



北京金隅集團股份有限公司
BBMG CORPORATION*

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

ANNUAL REPORT

*For Identification Purposes Only



BBMG

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FINANCIAL HIGHLIGHTS

	2017	2016	Change	
Operating revenue (RMB'000)	63,678,331	47,738,773	15,939,558	33.4%
				Increase by 1.8 percentage point
Gross profit margin from principal business (%)	24.8	23.0		
Net profit attributable to the shareholders of the parent company (RMB'000)	2,836,665	2,686,654	150,011	5.6%
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)	2,451,252	2,239,010	212,242	9.5%
Basic EPS (RMB)	0.27	0.25	0.02	8.0%
Final dividend per share (RMB)	0.048	0.046	0.002	4.3%
Cash and bank balances (RMB'000)	17,903,847	28,010,211	-10,106,364	-36.1%
Total assets (RMB'000)	232,207,482	208,397,117	23,810,365	11.4%
Equity attributable to the shareholders of the parent company (RMB'000)	51,162,848	44,200,489	6,962,359	15.8%
Net profit margin (%)	4.63	5.64		Decrease by 1.01 percentage point
Return on total assets (%)	1.22	1.29		Decrease by 0.07 percentage point
Total debt to equity ratio (%)	69.9	69.8		Increase by 0.1 percentage point
Net assets value per share attributable to the shareholders of the parent company as the end of the year (RMB)	4,790	4,140	0,650	15.7%

CORPORATE INFORMATION

Chinese name of the Company	北京金隅集團股份有限公司
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 Deyi
General manager of the Company	Zeng Jin
The Board of Directors	
<i>Executive Directors</i>	Jiang Deyi (<i>Chairman</i>) Zeng Jin (appointed on 15 August 2017) Wu Dong Zheng Baojin (appointed on 15 August 2017)
<i>Non-executive Directors</i>	Guo Yanming (appointed on 27 June 2017) Yu Zhongfu (appointed on 15 December 2017)
<i>Independent non-executive Directors</i>	Wang Guangjin Tian Lihui Tang Jun Ngai Wai Fung

* For identification purpose only

CORPORATE INFORMATION

The Supervisory Board*Supervisors*

Xu Feng (*Chairlady*) (appointed on 15 August 2017)

Wang Zhicheng (appointed on 15 August 2017)

Yu Kaijun

Hu Juan

Zhuang Zhenguo (appointed on 27 June 2017)

Zhang Guoliang (appointed on 27 June 2017)

Zhang Qicheng (appointed on 27 June 2017)

Committees*Audit Committee*

Tian Lihui (*Chairman*)

Wang Guangjin

Tang Jun

Ngai Wai Fung

Guo Yanming

Yu Zhongfu

*Remuneration and**Nomination Committee*

Wang Guangjin (*Chairman*)

Wu Dong

Tian Lihui

Tang Jun

Ngai Wai Fung

Strategic Committee

Jiang Deyi (*Chairman*)

Zeng Jin

Zheng Baojin

Wang Guangjin

Tian Lihui

Tang Jun

Ngai Wai Fung

Authorised Representatives

Jiang Deyi

Lau Fai Lawrence

Board Secretary

Zheng Baojin

Company Secretary

Lau Fai Lawrence

CORPORATE INFORMATION

Listing Information*A Shares*

A share registrar

China Securities Depository and Clearing
Corporation Limited, Shanghai Branch
3rd 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

1,000 shares

Stock code

02009.HK

Principal Bankers

Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
Beijing Rural Commercial Bank 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 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 approximately 716,200 sq.m. of real estates such as high-end office units and managing approximately 12.0 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 Deyi, born in February 1964, is the secretary member of the communist party committee of the Company. He has been an executive director and the general manager of the Company since 28 April 2009 (resigned as the general manager on 5 August 2016) and the chairman of the board of directors (the “**Board**”) since 1 July 2015. 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. Jiang Deyi acted as the deputy chief engineer of BBMG Assets Management Co., Ltd. (“**BBMG Assets**”, formerly known as BBMG Group Company Limited) from February 2002 to March 2006. Jiang Deyi had been the chairman of Tangshan Jidong Cement Co., Ltd. (“**Jidong Cement**”) (the shares of which are listed on the Shenzhen Stock Exchange) (Stock Code: 000401.SZ), a subsidiary of the Company between October 2016 and September 2017. Jiang Deyi has more than 30 years of experience in the cement industry and had served as the general manager of Beijing Liulihe Cement Co., Ltd., and the chairman of Hebei Taihang Cement Co., Ltd. Jiang Deyi graduated from Beijing University of Science and Technology with a Doctorate in Engineering in June 2009. He is a senior engineer.

Zeng Jin, born in February 1970, has been appointed as an executive director of the Company since 15 August 2017 and was appointed as the general manager of the Company on 5 August 2016. He had been the executive director of Beijing North Star Company Limited (the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange) (stock codes: 00588.HK and 601588.SH) between March 2012 and August 2016 and had been the general manager of Beijing North Star Company Limited from December 2014 to June 2016. From December 2014 to June 2016, Zeng Jin served as the director of Beijing North Star Industrial Group Company Limited (the parent company of Beijing North Star Company Limited). He has been the deputy party secretary and director of BBMG Group Company Limited in June 2016. Zeng Jin graduated from Renmin University of China with a doctoral degree in management. He joined Beijing North Star Industrial Group Company Limited in August 1992 and had served in various positions including but not limited to the deputy department head of the property development department in Beijing North Star Company Limited, the deputy general manager of Beijing North Star Real Estate Development Co., Limited as well as the deputy general manager and general manager of Beijing North Star Company Limited, Beijing North Star Property Branch. Zeng Jin had served as the deputy general manager of Beijing North Star Company Limited from January 2009 to December 2014. Zeng Jin has extensive experience in real estate development and management.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wu Dong, born in August 1968, has been an executive director of the Company since 27 November 2015 and has been the deputy secretary of the communist party committee of both the Company and the BBMG Assets since July 2012. He was the assistant to the secretary of the communist party committee of the Company from July 2011 to July 2012. Before joining the Company, Wu Dong had served in various positions in different entities, including, among others, Beijing Coal Corporation and the Organization Department of Beijing Municipal Communist Party Committee. He obtained a Master of Public Administration degree from Guanghua School of Management, Peking University in August 2005. Wu Dong is a senior policy analyst (高級政工師) and an economist.

Zheng Baojin, born in February 1966, has been appointed as an executive director of the Company since 15 August 2017 and was appointed as the secretary of the Board on 25 January 2016. Zheng Baojin began working in July 1987 by joining Hebei Taihang Cement Co., Ltd., where he took up various positions until May 2011, including the director of the securities department, a director of the board, the deputy general manager and the secretary of the board. Zheng Baojin served as the head of the office of the Board of the Company from October 2009 to January 2016. He had been the director of Tangshan Jidong Cement between October 2016 and September 2017. Zheng Baojin graduated from the Tangshan Engineering Technology Institute in July 1987 with industry management engineering profession. He holds a college degree and is a senior economist.

Guo Yanming, born in January 1962, has been appointed a non-executive director of the Company since 27 June 2017. Guo Yanming has been a member of the communist party standing committee and the chairman of the labor union of the Company since August 2016. Guo Yanming had served as the vice president of the Company from 26 October 2012 to April 2017, during which he was primarily responsible for the overall operation and development of the modern building materials segment and works in relation to production safety. Guo Yanming had served as the Company's general economist from March 2006 to April 2009. Guo Yanming has accumulated more than 26 years of experience in corporate management and human resources in the building materials industry. Since June 2003, Guo Yanming has been the general manager assistant for the BBMG Group Company Limited. Guo Yanming graduated in August 1985 from Beijing Economics College (currently known as Capital University of Economics and Business), where he majored in industrial enterprise administration. Guo Yanming is a senior economist.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yu Zhongfu, born in November 1970, has been appointed a non-executive director of the Company since 15 December 2017. Yu Zhongfu graduated from North China University of Technology in 1992 majoring in Industrial Management and Engineering and had a Master's degree in Public Administration, majoring in Public Administration from the School of Government, Peking University. Yu Zhongfu worked successively as a senior staff member and a principle staff member of the department of medium and small enterprise (中小企業處) of Beijing Municipal Commission of Economy and Information Technology from September 1996 to June 2000. From June 2000 to November 2003, he worked as the deputy director of the department of medium and small enterprise of Beijing Municipal Commission of Economy and Information Technology and the deputy director of the department of enterprise reform (企業改革處) of Beijing Municipal Commission of Economy and Information Technology. Yu Zhongfu worked successively as the deputy director of division of reform and development (general office), and the deputy director and then director of division of enterprise reform of the State-owned Assets Supervision and Administration Commission of Beijing Municipality from November 2003 to May 2009. Yu Zhongfu has been the deputy general manager of Beijing State-owned Capital Operation and Management Center since December 2017. Yu Zhongfu is also the vice chairman of CSC Financial Co., Ltd. (listed on the Main Board of the Hong Kong Stock Exchange; stock code: 6066), a non-executive director of Beijing Jingneng Clean Energy Co., Limited. (listed on the Main Board of the Hong Kong Stock Exchange; stock code: 579), a director of Wangfujing Group Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 600859), and a director of Beijing Urban-Rural Commercial (Group) Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 600861).

Wang Guangjin, born in April 1960, has been an independent non-executive director of the Company since 22 May 2014. Wang Guangjin holds a Master of Law degree and is a professor and supervisor for master's students in civil and commercial law and MBA of China University of Political Science and Law. Wang Guangjin is concurrently the arbitrator of Zibo Arbitration Commission. Wang Guangjin 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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Tian Lihui, born in November 1973, has been an independent non-executive director of the Company since 27 November 2015. Tian Lihui holds doctor's degrees in Finance and Economy and is also a post- doctoral majoring in Economy. Tian Lihui is a professor and doctoral tutor in Finance as well as a PRC lawyer. He is a professor of finance (PHD supervisor) of Nankai University and the chief expert on major issues of financial risk of the Ministry of Education of PRC. Tian Lihui was a visiting professor in the University of Michigan and National University of Singapore, he was also a member of The American Academy of Financial Management, an advisor of University Grants Committee of the Hong Kong Special Administrative Region and a business columnist of The Korea Herald who hosted a number of financial-related topics that are of material concern to the State.

Tang Jun, born in March 1978, has been an independent non-executive director of the Company since 27 November 2015. Tang Jun is the director of the Crisis Management Research Center of Renmin University of China. He is also the deputy director of the Government Management and Reform Research Center of Renmin University of China. Tang Jun had served in various positions in different social organizations, including, among others, the deputy director of the Urban Safety Research Center of People's Public Security University of China, deputy chairman of the News Supervision Behaviour Research Society of China Behaviour Law Association (中國行為法學會新聞監督行為研究會), deputy chairman of the City Management Volunteers Association of Beijing (北京市城市管理志願者協會), deputy secretary of the Research Society for China Public Sector Reform Management (中國機構編製管理研究會), member of the Experts Committee of State Nuclear Emergency Response Technology Supports Centre (國家核應急響應技術支持中心專家委員會), a researcher of the Research Centre of State Commission Office for Public Sector Reform (中央機構編制委員會辦公室研究中心研究員), a researcher of the Public Management Research Center of Chinese Public Administration Society, a visiting professor of the Training Center of National Development and Reform Commission and a consultant of www.cpd.com.cn (中國警察網). Tang Jun holds a Doctor of Management degree.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ngai Wai Fung, born in January 1962, has been an independent non-executive director of the Company since 27 November 2015. He currently holds directorships in a number of companies listed on the Hong Kong Stock Exchange:

Company name	Securities market	Stock code	Position held	Appointment date
Bosideng International Holdings Limited	Hong Kong Stock Exchange	3998	Independent non-executive director	September 2007
Powerlong Real Estate International Holdings Company Limited	Hong Kong Stock Exchange	1238	Independent non-executive director	June 2008
Bawang International (Group) Holding Limited	Hong Kong Stock Exchange	1338	Independent non-executive director	December 2008
Biostime International Holdings Limited	Hong Kong Stock Exchange	1112	Independent non-executive director	July 2010
SITC International Holdings Company Limited	Hong Kong Stock Exchange	1308	Independent non-executive director	September 2010
China Coal Energy Company Limited	Hong Kong Stock Exchange	1898	Independent non-executive director	December 2010
Juda International Holdings Limited	Hong Kong Stock Exchange	1329	Independent non-executive director	December 2013
China Railway Group Limited	Hong Kong Stock Exchange	390	Independent non-executive director	June 2014
Yangtze Optical Fibre and Cable Joint Stock Limited Company	Hong Kong Stock Exchange	6869	Independent non-executive director	September 2014
TravelSky Technology Limited	Hong Kong Stock Exchange	696	Independent non-executive director	January 2016
China Communications Construction Company Limited	Hong Kong Stock Exchange	1800	Independent non-executive director	November 2017

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ngai Wai Fung has over 20 years of experience in accounting and finance as well as in corporate governance. He has been the managing director of MNCOR Consulting Limited and the chief executive officer of SW Corporate Services Group Limited since September 2010 and January 2011, respectively. In addition, he was the president of The Hong Kong Institute of Chartered Secretaries between 2014 and 2015. He has been the Adjunct Professor of Law of Hong Kong Shue Yan University since September 2012. He has also been a member of work group on professional service under the Economic Development Commission appointed by the Chief Executive of The Hong Kong Special Administrative Region since January 2013, a member of qualification and examination board of the Hong Kong Institute of the Certified Public Accountants since January 2013 and a member of the general committee of The Chamber of Hong Kong Listed Companies since June 2014.

Supervisors

Xu Feng, born in March 1958 and aged 59, currently serves as the chairman of the bureau-level supervisory committee of Beijing Municipal State-owned Enterprises Supervisory Board. Xu Feng has served as the deputy secretary of the industry committee of Beijing Municipal Committee of the Communist Party since June 1994 and has served as a party member and the deputy chief of Beijing Municipal Bureau of Statistics since January 2000. Since January 2005, she has served as the dedicated supervisor at deputy director-level and the director of the second office of Beijing Municipal State-owned Enterprises Supervisory Board, where she was responsible for supervising 13 enterprises including Beijing Electronics (北京電控), Tong Ren Tang (同仁堂), Yiqing (一輕), Shoukai (首開), Beijing Capital (首創), Beijing Infrastructure Investment (京投), Beijing Public Transport Holdings (公交), Beijing Subway (北京地鐵), etc. Xu Feng has served as the chairman of the supervisory committee of Beijing Municipal State-owned Enterprises Supervisory Board since January 2014, where she was responsible for the supervision and inspection of five enterprises, namely Beijing Capital Agribusiness (首農), Beijing Er Shang (二商), Beijing Grain Group (糧食), Beijing Wanfujing Dongan (王府井東安) and Beijing Rural Tourism Development Company (郊旅公司). Xu Feng holds a bachelor's degree and a senior engineer in China.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wang Zhicheng, born in July 1962 and aged 54, is currently a dedicated supervisor at chief-level of Beijing Municipal State-owned Enterprises Supervisory Board. Wang Zhicheng joined the army in June 1980 and has held various positions in the navy. Since November 2004, he has served as the deputy commissioner of Tianjin Aircraft Armament Branch of Navy Armament Department (海軍裝備部天津局航空裝備處). Wang Zhicheng served as a researcher in the administrative affairs audit division of Beijing Municipal Audit Bureau from 2008 to 2010. Since June 2010, Wang Zhicheng has worked at Beijing Municipal State-owned Enterprises Supervisory Board as a dedicated supervisor at chief-level, where he is responsible for overseeing the implementation of supervision and inspection works of over 10 enterprises, including Beijing Public Transport Holdings (北京公交集團), Beijing Subway (北京地鐵), Beijing Capital Agribusiness Group (首都農業集團), etc. Wang Zhicheng holds a bachelor's degree.

