subsidy for Zanhuang – 2,500 tonnes new dry method clinker production line project	10,899,111.11	–	730,666.67	10,168,444.44	Related to assets

39. Other non-current liabilities

	31 December 2014	31 December 2013
Other non-current liabilities	314,199,998.01	–

Chongqing BBMG Dacheng Shanshui Properties Co., Ltd., a sub-subsidiary of the Company, entered into an en bloc sales agreement for a commercial property in Chongqing. As the agreement provided for a possible repurchase after five years, management classified and presented the relevant receipts in advance of RMB314,199,998.01 as other non-current liabilities for presentation.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Paid-up Capital

2014

	Increase/(decrease) in the year				Closing balance
	Opening balance	Issue of new shares	Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	1,844,852,426.00	448,028,673.00	(1,844,852,426.00)	(1,396,823,753.00)	448,028,673.00
2. Other domestic shareholdings	2,952,000.00	52,874,551.00	-	52,874,551.00	55,826,551.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	<u>1,847,804,426.00</u>	<u>500,903,224.00</u>	<u>(1,844,852,426.00)</u>	<u>(1,343,949,202.00)</u>	<u>503,855,224.00</u>
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	1,266,550,199.00	-	1,844,852,426.00	1,844,852,426.00	3,111,402,625.00
2. Foreign listed shares	<u>1,169,382,435.00</u>	-	-	-	<u>1,169,382,435.00</u>
Total shares not subject to lock-up restriction	<u>2,435,932,634.00</u>	-	<u>1,844,852,426.00</u>	<u>1,844,852,426.00</u>	<u>4,280,785,060.00</u>
Total share capital	<u>4,283,737,060.00</u>	<u>500,903,224.00</u>	-	<u>500,903,224.00</u>	<u>4,784,640,284.00</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Paid-up Capital *(continued)*

2013

	Opening balance	Increase/(decrease) in the year			Closing balance
		Issue of new shares	Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	1,844,852,426.00	-	-	-	1,844,852,426.00
2. Other domestic shareholdings	2,952,000.00	-	-	-	2,952,000.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	1,847,804,426.00	-	-	-	1,847,804,426.00
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	1,266,550,199.00	-	-	-	1,266,550,199.00
2. Foreign listed shares	1,169,382,435.00	-	-	-	1,169,382,435.00
Total shares subject to lock-up restriction	2,435,932,634.00	-	-	-	2,435,932,634.00
Total share capital	4,283,737,060.00	-	-	-	4,283,737,060.00

As resolved by the Company's first extraordinary general meeting for 2013 held on 30 October 2013 and under the approval (Zheng Jian Xu Ke [2014] No. 312) of CSRC on 20 March 2014, the Company issued 500,903,224.00 RMB ordinary shares (A Shares) at an issue price of RMB5.58 per share to two specific investors, including BBMG Group and Beijing Jingguofa Equity Investment Fund (Limited Partnership), by way of non-public issue. The fund raised through non-public offering of A-shares was verified by Ernst & Young Hua Ming LLP with the Capital Verification Report (Ernst & Young Hua Ming (2014) Yan Zi No. 60667053_A02).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41. Capital reserve

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	5,579,836,540.13	2,319,653,655.90	805,156.36	7,898,685,039.67

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	5,206,869,553.48	404,299,678.34	31,332,691.69	5,579,836,540.13

See the Statement of Changes in Equity for the reasons of movements in capital reserve.

42. Other comprehensive income

Accumulated balance of other comprehensive income attributable to the parent company in the consolidated balance sheet:

	1 January 2013		31 December 2013		31 December 2014
		Increase/decrease		Increase/decrease	
Re-measurement of changes in net liabilities of defined benefit plan	2,372,004.00	70,770,401.00	73,142,405.00	(36,280,233.00)	36,862,172.00
Transfer of inventories/self-occupied properties into investment properties	188,923,440.03	9,144,791.28	198,068,231.31	-	198,068,231.31
Foreign currency translation	(130,112.92)	(269.89)	(130,382.81)	(86.87)	(130,469.68)
	191,165,331.11	79,914,922.39	271,080,253.50	(36,280,319.87)	234,799,933.63

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Other comprehensive income *(continued)*

Amount of other comprehensive income attributable to the parent company in the consolidated income statement for the period:

2014

	Amount before income tax	Income tax	Amount after income tax
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods Re-measurement of changes in net liabilities of defined benefit plan	(36,280,233.00)	–	(36,280,233.00)
Other comprehensive income that will be reclassified to profit or loss in subsequent periods Exchange differences on foreign currency translation	(86.87)	–	(86.87)
	(36,280,319.87)	–	(36,280,319.87)

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Other comprehensive income *(continued)*

2013

	Amount before income tax	Income tax	Amount after income tax
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of changes in net liabilities of defined benefit plan	70,770,401.00	–	70,770,401.00
Other comprehensive income that will be reclassified to profit or loss in subsequent periods			
Exchange differences on foreign currency translation	(269.89)	–	(269.89)
The amount of fair value at the date of transfer in excess of the carrying value of investment properties transferred from inventories/ self-occupied properties	12,193,055.04	(3,048,263.76)	9,144,791.28
	<u>82,963,186.15</u>	<u>(3,048,263.76)</u>	<u>79,914,922.39</u>

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43. Specific reserve

2014

	Opening balance	Amount provided for the year	Amount paid for the year	Closing balance
Production safety cost	<u>13,788,160.64</u>	<u>27,136,349.77</u>	<u>32,999,025.11</u>	<u>7,925,485.30</u>

2013

	Opening balance	Amount provided for the year	Amount paid for the year	Closing balance
Production safety cost	<u>9,552,984.58</u>	<u>26,575,853.06</u>	<u>22,340,677.00</u>	<u>13,788,160.64</u>

Pursuant to the requirements of the Administrative Measures on Provision and Usage of Production Safety Cost of Enterprises" (Caiqi [2012] No.16) issued by the Ministry of Finance and the State Administration of Work Safety, the Group began to accrue production safety fund for the stipulated special industries at a fixed proportion from 2012, the details of which are set out in Note III 29. Production safety cost.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

44. Surplus reserve

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>711,195,322.63</u>	<u>117,299,953.64</u>	<u>–</u>	<u>828,495,276.27</u>

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>580,908,595.02</u>	<u>130,286,727.61</u>	<u>–</u>	<u>711,195,322.63</u>

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has reached 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. Upon approval, discretionary surplus reserves can be used to make up for accumulated losses or to increase the share capital.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

45. Provision for general risks

2014

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Provision for general risks	698,454.78	36,939,213.09	–	37,637,667.87

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Provision for general risks	–	698,454.78	–	698,454.78

The provision for general risks is made for by the Company's subsidiary BBMG Finance Co., Ltd according to a certain ratio of the balance of risk assets at the end of the year pursuant to the Administrative Measures on Provision of Reserves of Financial Enterprises (金融企業準備金計提管理辦法) issued by the Ministry of Finance.

46. Retained earnings

	2014
Retained earnings as at the end of the previous year	15,419,803,804.11
Net profit attributable to the owners of the parent company	2,422,721,815.83
Less: Cash dividends declared for ordinary shares (Note 1)	(373,201,942.15)
Less: Appropriation of surplus reserve (Note V. 44)	(117,299,953.64)
Less: Appropriation of provision for general risks (Note V. 45)	(36,939,213.09)
Retained earnings at the end of the year	17,315,084,511.06

Note 1: Upon the consideration and approval by the 2013 annual general meeting of BBMG Corporation convened on 22 May 2014, profit distribution for the year 2013 was calculated based on 4,784,640,284 ordinary shares in issue, with the distribution of a dividend of RMB0.78 per 10 shares (tax inclusive) in an aggregate amount of cash dividends of RMB373,201,942.15.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Operating revenues and operating costs

Operating revenues, which are also turnovers of the Group, represent the net invoice value of goods sold, net of returns and trade discounts, value of services rendered and total rental income received and receivable, etc.

Operating revenues are as follows:

	2014		2013	
	Revenue	Cost	Revenue	Cost
Principal operations	40,562,372,183.88	30,895,031,946.73	44,345,880,005.67	34,501,601,982.41
Other operations	679,101,670.09	377,788,513.12	443,879,256.22	298,281,542.14
	41,241,473,853.97	31,272,820,459.85	44,789,759,261.89	34,799,883,524.55

Information of principal operations by product:

	2014		2013	
	Revenue	Cost	Revenue	Cost
Sale of products	15,689,859,017.19	12,999,770,168.85	16,620,533,693.19	13,616,475,908.02
Bulk commodity trade	5,424,143,913.90	5,380,295,417.51	8,853,914,815.49	8,818,326,842.66
Sale of properties	15,512,163,016.00	10,147,096,950.51	14,929,446,438.00	9,664,835,758.83
Including: Sale of affordable properties	3,915,176,571.66	3,065,256,090.27	3,946,073,035.60	3,157,331,578.75
Rental income from investment properties	1,000,776,292.60	163,417,401.08	945,144,272.95	129,678,574.39
Property management	659,141,722.27	431,014,225.00	565,915,871.40	361,116,528.00
Hotel management	361,044,037.45	185,669,641.00	399,956,824.08	225,365,962.87
Income from decoration	1,142,546,208.85	1,086,744,956.05	1,443,431,165.53	1,291,575,238.40
Treatment of solid wastes	417,018,624.03	314,932,866.23	417,925,862.00	281,889,094.39
Others	355,679,351.59	186,090,320.50	169,611,063.03	112,338,074.85
	40,562,372,183.88	30,895,031,946.73	44,345,880,005.67	34,501,601,982.41

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

47. Operating revenues and operating costs *(continued)*

Operating revenues are as follows:

	2014	2013
Sale of products	15,689,859,017.19	16,701,119,795.42
Bulk commodity trade	5,424,143,913.90	8,853,914,815.49
Sale of properties	15,512,163,016.00	14,929,446,438.00
Rental income	1,237,453,945.68	1,060,265,597.75
Including: Rental income from investment properties	1,000,776,292.60	945,144,272.95
Other rental income	236,677,653.08	115,121,324.80
Property management	659,141,722.27	565,915,871.40
Hotel management	361,044,037.45	399,956,824.08
Income from decoration	1,142,546,208.85	1,443,431,165.53
Treatment of solid wastes	417,018,624.03	417,925,862.00
Revenue from the rendering of services	157,418,712.13	211,813,559.57
Others	640,684,656.47	205,969,332.65
	41,241,473,853.97	44,789,759,261.89

48. Business Tax and surcharges

	2014	2013
Business tax	954,516,130.58	935,586,974.36
City maintenance and construction tax	100,877,170.86	105,840,979.66
Education surcharge	76,300,823.40	71,921,463.53
LAT	649,335,820.46	465,017,248.63
Others	8,379,111.50	7,819,223.83
	1,789,409,056.80	1,586,185,890.01

See Note IV. Taxation for tax base.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

49. Selling expenses

	2014	2013
Employee benefits	399,231,992.32	394,573,243.60
Office and service expenses	126,220,204.25	138,498,473.56
Lease fee	96,735,286.57	85,643,786.78
Agency intermediary fee	237,316,560.71	257,635,766.66
Advertisement fee	283,571,577.26	245,194,760.19
Transportation expenses	345,144,932.72	407,137,312.03
Others	33,347,955.49	37,548,992.21
	1,521,568,509.32	1,566,232,335.03

50. Administrative expenses

	2014	2013
Employee benefits	1,321,543,434.14	1,233,243,467.31
Office expenses	444,422,510.91	467,697,693.22
R&D expenses	67,714,679.20	76,852,952.30
Professional fees	111,781,682.95	107,641,401.73
Lease and utilities	103,248,536.10	88,577,749.23
Tax	219,798,031.89	191,420,881.59
Sewage and afforestation fees	59,722,970.00	36,543,270.03
Others	558,372,576.01	609,345,118.11
	2,886,604,421.20	2,811,322,533.52

The above-mentioned administrative expenses included the auditor's remuneration for the audit of the annual report and review of the interim report of the Company and the audit of the annual reports of its subsidiaries of RMB12,200,000.00 (2013: RMB12,200,000.00).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

51. Finance costs

	2014	2013
Interest expenses	2,146,738,289.01	1,603,426,213.27
Including: Interests on bank loans and other loans to be fully repaid within 5 years	2,146,738,289.01	1,603,426,213.27
Less: Interest income	(63,997,835.18)	(71,236,919.34)
Less: Capitalised interest (Note)	(963,251,872.63)	(567,926,056.58)
Exchange gains and losses	1,057,924.80	708,606.05
Bank charges	59,048,528.92	46,374,884.21
Others	29,842,079.67	6,150,532.68
	1,209,437,114.59	1,017,497,260.29

Note: The amount of capitalized interest has been included in the balances of construction in progress of RMB26,696,230.63 and costs of properties under development of RMB936,555,642.00.

52. Gains from changes in fair value

	2014	2013
Investment properties measured at fair value	628,288,802.13	671,729,628.37

53. Investment losses

	2014	2013
Investment gains from holding available-for-sale financial assets	10,100.00	7,069.99
Long-term equity investment losses measured under equity method	(28,449,783.58)	(34,333,852.32)
Loss from phased-acquisition	-	(53,850.17)
Investment losses from disposal of long-term equity investments	-	(461,634.31)
Investment income from disposal of subsidiaries	-	96,195.04
	(28,439,683.58)	(34,746,071.77)

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2014. In 2014, there was no income arising from investment in listed equities within the Group's investment income (2013: Nil).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Asset impairment losses

	2014	2013
Losses on bad debts	63,911,700.87	49,641,209.85
Losses on decline in value of inventory	95,020,019.43	21,999,260.98
Losses on impairment of fixed assets	4,329,345.12	300,104,276.67
Losses on impairment of available-for-sale financial assets	291,047.22	–
Losses on impairment of construction in process	–	1,054,783.21
Losses on impairment of construction materials	433,147.13	3,634,808.62
Losses on impairment of goodwill	46,452,803.71	4,489,333.27
	210,438,063.48	380,923,672.60

55. Non-operating income

	2014	2013	Recognised in non-recurring profit and loss items for the year 2014
Gains from disposal of non-current assets	140,661,272.43	66,816,837.93	140,661,272.43
Of which: Gains from disposal of fixed assets	140,661,272.43	66,816,837.93	140,661,272.43
Gains from debt restructuring	8,490,521.55	1,080,553.18	8,490,521.55
Net gains from fines	12,711,481.51	10,676,837.04	12,711,481.51
Government grants	674,035,858.55	614,990,132.10	257,209,137.57
Unpayable amounts	19,029,226.18	28,830,694.10	19,029,226.18
Others	49,062,579.24	45,452,231.87	49,062,579.24
	903,990,939.46	767,847,286.22	487,164,218.48

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

55. Non-operating income *(continued)*

Government grants credited to profit or loss for the current period are as follows:

	2014	2013	related to asset/income
Refunds of VAT	409,129,307.62	465,126,313.53	related to income
Income from relocation compensation	31,460,100.00	11,786,610.60	related to asset/income
Income from other subsidies	225,749,037.57	123,391,955.96	related to asset/income
Grants of sale of heat	7,697,413.36	14,685,252.01	related to income
	674,035,858.55	614,990,132.10	

56. Non-operating expenses

	2014	2013	Recognised in non-recurring profit and loss items for the year 2014
Losses from disposal of non-current assets	12,792,410.98	20,305,299.15	12,792,410.98
Among which: Losses from disposal of fixed assets	12,783,456.96	10,532,712.46	12,783,456.96
Losses from disposal of intangible assets	–	9,772,586.69	–
Others	8,954.02	–	8,954.02
Abnormal losses	733,745.56	238,364.12	733,745.56
Losses from debt restructuring	740,284.46	2,277,992.75	740,284.46
Charity donation expenses	1,108,057.91	876,423.30	1,108,057.91
Expense on compensation, penalties and fines	29,723,781.99	7,959,187.51	29,723,781.99
Others	6,592,862.71	7,163,899.25	6,592,862.71
	51,691,143.61	38,821,166.08	51,691,143.61

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

57. Total profit

The supplement information on the Group's expenses by nature is as follows:

	2014	2013
Consumption of raw materials	7,617,281,429.94	7,587,555,398.01
Procurement costs of tradable goods	6,750,477,316.19	10,209,629,091.80
Cost of sales of real estate	10,147,096,950.51	9,664,835,758.83
Changes in work in progress, finished goods and trading goods	16,622,986.65	41,026,429.75
Employees' benefits	2,896,299,170.68	2,700,894,339.62
Depreciation and amortisation	1,396,234,734.42	1,221,739,178.84
Impairment loss of non-current assets	51,506,343.18	309,283,201.77
Rentals	328,072,034.37	237,173,800.53
Finance costs	1,273,434,949.77	1,088,734,179.63
Maintenance expenses	521,093,160.65	499,241,585.47
Other administrative expenses	868,582,464.38	928,678,636.03
Other expenses	5,349,856,006.49	6,197,125,811.13

58. Income tax expenses

	2014	2013
Current income tax expenses	1,193,655,803.90	289,862,275.49
Deferred income tax expenses	(99,282,749.04)	460,703,478.26
	1,094,373,054.86	750,565,753.75

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

58. Income tax expenses *(continued)*

A reconciliation of income tax expenses and total profit are listed as follows:

	2014	2013
Total profit	3,803,345,143.13	3,993,723,722.63
Income tax expenses calculated at statutory tax rate of 25% (Note 1)	950,836,285.78	998,430,930.66
Effect of different tax rates applicable to certain subsidiaries	(14,587,798.91)	(18,194,466.43)
Tax effect of share of profits and losses of jointly-controlled entities and associates	7,112,445.90	8,583,463.08
Income not subject to tax	(1,030,166.81)	(2,760,076.38)
Expenses not deductible for tax	38,526,104.82	22,453,126.13
Tax losses utilised from previous years	(3,415,482.79)	(19,277,752.00)
Adjustments in respect of current income tax of previous periods	8,132,805.87	(387,934,090.44)
Deductible temporary differences and deductible loss not recognised (Note V.19)	108,798,861.00	149,264,619.13
	1,094,373,054.86	750,565,753.75

Note 1: Income tax of the Group shall be calculated based on the applicable tax rate and the estimated taxable income from Mainland China. Taxes of taxable income arising from other regions shall be calculated based on the applicable tax rate pursuant to the existing laws, interpretations, announcements and practices in the jurisdiction where the Group operates.