Yu Kaijun, born in April 1963, has been a supervisor of the Company since 27 November 2015. Yu Kaijun was the non-executive director of the Company from 7 August 2014 to 27 November 2015. Yu Kaijun graduated from the Hong Kong Polytechnic University with a major in accounting. Yu Kaijun holds a master degree in accounting and is a senior accountant. Currently, Yu Kaijun is the chief financial officer of China National Materials Company Limited (listed on the Main Board of the Hong Kong Stock Exchange; stock code: 01893). Yu Kaijun worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Yu Kaijun served as chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (and its predecessor, Shenzhen Languang Electronic Industrial Corporation) from November 1990 to October 2001. Yu Kaijun 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. Yu Kaijun has been a supervisor of both 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.

Hu Juan, born in February 1970, has been a supervisor of the Company since 27 November 2015. Hu Juan has been the manager of the finance and capital department of the Company since October 2007. Ms. Hu had served in various positions in our Company, including the deputy manager of the finance and capital department from September 2000 to January 2005, the deputy manager of the assets supervision department from January 2005 to March 2006 and the manager of the assets management department from March 2006 to October 2007. Ms. Hu Juan graduated from Anhui Finance and Economics University with a Bachelor of Economics degree in July 1994. She also graduated from Hong Kong Baptist University with a Master of Science degree in September 2012. She is a senior accountant as well as a certified public accountant.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhuang Zhenguo, born in July 1963 and aged 53, has been the First Vice Chairman of the Labor Union of the Company (director-level) since December 2016. Zhuang Zhenguo joined Beijing Liulihe Cement Plant (北京市琉璃河水泥廠) in November 1982 and served as an assistant to the factory manager from May 2003 to February 2004. From September 2008 to December 2016, he served as the secretary to the party committee, secretary to the disciplinary committee and chairman of the labor union of Quyang BBMG Cement Co., Ltd. Zhuang Zhenguo graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China in December 2001. Zhuang Zhenguo is a political engineer in China.

Zhang Guoliang, born in January 1963 and aged 54, has been the deputy secretary to the disciplinary committee and head of the Discipline Inspection and Supervision Office of the Company since December 2016. Zhang Guoliang joined Hebei Handan Cement Plant (河北省邯鄲水泥廠) in December 1981 and joined the personnel office of Hebei Taihang Group (河北太行集團勞動人事處) in November 1991, where he took up various positions until November 2008, including assistant to the chairman of the labor union of Hebei Taihang Huaxin Company (河北太行華信公司) and head of the general affairs department of Handan branch of Hebei Taihang Cement Co., Ltd. From November 2008 to December 2012, he served as the deputy manager and acting manager of Handan Hanni Building Materials Co., Ltd. and the deputy secretary to the party committee, secretary to the disciplinary committee, chairman of the labor union and deputy manager of Handan BBMG Taihang Cement Co., Ltd. From December 2012 to December 2016, he served as the secretary to the party committee and the secretary to the disciplinary committee of Handan Shexian BBMG Cement Co., Ltd. Zhang Guoliang graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China in December 1999. Zhang Guoliang is a senior economist in China.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Qicheng, born in June 1966 and aged 51, has been the head of the audit department of the Company since November 2015. Zhang Qicheng served as the deputy chief accountant and director of the finance department of Beijing Building Materials Group Corporation Real Estate Development Co., Ltd. (北京建築材料集團總公司房地產開發有限公司) from February 2001 to March 2002. He joined Beijing Jiaye Real Estate Development Co., Ltd. (北京嘉業房地產開發公司) in March 2002 and took up various positions until November 2015, including chief financial officer, chief accountant, secretary to the party committee, secretary to the disciplinary committee and chairman of the labor union. Zhang Qicheng graduated from North China University of Technology majoring in economics and management in July 1987 and obtained a master's degree in management from Central China Normal University in June 2010.

Senior Management

Jiang Changlu, born in May 1965. Mr. Jiang has served as deputy general manager of the Company since June 2017 and has served as the secretary of the communist party committee and chairman of Jidong Cement since October 2016. Mr. Jiang began working in August 1987, and graduated from the University of Science and Technology Beijing majoring in environmental science and engineering. He is a master of engineering and a senior economist. Mr. Jiang served as supervisor of the Technology Department, technician of Raw Material Workshop, operator of New Line Branch, deputy director of Production Safety Department, deputy manager of Transportation Company, director and branch secretary of Supply Department, deputy director and chief dispatcher of Production Management Department, director of Supply Department and vice manager of Beijing Liulihe Cement Factory from August 1987 to November 2005; deputy director and director of the Cement Business Division of the Company, deputy manager of the Cement Branch, manager of BBMG Cement Trading Co., Ltd., vice president and chairman of Hebei Taihang Cement Co., Ltd. from November 2005 to May 2011; and director of the Cement Business Division of the Company and manager of BBMG Cement Trading Co., Ltd. from May 2011 to October 2015.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Jiang Yingwu, born in October 1966, has served as the deputy general manager of the Company since October 2016. Mr. Jiang, a senior engineer, graduated with a bachelor's degree in inorganic materials science and silicate engineering from Shandong College of Building Materials Industry (山東建材工業學院). He had been a section member and deputy section chief of the technology quality section of Beijing Yanshan Cement Plant (北京燕山水泥廠), cadre and vice manager of the technology department of the headquarters of Beijing City Building Material Group (北京市建材集團), vice manager of the technology department of Beijing Building Material Group Co., Ltd. (北京建材集團有限責任公司), vice manager of the technology department of BBMG Assets and deputy secretary of the Building Materials Industry Association (建材行業協會) from September 1989 to January 2005, the head of the general office of the Building Materials Industry Association (建材行業協會) of BBMG Assets from January 2005 to October 2009 and the head of the strategic development department and the manager of the policy research office of the Company from October 2009 to November 2015.

Wang Zhaojia, born in September 1963, has been a deputy general manager of the Company since 26 October 2012, and 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 BBMG Assets. 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 BBMG Assets 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.

Liu Wenyan, born in June 1967, has been a deputy general manager of the Company since 26 October 2012, has served as the secretary of the communist party committee and chairman of Jidong Development Group Co., Ltd. ("**Jidong Group**") since October 2016 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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chen Guogao, born in October 1968. Mr. Chen has served as deputy general manager of the Company since September 2015. Mr. Chen began working in July 1991, and graduated from the management engineering department of Harbin Construction Engineering College majoring in accounting. He is an on-the-job postgraduate of the Party School of the CPC majoring in the party theory and party building, a bachelor of economics and a senior accountant. Mr. Chen had served as cadre, deputy section chief, section chief, deputy director and director of the Finance Department of Beijing Liulihe Cement Factory from July 1991 to May 1995; deputy manager and manager of the Finance and Capital Department of BBMG Assets from May 1995 to March 2002; chief accountant and chief financial officer of Beijing Yanshan Cement Factory, as well as chief financial officer of Beijing Liulihe Cement Factory, Beijing Cement Plant and Beijing Sanlian Concrete Co., Ltd. from March 2002 to March 2006; head of the Audit and Supervision Department of the Company from March 2006 to October 2007; and deputy general accountant of BBMG Group Company Limited, head of the Financial Management Department and head of the Audit and Supervision Department of the Company from October 2007 to September 2015.

An Zhiqiang, born in November 1965. Mr. An had served as assistant to the president of the Company from December 2015 to June 2016 and has served as the deputy general manager of the Company since June 2016. Mr. An began working in July 1988, and graduated from Peking University, Guanghua School of Management majoring in business administration. He is a master of management and a senior economist. Mr. An served as deputy director of the General Office, vice manager, standing vice manager, manager and secretary of the communist party committee of Beijing Building Material Machinery Factory (北京市建材機械製造廠), manager of Boshu Industry and Trade Company (博廈工貿公司), manager and deputy secretary of the communist party committee of Beijing Jianji Assets Management Co., Ltd. from January 1993 to February 2008; deputy general economist of BBMG Assets, manager and deputy secretary of the communist party committee of Beijing Jianji Assets Management Co., Ltd. from February 2008 to October 2015; and assistant to the general manager of the Company, manager and deputy secretary of the communist party committee of Beijing Jianji Assets Management Co., Ltd. from October 2015 to December 2015.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Xiaobing, born in May 1962. Mr. Zhang has served as assistant to the general manager of the Company, manager of BBMG Dacheng Property Development Co., Ltd. and BBMG GEM Real Estate Development Co., Ltd. since October 2015. Mr. Zhang began working in August 1978, and graduated from the Northern Jiaotong University majoring in business administration. He is a master of management and a senior economist. Mr. Zhang was a worker at Guizhou Shuicheng Iron and Steel Factory from September 1978 to September 1981; a student of Chongqing Construction Engineering College majoring in building materials from September 1981 to September 1985; technician and section chief of Beijing Zhuzong Wallboard Factory (北京住總壁板廠) from September 1985 to October 1989; deputy secretary of Youth League committee of Beijing Zhuzong Construction Corporation (北京住總建設總公司) from October 1989 to August 1991; director of manager office of Beijing Dacheng Real Estate Development Corporation (北京市大成房地產開發總公司) from August 1991 to August 1993; deputy manager of Beijing Dacheng Real Estate Development Corporation from August 1991 to August 2000; manager of Beijing Dacheng Development Group Co., Ltd. (北京大成開發集團有限公司) and Beijing BBMG Dacheng Property Development Co., Ltd. from August 2000 to March 2015; and manager of Beijing BBMG Dacheng Property Development Co., Ltd. and BBMG GEM Real Estate Development Co., Ltd. from March 2015 to October 2015.

Zhang Dengfeng, born in September 1971, has been the general counsel of the Company since July 2017. Zhang Dengfeng has been a supervisor of the Company between October 2012 and June 2017. Zhang Dengfeng 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. Zhang Dengfeng joined BBMG Group Company Limited in November 2002 and served as deputy head of General Office and director of the research division. Zhang Dengfeng 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. Zhang Dengfeng graduated from the School of Public Administration of Renmin University of China with a master's degree in management in July 2008. Zhang Dengfeng is a senior economist.

CHAIRMAN'S STATEMENT



Jiang Deyi
Chairman

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 Company for the twelve months ended 31 December 2017 (the "**Report Period**"), and the operating results of the Company during the said period for your review.

Review

The year 2017 saw continuous deepening of reform and significant achievement in development of the Group. The Company made strenuous efforts in various aspects, including deepening of reform, driving innovation, transformation and upgrade, as well as enhancing quality and efficiency, through which it has achieved enhanced synergy from the restructuring of Jidong, positive innovation of organization, management and control system, significant achievement in green reform and strengthening technological innovation. Relevant key projects progressed in an orderly manner, while strategic expansion and external cooperation were further strengthened. The overall economy of the Company grew steadily at a rapid pace with continuous improvement in quality and efficiency of economic operation. During the Reporting Period, the Company recorded operating revenue of RMB63,678.3 million, representing a year-on-year increase of 33.4%; net profit attributable to the shareholders of the parent company amounted to RMB2,836.7 million, representing a year-on-year increase of 5.6%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.27, representing a year-on-year increase of 8.0%.

CHAIRMAN'S STATEMENT

Prospects

2018 is a critical year for implementing the 13th Five-Year Plan. It is expected that the global economy will continue to recover, yet there still remain numerous instabilities and uncertainties. With guidance of the new development concept, the Chinese economy will continue to adhere to the key note of making progress while maintaining stability with a focus on changes in major social contradictions, and take supply-side structural reform as its main task in accordance with the requirements of quality development, with a view to keeping all works and plans in progress and maintaining continuous and sound development. Meanwhile, the Company will closely adhere to the positioning of functions of Beijing, the synergetic development of Beijing, Tianjin and Hebei Province and the strategic requirements of the new master plan for Beijing to adopt precise positioning and active initiatives to accelerate its transformation and upgrade and enhance the quality of its development, with a view to making its businesses stronger, better and larger and achieving a new round of leap-forward development for BBMG.

In respect of the **cement and ready-mixed concrete segment**, the Company will further enhance the synergy brought by the restructuring of BBMG and Jidong. In particular, the cement business will aim at optimizing its regional market layout and enhancing its core competitiveness. It will strive to further increase the concentration level of its production capacity and maintain sound market order by enhancing business strengths in core areas, improving quality in key areas and activating the regional network. As for concrete business, leveraging the cement sub-group as platform, the Company will establish an operation system with centralized operation, synergetic efficiency and strong management and control, and further strengthen its flat, professional and regional management. In respect of **modern building materials and commerce and logistics segment**, the Company will further enhance its fundamental management, utilize its advantages in terms of production capacity, strengthen technological innovation and enhance the technical content of its products with a view to creating unique products. In respect of **property development segment**, leveraging the property development sub-group as platform, the Company will seriously examine the industry policies to accurately capture market trends, at the same time continuing to optimize its operation and management model to enhance operation efficiency and quality. As for the **property investment and management segment**, the Company will focus on the establishment of "Four Centers" in Beijing to fully explore and utilize the stock resources of the Company's real estate with a view to fully enhancing the quality and momentum of its development.

CHAIRMAN'S STATEMENT

Lastly, on behalf of the Board, I would like to express my gratitude to the shareholders and business partners of the Group for their support and assistance over the Reporting Period. I hope to continue walking hand-in-hand and creating a win-win future with you in the new voyage.