Note 2: The share of taxes attributable to jointly-controlled entities and associates for the year 2014 were RMB103,329.30 and RMB1,318,271.70 respectively (2013: RMB477,007.12 and RMB2,590,014.46 respectively).

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

59. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of outstanding ordinary shares in issue. The number of newly-issued ordinary shares is calculated and determined from the date of consideration receivable in accordance with the specified terms of issuance agreement.

The calculation of basic earnings per share is as follows:

	2014	2013 (Restated)
Earnings		
Net profit for the period attributable to the ordinary shareholders of the Company	<u>2,422,721,815.83</u>	<u>3,215,183,494.65</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>4,672,108,600</u>	<u>4,283,737,060</u>

The Company did not have potentially dilutive ordinary shares.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

60. Notes to items of statement of cash flows

	2014	2013
Cash received from other operating activities		
Deposits and relevant amounts received	594,403,447.57	330,040,881.73
Compensation received	76,754,010.68	106,273,000.00
Current accounts	547,342,117.86	766,987,362.77
	1,218,499,576.11	1,203,301,244.50
Cash paid relating to other operating activities		
Bidding deposits of land items and relevant amounts	9,590,000.00	966,300,000.00
Selling and administrative expenses paid	2,226,266,910.18	2,540,738,479.25
	2,235,856,910.18	3,507,038,479.25
Cash received from other investing activities		
Interests received from		
STAR-USG Building Materials Co., Ltd.	–	3,737,927.34
Repayment of borrowing from the non-controlling shareholder Beijing Vanke Enterprise Co., Ltd.	402,360,000.00	–
	402,360,000.00	3,737,927.34
Cash paid relating to other investing activities		
Borrowings paid to the non-controlling shareholder Beijing Vanke Enterprise Co., Ltd.	472,850,000.00	–
Cash received from other investing activities		
Cash received from issue of bonds	11,624,131,029.99	4,500,000,000.00
Cash paid relating to other financing activities		
Consideration paid for acquisition of minority interests	20,842,800.00	409,662,104.00
Cash paid for redemption of bonds	4,370,000,000.00	1,000,000,000.00
	4,390,842,800.00	1,409,662,104.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. Supplemental information to statement of cash flows

(1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	2014	2013
Net profit	2,708,972,088.27	3,243,157,968.88
Add: Provisions for assets impairment	210,438,063.48	380,923,672.60
Depreciation of fixed assets	1,213,646,567.44	1,081,226,011.71
Amortisation of intangible assets	99,497,995.51	94,962,645.80
Amortisation of long-term deferred expenses	83,090,171.47	45,550,521.34
Net gains from disposal of fixed assets, intangible assets and other long-term assets	(127,868,861.45)	(46,511,538.78)
Gains from changes in fair value	(628,288,802.13)	(671,729,628.37)
Finance expenses	1,184,544,341.18	1,036,208,762.74
Investment losses	28,439,683.58	34,746,071.77
Decrease/(Increase) in deferred income tax assets	(232,039,495.84)	36,887,834.87
Increase in deferred income tax liabilities	132,341,606.98	423,815,643.39
Increase in inventories	(10,409,609,535.32)	(4,833,951,407.37)
Increase in operating receivables	(3,411,122,997.76)	(5,554,076,269.57)
Decrease in operating payables	2,991,791,247.67	4,168,952,350.20
Net cash flows from operating activities	(6,156,167,926.92)	(559,837,360.79)

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. Supplemental information to statement of cash flows *(continued)*

(1) Supplemental information to statement of cash flows *(continued)*

	2014	2013
Material financing activities not involving cash:		
Dividends receivable as capital injection from non-controlling shareholders (Note 1)	3,498,632.31	–
Non-monetary capital injection of non-controlling shareholders	–	110,179,221.70
Unpaid payment for non-controlling interests	–	61,500,000.00
Non-monetary consideration payment for acquisition of non-controlling equity interests	26,500,000.00	–
Borrowing from non-controlling shareholders (Note 2)	600,000,000.00	–
Fixed assets held under finance leases	2,889,306.00	26,278,823.40
	632,887,938.31	197,958,045.10
Material investment activities not involving cash:		
Unpaid payment for acquisition of equity interest	–	22,550,000.00
Available-for-sale financial assets (Note 2)	600,000,000.00	–
	600,000,000.00	22,550,000.00
Net movements in cash and cash equivalents:		
Balances of cash at end of the year	6,479,735,571.22	5,866,492,301.67
Less: Balances of cash at beginning of the year	(5,866,492,301.67)	(3,557,703,110.20)
Net increase in cash and cash equivalents	613,243,269.55	2,308,789,191.47

Note 1: Hebei Hanzheng Assets Management Company Ltd., a non-controlling shareholder of Handan BBMG Taihang Cement Co., Ltd. ("Handan BBMG"), which is a subsidiary of the Group, increased the capital contribution in Handan BBMG by way of dividends receivable from Handan BBMG for the year of RMB3,498,632.31.

Note 2: In December 2014, BBMG GEM Real Estate Development Co., Ltd., a subsidiary of the Group, subscribed trust scheme of RMB600,000,000.00 from Citic CP Asset Management Company with debts from its wholly-owned subsidiary Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd of RMB600,000,000.00.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. Supplemental information to statement of cash flows *(continued)*

(2) Information on acquisition or disposal of subsidiaries and other operating units

Information on acquisition of subsidiaries and other operating units

	2014	2013
Cash consideration paid for acquisition of subsidiaries and other operating units	–	233,671,549.99
Less: Cash and cash equivalents held by acquired subsidiaries and other operating units	–	(241,262,070.07)
Net cash received for acquisition of subsidiaries and other operating units	–	(7,590,520.08)
Net assets of acquirees	–	285,104,684.52
Current assets	–	264,340,068.68
Non-current assets	–	31,440,972.39
Current liabilities	–	8,707,681.55
Non-current liabilities	–	1,968,675.00

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. Supplemental information to statement of cash flows *(continued)*

(2) Information on acquisition or disposal of subsidiaries and other operating units *(continued)*

Information on disposal of subsidiaries and other operating units

	2014	2013
Price of disposal of subsidiaries and other operating units	–	12,150,000.00
Cash and cash equivalents received from disposal of subsidiaries and other operating units	–	12,150,000.00
Less: Cash and cash equivalents held by disposed subsidiaries and other operating units	–	2,126.01
Net cash received from disposal of subsidiaries and other operating units	–	12,147,873.99
Net assets of disposed subsidiaries	–	12,053,804.96
Current assets	–	2,126.01
Non-current assets	–	12,053,109.45
Current liabilities	–	1,430.50

(3) Cash and cash equivalents

	31 December 2014	31 December 2013
Cash	6,479,735,571.22	5,866,492,301.67
Including: Cash on hand	1,188,238.10	2,565,131.39
Bank deposits on demand	6,468,890,424.07	5,846,424,598.28
Other monetary fund on demand	9,656,909.05	17,502,572.00
Balance of cash and cash equivalents at end of the year	6,479,735,571.22	5,866,492,301.67

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

62. Assets with restricted titles or right to use

	Note	31 December 2014	31 December 2013
Pledged assets			
Cash and bank balances			
Statutory deposit reserve placement with central bank by Finance Company	(1)	902,817,668.94	243,380,705.75
Guarantee deposit for L/C	(1)	45,147,170.74	69,664,988.35
Quality/performance deposits	(1)	47,217,112.71	81,643,118.95
Guarantee deposits for acceptance bills	(1)	65,774,311.91	130,068,004.30
Inventories	(2)	1,831,171,909.70	4,351,941,452.22
Bills receivable	(2)	4,983,581.02	–
Fixed assets	(2)	7,937,010.21	8,141,747.38
Investment properties	(2)	7,091,209,039.03	1,431,700,000.00
Assets whose titles are restricted for other reasons			
Restricted cash arising from pre-sales of properties	(3)	3,422,787,771.29	2,173,262,645.12
Others		16,691,995.87	30,998,566.22
		13,435,737,571.42	8,520,801,228.29

Note 1: As at 31 December 2014, the Group's pledged cash and bank balances was RMB1,060,956,264.30 (31 December 2013: RMB524,756,817.35), of which the amount paid by BBMG Finance Co., Ltd. (金隅財務有限公司) to the People's Bank of China in accordance with relevant regulations which cannot be used as statutory deposit reserve for daily operations was RMB902,817,668.94 (31 December 2013: RMB243,380,705.75).

Note 2: As at 31 December 2014, the Group obtained short-term borrowings of RMB4,983,581.02, non-current liabilities due within one year of RMB372,632,455.09 and long-term borrowings of RMB4,511,549,839.94 secured by inventories with a carrying amount of RMB1,831,171,909.70, fixed assets with a carrying amount of RMB7,937,010.21, investment properties with a carrying amount of RMB6,287,630,879.03 and pledged by bills receivable with a carrying amount of RMB4,983,581.02 (Note V.8, 12 and 13). As at 31 December 2014, there were bank borrowings of RMB792,817,704.97 obtained from unreleased pledge by land use rights of commodity houses which had already delivered to the purchasers.

As at 31 December 2014, investment properties with carrying amount of RMB803,578,160.00 were pledged as securities for a guarantee for the debts of the parent company (Note X.5(3)).

Note 3: In accordance with relevant provisions, funds from pre-sales of commodity housing have to be deposited in special bank accounts by property developers for supervision to ensure that the presales funds are used for construction projects first, and written application have to be made to the supervisory bank before using the funds. Where pre-sale projects under supervision have been completed and other required conditions have been satisfied, application for lifting supervision of the funds may be made.

Note 4: As at 31 December 2014, BBMG GEM Real Estate Development Co., Ltd., a subsidiary of the Group, obtained borrowings of RMB598,500,000.00 from the non-controlling shareholders of Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. ("Changyang Jiaye") secured by its 51% equity interests in Changyang Jiaye with a carrying amount of RMB1,210,000,000.00.

Notes to Financial Statements

As at 31 December 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

63. Foreign currency monetary items

	31 December 2014			31 December 2013		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
Cash on hand						
IDR	-	-	-	1,820,000.00	0.0005	910.00
Cash at banks						
USD	287,517.65	6.2075	1,784,765.81	300,232.90	6.0543	1,817,700.05
HKD	1,551,270.80	0.8006	1,241,947.40	5,074,948.54	0.7808	3,962,519.82
EUR	195,974.05	7.5092	1,471,608.34	55,266.66	8.3217	459,912.56
JPY	24,259,853.00	0.0519	1,259,086.37	24,259,829.00	0.0575	1,394,940.17
Accounts receivable						
USD	669,763.69	6.2075	4,157,558.11	663,469.42	6.0543	4,016,842.91
EUR	210,398.43	7.5092	1,579,923.89	210,398.43	8.3217	1,750,872.61
			11,494,889.92			13,403,698.12

VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Investee that the Group holds half or more of its shareholdings but without control over it

Investee	Place of registration	Principal activities	Registered capital (RMB ten thousand)	Investment amount (RMB ten thousand)	Shareholding percentage (%)	Voting right (%)	Reason for not having control
Beijing Beizhuan Gas Station	Beijing	Retail refined oil product	80.00	64.83	62.50	-	Unable to participate in decisions
Hainan Dihao Furniture Co., Ltd	Haikou	Furniture manufacturing	900.00	264.54	55.00	-	Unable to participate in decisions
Beijing Xinjianxinyuan Farmer's Market Co., Ltd.	Beijing	Retail agricultural product	40.00	38.00	95.00	-	Unable to participate in decisions

Notes to Financial Statements

As at 31 December 2014

VI. CHANGE IN SCOPE OF CONSOLIDATION (continued)

2. Change in scope of consolidation

Except for the new subsidiaries established during the year as stated in Note VII.1, and six subsidiaries, including Beijing Jianhong Property Development Co., Ltd, Beijing Jinghua Glass Fiber Products Co., Ltd, Baoding Taihang Xingsheng Cement Co., Ltd, Beijing Great Wall Furniture Co., Ltd, Shijiazhuang BBMG Beiyue Concrete Co., Ltd, and Qingdao BBMT-Xinke Building Materials Co., Ltd deregistered during the year, the scope of consolidation for the financial statements remains the same as that of last year.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in the subsidiaries

Information of the Company's subsidiaries is as follows:

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways					
Beijing Liulhe Cement Co., Ltd. (北京市琉璃河水泥有限公司)	Beijing	Manufacture of cement, mining and sale of sandstone etc.	65,510.00	100.00	-
Beijing Jianhua-Bulangni Concrete Co., Ltd. (北京建华布朗尼混凝土有限公司)	Beijing	Manufacture and sale of commercial concrete	1,269.80	-	100.00
Beijing BBMG Concrete Co., Ltd. (北京金隅混凝土有限公司)	Beijing	Processing of commodity concrete etc.	31,541.04	100.00	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅红树林环保技术有限责任公司)	Beijing	Disposal of hazardous waste etc.	169,815.09	51.00	-
Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅红树林环保技术有限责任公司)	Sanhe	Treatment and disposal of hazardous waste	1,000.00	-	100.00
Beijing Jinyu Pinggu Cement Co., Ltd. (北京金隅平谷水泥有限公司)	Beijing	Manufacture and sale of cement etc.	15,000.00	100.00	-
Cangzhou Lingang Jinyu Cement Co., Ltd. (沧州临港金隅水泥有限公司)	Cangzhou	Manufacture and sale of cement and cement product	15,000.00	-	100.00
Cheng'an BBMG Taihang Concrete Co., Ltd. (成安金隅太行混凝土有限公司)	Cheng'an County	Manufacture and sale of cement	1,000.00	-	100.00
Daming BBMG Taihang Concrete Co., Ltd. (大名金隅太行混凝土有限公司)	Daming County	Sales of concretes and mortar	1,000.00	-	90.00
Zanhuang BBMG Cement Co., Ltd. (赞皇金隅水泥有限责任公司)	Zanhuang County	Manufacture and sale of cement and clinker	60,000.00	100.00	-
BBMG Cement Trading Co., Ltd. (北京金隅水泥经贸有限公司)	Beijing	Wholesale of cement and cement product etc.	50,000.00	100.00	-
Sanhe Jinling Mining Co., Ltd. (三河市金岭矿业有限公司)	Sanhe	Processing and sale of rock materials for construction	500.00	-	100.00
Beijing BBMG Cement Energy Technology Co., Ltd. (北京金隅水泥节能科技有限公司)	Beijing	Development and transfer of cement and concrete technology	2,500.00	100.00	-
Siping BBMG Cement Co., Ltd. (四平金隅水泥有限公司)	Siping	Manufacture and sale of cement and cement product etc.	30,000.00	52.00	-