Jiang Deyi

Chairman of the Board

Beijing, the PRC

29 March 2018

MANAGEMENT DISCUSSION & ANALYSIS





MANAGEMENT DISCUSSION & ANALYSIS

Summary of Financial Information

	2017 RMB'000	2016 RMB'000	Change
Operating revenue	63,678,331	47,738,773	33.4%
Operating revenue from principal business	62,646,084	46,793,385	33.9%
Gross profit from principal business	15,533,508	10,758,827	44.4%
Gross profit margin from principal business	24.8%	23.0%	an increase of 1.8 percentage point
Net profit attributable to the shareholders of the parent company	2,836,665	2,686,654	5.6%
Basic earnings per share attributable to the shareholders of the parent company	RMB0.27	RMB0.25	8.0%
Cash and banks balances	17,903,847	28,010,211	-36.1%
Current assets	143,589,262	119,478,725	20.2%
Current liabilities	110,434,361	94,964,190	16.3%
Net current assets	33,154,901	24,514,536	35.2%
Non-current assets	88,618,220	88,918,391	-0.3%
Non-current liabilities	51,855,336	50,523,416	2.6%
Total assets	232,207,482	208,397,117	11.4%
Equity attributable to the shareholders of the parent company	51,162,848	44,200,489	15.8%
Debt ratio (total liabilities to total assets)	69.9%	69.8%	an increase of 0.1 percentage point

Details of the Company's Principal Business, Business Model and Industry Situation During the Reporting Period**(I) Principal business and business model of the Company**

The Company's principal businesses include cement and ready-mixed concrete – modern building materials manufacturing and commerce and logistics – property development – property investment and management.

1. Cement and ready-mixed concrete business:

The Company is the third largest cement enterprise in the country. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic regions,

MANAGEMENT DISCUSSION & ANALYSIS

and continued to expand the coverage of its network, mainly with presence in 13 provinces (municipalities and autonomous regions), including Beijing, Tianjin and Hebei Province, Shaanxi, Shanxi, Inner Mongolia, Northeastern region, Chongqing, Shandong, Henan and Hunan. The production capacity of clinker amounted to approximately 110.0 million tonnes; the production capacity of cement amounted to approximately 170.0 million tonnes; the production capacity of ready-mixed concrete and ready-mixed mortar amounted to approximately 74.0 million cubic meters and approximately 2.25 million tonnes respectively while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 38.5 million tonnes and approximately 0.34 million tonnes respectively. On this basis, the Company effectively demonstrated the internal synergetic mechanism with cement production and ready-mixed concrete development providing support to each other. The industry layout of ready-mixed concrete in key regions and markets will be consolidated, aiming to take a leading position in the north of the country among its industrial peers and become one of the largest professional enterprises engaging in the production of concrete products in the PRC. Meanwhile, the Company will insist on promoting market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,700.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

2. *Modern building materials and commerce and logistics business:*

The Company is one of the largest building materials manufacturers in China, the largest building materials manufacturer and one of the leaders in the building materials industry in Pan Bohai Economic Rim in Beijing. It provides major products and services, namely furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics, among which, the production and sales of BBMG's aerated products ranked second in the industry, BBMG's production capacity of fire retardant paint and comprehensive strength ranked top 3 in the country. Tiantan Furniture is the leading enterprise in the furniture industry in China. The Building Materials Trading Tower was named the "Number One Modern Household Building Materials Manufacturer in Beijing". The production capacity of the single production line of mineral wool boards of STAR-USG Building Materials ranked number one in the world, which is also the largest production line in Asia and ranked number one in China in terms of sales to mid- to high-end channels. With strenuous efforts made in implementation of structural adjustment and industrial upgrade, the Company invested in the construction of BBMG Modern Industrial Park in Dachang, Hebei, and completed the planned upgrade of Doudian Circular Economic Park in Fangshan, Beijing, thereby basically forming the centralized production model in the industrial parks

MANAGEMENT DISCUSSION & ANALYSIS

and gradually achieved industrial synergy. The Company took the initiative to be the major supplier for the construction materials required by the construction of the sub-town center project in Beijing. Products including BBMG aerated panel and BBMG star stone wool won the bid of the construction of the public service center of Xiong'an, the first construction project of Xiong'an New Area. This has enhanced the image of the Company's modern building materials products in the market and made improvement to the aspects such as product quality, organisation security as well as management level. As long as risks are under control, the Company will continuously enhance the development of commerce and logistics industry and proactively explore developed marketing modes of e-commerce.

3. *Property development business:*

The Company is one of the leading property developers in terms of comprehensive strength and the earliest affordable housing developers with the highest number of projects and most comprehensive system in Beijing. Currently, the property development business of the Company has realized a strategic layout covering the three major economic zones of Pan Bohai Rim, Yangtze River Delta and Chengdu-Chongqing region, the four municipalities of Beijing, Shanghai, Tianjin and Chongqing, as well as 15 provincial cities or regional core cities such as Hangzhou, Nanjing, Hefei and Haikou. The Company was awarded the title of "National Housing Industrialisation Base" by the Ministry of Housing and Urban-Rural Development of the PRC, which is the first property developer receiving such title in Beijing.

4. *Property investment and management business:*

The Company is the largest investor and manager of investment properties in Beijing holding approximately 1.2 million sq.m. of high-end office buildings (including a total area of approximately 0.72 million sq.m. of investment properties held in the core area of Beijing) and managing approximately 12.0 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing. 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. Meanwhile, the resort and leisure business, with Fengshan Hot Spring Resort and Badaling Hot Spring Resort as key projects, has built up its scale and gained sound reputation in the society.

MANAGEMENT DISCUSSION & ANALYSIS

(II) Description of major industries**1. Cement Industry**

Against the backdrop of declining growth of fixed assets investment and consumption, the production of cement nationwide amounted to 2.34 billion tonnes in 2017, representing a year-on-year decrease of 3.1%, the second negative growth after 2015. The cement demand shrunk gradually. Although a negative growth was recorded in annual cement production and sales, the cost of sales in a majority of enterprises reduced significantly, which is attributable to rising price, consistent investment in the application of energy-saving and emission reduction technologies by large enterprises in recent years and improved management efficiency through the use of internet technologies. According to the statistics of the National Bureau of Statistics, in 2017, the overall profitability in cement industry improved substantially over the previous year, recording a revenue of RMB914.9 billion for the whole industry, representing a year-on-year increase of 17.89%. Total profit stood at RMB87.7 billion, representing a year-on-year increase of 94.41%, which was the second best performance other than the record high in 2011.

2. Property Development Industry

In 2017, “houses are for living, not for speculation” continued to be the basic tone of China’s real estate policy, reflected by various tightening measures including purchase restrictions, loan restrictions and sales restrictions. Meanwhile, the government put great efforts in developing the housing rental market, further implementing pilot projects of common property rights, controlling housing price, improving multi-layer housing supply system, establishing a mechanism of co-development of housing rental and purchase, and promoting the establishment and improvement of a long-term mechanism.

MANAGEMENT DISCUSSION & ANALYSIS

According to the data of the National Bureau of Statistics, in 2017, the investment in real estate development in China stood at RMB10,979.9 billion, representing a nominal increase of 7.0% over the previous year, among which, investment in residential properties was RMB7,514.8 billion, up by 9.4%, representing a drop of 0.3 percentage points in growth. Investment in residential properties accounted for 68.4% of aggregate investment in real estate development. The construction sites for corporate use of real estate developers stood at 7,814.84 million sq.m., representing an increase of 3.0% over last year, among which, 5,364.44 million sq.m. were area of construction sites for residential properties, representing an increase of 2.9%. The area of nearly started construction of real estates was 1,786.54 million sq.m., increasing by 7.0%. Of this, 1,280.98 million sq.m. were area of nearly started construction of residential properties, which increased by 10.5%. The area of completed real estates stood at 1,014.86 million sq.m., decreasing by 4.4%. Of this, area of completed residential properties was 718.15 million sq.m., down by 7.0%. In 2017, land area acquired by real estate developers was 255.08 million sq.m., increasing by 15.8% over last year. Area of sold commodity housing in China was 1,694.08 million sq.m., increasing by 7.7% over last year. Of this, area of sold residential properties, office and properties for commercial operation increased by 5.3%, 24.3% and 18.7% respectively. Sales of commodity housing amounted to RMB13,370.1 billion, up by 13.7%. Of this, sales of residential properties, office and properties for commercial operation increased by 11.3%, 17.5% and 25.3% respectively. As at the end of 2017, area of commodity housing for sales was 589.23 million sq.m., a decrease of 15.3% as compared with the end of last year.

MANAGEMENT DISCUSSION & ANALYSIS

Summary of Business Information

	2017	2016	Change
1. Cement and Ready-mixed Concrete Segment			
Sales volume:			
Cement (in thousand tonnes)	102,603	57,039	79.9%
Concrete (in thousand cubic meters)	14,728	13,209	11.5%
2. Modern Building Materials and Commerce and Logistics Segment			
Sales volume:			
Stone wool boards (in thousand tonnes)	40.8	27.0	51.1%
3. Property Development Segment			
Booked GFA (in thousand sq.m.)	948.6	1,156.3	-18.0%
Presales (sales) GFA (in thousand sq.m.)	1,377.6	1,178.7	16.9%
4. Property Investment and Management Segment			
Total GFA of investment properties (in thousand sq.m.)	716.2	722.2	-0.8%

2017 saw great achievements made by BBMG Group in further deepening reform. Focusing on reform, innovation, transformation and upgrade, as well as improvement of quality and efficiency, the Company maximized the effect of restructuring with Jidong, implemented innovation of organizational management and control mechanism, made notable progress in green reform and technology innovation, promoted the orderly progress of relevant key projects and fortified strategic expansion and external cooperation. By virtue of the above, the overall economic status of the Company developed in a stable and rapid manner with continuous improvement in quality and efficiency.

During the Reporting Period, the Company recorded operating revenue of RMB63,678.3 million, of which operating revenue from its principal business amounted to RMB62,646.1 million, representing a year-on-year increase of 33.9%; total profit amounted to RMB4,057.1 million, representing a year-on-year increase of 10.4%; net profit amounted to RMB2,950.3 million, representing a year-on-year increase of 9.7%; and net profit attributable to the shareholders of the parent company amounted to RMB2,836.7 million, representing a year-on-year increase of 5.6%.

MANAGEMENT DISCUSSION & ANALYSIS

1. Cement and Ready-mixed Concrete Segment

2017 was the first full year of operation after the equity restructuring of BBMG and Jidong. Centered on the improvement of efficiency and quality and through a series of effective measures including quantity control and price increase, strategic marketing, market-synergy and differentiated strategy for different enterprises, the Company absorbed, consolidated and expanded the restructuring effect, realized both quality and efficiency improvement on a group basis and initially established itself as an industry-leading enterprise, thus greatly enhanced the value of cement in Beijing, Tianjin and Hebei province from its value depression nationwide, which, in turn, benefited the Company.

The Company also made notable progress in green reform and technology innovation, with an annual disposal of over 0.3484 million pollutants of various types, of which hazardous wastes, sludges and fly ashes amounted to 0.1034 million tonnes, 0.0829 million tonnes and 0.0278 million tonnes respectively. BBMG Dingxin, Handan BBMG and Guangling Jinyu were selected as the first batch of “National Green Factories (全國綠色工廠)”. The household garbage disposal project of Handan BBMG and the sludge disposal projects of Taihang Heyi and Qixin Jidong commenced operation. The hazardous wastes disposal projects of Quyang Jinyu, Lingchuan BBMG and Guangling Jinyu received the official business permit on hazardous wastes disposal, while Chengde BBMG and Jidong Yongji obtained the temporary business permit on hazardous wastes disposal and has been organizing inspection and pilot operation. The household garbage and sludge disposal project of Zanhuang BBMG and the construction wastes disposal project and the 2nd phase of fly ashes disposal project of BBMG Liushui Environmental Protection Technology Co., Ltd. was completed as scheduled. So far, there has been 17 enterprises under the Group engaged in the business of synergetic use of cement kiln for the disposal of hazardous waste.

MANAGEMENT DISCUSSION & ANALYSIS

The Company organized and implemented 18 key scientific research projects throughout the year, among which, the Study on Pretreatment Technique for Hazardous Waste Disposal through Cement Kiln (2.0) and Technique for Improvement of Clinker Waste Disposal Capacity (《水泥窯處置危廢預處理技術(2.0)及噸熟料處廢能力提升技術研究》) significantly improved the automation of hazardous waste disposal and minimize the safety risk of the operators. BBMG Liushui Environmental Protection Technology Co., Ltd., Hebei BBMG Dingxin Cement Co., Ltd. and Guangling Jinyu Cement Co., Ltd. were accredited as “National High-Tech Enterprise”. Beijing BBMG Beishui Environmental Protection Technology Co., Ltd. was granted the title of Technology Innovation Team of Beijing. Meanwhile, the Company has set up BBMG-Jidong Concrete Group (金隅冀東混凝土集團), which will serve as a centralized, synergetic, efficient and well-controlled legal entity platform, laying a solid foundation for enhancing operation level and profitability.

The cement and ready-mixed concrete segment recorded operating revenue from its principal business of RMB31,073.8 million during the Reporting Period, a year-on-year increase of 102.2%. Gross profit from its principal business amounted to RMB8,475.5 million, a year-on-year increase of 168.3%. The consolidated sales volume of cement and clinker reached 102.6 million tonnes, a year-on-year increase of 79.9%, among which cement sales volume amounted to 88.4 million tonnes and clinker sales volume amounted to 14.2 million tonnes, and the aggregate gross profit margin for cement and clinker was 30.4%, a year-on-year increase of 7.8 percentage points. Sales volume of concrete totaled 14.7 million cubic meters, a year-on-year increase of 11.5%, while the gross profit margin for concrete was 8.13%, a year-on-year decrease of 1.96 percentage point.

MANAGEMENT DISCUSSION & ANALYSIS

2. Modern Building Materials and Commerce and Logistics Segment

Adhering to its major target of “making the industry more solid, management stronger and products better”, the Group put great efforts in management, cost reduction, and production and marketing, thus all the manufacturers under the Group recorded profit and all the commerce and logistics enterprises under the Group maintained sound and healthy operation. Overall, the total profit of the segment hit record high. BBMG Business and Trading expanded the scale and revenue of traditional sanitary products business, hence improving its economic efficiency consistently. Tiantan Furniture accelerated internal integration and completed the overall relocation of its headquarter to production base in Dachang. Seizing the market opportunity, both production and sales of STAR-USG doubled, ranking first in domestic market. Both production and sales of Jinyu Aerated also hit record high attributable to its great efforts in key projects. Planning and preparation of Doudian Science and Technology Park was completed. Jiandu Design and Research Institute adjusted its business model to improve service and accelerate market expansion.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB13,034.7 million, a year-on-year increase of 17.2%, while the gross profit from its principal business amounted to RMB1,095.9 million, a year-on-year increase of 26.6%.

3. Property Development Segment

The Group endeavored to deepen the reform of organizational management and control, explored the approach of scale development and set up BBMG Property Development Sub-Group (金隅地產開發集團), which greatly improved its operation capability and profitability.

During the Reporting Period, companies in each city consolidated their sales resources, refined their marketing plans to ensure the commencement of sales with high quality. As a result, all projects have successfully achieved their sales mission for the year. Meanwhile, companies in each city closely monitored the progress of its projects, especially the management over construction of key projects. Construction of Jinyu Tang+ (北京金隅糖+) was completed ahead of schedule, and over 95% of the properties of phase 1 of Nanjing Zijingfu (南京紫京府) as a whole and nearly 100% of the projects of Shanghai Dachengjun (上海大成郡) were delivered to customers.