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Lanxian BBMG Cement Co., Ltd. (嵐縣金隅水泥有限公司)	Lan County	Manufacture and sale of cement and cement product	20,030.00	80.00	–
Qinyang BBMG Cement Co., Ltd. (沁陽市金隅水泥有限公司)	Qinyang	Manufacture and sale of cement and clinker etc.	16,645.00	86.60	–
Lingchuan BBMG Cement Co., Ltd. (陵川金隅水泥有限公司)	Lingchuan County	Manufacture and sale of cement and clinker	25,000.00	100.00	–
Beijing BBMG Mining Co., Ltd. (北京金隅礦業有限公司)	Beijing	Sale of metal and other mining material products	500.00	100.00	–
Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司)	Zuoquan county	Technical consultation service on cement clinker	36,530.00	100.00	–
Xuanhua BBMG Cement Co., Ltd. (宣化金隅水泥有限公司)	Xuanhua County	Manufacture and sale of cement and clinker	500.00	65.00	–
Bo'ai BBMG Cement Co., Ltd. (博愛金隅水泥有限公司)	Bo'ai County	Manufacture and sale of cement and clinker	30,000.00	95.00	–
Guangling Jinyu Cement Co., Ltd. (廣靈金隅水泥有限公司)	Guangling County	Manufacture and sale of cement clinker	31,700.00	100.00	–
BBMG Mortar Co., Ltd. (北京金隅砂漿有限公司)	Beijing	Manufacture and sale of dry mix mortar	10,000.00	80.00	20.00
Tianjin Jinyu Treasure Bright Mortar Co., Ltd. (天津金隅寶輝砂漿有限公司)	Tianjin	Manufacture and sale of mortar	4,900.00	–	70.00
Fengfeng BBMG Concrete Co., Ltd. (峰峰金隅混凝土有限公司)	Handan	Manufacture and sale of prepared components and processing of concrete	3,000.00	100.00	–
Handan Hanshan BBMG Concrete Co. Ltd. (邯鄲市邯山金隅混凝土有限公司)	Handan	Manufacture and sale of commercial concrete and crushed stone	3,000.00	92.00	–
Wei County BBMG Concrete Co., Ltd. (魏縣金隅混凝土有限公司)	Handan	Manufacture and sale of concrete	1,000.00	92.00	–
Handan BBMG Concrete Co., Ltd. (邯鄲縣金隅混凝土有限公司)	Handan	Manufacture and sale of concrete	3,000.00	92.00	–
Handan BBMG Taihang Building Materials Co., Ltd. (邯鄲金隅太行建材有限公司)	Handan	Manufacture and sale of slag powder	8,109.00	–	100.00
Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天壇傢俱股份有限公司)	Beijing	Manufacture, processing, and sale of furniture etc.	20,916.49	97.11	0.15
Beijing Tiantan-Jingwei Furniture Co., Ltd. (北京天壇京偉傢俱有限公司)	Beijing	Manufacture of wooden furniture	600.00	–	60.00
Foshan BBMG Tiantan Furniture Co., Ltd. (佛山金隅天壇傢俱有限公司)	Foshan	Processing and sale of furniture and wooden products	500.00	–	100.00
Beijing Tiantan Faram Decorative Materials Co., Ltd. (北京天壇法拉姆裝飾材料有限公司)	Beijing	Manufacture of office cube partition boards and furniture etc.	4,138.60	–	100.00
Beijing Tiantan Decoration and Engineering Co., Ltd. (北京天壇裝飾工程有限責任公司)	Beijing	Building decoration and design consultation	600.00	–	100.00

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing Great Wall Furniture Decorative Materials Co., Ltd. (北京長城傢俱裝飾材料有限公司)	Beijing	Manufacture and sale of furniture, decorative materials and wooden floorboards	320.00	–	100.00
Beijing Quinette Great Wall Seats Co., Ltd. (北京奇耐特長城座椅有限公司)	Beijing	Manufacture of seats for opera houses and auditoriums etc.	1,597.04	–	59.78
Beijing Woodworking Factory Co., Ltd. (北京市木材廠有限責任公司)	Beijing	Manufacture and sale of wood-based panels etc.	5,455.63	100.00	–
Beijing Tongda Refractory Engineering Technology Co., Ltd. (北京通達耐火工程技術有限公司)	Beijing	Development and manufacture of new refractory materials etc.	1,000.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (鞏義通達中原耐火技術有限公司)	Gongyi	Manufacture and sale of refractory materials	1,050.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Co., Ltd. (鞏義通達中原耐火材料檢測中心有限公司)	Gongyi	Testing of refractories	30.00	–	100.00
Beijing Jinyu Energy-Saving Technology Co., Ltd. (北京金隅節能保溫科技有限公司)	Beijing	Manufacture and sale of building materials	31,496.77	100.00	–
Zhangjiakou Star Building Materials Co., Ltd. (張家口市星牌建材有限責任公司)	Beijing	Manufacture, processing and sale of rockwool products	500.00	–	100.00
Beijing Jianzong Building, Installation and Engineering Co., Ltd. (北京建總建築安裝工程有限公司)	Beijing	Construction contracting	2,001.12	–	100.00
Beijing Aerated Concrete Co., Ltd. (北京市加氣混凝土有限責任公司)	Beijing	Manufacture and sale of aerated concrete panels	8,681.75	100.00	–
Beijing Jinyu Aerated Concrete Co., Ltd. (北京金隅加氣混凝土有限責任公司)	Beijing	Manufacture and sale of aerated concrete products etc.	10,000.00	100.00	–
Beijing BBMG Coating Co., Ltd. (北京金隅塗料有限責任公司)	Beijing	Manufacture of coating; professional contracting	8,900.00	100.00	–
Dachang BBMG Coating Co., Ltd. (大廠金隅塗料有限責任公司)	Dachang County	Manufacture and sale of coating	3,000.00	–	100.00
Xinjiang BBMG Coating Co., Ltd. (新疆金隅塗料有限公司)	Urumqi	Manufacture of coating; sale of building materials etc.	100.00	–	55.00
Beijing Building Materials Academy Co., Ltd. (北京建築材料科學研究院有限公司)	Beijing	Development, manufacture and sale of building materials etc.	16,000.00	100.00	–
Beijing Building Materials Testing Centre Co., Ltd. (北京建築材料檢驗中心有限公司)	Beijing	Testing for building material quality etc.	1,000.13	–	100.00
Beijing Keshi Hardware Co., Ltd. (北京市科實五金有限責任公司)	Beijing	Manufacture of modern products like construction hardware	6,595.92	100.00	–
Beijing BBMG Dongrun Construction Materials Co., Ltd. (北京金隅東潤建材有限公司)	Beijing	Wholesale of building materials etc.	2,000.00	–	51.00
Beijing BBMT-Xinke Building Materials Co., Ltd. (北京建質新科建材有限公司)	Beijing	Purchase and sale of building materials etc.	17,000.00	–	100.00
BBMG Home Furnishing Co., Ltd. (北京金隅家居有限公司)	Beijing	Purchase and sale of building materials and metals etc.	600.00	–	100.00

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing BBMG Decoration and Engineering Co., Ltd. (北京金隅裝飾工程有限公司)	Beijing	Design and construction of building decoration	3,000.00	–	100.00
Beijing Jiandu Design and Research Institute Co., Ltd. (北京建都設計研究院有限公司)	Beijing	Design of modern building materials etc.	954.12	100.00	–
Beijing Jiantuo Engineering Management Co., Ltd. (北京建拓工程管理有限公司)	Beijing	Agent for construction tendering	300.00	–	100.00
Beijing Sanchong Mirror Co., Ltd. (北京三重鏡業有限公司)	Beijing	Manufacture and sale of glass-made spectacle lenses	5,766.00	–	100.00
BBMG (Dachang) Modern Industrial Park Management Co., Ltd. (大廠金隅現代工業園管理有限公司)	Dachang County	Manufacture of various modern building materials etc.	50,000.00	100.00	–
Yangquan Tongda BBMG Refractory Materials Co., Ltd. (陽泉金隅通達高溫材料有限公司)	Yangquan	Manufacture and sale of refractory ceramic etc.	6,000.00	–	100.00
Beijing BBMG Business and Trading Co., Ltd. (北京金隅商貿有限公司)	Beijing	Wholesale of building materials and metals etc.	66,000.00	100.00	–
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd. (大廠金隅金海燕玻璃棉有限公司)	Dachang County	Manufacture and sale of glass wool products	8,000.00	–	100.00
BBMG Material Industrial (Shanghai) Co., Ltd. (金隅物產上海有限公司)	Shanghai	Import and export of coke, iron ore and metal materials	8,000.00	51.00	–
Tangshan Jinyu Aerated Concrete Co., Ltd. (唐山金隅加氣混凝土有限責任公司)	Tangshan	Manufacture and sale of aerated concrete panels	6,860.00	–	100.00
BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	Beijing	Property development and management etc.	340,000.00	100.00	–
BBMG (Qingdao) Property Development Co., Ltd. (金隅(青島)房地產開發有限公司)	Qingdao	Property development and trading agent	5,000.00	–	100.00
Inner Mongolia BBMG Property Investment Co., Ltd. (內蒙古金隅置地投資有限公司)	Hohhot	Property development and management etc.	20,000.00	–	100.00
BBMG (Hangzhou) Property Development Co., Ltd. (金隅(杭州)房地產開發有限公司)	Hangzhou	Property development and management etc.	75,000.00	–	100.00
Hangzhou BBMG Mountain Villa Property Development Co., Ltd. (杭州金隅山墅房地產開發有限公司)	Hangzhou	Property development and others	25,000.00	–	100.00
BBMG (Tianjin) Property Development Co., Ltd. (金隅(天津)房地產開發有限公司)	Tianjin	Property development and sales etc.	80,000.00	–	100.00
Tangshan BBMG Julong Property Development Co., Ltd. (唐山金隅巨龍房地產開發有限公司)	Tangshan	Property development and management etc.	5,000.00	–	80.00
Beijing BBMG Property Development Co., Ltd. (北京金隅置地房地產開發有限公司)	Beijing	Property development and sales etc.	5,000.00	–	100.00
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. (北京西三旗高新建材城經營開發有限公司)	Beijing	Property rental and development etc.	6,129.76	100.00	–

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Chengdu BBMG Dacheng Property Development Co., Ltd. (成都金隅大成房地產開發有限公司)	Chengdu	Property development etc.	5,000.00	–	80.00
Chongqing BBMG Dacheng Property Development Co., Ltd. (重慶金隅大成房地產開發有限公司)	Chongqing	Property development and consultation etc.	20,000.00	–	100.00
Beijing BBMG Chengyuan Property Development Co., Ltd. (北京金隅程遠房地產開發有限公司)	Beijing	Property development and sale of commodity housing etc.	45,944.06	100.00	–
Beijing Jinyexincheng Property Management Co., Ltd. (北京市金業新城物業管理有限責任公司)	Beijing	Property management	50.00	–	100.00
Inner Mongolia BBMG Dacheng Property Management Co., Ltd. (內蒙古金隅大成物業管理有限公司)	Hohhot	Property management	200.00	–	100.00
BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司)	Beijing	Property management	1,000.00	100.00	–
Beijing Jinhuyuan Property Management Co., Ltd. (北京錦湖園物業管理有限公司)	Beijing	Property management	50.00	–	100.00
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司)	Beijing	Provision of accommodation and dining services etc.	19,998.91	100.00	–
Beijing Jianyuan Hotel Co., Ltd. (北京市建苑賓館有限公司)	Beijing	Provision of accommodation and dining services etc.	1,000.53	–	100.00
Beijing Jianji Assets Management Co., Ltd. (北京建機資產經營有限公司)	Beijing	Self-owned property rental, property management etc.	17,433.78	100.00	–
Beijing Jinhaiyan Assets Management Co., Ltd. (北京金海燕資產經營有限責任公司)	Beijing	Self-owned property rental, property investment and management etc.	8,292.36	100.00	–
Beijing Jinhaiyan Property Management Co., Ltd. (北京金海燕物業管理有限公司)	Beijing	Property management	500.00	100.00	–
BBMG Property Operation Management Co., Ltd. (北京金隅地產經營管理有限公司)	Beijing	Commercial housing rental, property and hotel management etc.	9,900.00	100.00	–
Beijing BBMG Real Estate Agency Co., Ltd. (北京金隅房地產經紀有限公司)	Beijing	Property agency business and consultation	500.00	–	100.00
Beijing Kaicheng Cinda Property Management Co., Ltd. (北京凱誠信達物業管理有限公司)	Beijing	Property management	300.00	–	100.00
Beijing Wancheng Taishang Property Management Co., Ltd. (北京萬成恆泰商業物業管理有限公司)	Beijing	Property management	200.00	–	100.00
Jinyu Ligang (Tianjin) Property Development Co., Ltd. (金隅麗港(天津)房地產開發有限公司)	Tianjin	Property development and operation etc.	39,000.00	–	100.00

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing Jinyu Chaoxin Tiandi Property Investment Co., Ltd. (北京金隅朝新天地置業有限公司)	Beijing	Property development and management etc.	1,000.00	–	100.00
Beijing Jinyu Shiji Jiaye Property Development Co., Ltd. (北京金隅世紀嘉業房地產開發有限公司)	Beijing	Property development and management etc.	1,000.00	–	100.00
Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd. (金隅夢城(馬鞍山)房地產開發有限公司)	Ma'anshan	Property development and sale of commodity housing etc.	5,000.00	–	75.00
Beijing BBMG Finance Co., Ltd. (北京金隅財務有限公司)	Beijing	Operation of finance business and financing advisory business etc.	100,000.00	100.00	–
Hangzhou BBMG Guanchao Real Estate Development Co., Ltd. (杭州金隅觀潮房地產開發有限公司)	Hangzhou	Property development and Operation etc.	58,600.00	–	100.00
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業地產開發有限公司)	Beijing	Property development and sale of commodity housing etc.	237,254.90	–	51.00
BBMG Nanjing Real Estate Development Co., Ltd. (金隅南京房地產開發有限公司)	Nanjing	Property development and Operation etc.	122,000.00	–	100.00
Dachang BBMG Alavus Energy Saving Components Co., Ltd. (大廠金隅愛樂屋建築節能製品有限公司)	Dachang County	Provision of timber for construction purpose and processing of timber products	3,000.00	–	100.00
Beijing Tongda New Green High-temperature Materials Engineering Research Center Co., Ltd. (北京通達綠色高溫新材料工程研究中心有限公司)	Beijing	Research, experimentation and development of engineering and technology	1,000.00	–	98.00
Beijing Dacheng Changrun Properties Limited (北京大成昌潤置業有限公司)	Beijing	Property development and operation	1,000.00	–	82.00
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd. (重慶金隅大成山水置業有限公司)	Chongqing	Property development and sale etc.	96,568.61	–	51.00
* Jilin BBMG Tiantan Furniture Co., Ltd. (吉林市金隅天壇傢俱有限責任公司)	Huadian	Manufacture and sale of furniture, fixture, panels and wooden products etc	3,000.00	–	55.00
* Beijing BBMG Cement Environmental Protection Technology Co., Ltd. (北京金隅水泥環保工程技術有限公司)	Beijing	Construction project management, construction contracting and eco-friendly technology development etc.	1,000.00	–	100.00
* Beijing BBMG Pension Industry Investment Management Co., Ltd. (北京金隅養老產業投資管理有限公司)	Beijing	Property development and management etc.	1,000.00	–	100.00
* Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司)	Handan	Processing and sale of commercial concrete; manufacture and sale of prepared components	1,000.00	–	100.00

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
* Shanghai BBMG Dacheng Property Development Co., Ltd. (上海金隅大成房地產開發有限公司)	Shanghai	Property development and operation etc.	100,000.00	–	100.00
* Ningbo BBMG Dacheng Property Development Co., Ltd. (寧波金隅大成房地產開發有限公司)	Ningbo	Property development and operation etc.	5,000.00	–	100.00
* Jize BBMG Taihang Concrete Co., Ltd. (雞澤縣金隅太行混凝土有限公司)	Jize County	Processing and sale of commercial concrete	1,200.00	–	100.00
* Handan BBMG Taihang International Economic & Technical Cooperation Co., Ltd. (邯鄲金隅太行對外經濟技術合作有限公司)	Handan	Consulting services of international economic and trading information and technology	600.00	–	100.00
Subsidiaries acquired through business combination under common control					
Beijing Lvdushangke Science and Technology Co., Ltd. (北京綠都尚科科技有限公司)	Beijing	Sale of building materials and provision of technical services, etc.	2,784.85	100.00	–
Beijing Yanshui Assets Management Co., Ltd. (北京燕水資產管理有限公司)	Beijing	Manufacture of cement	6,266.85	100.00	–
Zhangjiakou Jinyu Cement Co., Ltd. (張家口金隅水泥有限公司)	Zhangjiakou	Manufacture and sale of cement and cement products	33,500.00	100.00	–
Zhuolu Jinyu Cement Co., Ltd. (涿鹿金隅水泥有限公司)	Zhuolu County	Manufacture and sale of cement and cement products	30,000.00	100.00	–
Quyuan Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司)	Quyuan County	Manufacture and sale of cement and clinker	28,000.00	90.00	–
Beijing Bio-Island Science and Technology Co., Ltd. (北京生態島科技有限責任公司)	Beijing	Development of technologies for waste disposal and comprehensive utilization and environmental protection	5,000.00	–	100.00
Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司)	Tianjin	Manufacture of cement	55,811.02	60.64	–
Tongda Refractory Technology Co., Ltd. (通達耐火技術股份有限公司)	Beijing	Research and development and manufacture of new refractory materials, etc.	28,517.14	92.83	–
Shanghai Sanming Building Materials Co., Ltd. (上海金隅三明建材有限公司)	Shanghai	Manufacture and sale of modern building materials	3,200.00	–	100.00
BBMG Human Resources Management Co., Ltd. (北京金隅人力資源管理有限公司)	Beijing	Dispatch of labour	50.00	–	100.00
BBMG Badaling Hot Spring Resort Co., Ltd. (北京金隅八達嶺溫泉度假村有限責任公司)	Beijing	Provision of travelling service and accommodation, etc.	28,600.00	–	100.00
Beijing Oakland Building Waterproofing Materials Co., Ltd. (北京奧克蘭建築防水材料有限公司)	Beijing	Processing and sale of waterproof materials	500.00	–	100.00
Beijing Xisanqi Heating Co., Ltd. (北京西三旗熱力有限責任公司)	Beijing	Manufacture of low to medium pressure steam and distilled water, etc.	7,560.00	–	100.00

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination under common control <i>(continued)</i>					
BBMG Hongye Ecological Science and Technology Co., Ltd. (北京金隅宏業生態科技有限責任公司)	Beijing	Property rental and management, etc.	200.00	100.00	–
BBMG Dacheng Property Management Co., Ltd. (北京金隅大成物業管理有限公司)	Beijing	Property management	500.00	100.00	–
BBMG Dacheng Property Development Co., Ltd. (北京金隅大成開發有限公司)	Beijing	Property development etc.	290,000.00	100.00	–
Beijing Hengxing Land Real Estate Co., Ltd. (北京恒興置地房地產有限公司)	Beijing	Property development etc.	4,635.00	–	100.00
Haikou Dacheng Property Investment Co., Ltd. (海口大成置業有限公司)	Haikou	Property development etc.	1,600.00	–	100.00
BBMG Hong Kong Limited (金隅香港有限公司)	Hong Kong	Self-owned property rental	(HKD)100.00	100.00	–
Beijing Building Decoration and Design Engineering Co., Ltd. (北京市建築裝飾設計工程有限公司)	Beijing	Design of projects' decoration and furniture decoration, etc.	8,500.00	100.00	–
Beijing Building Decoration and Design Institute Co., Ltd. (北京市建築裝飾設計院有限公司)	Beijing	Decorative design technical services	2,000.00	–	100.00
Beijing Longshuncheng Chinese Style Furniture Co., Ltd. (北京市龍順成中式家具有限公司)	Beijing	Manufacture of furniture, etc.	1,292.40	–	100.00
Crane (Beijing) Building Material Co., Ltd. (珂恩(北京)建材有限公司)	Beijing	Wholesale of building materials, etc.	500.00	–	67.50
Beijing BBMG Doudian Technology Corporate Management Co., Ltd. (北京金隅實店科技企業管理有限公司)	Beijing	Manufacture of insulation and energy-saving building materials, etc.	15,037.66	100.00	–
Subsidiaries acquired through business combination not under common control					
Hetian Yuhe Sand Stone Company Limited (和田市玉河砂石有限公司)	Hetian	Manufacture and sale of concrete	2,040.80	–	51.00
Luquan BBMG Dingxin Cement Co., Ltd. (鹿泉金隅鼎鑫水泥有限公司)	Luquan	Manufacture and sale of concrete and clinker, etc.	130,000.00	100.00	–
Hebei Taihang Huaxin Building Materials Co. Ltd. (河北太行華信建材有限責任公司)	Handan	Mining of limestone and cement products operation	22,800.00	100.00	–
Beijing Taihang Qianjing Cement Co., Ltd. (北京太行前景水泥有限公司)	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67.00	–
Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司)	Yi county	Manufacture and sale of cement and cement products, etc.	16,000.00	75.00	–
Yixian Tenghui Mineral Building Materials Company Limited (易縣騰輝礦產建材有限公司)	Yi county	Sale of lime and rock materials, etc.	2,100.00	–	100.00
Handan Taihang Cement Co., Ltd. (邯鄲市太行水泥有限責任公司)	Handan	Manufacture of cement	500.00	–	51.00

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Principal activities	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control <i>(continued)</i>					
Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司)	Beijing	Manufacture of cement	2,000.00	-	60.00
Handan BBMG Taihang Cement Co., Ltd. (邯鄲金隅太行水泥有限責任公司)	Handan	Manufacture of cement	65,000.00	94.67	-
Cheng'an BBMG Taihang Cement Co., Ltd. (成安金隅太行水泥有限公司)	Cheng'an county	Manufacture of cement	6,000.00	-	75.00
Guantao BBMG Taihang Concrete Co., Ltd. (館陶縣金隅太行混凝土有限公司)	Guantao county	Manufacture and sale of commodity concrete	1,000.00	-	100.00
Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司)	She county	Manufacture and sale of cement	10,000.00	91.00	-
**Tianjin BBMG Concrete Co., Ltd. (天津金隅混凝土有限公司)	Tianjin	Concrete construction and manufacturing	31,765.13	88.79	-
Shijiazhuang BBMG Xucheng Concrete Co., Ltd. (石家莊金隅旭成混凝土有限公司)	Shijiazhuang	Manufacture and sale of concrete	20,000.00	97.80	-
Beijing Cement Plant Co., Ltd. (北京水泥廠有限責任公司)	Beijing	Manufacture of cement and mining of limestone, etc.	96,346.28	-	100.00
Beijing Chinefarge Cement Co., Ltd. (北京興發水泥有限公司)	Beijing	Manufacture of cement and clinker, etc.	31,500.00	95.70	-
BBMG Shunfa Lafarge Cement Co., Ltd. (北京金隅順發水泥有限公司)	Beijing	Manufacture of cement and clinker, etc.	15,000.00	70.00	-
Beijing Alavus Energy Saving Components Co., Ltd. (北京愛樂屋建築節能製品有限公司)	Beijing	Manufacture, sale and repair of energy efficient doors and windows	(EUR)400.00	82.00	-
Chengde BBMG Cement Co., Ltd. (承德金隅水泥有限責任公司)	Chengde	Manufacture of cement and clinker, etc.	30,000.00	80.00	-
Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工有限公司)	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	1,868.81	100.00	-
BBMG Vanke Property Development Co., Ltd. (北京金隅萬科房地產開發有限公司)	Beijing	Property development and sale, etc.	19,000.00	-	51.00

* Newly-established subsidiaries during the period.

** In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted the shareholder Building Materials Supply Corp (the Company Law and the Articles of Association) as represented by the 11.21% equity interests held in Tianjin BBMG Concrete Co., Ltd. to the Company with a term of 8 years. As at 31 December 2014, the Company held 88.79% equity interests in Tianjin BBMG Concrete Co., Ltd. with 100% voting rights.

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Subsidiaries with significant minority shareholdings are as follows:

2014

	Percentage of minority interests	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulative minority interests at the end of the year
BBMG Vanke	49.00%	150,562,047.34	–	387,106,961.61
Beijing BBMG Mangrove	49.00%	35,793,891.31	–	1,285,407,031.75
Chongqing BBMG Dacheng Shanshui	49.00%	122,559,174.73	–	1,187,020,157.44
Changyang Jiaye	49.00%	–	–	1,179,578,622.47

2013

	Percentage of minority interests	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulative minority interests at the end of the year
BBMG Vanke	49.00%	14,502,553.01	6,460,656.27	236,544,914.27
Beijing BBMG Mangrove	49.00%	42,916,501.92	–	1,246,205,332.33
Chongqing BBMG Dacheng Shanshui	49.00%	–	–	1,064,460,982.72

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

The following table sets forth the major financial information on the above-mentioned subsidiaries. Relevant figures represent amounts before intragroup offsetting:

31 December 2014

	BBMG Vanke	Beijing BBMG Mangrove	Chongqing BBMG Dacheng Shanshui	Changyang Jiaye
Current assets	1,513,533,742.83	1,819,211,818.39	3,786,233,972.29	3,747,592,168.99
Non-current assets	81,898,159.02	1,591,299,812.30	1,710,665.68	889,520.44
Total assets	1,595,431,901.85	3,410,511,630.69	3,787,944,637.97	3,748,481,689.43
Current liabilities	797,422,003.99	521,451,933.16	975,454,520.75	1,341,178,378.26
Non-current liabilities	7,995,690.50	265,780,040.90	390,000,000.00	–
Total liabilities	805,417,694.49	787,231,974.06	1,365,454,520.75	1,341,178,378.26
2014				
Operating revenue	2,421,503,482.15	1,075,912,437.70	1,499,754,268.00	–
Net profit	307,269,484.36	73,048,757.78	250,120,764.75	(2,661,420.83)
Total comprehensive income	307,269,484.36	73,048,757.78	250,120,764.75	(2,661,420.83)
Net cash flows from operating activities	687,112,253.77	74,048,742.49	(1,182,326,644.08)	(4,933,329.33)

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

2. Interests in joint ventures and associates

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding(%)		Accounting treatment
				Direct	Indirect	
Joint ventures						
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Dachang County	Production of mineral wool acoustic boards	USD54,520	50.00	–	Equity method
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	Beijing	Commodities retail	6,000	–	50.00	Equity method
Associates						
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	Beijing	Production of concrete, pumping	55,000	25.00	–	Equity method
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	Beijing	Production of fiberboards and artificial boards	USD57,380	30.00	–	Equity method
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)	Beijing	Production of wear-resisting composite floors	USD23,500	30.00	–	Equity method
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	Beijing	Production of radiators	USD27,500	26.70	–	Equity method
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料(北京)有限公司)	Beijing	Complete non-standard control of concrete and pumping	55,000	20.00	–	Equity method
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	Beijing	Design and production of equipment	10,000	–	23.00	Equity method

Note: Beijing BBMG Chengyuan Property Development Co., Ltd., a subsidiary of the Company, holds 27.14% equity interest in Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. ("Tsinghua Unisplendor Founder"). As the Group was unable to participate in any decisions of Tsinghua Unisplendor Founder and had no significant influence over the same, the Group did not account for it for as an associate.

Notes to Financial Statements

As at 31 December 2014

VII. INTERESTS IN OTHER ENTITIES *(continued)*

2. Interests in joint ventures and associates *(continued)*

The following table sets forth the consolidated financial information on joint ventures and associates which are not individually significant to the Group:

	2014	2013
Joint ventures		
Total carrying amount of investments	21,717,392.44	73,651,379.27
Total amount calculated based on shareholding		
Net profit	(50,640,300.85)	(24,428,303.97)
Total comprehensive income	(50,640,300.85)	(24,428,303.97)
Associates		
Total carrying amount of investments	297,618,365.40	277,617,848.13
Total amount calculated based on shareholding		
Net profit	22,190,517.27	(9,905,548.36)
Total comprehensive income	22,190,517.27	(9,905,548.36)

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments

1. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets	31 December 2014	31 December 2014	31 December 2013	31 December 2013
	Loans and receivables	Available-for-sale financial assets	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	10,980,171,602.68	–	8,595,510,330.36	–
Bills receivable	2,651,027,709.78	–	1,373,660,444.38	–
Accounts receivable	5,404,832,534.14	–	5,005,865,494.62	–
Interests receivable	2,641,275.74	–	2,641,275.74	–
Dividends receivable	2,190,000.00	–	–	–
Other receivables	1,526,701,727.39	–	2,260,623,912.37	–
Available-for-sale financial assets	–	1,105,113,250.00	–	505,404,297.22
	20,567,564,849.73	1,105,113,250.00	17,238,301,457.47	505,404,297.22

Financial liabilities	31 December 2014	31 December 2013
	Other financial liabilities	Other financial liabilities
Short-term loans	11,635,636,481.02	13,516,500,000.00
Bills payable	237,215,529.94	506,106,696.49
Accounts payable	9,297,548,205.02	8,516,698,306.54
Interest payable	493,293,223.16	253,810,076.41
Dividend payable	55,522,242.70	45,192,199.03
Other payables	3,037,874,325.23	2,716,455,789.36
Non-current liabilities due within one year	6,116,513,981.62	3,199,218,336.70
Long-term loans	6,779,500,000.00	6,879,920,000.00
Bonds payable	9,069,911,156.24	6,305,600,000.00
Short-term financing bonds payable	6,600,000,000.00	3,000,000,000.00
Long-term payables	22,209,372.56	22,414,048.18
	53,345,224,517.49	44,961,915,452.71

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments *(continued)*

2. Transfers of financial assets

As at 31 December 2014, the Group endorsed to its suppliers for settlement of accounts payable or discounted to its banks bank acceptance bills and commercial acceptance bills with a carrying amount of RMB2,737,810,534.21 and RMB157,807,360.25 respectively, of which an amount of RMB1,804,158,397.17 was derecognised and an amount of RMB1,091,459,497.29 was not derecognised.

Financial assets transferred but not yet fully derecognised

As at 31 December 2014, the Group endorsed to its suppliers bank acceptance bills and commercial acceptance bills with a carrying amount of RMB933,652,137.04 and RMB152,823,779.23 respectively (31 December 2013: Nil) for settlement of accounts payable, and discounted to its banks bank acceptance bills with a carrying amount of RMB4,983,581.02 (31 December 2013: Nil). As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognise them and the settled accounts payable or short-term borrowings associated therewith. After the endorsement or discount, the Group no longer reserves the rights to use them, including the rights to sell, transfer or pledge to any other third party. As at 31 December 2014, the carrying amount of accounts payable settled by the Group through them or short-terms borrowings secured amounted to RMB1,086,475,916.27 and RMB4,983,581.02 respectively (31 December 2013: Nil).

Transferred financial assets fully derecognised but with continuing involvement

As of 31 December 2014, the Group endorsed to its suppliers bank acceptance bills with a carrying amount of RMB1,804,158,397.17 (31 December 2013: RMB1,049,767,318.50) for settlement of accounts payable. As of 31 December 2014, their maturity period ranged from 1 to 12 months. Pursuant to relevant provisions of "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("Continuing Involvement") if relevant acceptance bank defaults. As the Group is of the opinion that the Group has transferred substantially all their risks and rewards, the Group has derecognised them and the settled accounts payable associated therewith. The maximum exposure to loss from the Group's Continuing Involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

In 2014, no gains or losses were recognised on their dates of transfer. No income or expenses were recognised for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in derecognised financial assets. Endorsements were incurred basically evenly during the year.

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments *(continued)*

3. Financial Instruments Risks

The Group's principal financial instruments comprise bank borrowings, commercial papers payable, bonds payable and cash and bank balances. The main purpose of these financial instruments is to raise capital for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available for sale financial assets, bills receivable and other receivables, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over the balances of accounts receivable.

Please refer to Note V.3 and 7 for quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables.