MANAGEMENT DISCUSSION & ANALYSIS

In 2017, the Company successfully acquired 14 parcels of land, adding approximately 1.36 million sq.m. to its land reserve (see the table below for details) and providing strong support to the sustainable development of the property development segment.

Major Land Reserve Acquired by the Group in 2017

No.	Name of projects (parcel of land)	Location	Use of land	Land area of the project (sq.m.)	Planned plot ratio area (sq.m.)	Land price (RMB million)	Method of acquisition	Date of acquisition	Percentage of interest
1	Plot SY00-0022-6015 at Block 22, Tianzhu Town, Shunyi District, Beijing	Shunyi District, Beijing	Residential (R2) and land for basic education	45,105	112,093	1,930.00	Listing	27 April 2017	95%
2	Plot GX03-01-07 at Gaoxin District, Ningbo	Gaoxin District, Ningbo	Residential (R2)	36,061	72,122	1,168.38	Listing	4 May 2017	100%
3	Plot C-01 at district of Qixin Cement Factory, Tangshan	Lubei District, Tangshan	Residential (R2)	48,093	120,232	685.32	Auction	9 May 2017	100%
4	Plot C-04 at district of Qixin Cement Factory, Tangshan	Lubei District, Tangshan	Land for service facilities	7,803	8,583	28.11	Auction	9 May 2017	100%
5	Plot A-01 at district of Qixin Cement Factory, Tangshan	Lubei District, Tangshan	Commercial land	5,485	6,033	18.88	Auction	9 May 2017	100%
6	Plot GX03-02-15 at Gaoxin District, Ningbo	Gaoxin District, Ningbo	Residential (R2)	42,830	94,226	1,884.52	Listing	14 June 2017	100%
7	Plot 2017G20 at the east of Changting Street and north of Chegnxin Street, Jiangning District, Nanjing	Jiangning District, Nanjing	Residential and commercial land	57,431	162,127	3,200.00	Listing	7 July 2017	70%
8	Plot PD2017-02 at Community I, Yili Village and Community III, Chengguan Village, Pitong Town Street Pidu District, Chengdu	Pidu District, Chengdu	Residential (R2) and land for service facilities	25,774	64,433	457.47	Auction	22 August 2017	100%

MANAGEMENT DISCUSSION & ANALYSIS

Major Land Reserve Acquired by the Group in 2017 (continued)

No.	Name of projects (parcel of land)	Location	Use of land	Land area of the project (sq.m.)	Planned plot ratio area (sq.m.)	Land price (RMB million)	Method of acquisition	Date of acquisition	Percentage of interest
9	Plot XD2017-04 (252/211) at Zhao Family Community V and VI, Dafeng Street, Xindu District, Chengdu	Xindu District, Chengdu	Mix-urban residential land (including residential and commercial land)	47,717	95,434	1,045.01	Auction	6 September 2017	100%
10	Plot GX2016-16 (071) at Group I, Guandong Community, Group VII, Yinglong Community and Group V, Xinhua Community, Zhonghe Street, Gaoxin District, Chengdu	Gaoxin District, Chengdu	Residential (R2)	61,025	122,051	1,562.25	Auction	7 September 2017	100%
11	Plot at Beishan, Yingshou Yingzi Town, Yingzi Mine District, Chengde	Yingzi Mine District, Chengde	Residential land	48,902	107,584	61.44	Auction	17 October 2017	100%
12	Plot X90R2 and X90A1 at Hexi District, Beijing Economic-Technological Development Area	Hexi District, Beijing Economic-Technological Development Area	Residential (R2) and land for basic education	37,658	69,240	2,460.00	Listing	25 October 2017	100%
13	Plot LX14-0602 at Yancun Town, Fangshan District, Beijing	Fangshan District, Beijing	Residential (R2), land for carparks and basic education	72,997	155,965	2,540.00	Listing	7 December 2017	100%
14	Plot CP07-0203-0007 at North Qijiazhen, Changping District, Beijing	Changping District, Beijing	Residential (R2) and land for basic education	71,023	170,414	6,480.00	Listing	21 December 2017	49%
Total				607,903	1,360,537	23,521.38			

MANAGEMENT DISCUSSION & ANALYSIS

Land Reserve of the Group as at 31 December 2017

No.	Project Name	Geographical Location	Land Reserve Area (thousand sq.m.)	Percentage of the Group's interest
Commodity Housing				
1	Chongqing-Xinduhui	Chayuan, Nan'an District, Chongqing	2,144.10	100%
2	Chongqing-Nanshanjun	Nanshan, Nan'an District, Chongqing	464.18	100%
3	Hefei-Dachengjun	Baohe District, Hefei	455.28	100%
4	Hefei-Nanqi Garden	Shushan District, Hefei	422.84	100%
5	Haikou-Yanguangjun	Street 17, Changbin, West Coast, Haikou	313.90	100%
6	Beijing-Shangchengjun	Beiqijia	275.51	100%
7	Nanjing-Plot at a dairy cattle farm	No. 1 Plot at a dairy cattle farm, Jiangpu Street, Pukou District, Nanjing	265.80	100%
8	Chongqing-Times Midtown	Chayuan, Nan'an District, Chongqing	260.30	100%
9	Beijing-Beiqijia Town, Changping District	Beiqijia Town, Changping District	236.94	51%
10	Shanghai-Jiading Juyuan	Juyuan New District, Jiading District, Shanghai	232.37	100%
11	Tianjin-Plot at the Airport	Airport Economic Zone, Tianjin	213.00	95%
12	Beijing-Yancun Project	Yancun Town, Fangshan District	208.44	100%
13	Hangzhou-Plot at Sanbao	Jingfangsanbao, Jianggan District, Hangzhou	202.08	51%
14	Nanjing-Plot G20 at Jiulonghu	East of Changting Street and north of Chengxin Avenue, Jiangning District, Nanjing	171.55	70%
15	Tangshan-Plot C-01 at district of Qixin	North of East Xinhua Road, Lubei District	143.60	100%
16	Chengdu-Gaoxin Project	Guandong Community Group I, Yinglong Community Group VII, Xinhua Community Group V, Zhonghe Street, Gaoxin District, Chengdu	142.99	100%
17	Tangshan- Jin'an hongbao	Lubei District, Tangshan, Hebei	128.20	55%
18	Chengdu-Xindu Project	Zhaojia Community Group V and VI, Dafeng Street, Xindu District, Chengdu	126.83	100%
19	Ningbo- Plot GX03-02-15 at Gaoxin District	Connected to Lamei Road in the North and Dangui Road in the South	115.33	100%
20	Qingdao-Hefu	Shibe District, Qingdao	112.80	100%
21	Chengde- Project at the plot at Beishan, Yingshou Yingzi	Yingshou Yingzi Mine Area, Chengde	112.69	100%
22	Tangshan-Jinyu Lefu	Lubei District, Tangshan, Hebei	105.05	80%
23	Beijing-Yizhuang Project	Hexi District, Beijing Economic and Technological Development Area	93.60	100%
24	Inner Mongolia-Global Financial Center	Sai'an District, Hohhot	91.50	100%
25	Ningbo-Plot GX03-01-07 at Gaoxin District	Connected to Baihe Road under planning in the North, Lamei Road under planning in the South, Yuanshi Road in the West and Xiangyun Road in the East	89.60	100%
26	Chengdu-Dachengjun	Xihanggang Street, Shuangliu County, Chengdu	89.20	80%
27	Chengdu-Shangxifu	Community 3, Chengguan Village, and Community 1, Yili Village, Pitong Street, Pidu District, Chengdu	80.86	100%
28	Beijing-Xishan Jia No. 1	Changxindian, Fengtai District, Beijing	68.10	70%
29	Haikou-Xixili	Haidian Island, Haikou	56.00	100%
30	Tangshan-Qixin1998	Lubei District, Tangshan, Hebei	54.10	55%
31	Chengdu-Wuhou Longxijun	Wuhou District, Chengdu	49.59	80%

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Land Reserve of the Group as at 31 December 2017 (continued)

No.	Project Name	Geographical Location	Land Reserve Area (thousand sq.m.)	Percentage of the Group's interest
32	Tianjin-Jinyu Yuecheng	Zhangguizhuang, Dongli District, Tianjin	49.10	100%
33	Ningbo-Yao River lock	Wenjiao Street, Jiangbei District, Ningbo	46.40	100%
34	Hangzhou-Guanlan Times	Hangzhou Economic and Technological Development Area	43.83	100%
35	Beijing-Treasures Mansion House	Tiancunshan, Haidian District, Beijing	37.02	100%
36	Beijing-Tang+	Changyang Town, Fangshan District, Beijing	26.14	100%
37	Inner Mongolia-Jinyu Elegancy City	West of Zhonghai, Inner Mongolia	20.70	100%
38	Ma'anshan-Jiashanshu	Huashan District, Ma'anshan	19.36	100%
39	Beijing- Commodity Housing at Houshayu	Houshayu Village, Houshayu Town, Shunyi District, Beijing	15.00	100%
40	Hangzhou- Baishan Tianyuanwai	Gongshu District, Hangzhou	14.68	100%
41	Nanjing-Jinyu Zijingfu	Jianye District, Nanjing	12.30	100%
42	Others		121.70	100%
Sub-total			<u>7,932.54</u>	
Affordable Housing				
43	Beijing-Plot at Bei'ao	Dahongmen, Beijing	245.90	100%
44	Beijing-Jin'gang Jiayuan	Tianzhu Town, Shunyi District	141.53	95%
45	Beijing-Chaoyang Xincheng D Group	Dongba, Chaoyang District, Beijing	98.50	100%
46	Beijing-Jincheng Garden	Houshayu Village, Houshayu Town, Shunyi District, Beijing	42.94	100%
Sub-total			<u>528.87</u>	
Total			<u>8,461.40</u>	

During the Reporting Period, the property development segment recorded revenue from its principal business of RMB16,079.8 million, a year-on-year decrease of 12.8%, and the gross profit from its principal business was RMB4,112.3 million, a year-on-year decrease of 18.9%. The booked GFA was 948,616.4 sq.m. for the year, a year-on-year decrease of 18.0%, among which booked GFA of commodity housing amounted to 942,516.4 sq.m., a year-on-year decrease of 9.8%, while booked GFA of affordable housing amounted to 6,100.0 sq.m., a year-on-year decrease of 94.5%. The aggregated contracted sales area of the Company was 1,377,570.5 sq.m., a year-on-year increase of 16.9%, among which contracted sales area of commodity housing amounted to 1,026,611.6 sq.m., a year-on-year decrease of 7.1%, and contracted sales area of affordable housing amounted to 350,958.9 sq.m., a year-on-year increase of 378.7%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 8,461,400 sq.m.

MANAGEMENT DISCUSSION & ANALYSIS

4. Property Investment and Management Segment

Based on the position of developing Beijing into “Four Centers” and strengthening the work in relation to transfer of non-capital functions, the Group has continuously improved its service quality and optimized the operation model of its property operations. As a result, the segment developed in a stable and orderly manner.

During the Reporting Period, the property operations maintained a positive momentum of development, with improved operation performance in office buildings and apartments. The investment property operations remained stable and orderly, while the occupancy rate was still at a high level. BBMG Sheraton Hotel (金隅喜來登酒店) recorded an average occupancy rate of 79.6% and successfully completed the reception of the “Belt and Road Forum for International Cooperation”. It undertook a number of projects, such as Landgent Center, and achieved breakthrough in brand and management output.

MANAGEMENT DISCUSSION & ANALYSIS

In 2017, the Company was awarded with different honors and titles, including Top 100 Chinese Building Materials Enterprises (中國建材企業100強), China Top 100 Real Estate Developers (中國房地產百強企業), Top 10 Listed Real Estate Companies in terms of Overall Strength in Shanghai and Shenzhen (滬深上市房地產公司綜合實力 TOP10), Top 10 Listed Real Estate Companies in terms of Investment Value in Shanghai and Shenzhen (滬深上市房地產公司投資價值 TOP10), Top 10 Listed Real Estate Companies in terms of Financial Health in Shanghai and Shenzhen (滬深上市房地產公司財務穩健性 TOP10), China Top 10 Listed Real Estate Companies in terms of Corporate Governance (中國房地產公司上市公司治理 TOP10), Real Estate Companies Worthy of Attention of Capital Market (值得資本市場關注的房地產公司), Demonstration Construction Base of National Building Materials Culture Festival (全國建材企業文化節建設示範基地), and China Top 500 Most Valuable Brands (中國500強最具價值品牌).

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB3,316.4 million, a year-on-year increase of 1.7%, and gross profit from its principal business was RMB1,976.3 million, a year-on-year increase of 16.9%. As at the end of the Reporting Period, the Company held investment properties totaling approximately 716,200 sq.m. in the core districts of Beijing. The consolidated average occupancy rate was 89% and the consolidated average rental unit price was RMB8.2/sq.m./day.

MANAGEMENT DISCUSSION & ANALYSIS

Investment Properties Held by the Group as at 31 December 2017

	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	108.2	3,220.2	11.1	92%	29,765
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	Commercial	142.3	3,231.9	8.1	80%	22,708
Phase 3 of Global Trade Center (Ground Floor Commercial)	North Third Ring Road, Beijing	Retail	56.7	1,146.9	7.2	94%	20,232
Tengda Plaza	West Second Ring Road, Beijing	Commercial	66.9	1,690.2	9.5	94%	25,271
Jin Yu Building	West Second Ring Road, Beijing	Commercial	41.2	1,147.9	10.2	92%	27,839
Jianda Building/Building Materials Trading Tower	East Second Ring Road, Beijing	Commercial	46.2	1,261.2	5.7	93%	27,274
Dacheng Building	West Second Ring Road, Beijing	Commercial	41.4	1,076.1	10.6	96%	25,971
		Sub-total	503.0	12,774.4			
Other properties	Beijing Municipality	Commercial and retail	213.2	2,666.1			
		Total	716.2	15,440.5	8.2	89%	21,558

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

MANAGEMENT DISCUSSION & ANALYSIS

Analysis of Business and 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	31,073.8	22,598.3	27.3%	102.2	85.1	Increase of 6.7 percentage points
Modern Building Materials and Commerce and Logistics	13,034.7	11,938.8	8.4%	17.2	16.4	Increase of 0.6 percentage point
Property Development	16,079.8	11,967.6	25.6%	-12.8	-10.6	Decrease of 1.9 percentage point
Property Investment and Management	3,316.4	1,340.1	59.6%	1.7	-14.7	Increase of 7.8 percentage points
Eliminations	(858.6)	(732.2)	–	–	–	–
Total	62,646.1	47,112.6	24.8%	33.9	30.7	Increase of 1.8 percentage point

MANAGEMENT DISCUSSION & ANALYSIS

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 assessed by an independent professional qualified valuer using future earnings method and market-based approach on an open market and existing use 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 decreased by 13.9% year-on-year to RMB513.9 million, accounting for 12.7% 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.