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk (continued)

As at 31 December 2014 and 31 December 2013, the aging analysis of financial assets which are not considered to be impaired was as follows:

As at 31 December 2014

	Neither past due		Past due		
	Total	nor impaired	Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	4,839,952,385.95	2,761,279,990.21	1,305,989,773.67	421,824,244.23	350,858,377.84
Other receivables	1,491,082,472.19	1,491,082,472.19	-	-	-
Bills receivable	2,651,027,709.78	2,651,027,709.78	-	-	-
Interest receivable	2,641,275.74	2,641,275.74	-	-	-
Dividend receivable	2,190,000.00	2,190,000.00	-	-	-
Available-for-sale financial assets	1,105,113,250.00	1,105,113,250.00	-	-	-

As at 31 December 2013

	Neither past due		Past due		
	Total	nor impaired	Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	4,652,785,767.52	2,270,867,474.92	1,740,272,017.92	306,172,607.74	335,473,666.94
Other receivables	2,232,356,893.18	2,232,356,893.18	-	-	-
Bills receivable	1,373,660,444.38	1,373,660,444.38	-	-	-
Interest receivable	2,641,275.74	2,641,275.74	-	-	-
Available-for-sale financial assets	500,000,000.00	500,000,000.00	-	-	-

As at 31 December 2014, the accounts receivable that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2014, the accounts receivable that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank borrowings, financial leasing, bonds payable and commercial papers payable. In addition, the Group also planned to raise fund by way of non-public issue, so as to fund its own operations and development.

The liquidity of the Group is primarily dependent on adequate cash inflows from operations to meet its debt obligations as they fall due and external financing to meet its committed future capital expenditure. With respect to future capital commitment and other funding requirements, the Company's credit facilities granted by domestic banks amounted to RMB42 billion as at 31 December 2014, of which approximately RMB22.7 billion remained unutilised.

The table below summarises the maturity profile of financial liabilities based on the undiscounted contractual cash flows:

As at 31 December 2014

	Within 1 year	1 - 2 years	2 - 3 years	Over 3 years	Total
Accounts payable	9,297,548,205.02	-	-	-	9,297,548,205.02
Interests payable	493,293,223.16	-	-	-	493,293,223.16
Dividends payable	55,522,242.70	-	-	-	55,522,242.70
Other payables	3,037,874,325.23	-	-	-	3,037,874,325.23
Bills payable	237,215,529.94	-	-	-	237,215,529.94
Long-term payables	4,599,600.00	4,599,600.00	4,599,600.00	13,798,800.00	27,597,600.00
Bank borrowings	15,886,306,647.98	3,679,456,032.88	729,406,114.25	4,803,845,826.71	25,099,014,621.82
Bonds payable	10,403,980,000.00	2,587,580,000.00	2,390,500,000.00	5,460,000,000.00	20,842,060,000.00
	<u>39,416,339,774.03</u>	<u>6,271,635,632.88</u>	<u>3,124,505,714.25</u>	<u>10,277,644,626.71</u>	<u>59,090,125,747.87</u>

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk (continued)

As at 31 December 2013

	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total
Accounts payable	8,516,698,306.54	–	–	–	8,516,698,306.54
Interests payable	253,810,076.41	–	–	–	253,810,076.41
Dividends payable	45,192,199.03	–	–	–	45,192,199.03
Other payables	2,716,455,789.36	–	–	–	2,716,455,789.36
Bills payable	506,106,696.49	–	–	–	506,106,696.49
Long-term payables	4,020,000.00	4,020,000.00	4,020,000.00	16,080,000.00	28,140,000.00
Bank borrowings	15,619,036,259.14	3,646,499,314.90	3,593,490,124.66	90,524,383.56	22,949,550,082.26
Bonds payable	5,457,880,000.00	3,138,400,000.00	204,000,000.00	3,791,000,000.00	12,591,280,000.00
	<u>33,115,179,326.97</u>	<u>6,784,899,314.90</u>	<u>3,797,490,124.66</u>	<u>3,881,524,383.56</u>	<u>47,579,093,150.09</u>

Market risk

Interest rate risk

The Group's exposure to the changes in market interest rates is mainly related to the floating-rate long-term liabilities of the Group. The Group manages its interest cost using a mix of fixed- and floating-rate debts.

The sensitivity analysis of interest rate risk reflects the impact on total profit (through the impact on floating-rate borrowings) and shareholder's equity when a reasonably possible change in interest rates occurs, with all other variables held constant.

If interest rate had been increased or decreased by 1 percentage point and all other variables held constant, the Group's total profit for the year 2014 and 2013 would decrease or increase by approximately RMB119,788,478.99 and RMB131,330,265.33 respectively, and except for retained earnings, it would have no impact on other constituents of the Group's consolidated equity.

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to currency risk mainly arises from certain financial assets and liabilities held by the Group that are principally denominated in United States dollars and Hong Kong dollars.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of Renminbi against United States dollars or Hong Kong dollars, with all other variables held constant, with respect to the effects on total profit and shareholder's equity for the current period.

		Total profit	Equity(Note)
	Percentage	Increase/	Increase/
	of appreciation	(decrease)	(decrease)
2014	USD\$ appreciation of 1%	17,847.66	–
2014	HK\$ appreciation of 1%	12,419.47	785.31
2013	USD\$ appreciation of 1%	18,177.00	–
2013	HK\$ appreciation of 1%	39,625.20	13,038.28

Note: Retained earnings excluded in equity.

4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may make adjustments to the distribution of profits to shareholders, return capital to shareholders or issue new shares. During 2014 and 2013, there was no change in the Group's capital management objectives, policies or procedures.

Notes to Financial Statements

As at 31 December 2014

VIII. Risks related to Financial Instruments *(continued)*

4. Capital management *(continued)*

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the sum of adjusted capital and net debts. It is the Group's policy to maintain its leverage ratio between 80% and 90%. Net debts include bank borrowings, bonds payable and commercial papers, while capital refers to equity capital. The Group's gearing ratios as at the balance sheet dates are set out as follows:

	2014	2013
Bank borrowings	21,728,556,481.02	21,692,895,904.61
Bonds payable	11,869,911,156.24	8,205,828,475.57
Commercial papers	6,600,000,000.00	3,000,000,000.00
	40,198,467,637.26	32,898,724,380.18
Less: Cash and bank balances	(10,980,171,602.68)	(8,595,510,330.36)
Net debts	29,218,296,034.58	24,303,214,049.82
Owners' equity	36,247,388,141.43	30,025,313,043.75
Leverage ratio	80.61%	80.94%

Notes to Financial Statements

As at 31 December 2014

IX. Disclosure of Fair Value

1. Assets measured or disclosed at fair value

Hierarchies of fair value

The following table sets forth the fair value of the investment properties of the Group as at 31 December 2014 in accordance with the hierarchies of fair value measurement.

	Fair value as at 31 December 2014		
	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Continuously measured at fair value: Commercial properties	692,000,000.00	13,359,809,039.03	14,051,809,039.03

	Fair value as at 31 December 2013		
	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Continuously measured at fair value: Commercial properties	644,000,000.00	12,901,900,000.00	13,545,900,000.00

The following sets forth the valuation method and key inputs used for the valuation of fair value of the investment properties in 2014:

Valuation method	Significant unobservable inputs	Range of variation
Income approach	Unit rental (RMB/sq.m./day)	1.03 – 16.15
	Term yield	5.50% – 8.00%
	Reversionary yield	6.00% – 8.50%

For Level 3 fair value measurement under income approach, term and reversion approach in particular, the rental income derived from the existing tenancies with due allowance for the reversionary potential of the property is capitalised at the capitalisation rate. The estimated total net leased income is capitalized over the remaining term of lease of the investment property at an appropriate market yield expected by investors for the type of properties to calculate the fair value of investment properties.

Notes to Financial Statements

As at 31 December 2014

IX. Disclosure of Fair Value *(continued)*

1. Assets measured or disclosed at fair value *(continued)*

Hierarchies of fair value (continued)

For Level 2 fair value measurement under market comparable approach, the fair value of the investment property is estimated upon the principle of substitution under which the value of such investment property approximates the value of a comparable substitute property for a potential buyer. In theory, the best comparable transaction would be an exact duplicate of the subject property. In practice, the value of the evaluated property at the benchmark date of evaluation is calculated by comparing it with the recent selling prices of similar properties and adjusting in accordance with transaction condition, transaction date, the condition of the property, etc.

2. Valuation of Fair Value

The following table sets forth the changes in Level 3 fair value of the investment properties of the Group in 2014:

	Commercial properties
Value as at 1 January 2014	12,901,900,000.00
Gains from changes in fair value	580,288,802.13
Investment properties transferred as self-occupied	<u>(122,379,763.10)</u>
Value as at 31 December 2014	<u>13,359,809,039.03</u>

In 2014, there was no change in fair value hierarchies of investment properties of the Group.

Notes to Financial Statements

As at 31 December 2014

IX. Disclosure of Fair Value *(continued)*

2. Valuation of Fair Value *(continued)*

Set out below are carrying amount and fair value of each category of financial instruments of the Group other than financial instruments with minor differences between the carrying amount and fair value, and equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured:

	Carrying amount		Fair value	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Financial assets				
Available-for-sale financial assets	1,100,000,000.00	500,000,000.00	1,100,000,000.00	500,000,000.00
Financial liabilities				
Long-term loans	6,779,500,000.00	6,879,920,000.00	6,779,500,000.00	6,879,920,000.00
Bonds payable	8,992,354,312.55	6,305,600,000.00	8,992,354,312.55	6,305,600,000.00
Long-term payables	22,209,372.56	22,414,048.18	22,209,372.56	22,414,048.18
	15,794,063,685.11	13,207,934,048.18	15,794,063,685.11	13,207,934,048.18

Management has assessed and considered that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bill receivable, accounts receivable, interests receivable, dividends receivable, other receivables, short-term borrowings, commercial papers payable, bills payable, accounts payable, interests payable, dividends payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short maturity of these instruments.

The Group's finance team is led by the Finance Manager, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the value of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief financial officer. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

Notes to Financial Statements

As at 31 December 2014

IX. Disclosure of Fair Value *(continued)*

2. Valuation of Fair Value *(continued)*

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value.

The fair values of long-term borrowings, bonds payable, long-term payables and similar instruments are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 31 December 2014, the Group's exposure to non-performance risk associated with the long-term borrowings, bonds payable and long-term payables is assessed as insignificant.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Nature of Business	Registered capital RMB ten thousand	Proportion of shareholding (%)	Proportion of votes (%)
BBMG Group	Beijing	Operation and management of state-owned assets within the authorised scope; manufacture and sale of building materials, non-metallic minerals, furniture, construction hardware, etc.; comprehensive property development, etc.	255,449	47.92	47.92

BBMG Group is the parent and ultimate holding company of the Company.

2. Subsidiaries

For details on the subsidiaries, please refer to Note VII. 1 Interests in Subsidiaries.

3. Jointly-controlled entities and associates

For details on the jointly-controlled entities and associates, please refer to Note V. 11 and Note VII. 2.

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

4. Other related parties

Names of other related parties	Relationship with related parties
BBMG Jianmao Property Management Center	Under common control of the parent company
Zhuhai Jinyu Yale Property Management Co., Ltd.	Under common control of the parent company
Beijing Fumin House Co., Ltd.	Under common control of the parent company
Beijing Xisha Assets Management Co., Ltd.	Under common control of the parent company
Beijing Guanghua Woodworking Factory	Under common control of the parent company
Beijing Doors and Windows Co., Ltd.	Under common control of the parent company
Beijing Longfengshan Sands and Stone Factory	Under common control of the parent company
Beijing Hazardous Waste Materials Treatment Centre	Under common control of the parent company
Beijing No. 54 Occupational Skill Testing Institution	Under common control of the parent company
Handan Hanni Building Materials Co., Ltd.	Under common control of the parent company
BBMG Properties Limited	Under common control of the parent company
BBMG Sports Culture Co., Ltd.	Under common control of the parent company
Beijing Jinyu Scien-tech School	Under common control of the parent company
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Under common control of the parent company
Beijing Dacheng Real Estate Development Co., Ltd.	Under common control of the parent company
Beijing Dacheng Anjia Property Management Center	Under common control of the parent company
Beijing Chengrong Real Estate Development Co., Ltd.	Under common control of the parent company
Beijing Research Institute of Wood Industry	Under common control of the parent company

5. Major transactions between the Group and related parties

(1) Transactions concerning goods and services with related parties

Type of goods or services	2014	2013
Purchase of goods and receipt of services from related parties		
Transactions with jointly-controlled entities and associates		
Beijing Dynea Chemical Industry Co., Ltd.	–	109,100.00
STAR-USG Building Materials Co., Ltd.	1,404,729.94	2,182,872.34
Krono (Beijing) Woods Co., Ltd.	102,124,386.15	47,699,222.83
Beijing Sinobaide Technology Co., Ltd.	8,002,116.24	13,241,121.54
Zehnder (China) Indoor Climate Co., Ltd.	2,221,401.53	2,342,411.40
	113,752,633.86	65,574,728.11

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

		Type of goods or services	2014	2013
Purchase of goods and receipt of services from related parties <i>(continued)</i>				
Transactions with other related parties				
Beijing Building Materials Sales Center	Purchase of raw materials	–	739,476.62	
Beijing Doors and Windows Co., Ltd.	Payment of relocation fee	–	416,009.10	
Beijing Jinyu Scien-tech School	Receipt of services	43,790.00	271,346.71	
Beijing Jinyu Scien-tech School	Purchase of raw materials	71,200.00	–	
Beijing Dacheng Real Estate Development Co., Ltd.	Purchase of raw materials	50,547.00	2,292,038.00	
Beijing Dacheng Real Estate Development Co., Ltd.	Receipt of services	–	802,846.25	
Beijing Building Materials Boiler and Pressure Vessel Supervision and Inspection Institution	Receipt of services	–	96,750.00	
Beijing Building Materials Industry Metrological Supervision Institute	Receipt of services	–	14,438.00	
Beijing Longfengshan Sands and Stone Factory	Receipt of services	445,136.02	1,568,827.43	
Beijing Jiaye Xincheng Labor Force-dispatching Co., Ltd.	Receipt of services	–	32,400.00	
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Receipt of services	–	1,500.00	
			610,673.02	6,235,632.11
			114,363,306.88	71,810,360.22

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2014	2013
Sale of goods and render of services to related parties			
BBMG Group	Render of services	1,900,700.00	20,020,140.78
BBMG Group	Sale of goods	–	2,393.16
		1,900,700.00	20,022,533.94
Transactions with jointly-controlled entities and associates			
Krono (Beijing) Woods Co., Ltd.	Sale of goods	35,490,063.14	41,186,257.82
Beijing Dynea Chemical Industry Co., Ltd.	Sale of goods	–	584,059.11
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	186,382.14	351,059.26
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	14,961,144.91	72,399,960.17
STAR-USG Building Materials Co., Ltd.	Sale of goods	1,812,809.89	2,370,909.39
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	19,541,211.07	15,342,881.68
Zehnder (China) Indoor Climate Co., Ltd.	Render of services	9,247,593.51	–
		81,239,204.66	132,235,127.43

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2014	2013
Sales of goods and render of services to related parties <i>(continued)</i>			
Transactions with related parties			
Handan Hanni Building Materials Co., Ltd.	Sale of goods	474,041.59	740,552.57
BBMG Properties Limited	Render of services	–	380,000.00
Beijing Building Materials Sales Center	Render of services	–	256,410.26
BBMG Sports Culture Co., Ltd.	Render of services	1,930,071.13	202,000.00
BBMG Sports Culture Co., Ltd.	Sale of goods	–	121,270.62
Beijing Hazardous Waste Materials Treatment Centre	Sale of goods	1,873,524.51	–
Beijing Jinyu Scien-tech School	Render of services	–	50,000.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Render of services	119,420.00	87,775.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Sale of goods	–	75,897.44
Beijing Dacheng Real Estate Development Co., Ltd.	Render of services	695,775.43	901,266.60
Beijing Dacheng Real Estate Development Co., Ltd.	Sale of goods	34,358.97	–
Beijing Guanghua Woodworking Factory	Render of services	2,800,000.00	2,428,509.43
Beijing Xisha Assets Management Co., Ltd.	Render of services	917,169.81	30,000.00
Beijing Xisha Assets Management Co., Ltd.	Sale of properties	98,774,200.00	62,104,400.00
Beijing Doors and Windows Co., Ltd.	Sale of properties	–	174,137,400.00
		107,618,561.44	241,515,481.92
		190,758,466.10	393,773,143.29

Purchase or sale of goods and receipt or render of services from/to related parties by the Group are carried out at market price according to the terms of the agreements entered into between the Group and related parties.