3. Expenses during the Reporting Period

- (1) Selling expenses were RMB2,607.3 million, an increase of RMB753.1 million or 40.6% year-on-year. Such increase was mainly due to the fact that the selling expenses of the corresponding period in 2016 only included the selling expenses of Jidong Group in the fourth quarter.
- (2) Administrative expenses were RMB6,225.6 million, an increase of RMB2,417.8 million or 63.5% year-on-year. Such increase was mainly due to the fact that the administrative expenses of the corresponding period in 2016 only included the administrative expenses of Jidong Group in the fourth quarter.
- (3) Finance costs were RMB2,675.6 million, an increase of RMB1,072.1 million or 66.9% year-on-year. Such increase was mainly due to the fact that finance costs of the corresponding period in 2016 only included the finance costs of Jidong Group in the fourth quarter.

MANAGEMENT DISCUSSION & ANALYSIS

4. Cash flows

During the Reporting Period, a net decrease of RMB5,196.7 million in cash and cash equivalents was recognized in consolidated financial statements of the Company. Such decrease was the net result of (i) the net cash outflow generated from operating activities of RMB11,854.5 million (as compared to the net cash inflow of RMB3,503.7 million for the year ended 31 December 2016), which was attributable to the year-on-year increase in the expenses of land reserve of property development segment of the Company; (ii) the net cash outflow generated from investment activities of RMB699.6 million, representing a decrease in outflow of RMB3,325.4 million year-on-year, which was mainly attributable to the merger and acquisition of Jidong Group in the same period in 2016; (iii) the net cash inflow generated from financing activities of RMB7,328.0 million, a decrease in inflow of RMB45.0 million year-on-year, while the net cash flow basically remained flat year-on-year; and (iv) the exchange realignment of RMB29.4 million.

Core Competence Analysis

The Company is a leading cement enterprise which is devoted to low-carbon, environmental protection, energy-saving and emission reduction initiatives, as well as development of circular economy. Following the orientation of the policies in relation to synergetic development of Beijing, Tianjin and Hebei Province and the structural reform of the supply front, the Company conducted the strategic restructuring with Jidong Group successfully in 2016 and became the third largest cement enterprise in the country. This has further increased its market control in Beijing, Tianjin and Hebei Province. Prices have stabilized with the enhancing synergy brought by the restructuring of BBMG and Jidong Group. The profit of the industry reached record high during the year, driving healthy development of the whole cement industry. Being one of the top 10 real estate enterprises in Beijing and the earliest affordable housing developers which has the largest number of projects and most comprehensive system in Beijing, the Company owns low-cost land reserve for development and abundant industrial land reserve in first-tier cities. Also, the Company is a leading supplier of green, eco-friendly and energy saving building materials in the Pan Bohai Rim and is one of the largest holders and managers of investment properties in Beijing. The four major business segments of the Company have experienced strong growth and synergetic development by extending their principal businesses to more than 20 provinces, cities and regions in the PRC.

MANAGEMENT DISCUSSION & ANALYSIS

The core competitiveness of the Company is detailed as follows:

1. Competitive Edge in the Industrial Chain:

The Company has developed a unique vertically integrated core industrial chain. This core industrial chain is 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 industrial chain 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 the development of single product to the development of comprehensive industrial chain. By leveraging the advantages accumulated in the development of green building materials manufacturing industry and equipment manufacturing industry, 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 sectors, including modern property management services and financial services. Taking advantage of the characteristics of the real estate development industry of large amount of funds and great demand for products, the Company, through market behaviors, drove the application of modern building materials, cement, concrete and other products as well as the development of relevant businesses such as design, fitting-out and property services. By enhancing the product quality and service capacity, modern building materials and property management services sector has enhanced its competitiveness and further promoted the quality of real estate projects. By continuously capitalizing on its competitive edges in property operation and high-end property management services in terms of brand, operation, management and techniques, the Company has succeeded in the promotions of values of real estate for both commercial and residential purposes and cutting inventories. Meanwhile, the real estate development industry has pioneered market of the target regions backed by various resources and advantages accumulated in the implementation of the “go global” strategy of the cement and building material industries. Different business segments support and promote the development of each other with significant synergistic effect and overwhelming advantages as a whole. Competitive edges in scale centralizing on the industrial chain, coordination among and integration of different segments have been cumulating.

MANAGEMENT DISCUSSION & ANALYSIS

2. Competitive Edge in Technology Innovation:

With an investment of RMB1.1 billion in technology R&D in 2017, the Company implemented 18 major science and technology projects and recorded revenue from sales of new products of RMB2.3 billion, received 15 provincial and ministry-level and industry technology awards, obtained science and technology funding from the government at different levels of over RMB9.5 million, obtained 95 national patents (of which 28 were invention patents), obtained 6 computer software copyrights, and played a leading role (or participated) in formulating over 34 national, industrial and local standards, thereby enhanced its bargaining power in the industry.

The Company has conducted post-evaluation for the projects carried out in 2014. The projects have an industrialization rate of 75% and recorded sales revenue of RMB392 million with a cost-efficiency ratio of 1:5.92. The projects developed 16 (series) of new products, developed 9 new technologies (processes), completed the construction of two information systems, obtained 50 patents, played a leading role (or participated) in formulating 13 standards, and received 11 awards of different levels/categories.

Among the subsidiaries of the Company, BBMG Liushui Environmental Protection Technology Co., Ltd., BBMG Dingxin Cement Co., Ltd. and Guangling Jinyu Cement Co., Ltd. were approved as “National High-Tech Enterprises”; Beijing BBMG Beishui Environmental Protection Technology Co., Ltd. was awarded the title of Technology Innovation Team of Beijing; Guangling Jinyu Cement Co., Ltd. become the first cement enterprise with national “Informatisation and Industrialisation” certification in Shanxi; BBMG Academia Sinica and Jiandu Design and Research Institute were awarded the qualification of “Industrial Energy Conservation and Green Development Evaluation Centre (工業節能與綠色發展評價中心)” by the Ministry of Industry and Information Technology; and Xishan Jia No. 1 Project of BBMG GEM Real Estate Development Co., Ltd. was awarded Green Building 2 Star Design Certificate (綠建二星設計證書).

MANAGEMENT DISCUSSION & ANALYSIS

3. Competitive Edge in Sustainable Development of Green Operations:

Upholding the objective of building Beijing as an international first-class city which is harmonious and livable, the Company has stepped up its efforts in developing a circular economy and a low-carbon economy, accelerating its pace towards transformation and upgrading and embarking on a sustainable path for green development. In 2017, Chengde BBMG Cement Co., Ltd. carried out the disposal of hazardous waste project in coordination with the Company and obtained the temporary business permit on hazardous wastes disposal. The project is now in trial run. Lingchuan BBMG Cement Co., Ltd. and Quyang Jinyu Cement Co., Ltd. obtained the official business permit on hazardous wastes disposal; and the environmental assessment report of the sludge project of Jidong Cement Luan County Co., Ltd. was approved. A total of 17 companies of the Company had commenced the disposal of solid waste, among which 10 companies had commenced the disposal of hazardous waste with a total approved capacity of 366,600 tonnes/year. The Company effectively 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 and actively contributed to urban development, environmental safety and social harmony.

In 2017, the Company invested RMB579 million in environmental upgrade projects. 86 companies have passed the clean production audit; 68 major energy-consuming units have passed the annual examinations on energy-saving targets and missions conducted by the government at both national and local levels. It has also completed the reports on CO₂ emissions and the relevant examination, testing and performance of work as scheduled for key units in Beijing in terms of CO₂ emissions with a performance rate of 100%. In 2017, the Company achieved reduction in consumption of standard coal by approximately 59,000 tonnes and water saving by 831,000 cubic meters. The amount of various solid wastes disposed of amounted to 360,000 tonnes. Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd., a subsidiary of the Company, properly handled three environmental emergencies, including two incidents in Tongzhou and one incident in Hebei, which has effectively avoided secondary pollution.

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The Company was the first cement enterprise which received the “China’s Environment Award”, a distinctive honor in the environmental protection field. It was also the only enterprise to win the “Green Ecology Media Award” under the Beijing Influence Award. In 2017, three subsidiaries of the Company, namely BBMG Dingxin Cement Co., Ltd., Handan BBMG Taihang Cement Co., Ltd. and Guangling Jinyu Cement Co., Ltd., were selected as the first batch of green factory pilot unit by the Ministry of Industry and Information Technology. Beijing Bio-Island Science and Technology Co., Ltd. and Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. participated in and completed the project named Research, Development and Engineering Application of Soil Vapor Extraction Equipment and System (《土壤氣相抽提設備系統研發及工程應用》), which has received the second prize under “2017 Environmental Protection Science and Technology Award (2017年環境保護科學技術獎)”. BBMG Dingxin Cement Co., Ltd. was honored with the title of “Hebei Top Brands (河北名片)” and “Hebei Role Model Unit for Brand Building (河北品牌建設典範單位)” at Hebei Brand Festival (河北品牌節). Beijing Bio-Island Science and Technology Co., Ltd. and Beijing Mangrove Environmental Protection Technology Co., Ltd. participated in the programming of the “Second Trustworthy Beijing 315 Special Program (第二屆誠信北京315特別節目)” and were both recommended as classic trustworthy enterprises by the Capital Civilization Office and other departments.

During the meeting for “National Development of Synergetic Use of Cement Kiln for the Disposal of Waste (全國水泥窯協同處置發展)” organised by China Building Materials Federation and China Cement Association, three subsidiaries of the Company, namely Beijing BBMG Beishui Environmental Protection Technology Co., Ltd., BBMG Liushui Environmental Protection Technology Co., Ltd. and Handan BBMG Taihang Cement Co., Ltd., were honored with the title of “Demonstration Project for Synergetic Use of Cement Kiln for the Disposal of Waste”; BBMG Mangrove Environmental Protection Technology Co., Ltd. was awarded the “Significant Contribution Award for Technological Innovation of Synergetic Use of Cement Kiln for the Disposal of Waste in China (中國水泥窯協同處置技術創新重大貢獻獎)”; BBMG Academia Sinica and Jiandu Design and Research Institute were awarded “Outstanding Contribution Award for Technological Innovation of Synergetic Use of Cement Kiln for the Disposal of Waste in China (中國水泥窯協同處置技術創新突出貢獻獎)”; Beijing BBMG Beishui Environmental Protection Technology Co., Ltd. and BBMG Liushui Environmental Protection Technology Co., Ltd. were awarded the plaque of “Demonstration Base for Synergetic Use of Cement Kiln for the Disposal of Waste (水泥窯協同處置示範基地)”.

MANAGEMENT DISCUSSION & ANALYSIS

4. Competitive Edge in Industry-Finance Integration:

In a view to support the development of its principal businesses, the Company has stepped its efforts in promoting the collaboration with various financial institutions. By broadly cooperating with various banks and financial institutions, the Company has explored and adopted a wide variety of financing methods, including non-public offering, corporate bonds, asset securitization, debt financing plan, etc., thereby realizing multi-level and multi-channel financing. In 2017, Dagong Global Credit Rating Co., Ltd. made an upward adjustment to the corporate credit rating of the Company from AA+ to AAA, demonstrating effective enhancement of the capital operational capacity and management efficiency of the Company. Meanwhile, BBMG Finance Co., Ltd. and BBMG Finance Lease Co., Ltd. offer a new platform for the Company to enhance its overall capital operational efficiency, diversify financing channels and prevent capital risks, thereby facilitating the organic integration between industry capital and financial capital.

In 2017, the external financing of the Company recorded a net increase of RMB13,900 million, among which: the Company recorded a net increase of RMB5,000 million in the issuance of perpetual medium-term notes, a net increase of RMB4,000 million in the issuance of corporate bonds, a net increase of RMB8,029 million in various kind of loans (such as bank loans), and a net increase of RMB500 million in debt financing plan. On the premise of ensuring the security of capital chain and effective control over gearing ratio, the Company has optimized and adjusted the term and structure of its liabilities. As at the end of 2017, the remaining bank credit facilities available of the Company amounted to RMB82,400 million, which has laid a solid foundation of financial credit for the healthy and sustainable development of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

5. Competitive Edge in Corporate Culture and Branding:

The core value and philosophy of BBMG's corporate culture is composed of corporate spirits of "three emphasis and one endeavor", the development philosophy of "integration, communion, mutual benefit and prosperity", the core values of "faith, respect and responsibility", the human spirits of "eight specials" and the pragmatic working culture of "work with aspiration, competence, efficiency, success and prudence". Following historical accumulation and innovation over more than half a century, the corporate culture is the philosophical summary of the entire BBMG employees' tremendous efforts and implementation of reform and development. The excellent BBMG culture understands, respects, accomplishes and nurtures people. Under the philosophy and system of BBMG's culture, the career goal and humanity spirit shared by all our staff are highly synchronized, which has become a strong spiritual driver to encourage our staff at all levels to accomplish goals and make dedication in their own positions. "BBMG" has been consecutively honored as a well-known trademark in Beijing and ranked 69th on the list of the 2017 (14th) China's 500 Most Valuable Brands. The superior brand awareness and prestige has created a sound cultural atmosphere and intelligence support for BBMG to achieve a new round of leap-forward development in full force.

MANAGEMENT DISCUSSION & ANALYSIS

Discussion and Analysis on Future Development**(1) Industry Pattern and Trend****1. *Economic environment remains complex and overwhelms with opportunities and challenges.***

According to the analysis on the domestic and international conditions, the development of China is filled with opportunities and challenges. The ongoing global economic turnaround is likely despite a number of factors of instability and uncertainties, namely the policy adjustment of major economies and the related external impacts, increasingly intense protectionism and heightened geopolitical risks. Lingering in the critical period of changing development mode, optimizing economic structure and adjusting growth momentum, the Chinese economy is subject to making responses to the foreseeable and unforeseeable risks or challenges. In 2018, pursuing and demonstrating further the vision of the 19th National Congress of the Communist Party of China, the Central Government will continue to firmly adhere to the main theme of making steady progress so as to speed up the in-depth reform for attaining high quality development in policies, economy and society step by step. Persisting with the resilient and well-balanced approach, two-pillar regulation and control comprising the robust monetary policy and prudent macroeconomic policy, deleveraging, curbing foam economy and risk prevention, China will create more favorable conditions for the in-depth reform in full swing, thus driving the qualitative reform as well as reform in efficiency and growth momentum for the economic development. Benefiting from the positive trend of external demand and further organic growth and reform, consumption will soar and contribute to the economy in a faster pace. The Chinese economy will sustain its steady and positive momentum in 2018 accordingly. Acceleration of the structural reform of the supply front achieved double objectives and built dual driving forces which are beneficial for continuous implementation of a series of national significant strategies and measures in regulating structure and stabilizing growth. The Company consistently improved marketization mechanisms in deepening the comprehensive promotion for the reform of state-owned enterprises, facilitating entrepreneurship and innovation among the public that will bring new impetus to upgrade the quality and efficiency of China's economy, and will offer new historical opportunities for the Company to achieve new leaps in development by virtue of innovation during the course of reform.

MANAGEMENT DISCUSSION & ANALYSIS

2. Correct understanding of the actual situation faced by the industry.

Overall, the economic operation of building materials industry fluctuated between the middle range in 2017. Throughout the year, the industry accelerated the structural reform of the supply front, facilitated in-depth consolidation and restructuring, and precisely implemented staggering production, thereby achieving significant improvement in economic efficiencies and continuous optimization of industrial structure. As such, the economy maintained stable and sound growth. However, with the existing problems in internal and external operating environment such as excessive production capacity, sluggish demand growth, rising price of major raw materials, all being unsolved fundamental problems, the industry was still under great pressure and exposed to downside risk in its operation.

In 2017, the building materials industry realized a recovering growth in general. The operating revenue of the cement industry was as high as RMB915.9 billion, representing a year-on-year growth of 17.89%; and total profit was RMB87.7 billion, representing a year-on-year growth of 94.41%. From the internal point of view of the industry, the overcapacity problem in traditional industries such as cement industry remain unsolved in essence while the demand and supply relationship of the market was still vulnerable and therefore solving the problem of excessive production capacity has become the mutual responsibility and core task of government, industry and enterprises which will drive enterprises to devote more efforts in further mergers, acquisition and restructuring, industry structural adjustment and enhancement of industry self-discipline.

Currently, the national economy maintained medium-to-high speed growth, which has provided stable market demand and environment for the development of the cement industry. Meanwhile, with the implementation and deepening of national policies such as the national strategy of “synergistic development of Beijing, Tianjin and Hebei Provinces”, the “One Belt and One Road” initiative, the “Xiong’an New Area” which is a plan that will be crucial for the millennium to come and the “Yangtze River Economic Zone”, along with the infrastructure construction such as railways and highways, as well as the key construction projects like Beijing Winter Olympics and new airport in the capital city, the PRC will be able to satisfy the rising demand, at the same time actively promoting the structural adjustment and industrial transformation and upgrade of the cement industry.

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Real estate market has resumed to its housing residential nature and provided stabilization for steady industry development. In the Central Economic Work Conference 2017, it was advocated that: the efforts in financial risk prevention and control necessarily serve the principal purpose of the supply-side structural reform, thereby promoting the formation of the virtuous cycle between the financial and real economy, finance and real estate sectors and among the financial system itself; it is necessary to expedite the formulation of the housing system with multi-agent supply, multi-channel protection and integration of lease and purchase; it is necessary to develop the housing lease market, particularly the long-term lease, to protect the legitimate interests of the stakeholders in relation to the lease as a support to the development of professional and institutional housing lease enterprises; it is planned to improve the long-term mechanism which aims to promote the steady and sound development of the real estate market in order to maintain the continuity and stability of the property market regulation policies. Meanwhile, the market differentiation among cities continued to exist and the sales in some of the bulk-stocked cities remained blue. All these will increase the yield risks of future property projects.

3. *During the “13th Five-year Plan” period, the Company will be positioned at a new starting point in pursuing new leap-forward development.*

Regarding the economic scale and efficiency, industrial structure and innovation, strategic planning and capital, systems and mechanisms as well as personnel and talents, the Company possessed better internal environment basis in dealing with external complex environment, meeting new industrial reform and changes, seizing the historical strategic opportunities and realizing leap-forward development.

- (1) Equipped with guarantee of sound economic benefits. Under such severe competition in the same industry, the Company has always maintained better economic benefits than other counterparts which experienced general decline, while at the same time achieved the synergic improvement of quality and efficiency and enhanced its market competitiveness and thus ranking the top in the integrated ranking of the national industry and among municipal state-owned enterprises.

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- (2) Equipped with continuously-optimizing industry development basis. Active adjustment and continuous optimization of industrial structure promoted the coordination and balance between the business segments. The more prominent the ability to respond to changes in external environment and resist market risks, the more obvious industrial chain advantages will be. In addition, continuous optimization of the strategic layout allowed the core industrial chain exhibit a strong competitive tenacity and thus laying a strong industrial base for overall leap-forward development.
- (3) Equipped with continuously-improving strategic planning capability. Strengthening the strategic guidance and top-level design allowed the Company to achieve hurtling plans and control towards a comprehensive strategy and equip with ever-changing strategic responding abilities in adapting external environments.
- (4) Equipped with constantly-strengthening innovation-driven layout. Support on technology innovation continuously enhanced while the complete integration with Zhongguancun provided a new platform for innovation and development. Accelerated formation of innovation-driven layout unleashed the development potentials, stimulated the internal dynamic for development and enhanced the core competitiveness and sustainable development capacities of the Company. New segment formats and models gradually emerged which drove the new impetus for overall innovation and development.
- (5) Equipped with continuously-innovative industry-finance support. Internal financial service system and financing means featuring multiple levels and channels provided financial security for the rapid development of entire industrial scale. Innovation and development of the capital platform has established basic conditions for the new business pillars with industry and finance as the core in realizing the industry-finance integration.
- (6) Equipped with continuously-deepening guarantee of systems and mechanisms. Comprehensive internal control and management system offered a strong risk barrier for the overall high-efficiency and high-quality operation system. In deepening enterprise reform and innovating new systems and mechanisms, the state-owned enterprises continued to strengthen their predominance while their scientific control and efficient operation were equipped with strong supporting conditions.

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(2) The Company's Development Strategy

During the "13th Five-Year Plan" period, the Company will develop major businesses including "manufacturing, trading and services of new green and environmental friendly building materials, and real estate development and property management" in accordance with the positioning of an "internationally renowned and nationally leading building material industry group". The overall situation is guided by the state's strategic layout of "Four Comprehensives" and the development philosophy of "innovation, coordination, green, open and sharing". The Company seizes the significant opportunity of the transferring of the industrial functions of the Beijing capital city, the synergistic development of Beijing, Tianjin and Hebei province and "One Belt and One Road", coordinates industrial strategy layout and accelerates transformation and upgrading based on significant national strategies such as the Internet+ and "Made in China 2025". The Company establishes the development concept centering on "transformation and upgrading, innovation and development, open and integration, and sharing results", and stimulates innovation through reform and promotes development through innovation in an effort to comprehensively and continuously encourage BBMG to achieve a new leap in history. The Company adheres to be driven by both innovation and capital and industry-finance integration, to basing itself in China and expanding internationally, to green, smart and low-carbon ecology, to optimization and transformation by transforming and upgrading traditional industries via the Internet+ Integration, to equal emphasis on quality and efficiency, to making the core basic industries stronger, better and larger and to accelerating the development of new industries. Additionally, the Company builds an enterprise featured by value seeking, services and creation as well as brand and efficiency, becomes the creator of a better urban life based on industries and guided by services, attains the established objectives of "one core, two leaps, three breakthroughs, sharing of innovation and development results". In other words, value creation is the core; the leap from a building material manufacturer to an urban life service provider and that from localization strategy to international strategy are achieved; substantial breakthroughs in the Company's market value, operating revenues and profits are made; all employees and stakeholders share the innovation and development results. The Company's core competitiveness, brand influence and value creation are remarkably enhanced. Besides, the Company develops into an internationally renowned and nationally leading building material industry group and speeds up its inclusion into the Global 500.

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Development Strategy for the Company's businesses in 2018:

1. Cement and ready-mixed concrete business upholds the strategic positioning of "building a world-class cement listed company which is modern, professional and large in scale" while places emphasis on the improvement of management, integration of cultures, consolidation of operation as well enhancement of quality and efficiency. It is based on deep integration of information technology and manufacturing technology and guided by green and low-carbon development, concentrates on improving profitability, optimizes production, supply, sales and management pattern, stimulates and taps the potential for efficient allocation of various factors of production, perfects and strengthens stock assets of the business, maximizes the economies of scale and synergies, creates cost advantage and comparative advantage, and nurtures the Company's core competitiveness and capacity of sustainable development.

Regarding the cement business, the Company aims to optimize the regional market landscape and enhance the core competitiveness, thereby enhancing the business strengths in core areas, improving the quality in key regions and activating the regional business network and facilitating the quality and efficiency upgrade of the entire process, full value chain and entire workforce of our production, supply and sales. The Company will enhance the industry integration for a more concentrated production capacity, and strengthen the marketing strategy for a stable production volume and price increase. Benchmark management will be reinforced to attain stringent control of cost and account receivables, and thus ensuring the standard of management and control to be enhanced. Relying on the principal business of cement, the Company will also steadily procure the enhanced management and control of non-cement business, thus ensuring a quality and efficiency upgrade of the segment generally.

Pursuing the goal of making the concrete business "more solid, stronger, better and innovative", the Company will develop an operating system with concentrated operation, high synergy and strong management control so as to further consolidate the flat, professional and regional management, procuring the overall profitability from the operations.

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2. The modern building materials and equipment manufacturing business is required to further consolidate the technological innovation and improve product technology for the output of unique and featured products. Fundamental management will be further enhanced to unleash the leading edge in production capacity, and thus making the business more solid. In addition, the Company will further consolidate the resources to increase synergy and focus its R&D efforts for the equipment accommodating its uniqueness, thereby developing the related manufacturing business. More resources will continue to be put into the segment for allocations with high level of market positioning, benchmark and standard. We will innovate our systems and mechanisms, continue to bolster the weakness, establish core competitiveness and constantly develop into a more solid, stronger and better business, and thus striving to rank among the leaders in the equipment manufacturing industry of China. Pursuing the innovation-oriented development mode, the Company will seek high-end technologies and value of the industry to produce innovative and environmental-friendly products with enhanced quality and performance. Coupling with its overall positioning in the modern building materials market, the segment will endeavor to make further breakthrough in production capacity and market layout. It will also push forward the overall synergistic development of various businesses, namely the business chain of BBMG's unique home-oriented building materials, prefabricated and aerated wood-based panel systems for construction use, integrated high-quality decoration, ageing supporting renovation, thermal insulation business, chemicals and building materials.
3. The commerce and logistics business needs to upgrade the core competence in marketing of sanitary products agency business through excellent management and advanced benchmark. The segment will boost the bulk commodity trade related business on the core basis of steel and iron, develop the BBMG's unique bulk commodity trade product series of controllable risks as a more solid and expanded business. The segment needs to procure the further growth point for the e-commerce business leveraging online and offline resources well. The Company will coordinate with, and promote the business development of Jidong International Trading (冀東國貿公司) to accomplish the division of roles, sharing of resources and alliance with BBMG Commerce and Trade (金隅商貿公司), thereby actively exploring the trading business for BBMG and seeking further breakthrough with good risk prevention and control measures in place.

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4. The property development business needs to conduct in-depth study on the real estate policies and the new trend of market change and further improve the operation and management mode with an enhanced operating efficiency and quality, aiming to strengthen its core competitiveness generally. The segment will further consolidate its strategic vision and unleash the competitive edge with creativity to constantly develop into a stronger, better and larger-scale business. By making in-depth study and review on the new overall rules and regulations of Beijing, the segment also needs to adjust its market positioning based on the revisions of detailed control regulations and the development of various regions, and thus seizing new opportunities for development.
5. The property and real estate business needs to fully leverage the tremendous opportunities arising from the development of Beijing into “Four Centers”, strengthen the management, seek innovation and promote business transformation. By exploring and capitalizing on the inventory resources of the Company’s immovable properties in full swing, the segment also needs to put efforts in focused areas, namely improving the quality of land, properties and assets and commercial property operation, enhancing the management of Park operation and quality of property management, thereby uplifting the quality and momentum of development of the property segment generally.

(3) Business Plan

2018 will be an important year for the Company in comprehensive implementation and linkage of the past achievements and future development of the “13th Five-Year Plan”. In general, the global economy tends to maintain a sound growth in the long run, so 2018 is still a period of important strategic opportunities for making great achievement. The Board of the Company will adhere to the key note of making progress while maintaining stability, firmly foster and consistently implement new development philosophy, take active initiative to adapt to the “new normal” of economic development, focus on development with high quality and efficiency, seize the opportunities and overcome the difficulties, guarantee smooth completion of each annual task, strive to make the core basic industries stronger, better and larger, facilitate an overall stable and healthy development of the Company in an orderly manner in accelerating the attainment of the Company’s leap-forward development.

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(4) Possible risks**1. Risks in Policies**

The development of cement and property sectors is directly subject to macroeconomic development and macroeconomic control policies. Transformation and upgrade for sustainable development in accordance with supply-side structural reform requirements will become the main theme for cement companies, given the continuous 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, further 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.

2. Risks in Capital Operation

In 2018, the central bank will maintain a prudent monetary policy. The interest rate marketization revolution will be further accelerated. Since it is in the stage of rapid development, the Company will face certain level of financial pressures to maintain daily operations and meet the needs of future development.

Solution: The Company will enhance its management on finance and capital and improve the efficiency of the use of capital. It will also innovate our financing channels with a view to ensuring the safety and stability of the capital chain of the Company. Leveraging the advantages of its finance company and the finance leasing company, cash flow of the Company will be secured as a whole.

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3. Risks in Market Competition

The Company conducted a strategic restructuring with Jidong Group successfully, which has further improved the order of the regional market where the cement segment of the Company operates. However, as there is an excess of capacity in the region as a whole, the current demand and supply is still facing with imbalance and fierce price competition exists among enterprises, with concentration in need of further improvement, which constrains and impedes the profitability of the cement segment of the Company.

Solution: Adhering to the principal business of cement, the Company will improve the regional market integration 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.

Liquidity and Financial Resources

As at 31 December 2017, the Group's total assets amounted to RMB232,207.5 million, an increase of 11.4% from the beginning of the Reporting Period, of which liabilities amounted to RMB162,289.7 million, minority interests amounted to RMB18,755.0 million and total equity attributable to the shareholders of the parent company amounted to RMB51,162.8 million. Total equity attributable to shareholders amounted to RMB69,917.8 million, an increase of 11.1% from the beginning of the Reporting Period. As at 31 December 2017, the Group's net current assets were RMB33,154.9 million, an increase of RMB8,640.4 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2017 was 69.9%, an increase of 0.1 percentage point from the beginning of the Reporting Period.

As at 31 December 2017, the Group's cash and bank balances amounted to RMB17,903.8 million, a decrease of RMB10,106.4 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, short-term financing bonds, corporate bonds, medium-term notes, private bonds and banking facilities provided by its principal bankers in the PRC. As at 31 December 2017, the Group's interest-bearing bank borrowings amounted to RMB62,448.3 million (as at 31 December 2016: RMB51,672.3 million) and bore fixed interest rates. Of these borrowings, approximately RMB36,777.2 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB3,192.6 million from the beginning of the Reporting Period. Approximately RMB25,671.0 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB7,583.3 million from the beginning of the Reporting Period. The Group's interest-bearing bank borrowings were all denominated in RMB.