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(2) Leases with related parties

As lessor

Name of the lessee	Category of leased assets	2014 leasing income	2013 leasing income
STAR-USG Building Materials Co., Ltd.	Building	11,416,955.35	11,539,437.59
Krono (Beijing) Woods Co., Ltd.	Building	6,453,901.83	4,237,202.14
Beijing Dynea Chemical Industry Co., Ltd.	Building	–	84,273.19
OCV Reinforcements (Beijing) Co., Ltd.	Plant	1,047,915.75	1,332,915.75
Beijing Sinobaide Technology Co., Ltd.		520,946.24	390,709.68
Zehnder (China) Indoor Climate Co., Ltd.	Building	704,705.82	–
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Building	–	3,608,115.88
Beijing Dacheng Real Estate Development Co., Ltd.	Building	4,775,380.32	4,138,662.96
BBMG Group	Building	629,400.00	–
		25,549,205.31	25,331,317.19

As lessee

Name of the lessor	Category of leased assets	2014 leasing expenses	2013 leasing expenses
Beijing Longfengshan Sands and Stone Factory	Premise	50,000.00	810,000.00
Beijing Xisha Assets Management Co., Ltd.	Building	3,257,172.00	2,896,000.00
BBMG Dacheng Real Estate Development Co., Ltd.	Land	–	400,000.00
		3,307,172.00	4,106,000.00

The rentals from the assets leased out to or leased from related parties by the Group are based on the terms of the agreements entered into between the Group and related parties by making reference to market prices.

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(3) Guarantees received from/provided to related parties

Guarantees received from related parties

2014

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
BBMG Group	Quyung Jinyu Cement Co., Ltd.	40,000,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyung Jinyu Cement Co., Ltd.	350,000,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyung Jinyu Cement Co., Ltd.	10,000,000.00	2 March 2011	25 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,600,000.00	22 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,400,000.00	29 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,000,000.00	1 February 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	28,800,000.00	16 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,700,000.00	20 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,600,000.00	13 October 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,900,000.00	2 March 2011	22 December 2015	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	200,000,000.00	18 October 2013	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	420,000,000.00	27 June 2013	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	20,000,000.00	18 April 2014	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	6 May 2014	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	7 May 2014	26 June 2016	No
		<u>1,306,000,000.00</u>			

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(3) Guarantees received from/provided to related parties *(continued)*

Guarantees received from related parties (continued)

2013

Guarantor	Guaranteed party	Amount			Completion of performance of guarantee or not
		guaranteed	Starting date	Maturity date	
BBMG Group	Beijing BBMG Business and Trading Co., Ltd.	20,000,000.00	15 March 2012	14 March 2013	Yes
BBMG Group	Tianjin BBMG Concrete Co., Ltd.	30,000,000.00	2 November 2012	1 November 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,600,000.00	22 December 2009	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	7,200,000.00	22 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,400,000.00	29 December 2009	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	10,800,000.00	29 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,000,000.00	1 February 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	18,000,000.00	1 February 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	28,800,000.00	16 August 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	57,600,000.00	16 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,700,000.00	20 August 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	11,400,000.00	20 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,600,000.00	13 October 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	19,200,000.00	13 October 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,900,000.00	2 March 2011	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	7,800,000.00	2 March 2011	22 December 2015	No
BBMG Group	Quyuan Jinyu Cement Co., Ltd.	350,000,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyuan Jinyu Cement Co., Ltd.	40,000,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyuan Jinyu Cement Co., Ltd.	10,000,000.00	2 March 2011	25 December 2015	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	420,000,000.00	27 June 2013	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	200,000,000.00	18 October 2013	26 June 2016	No
		1,268,000,000.00			

The above related parties provided guarantees in respect of borrowings for the Group with nil consideration.

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(3) *Guarantees received from/provided to related parties (continued)*

Guarantees provided to related parties

On 31 Decemeber 2014, BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Group, provided guarantee for BBMG Group's borrowings of RMB800,000,000, with its investment properties as collateral. As at 31 December 2014, the BBMG Group had repaid the borrowings and the release of investment properties is in progress. (31 December 2013 gurantees to related parties: RMB800,000,000.00).

(4) *Borrowing from/lending to related parties*

Borrowings

2014

	Amount	date	Maturity date
BBMG Group	303,110,700.00	March 2014	April 2014
BBMG Group	60,200,000.00	March 2014	November 2014
BBMG Group	1,250,685,300.00	March 2014	April 2014
BBMG Group	150,000,000.00	August 2014	November 2014

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) Borrowing from/lending to related parties *(continued)*

Borrowings *(continued)*

2013

	Amount	date	Maturity date
BBMG Group	500,000,000.00	January 2013	October 2013
BBMG Group	500,000,000.00	April 2013	April 2014
BBMG Group	170,000,000.00	April 2013	April 2014
BBMG Group	300,000,000.00	May 2013	May 2014
BBMG Group	400,000,000.00	May 2013	May 2014
BBMG Group	100,000,000.00	August 2013	August 2014
BBMG Group	150,000,000.00	August 2013	August 2014
BBMG Group	500,000,000.00	October 2013	October 2014
BBMG Group	500,000,000.00	October 2013	October 2014
BBMG Group	500,000,000.00	October 2013	October 2014
BBMG Group	500,000,000.00	October 2013	October 2014
BBMG Group	26,000,000.00	December 2013	December 2014

Note: Through financial institutions, the Group obtained entrusted loans of RMB1,763,996,000.00 from BBMG Group, which were used for liquidity purposes. As at 31 December 2014, such loans were fully repaid (31 December 2013: RMB3,646,000,000.00). The interest rate of each the above loans was in line with the benchmark rate for loans of the same period and same ranking issued by People's Bank of China on the drawdown date corresponding to the period of the loan. In the year, the total interest expenses recognised for the loans were RMB79,039,935.82 (2013: RMB214,791,444.52).

Interest income from lending:

	2014	2013
STAR-USG Building Materials Co., Ltd.	–	4,968,077.28

Interest expenses from borrowing:

	2014	2013
BBMG Group	79,039,935.82	214,791,444.52

(5) Remuneration for key management personnel

	2014	2013
Remuneration for key management personnel	5,684,169.00	5,642,903.00

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(6) Other transactions with related parties

Acquisition of equity interest

Item acquired		2014	2013
BBMG Group	66.67% of the equity interest in Hebei Taihang Huaxin Building Materials Co., Ltd.	-	131,881,660.00

Hebei Taihang Huaxin Building Materials Co., Ltd. ("Taihang Huaxin") was owned by BBMG Group as to 66.67% equity interests and by the Company as to 33.33% equity interests. Pursuant to the Equity Custodian Agreement entered into between the Company and BBMG Group on 26 July 2008 and the supplementary agreement thereto dated 24 May 2010, BBMG Group entrusted the Company to manage all interests in Taihang Huaxin owned by BBMG Group. Therefore, the Company has the right to exercise control over the financial and operating decisions of Taihang Huaxin, and Taihang Huaxin has become a subsidiary of the Company since July 2008. In 24 April 2013, the Company entered into an equity transfer agreement with BBMG Group, pursuant to which the Company acquired 66.67% equity interests in Hebei Taihang Huaxin Building Materials Co. Ltd. held by BBMG Group at the consideration of RMB131,881,660.00, which was determined based on the valuation of the acquisition target on the acquisition benchmark date.

Note: Apart from related party transactions with jointly-controlled entities and associates, other major transactions between the group and its related parties constitute connected transactions and continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables due from related parties

	31 December 2014	31 December 2013
Accounts Receivable		
Due from associates		
Beijing Gaoqiang Concrete Co., Ltd.	60,512,235.97	70,727,696.43
Zehnder (China) Indoor Climate Co., Ltd.	19,276.00	–
OCV Reinforcements (Beijing) Co., Ltd.	50,000.00	–
	<u>60,581,511.97</u>	<u>70,727,696.43</u>
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	8,929,364.35	4,382,746.43
	<u>8,929,364.35</u>	<u>4,382,746.43</u>
Due from other related parties		
Beijing Dacheng Real Estate Development Co., Ltd	6,154,805.46	7,274,660.10
	<u>6,154,805.46</u>	<u>7,274,660.10</u>
	<u>75,665,681.78</u>	<u>82,385,102.96</u>

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables due from related parties *(continued)*

	31 December 2014	31 December 2013
Advances to suppliers		
Prepayments to associates		
Beijing Sinobaide Technology Co., Ltd.	120,542.46	–
Zehnder (China) Indoor Climate Co., Ltd.	236,929.30	–
	357,471.76	–
Other receivables		
Due from associates		
Zehnder (China) Indoor Climate Co., Ltd.	12,119,564.73	2,871,971.22
Krono (Beijing) Woods Co., Ltd.	11,738,494.56	13,620,915.91
Krono (Beijing) Flooring Co., Ltd.	200,000.00	200,000.00
	24,058,059.29	16,692,887.13
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	85,821,753.31	86,808,579.96
	109,879,812.60	103,501,467.09
Interest receivable		
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	2,641,275.74	2,641,275.74

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

7. Balances of payables to related parties

	31 December 2014	31 December 2013
Accounts payable		
Due to associates		
Zehnder (China) Indoor Climate Co., Ltd.	96,000.00	221,500.00
OCV Reinforcements (Beijing) Co., Ltd.	3,800.00	–
Krono (Beijing) Woods Co., Ltd.	338,764.11	–
	<u>438,564.11</u>	<u>221,500.00</u>
Due to a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	1,366,809.63	844,017.57
Due to other related parties		
Beijing Dacheng Real Estate Development Co., Ltd	276,291.00	–
Beijing Building Materials Sales Center	–	826,666.03
	<u>276,291.00</u>	<u>826,666.03</u>
	<u>2,081,664.74</u>	<u>1,892,183.60</u>

Notes to Financial Statements

As at 31 December 2014

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

7. Balances of payables to related parties *(continued)*

	31 December 2014	31 December 2013
Advances from customers		
Advances received from other related parties		
Beijing Longfengshan Sands and Stone Factory	149,098.29	–
Beijing Xisha Assets Management Co., Ltd.	64,564,900.00	163,339,100.00
	64,713,998.29	163,339,100.00
Other payables		
Due to the parent company		
BBMG Group	90,200,917.80	12,106,943.79
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	–	143,290.11
OCV Reinforcements (Beijing) Co., Ltd.	159,200.00	159,200.00
	159,200.00	302,490.11
Due to a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	176,200.81	223,451.38
	90,536,318.61	12,632,885.28
Short-term borrowings		
BBMG Group	–	3,646,000,000.00

Except for the balances due from STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司) which are interest-bearing, other amounts due from/to related parties are interest-free, unsecured and have no fixed terms of repayment.

Notes to Financial Statements

As at 31 December 2014

XI. Contingencies

	Note	31 December 2014	31 December 2013
Provision of guarantee to a related party	Note 1	–	800,000,000.00
Provision of guarantee to third parties	Note 2	6,229,968,642.05	4,301,550,334.04
		6,229,968,642.05	5,101,550,334.04

Note 1: BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Group, provided guarantee for BBMG Group. As of 31 December 2014, BBMG Group had repaid the borrowings and the release of the investment properties is in progress. Details are set out in Note X. 5(3).

Note 2: Certain customers of the Group have purchased the commodity housing developed by the Group by way of bank mortgage (secured loans). According to bank requirements for disbursing secured loans to individuals for purchase of housing, the Group has provided periodic joint and several guarantees for such loans disbursed by banks for home buyers. These guarantees will be released upon obtaining building ownership certificates and completion of housing mortgage registration formalities by the home buyers. The management is of the opinion that in the event of default in payments, the net realisable value of the relevant properties is sufficient to cover the outstanding mortgage principals together with the accrued interests and penalties, and therefore no provision for the guarantees has been made in the financial statements.

XII. Commitments

	31 December 2014	31 December 2013
Asset acquisition or construction contracts entered into but not completed	135,966,972.58	163,519,660.43
Property development contracts entered into and being executed or will be executed	7,638,005,516.15	5,767,254,870.36
Equity acquisition contracts approved but not executed	245,668,600.00	–
	8,019,641,088.73	5,930,774,530.79

The significant commitments made by the Group as at 31 December 2013 have been duly performed as previously undertaken.

XIII. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 26 March 2015, the Board of Directors of the Company considered and approved the 2014 profit distribution plan to declare a cash dividend of RMB0.50 (tax inclusive) for every 10 shares held by shareholders, based on the total share capital of 4,784,640,284 shares as at 26 March 2015, with total dividend distribution amounting to RMB239,232,014.20. The above plan is subject to consideration by the general meeting of the Company.

Notes to Financial Statements

As at 31 December 2014

XIII. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE *(continued)*

On 1 February 2015, the Company entered into an equity transfer agreement with Jizhong Energy Resources Co., Ltd. for the acquisition of 60% equity interest in Xingtai BBMG Yongning Cement Co., Ltd. ("Xingtai Yongning") at a consideration of RMB245,668,600.00 in cash. As of the date of this report, the Company has paid the first payment of RMB73,700,580.00. Related assets are under the procedures of title certificate transfer.

XIV. OTHER SIGNIFICANT MATTERS

1. Lease

As lessor

Significant operating leases: according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable operating leases are as follows:

	31 December 2014	31 December 2013
Within 1 year (inclusive of 1 year)	652,230,966.29	685,541,608.52
1 to 2 years (inclusive of 2 years)	602,054,318.45	495,736,089.68
2 to 3 years (inclusive of 3 years)	331,242,099.15	308,169,288.70
Over 3 years	412,199,345.75	543,936,916.83
	1,997,726,729.64	2,033,383,903.73

Please refer to Note V.12 and 13 for details of investment properties and fixed assets leased under

As lessee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2014	31 December 2013
Within 1 year (inclusive of 1 year)	54,331,374.79	75,336,684.16
1 to 2 years (inclusive of 2 years)	26,930,863.28	24,797,503.25
2 to 3 years (inclusive of 3 years)	24,053,014.52	18,194,683.88
Over 3 years	102,618,175.23	73,176,394.79
	207,933,427.82	191,505,266.08

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting

Operating segments

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commerce and logistics segment engages in the manufacture and sale of building materials and furniture and commerce and logistics;
- (3) the property development segment engages in the development and sale of real estate; and
- (4) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and other than the exclusion of overheads attributable to the headquarters, it is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the headquarters, because all of such assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed upon by both parties of transactions with reference to the fair price quoted from other transactions with third parties.