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During the Reporting Period, the Company entered into cooperation agreements with various banks to obtain credit facilities. As at the end of the Reporting Period, the Company was granted total bank credit facilities of RMB144,700 million and drew down borrowings of RMB62,300 million in Mainland China. Unutilized credit facilities was RMB82,400 million. As at the date of this announcement, no bonds interests of the Company for the current period had not been paid as scheduled, not been fully paid and was payable but yet to be paid. During the Reporting Period, the interests of other bonds and debt financing instrument of the Company had been fully settled as scheduled in accordance with the contract or relevant agreement and there was no event of default having occurred. The Company has sufficient capital for its operations. As at 31 December 2017, the Group had no future plans for material investments or capital assets.

Material Acquisition or Disposal of Subsidiaries

Save as disclosed above under the section headed “Discloseable Transactions During the Reporting Period” for the proposed establishment of the joint venture company and the acquisition of all the minority interests of BBMG Mangrove Environmental Protection Technology Co., Ltd. under the Equity Transfer Agreements, the Group had not conducted any substantial acquisition or disposal of subsidiaries, associates or joint ventures that were required to be disclosed during the Reporting Period.

Connected Transaction

During the Reporting Period, the Group had not conducted any connected transaction that was required to be disclosed.

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Use of Proceeds from the 2013 Proposed Placing and the 2015 Proposed Placing

On 5 September 2013, the Board approved the proposed non-public issue and placing of not more than 500,903,224 A Shares (the “**2013 Proposed Placing**”) at the subscription price of RMB5.58 per share by the Company to two target subscribers, including Beijing BBMG Group Company Limited and Beijing Jinguofa Equity Investment Fund (Limited Partnership) (the “**Fund**”). Each of Beijing BBMG Group Company Limited 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.

Gross proceeds raised from the 2013 Proposed Placing were approximately RMB2,795 million. Based on the estimation of all applicable costs and expenses in association with the 2013 Proposed Placing, the net proceeds from the 2013 Proposed Placing (after deducting all applicable costs and expenses in association with the proposed placing) were approximately RMB2,774.7 million, which were remitted to the designated account for proceeds opened as approved by the Board on 24 March 2014.

On 26 March 2015, the Board resolved and proposed to place A Shares of the Company to raise gross proceeds of up to RMB5,000 million to not more than 10 target subscribers (including Beijing BBMG Group Company Limited) (the “**2015 Proposed Placing**”) 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 announcements of the Company dated 26 March 2015, 1 April 2015, 4 May 2015, 27 May 2015, 11 June 2015, 26 June 2015, 28 July 2015, 12 August 2015, 20 August 2015, 18 September 2015 and 28 October 2015 and the circular of the Company dated 30 April 2015. At the annual general meeting for 2014 held on 27 May 2015 and the first extraordinary general meeting for 2015 held on 12 August 2015, the relevant resolutions in relation to the 2015 Proposed Placing were duly passed.

Reference is also made to the announcement of the Company dated 7 December 2015. On 3 December 2015, the Company completed the 2015 Proposed Placing. Upon completion of the 2015 Proposed Placing, the total number of the Shares of the Company increased from 4,784,640,284 Shares to 5,338,885,567 Shares. The total proceeds raised from the 2015 Proposed Placing were RMB4,699,999,999.84. After deducting the costs of the 2015 Proposed Placing and taking the interest income into consideration, the net proceeds of the 2015 Proposed Placing was RMB4,637,875,039.84, which were remitted to the designated account for proceeds opened as approved by the Board on 30 November 2015.

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As at 31 December 2017, the Company had utilized the proceeds of RMB7,273,020,627.90 (including the use of idle proceeds of RMB11,650,000,000.00 as temporary replenishment of working capital, the use of proceeds of RMB600,000,000.00 as permanent replenishment of working capital, repayment of RMB10,001,241,600.00 to the designated account for proceeds with working capital, change in use of the proceeds of RMB895,205,900.00, the actual use of RMB4,124,482,012.43 of the proceeds for projects, intermediary fee paid of RMB4,504,100.00 and bank charges paid of RMB70,215.47), and obtained interest earned from deposits of RMB8,249,040.31. The balance of the proceeds was RMB155,968,402.17, including the intermediary fee unpaid of RMB3,624,960.00.

To regulate the management of proceeds of the Company and secure the interest of small and medium investors, the Company established the System for Use and Management of Proceeds (hereinafter referred to as the "Management Measures of Proceeds") in August 2010, which was considered and passed by the tenth meeting of the second session of the Board of the Company. In October 2013, according to the relevant requirements of CSRC and the Shanghai Stock Exchange and as considered and passed by the sixth meeting of the third session of the Board of the Company, the Company amended the Management Measures of Proceeds. The amendments provided detailed requirements regarding the deposit, utilization, change of use, management and supervision of proceeds. It is also provided that all expenses on the proceeds-financed projects should be of the same use as disclosed and within the budget of the Company, as well as complete the procedures of approval regarding utilization of proceeds according to the financial accounting system of the Company.

According to the Management Measures of Proceeds, the Company and Beijing Aerated Concrete Co., Ltd., BBMG (Dachang) Modern Industrial Park Management Co., Ltd., Beijing BBMG Tiantan Furniture Co., Ltd., BBMG GEM Real Estate Development Co., Ltd., Jinyu Ligang (Tianjin) Property Development Co., Ltd. and BBMG Nanjing Real Estate Development Co., Ltd., all being subsidiaries of the Company, have established designated saving accounts for the proceeds raised from non-public issuance respectively. The nine designated accounts for proceeds include: Bank of Communications Co., Ltd., Beijing Municipal Branch, Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch, Industrial and Commercial Bank of China Limited, Shijingshan Branch, China Construction Bank Corporation, Dachang Sub-branch, Industrial and Commercial Bank of China Limited, Beijing Anzhen Branch, China Construction Bank Corporation, Beijing Urban Construction Development Professional Branch (2 accounts), Agricultural Bank of China Limited, Tianjin Yong'an Road Branch and Agricultural Bank of China Limited, Nanjing Xinglong Street Branch. Upon the receipt of the proceeds from A Shares, the Company entered into a Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (《募集資金專戶存儲三方監管協議》) with the bank and the sponsor for the joint supervision over the use of proceeds. The principal terms of the agreement are in line with the Tri-Party Supervisory Agreement for the

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Designated Saving Accounts of Proceeds Raised (Template)(《募集資金專戶存儲三方監管協議(範本)》) of the Shanghai Stock Exchange with no significant discrepancy. As of 31 December 2017, the parties to the agreement had exercised their rights and performed their obligations in accordance with the requirements of the Tri-Party Supervisory Agreement for Designated Saving Accounts of Proceeds Raised.

As of 31 December 2017, the deposits of the designated accounts for proceeds were as follows:

				Unit: RMB
No.	Name of bank	Bank account	Account holder	Amount
1	Bank of Communications Co., Ltd., Beijing Municipal Branch	110060149018170182242	The Company	12,387.11
2	Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch	0200203319020196563	The Company	101,768,836.46
3	Industrial and Commercial Bank of China Limited, Shijingshan Branch	0200013419200040504	Beijing Aerated Concrete Co., Ltd.	6,700,756.30
4	China Construction Bank Corporation, Dachang Sub-branch	13001707748050506500	BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	16,810,711.79
5	Industrial and Commercial Bank of China, Beijing Anzhen Branch	0200064819024649727	Beijing BBMG Tiantan Furniture Co., Ltd.	56,983.39
6	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000048	BBMG GEM Real Estate Development Co., Ltd.	17,563.28
7	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000047	BBMG GEM Real Estate Development Co., Ltd.	2,462,671.65
8	Agricultural Bank of China Limited, Tianjin Yong'an Road Branch	02280101040015072	Jinyu Ligang (Tianjin) Property Development Co., Ltd.	15,324,631.34
9	Agricultural Bank of China Limited, Nanjing Xinglong Street Branch	10109201040009981	BBMG Nanjing Real Estate Development Co., Ltd.	12,813,860.85
Total				<u>155,968,402.17</u>

Note: The savings balance in the aforesaid designated accounts for proceeds are current savings, which includes savings interest income of RMB8,249,040.31.

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The Company strictly followed the Management Measures of Proceeds when using the proceeds. The details of the actual use of proceeds in proceeds-financed projects were as follows:

Breakdown of Use of Proceeds in 2017

Committed investment project	Changed project	Total committed investment from proceeds	Total investment after adjustment	Committed investment amount as of the end of the year (1)	Investment amount during the year	Accumulated investment amount as of the end of the year (2)	Difference between accumulated investment amount and committed investment amount as of the end of the year (3)=(2)-(1)	Investment progress as of the end of the year (%) (4)=(2)/(1)	Date of project ready for its intended use	Cumulative achieved results as at the end of the year or not (Note 8)	Achieve the intended results in project feasibility	Significant changes in project feasibility	Reason for failure to reach the scheduled progress	Unit: RMB'000	
														Total proceeds used for investment during the year	Total accumulated proceeds used for investment
				749,504.00										81,267.96	
				89,520.59										561,968.80	
				12%											
Engineering project of BBMG International Logistics Park (北京金隅藍籌物流園工程項目) (Note 1)		97,953.00	97,953.00	97,953.00	22,440.17	77,245.24	(20,707.76)	78.86%	Expected to be completed in December 2018	681.32	-	No	-		
Production line project with an annual production capacity of 0.8 million pieces of furniture (佳盛鈞標傢俱生產產線項目) (Note 2)	Replenishment of working capital	181,551.00	90,000.00	90,000.00	15,412.47	89,872.46	(127.54)	99.86%	Completed	11,629.47	-	No	-		
		-	89,520.59	89,520.59	-	89,520.59	-	100.00%	-	-	-	No	-		
Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project (朝陽區朝陽北路(原星建材料製品廠)B01、B02、B03地塊二類居住、中小學台校、托幼用地項目) (Note 3)		90,000.00	83,787.50	83,787.50	2,203.59	45,515.42	(38,272.08)	54.32%	Completed	331,090.21	-	No	-		
Chaoyang District Dongba Dandian secondary residential and primary school project (朝陽區東壩驛二類居住、小學用地項目) (Note 4)		170,000.00	170,000.00	170,000.00	7,490.82	74,965.90	(95,034.10)	44.10%	Completed	640,073.83	-	No	-		
BBMG Zhongbei Town residential project (溫州北鎮住宅項目) (Note 5)		50,000.00	50,000.00	50,000.00	5,273.32	41,197.34	(6,802.66)	82.39%	Completed	202,591.34	-	No	-		
Nanjing City Jianye District Xindong Street North A2 project (南京市建業區興隆大街北側A2項目) (Note 6)		100,000.00	100,000.00	100,000.00	28,447.59	83,651.85	(16,348.15)	83.65%	Expected to be completed in April 2019	288,513.93	-	No	-		
Sub-total		689,504.00	681,261.09	681,261.09	81,267.96	501,968.80	(179,292.29)	73.68%		1,474,580.10					
Replenishment of working capital (Note 7)		60,000.00	60,000.00	60,000.00	-	60,000.00	0.00	100%	-	-	-	-	-		
Total		749,504.00	741,261.09	741,261.09	81,267.96	561,968.80	(179,292.29)	75.81%		1,474,580.10					

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Note 1: Phase 1 of the engineering project of BBMG International Logistics Park has been completed, phase 2 has been basically completed and phase 3 is still under construction. It was scheduled to be completed in December 2016. Since Beijing has launched a policy in relation to orderly shift of non-capital core functions and adjusted its overall planning upon approval of the proceeds-financed project, after consideration and approval at the eighteenth meeting of the fourth session of the Board, the eleventh meeting of the fourth session of the Supervisory Board and the 2016 annual general meeting of the Company and making announcement thereof, the following adjustment will be made for the proceeds-financed project: BBMG International Logistics Park will enhance its position by proactively transforming into a more advanced and international park. The completion time of the project will be extended from the end of December 2016 to the end of December 2018. As of 31 December 2017, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB207.0776 million in total.

Note 2: Production line project with an annual production capacity of 0.8 million pieces of furniture has been basically completed, but is still required to settle the remaining balance in relation to certain construction, procurement and installation. As of 31 December 2017, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB1.2754 million in total. The difference between committed investment before and after fund raising of the project was due to the deduction of issuance expense of RMB20.3041 million, as well as the change in use of proceeds of RMB895.2059 million. As of the date of this announcement, the committed investment proceeds for the production line project with an annual production capacity of 0.8 million pieces of furniture changed to RMB900 million. Such change was resolved and announced at the 2014 annual general meeting of the Company.

Note 3: Chaoyang District Chaoyang North Road (Former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project has been basically completed. As of 31 December 2017, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB4.99 million in total. The difference between committed investment before and after fund raising was due to the deduction of issuance expense of RMB62.1250 million. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. Accordingly, this proceeds-financed project has an outstanding balance of proceed.

Note 4: Chaoyang District, Dongba Dandian secondary residential and primary school project has been basically completed. As of 31 December 2017, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB7.01 million in total. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. In addition, during the course of project construction, due to reasons such as further optimization of proposal design, decrease in market price of building materials such as reinforced concrete to a level lower than the estimated value, and application of unused self-financing funds towards early repayment of interest-bearing liabilities upon the receipt of proceeds, the cost of construction has decreased. Taking into account of the above factors, this proceeds-financed project has an outstanding balance of proceed.

MANAGEMENT DISCUSSION & ANALYSIS

Note 5: BBMG Zhongbei Town residential project has been basically completed, but is still required to settle the remaining balance in relation to certain construction, procurement and installation. As of 31 December 2017, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB48.0057 million in total. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. Accordingly, this proceeds-financed project has an outstanding balance of proceed.

Note 6: Nanjing City Jianye District Xinglong Street North A2 project is expected to be completed in April 2019. As of 31 December 2017, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB163.4815 million in total.

Note 7: Replenishment of working capital is for the pre-use plan of the allocation of proceeds from non-public issuance in accordance with the disclosures of “I. Plan of Use of Proceeds from Private Issuance” under section 4 “Analysis on the Feasibility of the Use of Proceeds by the Board” in “Proposal of Private Issuance of A Shares of BBMG Corporation” published on 27 March 2015.

Note 8: Results achieved was calculated based on revenue.