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS (continued)

2. Segment reporting (continued)

2014

	Building Materials and Commerce		Property	Property	Unallocated		
	Cement Segment	and Logistics Segment	Property Segment	Investment and Management Segment	corporate assets/ liabilities/ expenses	Elimination on consolidation	Total
Revenues from external transactions	12,944,136,788.01	10,372,649,027.10	15,708,965,957.24	2,215,722,081.62	-	-	41,241,473,853.97
Revenues from inter-segment transactions	13,289,243.14	334,698,498.85	-	85,843,046.77	-	(433,830,788.76)	-
	<u>12,957,426,031.15</u>	<u>10,707,347,525.95</u>	<u>15,708,965,957.24</u>	<u>2,301,565,128.39</u>	<u>-</u>	<u>(433,830,788.76)</u>	<u>41,241,473,853.97</u>
Gains/(losses) on investments in associates and joint ventures	2,438,928.61	(31,202,669.78)	-	313,957.59	-	-	(28,449,783.58)
Losses from impairment of assets	57,009,559.65	18,564,350.44	46,504,651.85	41,906,697.83	46,452,803.71	-	210,438,063.48
Depreciation and amortisation charges	1,082,805,357.86	133,992,689.13	10,324,250.69	138,841,563.81	27,877,477.19	-	1,393,841,338.68
Total profits	247,822,886.01	(49,091,493.96)	2,921,118,059.49	1,401,025,936.34	(837,865,524.83)	120,335,280.08	3,803,345,143.13
Income tax expense	126,492,340.54	5,028,399.32	740,309,317.33	401,925,558.86	(209,466,381.21)	30,083,820.02	1,094,373,054.86
Total assets	28,497,216,019.99	10,360,170,416.94	60,821,887,513.09	30,594,897,227.21	1,236,423,714.85	(15,825,624,215.41)	115,684,970,676.67
Total liabilities	14,537,544,009.89	4,651,508,231.57	49,036,856,382.32	5,514,857,838.70	17,546,443,860.22	(11,849,627,787.46)	79,437,582,535.24
Other disclosure							
Long-term equity investment in associates and joint ventures	27,810,842.09	282,128,026.48	-	3,927,454.60	-	-	313,866,323.17
Increase in other non-current assets (excluding long-term equity investments)	1,294,169,525.61	376,346,994.18	15,679,853.56	209,662,023.97	-	-	1,895,858,397.32

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

2013

	Building Materials and Commerce Cement Segment	and Logistics Segment	Property Segment	Property Investment and Management Segment	Unallocated corporate assets/ liabilities/ expenses	Elimination on consolidation	Total
Revenues from external transactions	13,327,116,610.44	14,507,928,613.56	14,978,779,846.59	1,975,934,191.30	-	-	44,789,759,261.89
Revenues from inter-segment transactions	22,826,428.40	286,739,594.83	-	55,091,152.13	-	(364,657,175.36)	-
	<u>13,349,943,038.84</u>	<u>14,794,668,208.39</u>	<u>14,978,779,846.59</u>	<u>2,031,025,343.43</u>	<u>-</u>	<u>(364,657,175.36)</u>	<u>44,789,759,261.89</u>
Gains/(losses) on investment in associate and joint ventures	4,534,279.83	(40,440,763.98)	-	1,572,631.83	-	-	(34,333,852.32)
Losses from impairment of assets	324,731,642.31	50,154,088.32	4,878,092.83	1,159,849.14	-	-	380,923,672.60
Depreciation and amortisation charges	949,492,973.90	106,269,808.47	8,496,829.00	133,747,576.50	23,731,990.98	-	1,221,739,178.85
Total profits	290,272,932.24	(43,282,894.98)	3,026,368,753.35	1,332,136,126.43	(617,882,305.85)	6,111,111.44	3,993,723,722.63
Income tax expense	201,087,712.17	(72,045,012.27)	772,962,797.28	(151,439,743.43)	-	-	750,565,753.75
Total assets	26,953,297,268.28	7,347,728,501.51	46,640,002,525.23	23,716,865,976.67	1,046,002,711.94	(6,864,347,364.74)	98,839,549,618.88
Total liabilities	13,513,654,404.62	3,444,506,813.84	38,982,641,695.29	8,775,645,236.78	11,089,680,924.84	(6,991,892,500.24)	68,814,236,575.13
Other disclosure							
Long-term equity investment in associates and joint ventures	27,561,913.48	313,330,696.26	-	4,907,182.99	-	-	345,799,792.73
Increase in other non-current assets (excluding long-term equity investments)	2,905,451,012.55	457,571,904.54	13,098,145.95	264,728,318.95	-	-	3,640,849,381.99

Other information

Information on products and labour services

Revenue by product/service is set out in Note V.47.

Geographic information

The major businesses and customers of the Group are located in PRC. Segment revenue from external transactions and major non-current assets are also generated or located in PRC.

Information on our major customers

For In 2014, none of sales income arising from any single customer of the Group exceeds 10% of the Group's total revenues (2013: nil).

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Supplemental information to the statement of financial position

	31 December 2014	31 December 2013
Net current assets (consolidated)		
Current assets	75,018,805,818.23	60,157,225,599.42
Less: Current liabilities	(59,513,655,635.94)	(52,059,972,474.99)
Net current assets	15,505,150,182.29	8,097,253,124.43
Total assets less current liabilities (consolidated)		
Total assets	115,684,970,676.67	98,839,549,618.88
Less: current liabilities	(59,513,655,635.94)	(52,059,972,474.99)
Total assets less current liabilities	56,171,315,040.73	46,779,577,143.89
Net current assets (the Company)		
Current assets	31,729,745,121.34	22,753,783,943.93
Less: current liabilities	(27,839,186,611.38)	(21,847,636,556.86)
Net current assets	3,890,558,509.96	906,147,387.07
Total assets less current liabilities (the Company)		
Total assets	66,679,060,581.89	52,972,572,116.78
Less: current liabilities	(27,839,186,611.38)	(21,847,636,556.86)
Total assets less current liabilities	38,839,873,970.51	31,124,935,559.92

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

4. Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	2014	2013
Fees	666,670.00	680,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	2,317,983.52	2,329,571.84
Performance related bonuses	2,479,823.00	2,444,923.00
Pension scheme contributions	190,356.48	188,408.16
	5,654,833.00	5,642,903.00

(1) Independent non-executive directors

The fees paid to independent non-executive directors for the year are as follows:

	2014	2013
Mr. Hu Zhaoguang	62,500.00	150,000.00
Mr. Wang Guangjin	87,500.00	–
Mr. Zhang Chengfu	150,000.00	150,000.00
Mr. Xu Yongmo	150,000.00	150,000.00
Mr. Yip Wai Ming	150,000.00	150,000.00
	600,000.00	600,000.00

No other remuneration was payable to independent non-executive directors for the year (2013: Nil).

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS (continued)

4. Directors' and Supervisors' Remuneration (continued)

(2) Executive directors, non-executive directors and supervisors

2014

	Fee	Salaries, Allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Weiping	-	-	-	-	-
Mr. Jiang Deyi*	-	480,205.44	302,700.00	23,794.56	806,700.00
Mr. Shi Xijun	-	336,205.44	308,200.00	23,794.56	668,200.00
Mr. Zang Feng	-	336,205.44	298,200.00	23,794.56	658,200.00
Mr. Wang Hongjun	-	336,205.44	365,900.00	23,794.56	725,900.00
Mr. Wang Shizhong	-	336,205.44	374,750.00	23,794.56	734,750.00
	-	1,825,027.20	1,649,750.00	118,972.80	3,593,750.00
Non-executive directors					
Mr. Yu Shiliang	33,335.00	-	-	-	33,335.00
Mr. Yu Kaijun	33,335.00	-	-	-	33,335.00
	66,670.00	-	-	-	66,670.00
Supervisors					
Mr. Hu Jingshan	-	-	-	-	-
Mr. Qian Xiaoqiang	-	50,000.00	-	-	50,000.00
Mr. Zhang Dengfeng	-	156,425.44	294,504.00	23,794.56	474,724.00
Mr. Zhang Yifeng	-	140,185.44	247,212.00	23,794.56	411,192.00
Mr. Wang Xin	-	146,345.44	288,357.00	23,794.56	458,497.00
	-	492,956.32	830,073.00	71,383.68	1,394,413.00
	66,670.00	2,317,983.52	2,479,823.00	190,356.48	5,054,833.00

* Mr. Jiang Deyi is the President of the Company.

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

4. Directors' and Supervisors' Remuneration *(continued)*

(2) Executive directors, non-executive directors and supervisors *(continued)*

2013

	Fee	Salaries, Allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Weiping	-	-	-	-	-
Mr. Jiang Deyi *	-	480,448.98	284,600.00	23,551.02	788,600.00
Mr. Shi Xijun	-	336,448.98	309,550.00	23,551.02	669,550.00
Mr. Zang Feng	-	336,448.98	279,550.00	23,551.02	639,550.00
Mr. Wang Hongjun	-	336,448.98	358,050.00	23,551.02	718,050.00
Mr. Wang Shizhong	-	336,448.98	389,550.00	23,551.02	749,550.00
	-	1,826,244.90	1,621,300.00	117,755.10	3,565,300.00
Non-executive director					
Mr. Yu Shiliang	80,000.00	-	-	-	80,000.00
	80,000.00	-	-	-	80,000.00
Supervisors					
Mr. Hu Jingshan	-	50,000.00	-	-	50,000.00
Mr. Qian Xiaoqiang	-	50,000.00	-	-	50,000.00
Mr. Zhang Dengfeng	-	142,748.98	295,226.00	23,551.02	461,526.00
Mr. Zhang Yifeng	-	127,808.98	255,358.00	23,551.02	406,718.00
Mr. Wang Xin	-	132,768.98	273,039.00	23,551.02	429,359.00
	-	503,326.94	823,623.00	70,653.06	1,397,603.00
	80,000.00	2,329,571.84	2,444,923.00	188,408.16	5,042,903.00

* Mr. Jiang Deyi is the President of the Company.

Notes to Financial Statements

As at 31 December 2014

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

5. Top 5 paid employees

During the reporting year, 5 highest paid employees are all non-directors employees (2013: five non-director employees), the remuneration details of whom are as follows:

	2014	2013
Salaries, allowances and benefits in kind	2,362,973.20	2,094,912.00
Performance related bonuses	3,435,500.00	2,666,559.80
Pension scheme contributions	95,178.24	94,204.08
	5,893,651.44	4,855,675.88

The remuneration distribution of the non-director employees was as follows:

	Remuneration amount of employees	
	2014	2013
Hong Kong dollar 0 – 1,000,000	0	0
Hong Kong dollar 1,000,001 – 1,500,000	5	5
	5	5

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

An aging analysis of other receivables are as follows:

	31 December 2014	31 December 2013
Within 1 year	26,100,296,237.43	19,596,670,442.04
1 to 2 years	15,162,064.12	99,167,348.32
2 to 3 years	93,366,478.64	–
3 to 4 years	–	30,379,950.00
Over 5 years	41,698,366.10	11,318,416.10
	26,250,523,146.29	19,737,536,156.46
Provision for bad debts of other receivables	(40,970,070.23)	(31,698,203.12)
	26,209,553,076.06	19,705,837,953.34

Movements in provision for bad debts of other receivables are as follows:

	2014	2013
At the beginning of the year	31,698,203.12	31,698,203.12
Provision for the year	9,113,985.00	–
Merger of subsidiaries	157,882.11	–
At the end of the year	40,970,070.23	31,698,203.12

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

	31 December 2014				31 December 2013			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Balance	Percentage (%)	Amount	Percentage (%)	Balance	Percentage (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	54,077,733.06	0.21	29,360,768.06	54.29	29,697,783.06	0.15	20,246,783.06	68.18
Provision for bad debts by aging								
Within 1 year (inclusive of 1 year)	24,016,493.80	0.09	-	-	15,175,486.90	0.08	-	-
Over 5 years	9,754,425.49	0.04	9,754,425.49	100.00	9,754,425.49	0.05	9,754,425.49	100.00
	33,770,919.29	0.13	9,754,425.49	19.93	24,929,912.39	0.13	9,754,425.49	
Provision for bad debts for special	26,160,755,451.88	99.65	-	-	19,681,147,301.06	99.71	-	-
Individually not significant but subject to separate provision for bad debts	1,919,042.06	0.01	1,854,876.68	96.66	1,761,159.95	0.01	1,696,994.57	96.36
	26,250,523,146.29	100.00	40,970,070.23		19,737,536,156.46	100.00	31,698,203.12	

As at 31 December 2014, other receivables which were individually significant and separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	30,379,950.00	9,113,985.00	30.00	Partially uncollectible
Second	23,697,783.06	20,246,783.06	85.44	Partially uncollectible
	54,077,733.06	29,360,768.06		

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

As at 31 December 2013, other receivables which were individually significant and separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	29,697,783.06	20,246,783.06	68.18	Partially uncollectible

As at 31 December 2014, the top five other receivables are as follows:

	Provision for bad debts				
	Closing balance	Percentage	Nature	Aging Analysis	Closing balance
BBMG GEM Real Estate Development Co., Ltd	8,643,916,794.02	32.93	Amounts due from subsidiaries	Within one year	-
Beijing BBMG Dacheng Property Development Co., Ltd.	4,998,470,004.13	19.04	Amounts due from subsidiaries	Within one year	-
BBMG (Hangzhou) Property Development Limited	1,424,803,700.00	5.43	Amounts due from subsidiaries	Within one year	-
Hangzhou BBMG Guanchao Property Development Limited	804,366,666.67	3.06	Amounts due from subsidiaries	Within one year	-
BBMG Ligang (Tianjin) Property Development Limited	760,000,000.00	2.90	Amounts due from subsidiaries	Within one year	-
	<u>16,631,557,164.82</u>	<u>63.36</u>			

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

As at 31 December 2013, the top five other receivables were as follows:

	Closing balance	Percentage	Nature	Aging Analysis	Provision for bad debts Closing balance
BBMG GEM Real Estate Development Co., Ltd	3,007,903,801.73	15.24	Amounts due from subsidiaries	Within one year	–
Beijing BBMG Dacheng Property Development Co., Ltd.	2,527,431,958.78	12.81	Amounts due from subsidiaries	Within one year	–
BBMG (Hangzhou) Property Development Limited	1,453,431,353.97	7.36	Amounts due from subsidiaries	Within one year	–
Hangzhou BBMG Guanchao Property Development Limited	1,278,426,491.30	6.48	Amounts due from subsidiaries	Within one year	–
BBMG Ligang (Tianjin) Property Development Limited	844,706,458.65	4.28	Amounts due from subsidiaries	Within one year	–
	<u>9,111,900,064.43</u>	<u>46.17</u>			

Other receivables included the amounts due from the parent, subsidiaries, jointly-controlled entities and associates are as follows:

	31 December 2014	31 December 2013
Amounts due from subsidiaries	26,051,635,844.39	19,581,494,955.14
Amounts due from a jointly-controlled entity	81,688,940.00	81,688,940.00
Amounts due from associates	12,119,564.73	2,871,971.22
	<u>26,145,444,349.12</u>	<u>19,666,055,866.36</u>

The above other receivables due from related parties are unsecured and not repayable on demand.

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments

2014

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method:							
Beijing Lulihe Cement Co., Ltd.	684,505,052.96	629,405,052.96	55,100,000.00	684,505,052.96	100.00	100.00	512,107.80
Beijing BBMG Concrete Co., Ltd.	359,235,910.27	359,235,910.27	-	359,235,910.27	100.00	100.00	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	1,093,444,400.00	1,093,444,400.00	-	1,093,444,400.00	51.00	51.00	-
Luquan BBMG Dingxin Cement Co., Ltd.	1,454,400,000.00	1,454,400,000.00	-	1,454,400,000.00	100.00	100.00	57,424,519.19
Hebei Taihang Huaxin Building Materials Co., Ltd.	191,952,088.44	191,952,088.44	-	191,952,088.44	100.00	100.00	-
Zanhuang BBMG Cement Co., Ltd.	600,000,000.00	600,000,000.00	-	600,000,000.00	100.00	100.00	25,033,369.43
BBMG Cement Trading Co., Ltd.	500,000,000.00	50,000,000.00	450,000,000.00	500,000,000.00	100.00	100.00	-
Beijing BBMG Cement Energy Saving Technology Co., Ltd.	25,000,000.00	25,000,000.00	-	25,000,000.00	100.00	100.00	7,888,810.65
Zhangjiakou Jinyu Cement Co., Ltd.	353,071,805.81	318,071,805.81	35,000,000.00	353,071,805.81	100.00	100.00	-
Tianjin Zhenxing Cement Co., Ltd.	392,950,236.38	392,950,236.38	-	392,950,236.38	60.64	60.64	3,938,313.99
Qiyang Jinyu Cement Co., Ltd.	245,747,261.65	245,747,261.65	-	245,747,261.65	90.00	90.00	-
Siping BBMG Cement Co., Ltd.	156,000,000.00	156,000,000.00	-	156,000,000.00	52.00	52.00	23,400,000.00
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	202,047,000.00	202,047,000.00	-	202,047,000.00	97.80	97.80	-
Lanxian BBMG Cement Co., Ltd.	160,240,000.00	160,240,000.00	-	160,240,000.00	80.00	80.00	-
Qinyang BBMG Cement Co., Ltd.	144,145,100.00	144,145,100.00	-	144,145,100.00	86.60	86.60	-
Zhuolu Jinyu Cement Co., Ltd.	286,677,498.05	286,677,498.05	-	286,677,498.05	100.00	100.00	775,924.40
Beijing BBMG Tiantan Furniture Co., Ltd.	464,305,960.36	464,305,960.36	-	464,305,960.36	97.11	97.11	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.16	54,556,261.16	-	54,556,261.16	100.00	100.00	-
Tongda Refractory Technology Co., Ltd.	498,030,444.48	498,030,444.48	-	498,030,444.48	92.83	92.83	-
Beijing Jinyu Energy-Saving Technology Co., Ltd.	342,450,576.31	342,450,576.31	-	342,450,576.31	100.00	100.00	-
Beijing Jinyu Aerated Concrete Co., Ltd.	107,946,419.68	47,946,419.68	60,000,000.00	107,946,419.68	100.00	100.00	-
Beijing Building Materials Academy Co., Ltd.	162,467,784.68	122,467,784.68	40,000,000.00	162,467,784.68	100.00	100.00	4,660,701.55
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	64,098,826.55	-	64,098,826.55	100.00	100.00	-
Beijing Jiandu Design and Research Institute Co., Ltd. BBMG (Dachang) Xiandai Industrial Garden Management Co., Ltd.	9,405,299.48	9,405,299.48	-	9,405,299.48	100.00	100.00	1,104,000.00
Beijing Alavus Energy Saving Components Co., Ltd.	29,980,669.86	29,980,669.86	-	29,980,669.86	82.00	82.00	1,221,554.54
BBMG GEM Real Estate Development Co., Ltd.	3,065,138,411.45	1,665,138,411.45	1,400,000,000.00	3,065,138,411.45	100.00	100.00	322,837,888.50
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	123,580,431.35	123,580,431.35	-	123,580,431.35	100.00	100.00	-
BBMG Property Management Co., Ltd.	89,264,530.92	89,264,530.92	-	89,264,530.92	100.00	100.00	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	202,480,361.57	202,480,361.57	-	202,480,361.57	100.00	100.00	-
Beijing Jianji Assets Management Co., Ltd.	163,182,181.75	163,182,181.75	-	163,182,181.75	100.00	100.00	40,906,775.95
Beijing Jinhaiyan Assets Management Co., Ltd.	78,479,818.89	78,479,818.89	-	78,479,818.89	100.00	100.00	-
BBMG Property Operation Management Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100.00	100.00	-
Beijing BBMG Dacheng Property Development Co., Ltd.	2,994,735,641.87	1,594,735,641.87	1,400,000,000.00	2,994,735,641.87	100.00	100.00	210,560,830.21
*Tianjin BBMG Concrete Co., Ltd.	347,454,707.80	347,454,707.80	-	347,454,707.80	88.79	100.00	45,640,959.12
Beijing Jinyu Pinggu Cement Co., Ltd.	150,000,000.00	150,000,000.00	-	150,000,000.00	100.00	100.00	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00	100.00	-

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments (continued)

2014 (continued)

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method: (continued)							
Lingchuan BBMG Cement Co., Ltd.	250,000,000.00	180,000,000.00	70,000,000.00	250,000,000.00	100.00	100.00	-
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100.00	100.00	1,179,833.53
Beijing BBMG Business and Trading Co., Ltd.	660,000,000.00	410,000,000.00	250,000,000.00	660,000,000.00	100.00	100.00	4,379,822.98
Beijing Jinhaiyan Property Management Co., Ltd.	5,633,292.75	5,633,292.75	-	5,633,292.75	100.00	100.00	-
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	473,509,857.53	-	473,509,857.53	100.00	100.00	-
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100.00	100.00	5,122,937.82
Beijing Lvduhangke Science and Technology Co., Ltd.	43,615,552.98	43,615,552.98	-	43,615,552.98	100.00	100.00	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	152,788,777.09	152,788,777.09	-	152,788,777.09	100.00	100.00	-
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100.00	100.00	24,197,955.70
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	-	815,331,413.51	100.00	100.00	50,742,000.00
BBMG Hong Kong Limited.	37,137.91	37,137.91	-	37,137.91	100.00	100.00	-
Beijing Dacheng Property Management Co., Ltd.	11,198,711.92	11,198,711.92	-	11,198,711.92	100.00	100.00	-
Beijing Taihang Qianjing Cement Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67.00	67.00	13,400,000.00
Baoding BBMG Taihang Heyi Cement Co., Ltd.	120,000,000.00	120,000,000.00	-	120,000,000.00	75.00	75.00	-
Handan BBMG Taihang Cement Co., Ltd.	719,986,626.30	719,986,626.30	-	719,986,626.30	94.67	94.67	42,249,001.65
Handan Shexian BBMG Cement Co., Ltd.	181,678,700.00	181,678,700.00	-	181,678,700.00	91.00	91.00	15,102,648.80
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95.70	95.70	9,570,000.00
BBMG Shunfa Lafarge Cement Co., Ltd.	110,681,119.42	110,681,119.42	-	110,681,119.42	70.00	70.00	-
Zuoquan BBMG Cement Co., Ltd.	365,300,000.00	215,300,000.00	150,000,000.00	365,300,000.00	100.00	100.00	-
Xuanhua BBMG Cement Co., Ltd.	3,250,000.00	3,250,000.00	-	3,250,000.00	65.00	65.00	-
BBMG Material Industrial (Shanghai) Co., Ltd.	40,800,000.00	40,800,000.00	-	40,800,000.00	51.00	51.00	-
BBMG Mortar Co., Ltd.	80,000,000.00	80,000,000.00	-	80,000,000.00	80.00	80.00	10,270,696.52
Guangling Jinyu Cement Co., Ltd.	317,000,000.00	300,000,000.00	17,000,000.00	317,000,000.00	100.00	100.00	2,019,000.00
Chengde BBMG Cement Co., Ltd.	240,000,000.00	240,000,000.00	-	240,000,000.00	80.00	80.00	-
Fengfeng BBMG Concrete Co., Ltd.	30,000,000.00	30,000,000.00	-	30,000,000.00	100.00	100.00	2,223,000.00
Handan Danshan BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92.00	92.00	-
Handan County BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92.00	92.00	-
Weixian BBMG Concrete Co., Ltd.	9,200,000.00	9,200,000.00	-	9,200,000.00	92.00	92.00	-
Beijing Aerated Concrete Co., Ltd.	110,107,838.28	110,107,838.28	-	110,107,838.28	100.00	100.00	4,173,510.11
Bo'ai BBMG Cement Co., Ltd.	285,000,000.00	285,000,000.00	-	285,000,000.00	95.00	95.00	-
BBMG Finance Co., Ltd.	1,000,000,000.00	1,000,000,000.00	-	1,000,000,000.00	100.00	100.00	17,171,621.24
Beijing Dynea Chemical Industry Co., Ltd.	35,358,791.69	34,756,816.69	601,975.00	35,358,791.69	100.00	100.00	595,500.00
Total under cost method	23,259,551,844.79	19,331,849,869.79	3,927,701,975.00	23,259,551,844.79			948,303,283.68

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments *(continued)*

Equity method:**2014**

	Change for the year							Provision for year-end impairment
	Opening balance	Decrease in Investment	Investment income or losses under equity law	Other changes in equity	Cash dividend declared	Provisions for impairment	Year-end carrying amount	
Joint ventures								
STAR-USG Building Materials Co., Ltd.	68,744,196.28	-	(50,954,258.44)	-	-	-	17,789,937.84	-
Associates								
Krono (Beijing) Flooring Co., Ltd.	5,469,434.67	-	-	-	-	-	5,469,434.67	5,469,434.67
Krono (Beijing) Woods Co., Ltd.	102,271,114.69	-	(4,641,862.59)	-	-	-	97,629,252.10	-
Zehnder (china) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	81,940,177.36	-	16,422,530.86	-	-	-	98,362,708.22	-
OCV Reinforcements (Beijing) Co., Ltd.	54,139,111.52	-	6,171,096.29	-	-	-	60,310,207.81	-
Beijing Gaoqiang Concrete Co., Ltd.	27,561,913.48	-	2,438,928.61	-	(2,190,000.00)	-	27,810,842.09	-
Subtotal for associates	271,381,751.72	-	20,390,693.17	-	(2,190,000.00)	-	289,582,444.89	5,469,434.67
Total	340,125,948.00	-	(30,563,565.27)	-	(2,190,000.00)	-	307,372,382.73	5,469,434.67

As at 31 December 2014, there was no listed investment in long-term equity investment.

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

3. Investment property

Measured subsequently at fair value:

2014

	Buildings
Opening balance	8,257,191,000.00
Merger of subsidiaries	343,500,000.00
Investment property for own use	(69,641,139.27)
Gains from changes in fair value	514,844,018.30
	<hr/>
Closing balance	9,045,893,879.03

2013

	Buildings
Opening balance	7,778,292,087.37
Gains from changes in fair value	478,898,912.63
	<hr/>
Closing balance	8,257,191,000.00

All the above investment properties are located in the PRC, leased out in form of operating leases and held under mid-term leases.

As at 31 December 2014, there was no investment property for which the procedures for obtaining title certificates were incomplete.

As at 31 December 2014, investment properties with carrying amount of RMB5,709,730,879.03 were pledged as guarantee for the Group's bank loans (31 December 2013: Nil).

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

4. Operating revenue and cost

Operating revenue is as follows:

	2014	2013
Revenue from principal operations	753,117,214.74	686,809,589.79
Revenue from other operations	13,566,604.51	23,947,229.40
	766,683,819.25	710,756,819.19

Operating cost is as follows:

	2014	2013
Cost of principal operations	110,473,019.72	132,070,922.52

Information by products is as follows:

	2014		2013	
	Revenue	Cost	Revenue	Cost
Rental income	753,117,214.74	110,473,019.72	686,809,589.79	132,070,922.52
Others	13,566,604.51	-	23,947,229.40	-
	766,683,819.25	110,473,019.72	710,756,819.19	132,070,922.52

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

5. Investment income

	2014	2013
Income from long-term equity investments under cost method	948,303,283.68	912,817,038.37
Loss from long-term equity investments under equity method	(30,563,565.27)	(38,375,746.03)
Investment income from disposal of subsidiaries	-	1,247,700.00
	917,739,718.41	875,688,992.34

The investees with long-term equity investment income accounting for more than 5% of total profits under the cost method:

Name of Investee	2014	2013	Reason for change
BBMG GEM Real Estate Development Co., Ltd	322,837,888.50	347,901,766.26	Fluctuation of results
Beijing BBMG Dacheng Property Development Co., Ltd.	210,560,830.21	257,196,000.00	Fluctuation of results
Luquan BBMG Dingxin Cement Limited	57,424,519.19	15,265,973.36	Fluctuation of results
BBMG Hongye Ecological Science and Technology Co., Ltd.	50,742,000.00	40,014,000.00	Fluctuation of results
Tianjin BBMG Concrete Ltd.	45,640,959.12	15,303,583.53	Fluctuation of results
Handan BBMG Taihang Shuini Co., Ltd.	42,249,001.65	44,597,355.72	Fluctuation of results
Beijing Jianji Assets Management Co., Ltd.	40,906,775.95	17,392,171.47	Fluctuation of results
	770,361,974.62	737,670,850.34	

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

5. Investment income (continued)

Long-term equity investment income under equity method:

Name of Investee	2014	2013	Reason for change
Beijing Gaoqiang Concrete Co., Ltd.	2,438,928.61	4,534,279.83	Fluctuation of results
OCV Reinforcements (Beijing) Co., Ltd.	6,171,096.29	1,806,266.41	Fluctuation of results
Beijing Dynea Chemical Industry Co., Ltd.	-	458,120.05	Fluctuation of results
Krono (Beijing) Woods Co., Ltd.	(4,641,862.59)	(7,923,222.78)	Fluctuation of results
Zehnder (China) Indoor Climate Co., Ltd.	16,422,530.86	(11,250,253.73)	Fluctuation of results
STAR-USG Building Materials Co., Ltd.	(50,954,258.44)	(26,000,935.81)	Fluctuation of results
	(30,563,565.27)	(38,375,746.03)	

6. Notes to items of statement of cash flows

	2014	2013
Cash received relating to other operating activities		
Cash received from subordinate units	23,981,535,570.72	47,021,283,589.89
Cash received from internal borrowings among subsidiaries	17,003,731,333.34	1,936,878,999.32
Interests income	30,744,607.20	193,418,716.03
	41,016,011,511.26	49,151,581,305.24
Cash paid relating to other operating activities		
Cash paid to subordinate units	25,152,279,579.52	40,398,184,359.99
Current accounts of subsidiaries	19,853,582,142.43	10,111,638,458.29
Expenses of the headquarters	143,881,118.69	141,701,330.00
	45,149,742,840.64	50,651,524,148.28

Notes to Financial Statements

As at 31 December 2014

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

7. Supplemental information to statement of cash flows

(1) Reconciliation of net profit to cash flows from operating activities:

	2014	2013
Net profit	1,172,999,536.37	1,302,867,276.09
Add: Provisions for assets impairment	9,113,985.00	–
Depreciation of fixed assets	66,506,419.49	61,947,691.49
Amortisation of intangible assets	14,334,179.52	14,747,421.36
Gain from disposal of fixed assets, intangible assets and other long-term assets	(8,641,332.21)	(57,598,004.43)
Gain from fair value change	(514,844,018.30)	(478,898,912.63)
Finance costs	1,898,272,214.04	1,412,068,748.10
Investment income	(917,739,718.41)	(875,688,992.34)
Increase in deferred income tax liabilities	100,221,945.74	119,724,728.16
Decrease in operating receivables	(5,989,952,861.43)	(2,768,212,844.52)
Increase in operating payables	541,911,822.29	213,951,923.68
Net cash flows from operating activities	(3,627,817,827.90)	(1,055,090,965.04)

(2) Cash and cash equivalents

	31 December 2014	31 December 2013
Cash	3,965,411,184.97	1,868,279,405.71
Including: Cash on hand	–	95.81
Bank deposits on demand	3,965,411,184.97	1,868,279,309.90
Balance of cash and cash equivalents at end of the year	3,965,411,184.97	1,868,279,405.71

Supplementary Information to Financial Statements

1. Summary of non-recurring profit and loss items

	2014
Profit and loss from disposal of non-current assets	127,868,861.45
Government grants recognised through profit and loss for the period (excluding those closely related to the Company's ordinary business operations, in line with national policies and entitled continuously based on a fixed amount or quantity)	257,209,137.57
Profit and loss from debt restructuring	7,745,869.09
Profit and loss from fair value change of investment properties measured subsequently at fair value	628,288,802.13
Other non-operating income and expenses other than the above items	42,649,206.76
Total non-recurring profit and loss	1,063,761,877.00
Impact on income tax	(265,940,469.25)
Impact on minority interests	(44,659,779.21)
	753,161,628.54

Items included in the government grants recognised through profit or loss for the period, but were not regarded as non-recurring profit or loss due to their close relation to the ordinary business operations of the Group, and were entitled continuously based on a fixed amount or quantity in line with national policies were as follows:

	2014	Reason for being recognised as recurring profit or loss
Refunds of VAT	409,129,307.62	related to operations
Grants for the sale of heat	7,697,413.36	related to operations

The Group recognised non-recurring profit and loss items in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-recurring Profit and Loss (CSRC Announcement [2008] No. 43).

Supplementary Information to Financial Statements

II. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2014

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	8.24	0.52	0.52
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.68	0.36	0.36

2013

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	12.35	0.75	0.75
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	9.81	0.60	0.60

The Company did not have potentially dilutive ordinary shares.

Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out below:

RESULTS

	2014	2013	2012	2011	2010
	RMB' 000	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING REVENUE	41,241,474	44,789,759	34,054,096	28,744,794	23,189,597
NET PROFIT	2,708,973	3,243,158	3,153,158	3,593,125	2,990,750
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	2,422,722	3,215,183	2,968,714	3,428,645	2,755,658
DIVIDEND	239,232	373,202	304,145	308,429	299,862
DIVIDEND PER SHARE	RMB0.050	RMB0.078	RMB0.071	RMB0.072	RMB0.070
EARNINGS PER SHARE (BASIC)	RMB0.52	RMB0.75	RMB0.69	RMB0.81	RMB0.71

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2014	2013	2012	2011	2010
	RMB' 000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS	40,666,165	38,682,324	36,059,925	32,188,730	28,858,404
CURRENT ASSETS	75,018,806	60,157,226	47,101,879	44,726,243	33,132,460
TOTAL ASSETS	115,684,971	98,839,550	83,161,804	76,914,972	61,990,865
CURRENT LIABILITIES	59,513,656	52,059,972	43,462,947	39,299,199	27,750,136
NON-CURRENT LIABILITIES	19,923,927	16,754,264	14,666,087	15,900,158	15,293,248
TOTAL LIABILITIES	79,437,583	68,814,237	58,129,034	55,199,356	43,043,384
MINORITY INTERESTS	5,140,120	3,745,173	2,120,785	1,561,837	1,883,269
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	31,107,268	26,280,140	22,911,984	20,153,779	61,990,864
NET ASSETS VALUE PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	RMB6.50	RMB6.13	RMB5.35	RMB4.70	RMB4.41



BBMG

2014

北京金隅股份有限公司
BBMG CORPORATION*

Tower D, Global Trade Center
No. 36, North Third Ring Road East
Dongcheng District, Beijing, China (100013)

www.bbmj.com.cn/listco