Use of Idle Proceeds for Temporary Replenishment of Working Capital

(I) 2013 Proposed Placing

1. *Return of partial idle proceeds used for replenishment of working capital upon expiry*

In order to lower the finance expenses and enhance the capital utilization rate of the Company, pursuant to requirements under Article 11 of the Administrative Measures for Proceeds of Companies Listed on the Shanghai Stock Exchange (《上海证券交易所上市公司募集资金管理规定》) issued by the Shanghai Stock Exchange, the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the ninth meeting of the third session of the Board, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital. As at 9 April 2015, the Company had returned in full the proceeds of RMB2,200 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

2. *Return of partial idle proceeds used for replenishment of working capital upon expiry*

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the eighteenth meeting of the third session of the Board, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital. The above

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idle proceeds used for temporary replenishment of working capital has a term of not more than 12 months from the date on which the Board considered and approved the use. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal. As at 18 March 2016, the Company had returned in full the proceeds of RMB2,200 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

3. *Return of partial idle proceeds used for replenishment of working capital upon expiry*

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the fourth meeting of the fourth session of the Board, the Company agreed to use RMB900 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent directors and supervisory board of the Company have expressed their consent opinions towards this proposal and made an announcement accordingly.

As at 22 March 2017, the Company had returned in full the proceeds of RMB900 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

4. *Certain idle proceeds used for replenishment of working capital*

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds by the Company” considered and passed at the sixteenth meeting of the fourth session of the Board, the Company agreed to use RMB400 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date on which the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent director and supervisory board of the Company have expressed their consent opinions towards this proposal.

As at 26 March 2018, the Company had returned in full the proceeds of RMB400 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

MANAGEMENT DISCUSSION & ANALYSIS

(II) 2015 Proposed Placing**1. *Return of partial idle proceeds used for replenishment of working capital upon expiry***

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the second meeting of the fourth session of the Board, the Company agreed to use RMB2,650 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date on which the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent directors and supervisory board of the Company have expressed their consent opinions towards this proposal.

As at 25 October 2016, the Company had returned in full the proceeds of RMB2,650 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

2. *Return of partial idle proceeds used for replenishment of working capital upon expiry*

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the fifteenth meeting of the fourth session of the Board, the Company agreed to use not more than RMB1,800 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date on which the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent directors and supervisory board of the Company have expressed their consent opinions towards this proposal.

As at 24 October 2017, the Company had returned in full the proceeds of RMB1,800 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

3. *Certain idle proceeds for replenishment of working capital*

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the twenty-fourth meeting of the fourth session of the Board, the Company agreed to use proceeds of RMB1,500 million as temporary replenishment of working capital, for a term

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not more than 12 months from the date on which the Board considered and approved the use. The sponsor, independent director and supervisory board of the Company have expressed their consent opinions towards this proposal and made an announcement accordingly.

In the announcements, the Company undertook that the use of idle proceeds for replenishment of working capital would not change or essentially change the use of proceeds while temporary replenishment of working capital was only limited to the use in the production and operation related to principal business and would not be used in placing and subscription of new shares or in the transactions such as securities and its derivative form and convertible bonds, through direct or indirect arrangements. It also undertook that in order to ensure the progress of the proceeds-financed projects, the Company would return the proceeds to the designated account for proceeds with the self-financing funds or bank loans by the time when the projects need the proceeds.

Discloseable Transactions During the Reporting Period

Reference is made to (i) the announcements of the Company dated 31 May 2016, 29 June 2016, 6 July 2016 and 4 August 2016 and the circular of the Company dated 29 July 2016 (the “**2016 Circular**”) relating to, among other things, the Equity Restructuring and Asset Restructuring of Jidong Group and Jidong Cement; and (ii) the announcements of the Company dated 28 December 2017, 7 February 2018 and 28 March 2018 (the “**Adjusted Proposal Announcements**”) relating to, among other things, the adjusted proposal (the “**Adjusted Proposal**”). Unless otherwise defined, capitalized terms used in this section shall have the same meanings as defined in the Adjusted Proposal Announcements.

On 11 October 2016, the Company completed the Equity Restructuring. As disclosed in the 2016 Circular, the Asset Restructuring was subject to the approval by the CSRC. Due to change of internal and external circumstances, the approval of the CSRC of the Asset Restructuring is not expected to be obtained. Therefore, on 28 December 2017, the Company and Jidong Cement entered into (i) the Termination Agreement to terminate the Asset Restructuring, pursuant to which the parties agreed to terminate the Share Issuance and Asset Purchase Agreement, the Profit Compensation Agreement and the Original Entrustment Agreement; (ii) the Framework Agreement in relation to the establishment of the JV Company; (iii) the New Entrustment Agreement in relation to the entrustment agreement of the Entrusted Companies; and (iv) the Non-Competition Agreement. In contemplation of the transactions under the Framework Agreement, on 28 December 2017, the Company and the Vendors also entered into the Equity Transfer Agreements, pursuant to which the Company shall purchase, and the Vendors shall sell, an aggregate of 49.0% equity interests in BBMG Mangrove (a subsidiary of the Company), upon completion of which the Company shall hold 100% of the equity interests in BBMG Mangrove. On 7 February 2018,

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further to the Framework Agreement, the Company and Jidong Cement entered into (i) the Joint Venture Agreement in relation to the establishment of the JV Company; (ii) the Performance Compensation Agreement in relation to the performance compensation undertaking provided by the Company to Jidong Cement in respect of the Target Mining Rights and the Target Patents and Software Copyrights; and (iii) the Trademark Licence Agreement. The Joint Venture Agreement, the New Entrustment Agreement, the Non-Competition Agreement, the Performance Compensation Agreement and the Trademark Licence Agreement (collectively, the “**Transaction Agreements**”) will be beneficial to the Company in terms of enhancement of access to capital markets to finance the future growth and expansion of business operations. In addition, there will be more defined business focus between the Company and Jidong Cement and an increase in management focus and efficiency in resource allocation. The entering into of the Transaction Agreements can enhance the Company’s return on investment as the future returns from the Company’s indirect investment in Jidong Cement as a result of the above factors. The Equity Transfer Agreements will allow the Company to acquire the remaining 49% equity interests in BBMG Mangrove, and facilitate the injection of 100% equity interest in BBMG Mangrove to the JV Company.

For details of the Adjusted Proposal and the transactions contemplated thereunder, please refer to the Adjusted Proposal Announcements.

Since the Adjusted Proposal, if materialized, will result in the disposal of the equity interests in the 10 Injected Companies held by the Company and the Entrusted Companies (all of which are subsidiaries of the Company) to Jidong Cement, which is a company listed on the Shenzhen Stock Exchange and a non-wholly owned subsidiary of the Company, the Adjusted Proposal constitutes a spin-off under Practice Note 15 of the Listing Rules. On 28 March 2018, the Hong Kong Stock Exchange has confirmed that the Company may proceed with the Adjusted Proposal. For details of the Adjusted Proposal as confirmed by the Hong Kong Stock Exchange, please refer to the announcement of the Company dated 28 March 2018.

The two ordinary resolutions proposed at the 2018 first extraordinary general meeting (“**2018 First EGM**”) held on 29 March 2018 for considering the Adjusted Proposal were duly passed and approved by the Shareholders. For details of the poll results of the 2018 First EGM, please refer to the announcement of the Company dated 29 March 2018.

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Pledge of Assets

As at 31 December 2017, certain of the Group's inventories, fixed assets, investment properties, land use rights, equity interest and bills receivable amounting to RMB31,053.8 million in aggregate (as at 31 December 2016: RMB24,050 million) were pledged to secure short-term and long-term loans of the Group, which accounted for approximately 13.4% of the total assets of the Group (as at 31 December 2016: 11.5%).

Contingent Liabilities

		As at 31 December 2017	Unit: RMB As at 31 December 2016
Provision of guarantee on mortgage to third parties	Note 1	12,052,621,076.05	11,567,845,119.91
Provision of guarantee on loans and others to third parties	Note 2	4,824,000,000.00	4,644,000,000.00
		16,876,621,076.05	16,211,845,119.91

Note 1: 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 management is 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.

Note 2: In 2017, Jidong Group, a subsidiary of the Group, provided guarantees on the borrowings of RMB2,450,000,000.00 and the borrowings of RMB2,374,000,000.00 for Tangshan Nanhu Eco-City Construction Investment Development Co., Ltd. (唐山市南湖生態城開發建設投資有限責任公司) and Tangshan Construction Investment Co., Ltd. (唐山建設投資有限責任公司), respectively. The guarantees will expire on 21 May 2029 and 20 April 2018, respectively.

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In addition, Jidong Cement, a subsidiary of the Group, collaborated with downstream customers and banks to operate the future delivery rights financing business, pursuant to which, the enterprises (including concrete enterprises and others) will pay a certain proportion of guarantee fund to the bank for the issuance of bank acceptance bills with a term of not more than 6 months as settlement of cost of goods of Jidong Cement. In the event that the enterprises (including concrete enterprises and others) fail to pay up in full the remaining balance of guarantee fund when the bills fall due, the bank has the right to require Jidong Cement to refund the corresponding portion of cost of goods. As at 31 December 2017, the contingent liabilities of the business commitment of Jidong Cement totaled RMB20.4 million.

Commitments

	As at 31 December 2017	Unit: RMB As at 31 December 2016
Contracted but not provided for:		
Capital commitments	240,456,042.76	542,376,549.90
Property development contracts	6,402,057,932.69	11,085,389,938.29
	6,642,513,975.45	11,627,766,488.19

The significant commitments made by the Group as at 31 December 2016 had been duly performed as previously undertaken.

Risk Management

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organisation and the external environment with active management participation and effective internal control procedures, which is in the best interest of the Group and its shareholders.

Significant Events After the Balance Sheet Date

For the significant events after the balance sheet date of the Company, please refer to the "Discloseable Transactions During the Reporting Period" above for the details of the following agreements entered into with Jidong Cement on 7 February 2018: (i) the Joint Venture Agreement in relation to the establishment of the JV Company; (ii) the Performance Compensation Agreement

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in relation to the performance compensation undertaking provided by the Company to Jidong Cement in respect of the Target Mining Rights and the Target Patents and Software Copyrights; and (iii) the Trademark Licence Agreement.

Employees and Remuneration Policy

As at 31 December 2017, the Group had 52,321 employees in total (as at 31 December 2016: 49,721 employees). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB3,273.1 million (for the year ended 31 December 2016: RMB2,208.5 million), representing an increase of approximately 48.2%.

In order to adapt to the needs for the Company's strategic development, the Company motivated the staff to continuously enhance their personal ability and performance, so as to enhance organizational performance and corporate operating results, thereby further achieving synergetic growth of the staff income and economic benefits, and strengthening the core competitiveness and creativity for 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. Given the actual situation of the Company and the varied features of business developments of its subsidiaries, 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:

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, the Company also proactively explored a remuneration distribution system with various allocation factors for management, sales and technical personnel in a bid to boost the enthusiasm

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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 related and consistent 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 front-line employees with exceptional performance will be awarded the honorary title of "Chief Employee" and corresponding subsidies. 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

The Company's training program encompasses theoretical study classes for department heads and cadres in factories, backup team training for talents of three supports (supporting agriculture, education and health), training for grassroots party workers, training for directors, supervisors and senior management members, training for investor relation, training for orientation of college graduates, training for human resource managers, training regarding legal common knowledge, continuing training in internal audit, training in safety production, training in petition business and training for chief employees, covering a total of 13,740 people.

The statistics of the profession composition of the employees (as at 31 December 2017)

Employee profession	Number of employees
Production personnel	27,494
Sales personnel	4,090
Technical personnel	10,961
Financial personnel	1,825
Administrative personnel	6,291
Other personnel	1,660
	<hr/>
Total	52,321

MANAGEMENT DISCUSSION & ANALYSIS

The statistics of the education level of the employees (as at 31 December 2017)

Education level	Number of employees
Postgraduate or higher	909
Undergraduate	12,335
Tertiary college graduate	11,776
Secondary vocational school graduates or lower qualifications	27,301
Total	52,321

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 are denominated in the same currency or a currency that is pegged to the functional currency of the operations to which the transactions are related. 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 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 2017. 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 16 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 349 to 363. 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 2017 and the state of affairs of the Group at that date are set out in the financial statements on pages 142 to 144 and 139 to 141 of this Annual Report.

No interim dividend had been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.48 per 10 shares (totaling approximately RMB512,533,014) for the year ended 31 December 2017 to the shareholders on or before 24 July 2018 subject to the approval of the shareholders of the Company at the forthcoming 2017 annual general meeting ("**2017 AGM**").

As far as the Company is aware, 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.

REPORT OF THE DIRECTORS

Business Review

Details of the Group's business review as specified in Schedule 5 Rules 1 and 2 of the Hong Kong Companies Ordinance (Chapter 622) during the Reporting Period, including (i) the review of the Group's business; (ii) a description of the principal risks and uncertainties facing the Group; (iii) particulars of important events affecting the company that have occurred since the end of the Reporting Period; (iv) an indication of likely future development in the Group's business; (v) an analysis using financial key performance indicators; (vi) a discussion on the Group's environmental policies and performance and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and (vii) an account of the Group's key relationships with its key stakeholders such as employees that have a significant impact on the Group and on which the Group's success depends are set out in the sections headed "Management Discussion & Analysis" on pages 24 to 76 and "Report of the Directors" on pages 77 to 92 of this Annual Report.

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. 14 and V. 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 41.

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 424 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 short-term loans, bills payable, long-term loans and bonds payable as at 31 December 2017 are set out in Notes V. 23, 24, 34 and 35 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB1,404,695,772.42, details of which were set out in Note V. 53 to the financial statements.

Pursuant to the special resolution considered and approved at the annual general meeting of the Company held on 18 May 2016, the Company issued (1) its first tranche of corporate bonds (type one) for 2017 on 19 May 2017, totaling RMB3,500,000,000 with a term of 5 years and a coupon rate of 5.2%, bond holders may exercise their sale back rights on 19 May 2020 and (2) the first tranche of corporate bonds (type two) for 2017 on 19 May 2017, totaling RMB500,000,000 with a term of 7 years and a coupon rate of 5.38%, bond holders may exercise their sale back rights on 19 May 2022.

REPORT OF THE DIRECTORS

Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued (1) the first tranche of corporate bonds (type one) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,250,000,000 with a term of not more than 3 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the second year during the term of the bonds, the bonds bear an annual coupon rate of 5.20% and adopt simple interest for accrual of annual interest, no compound interest will be accrued and (2) the first tranche of corporate bonds (type two) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,750,000,000 with a term of not more than 5 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the third year during the term of the bonds, the bonds bear an annual interest rate of 5.30% and adopt simple interest for accrual of annual interest, no compound interest will be accrued.

Pursuant to the special resolution considered and approved at the annual general meeting of the Company held on 17 May 2017, the Company issued the first tranche of debt financing plan for 2017 on 17 November 2017 for a term of 2+3 years. The interest commencement date was 17 November 2017 and the expiry date will be 17 November 2022. The actual listing amount totaled RMB500,000,000 with a coupon rate of 5.50%. The interests are calculated at fixed rate and allocated based on actual number of days.

Pursuant to the special resolution considered and approved at the annual general meeting of the Company held on 25 May 2015, the Company issued (1) the first tranche of ultra short financing bonds for 2017 on 13 January 2017, totaling RMB3,000,000,000 with a term of 88 days and a coupon rate of 3.9% and (2) the second tranche of ultra short financing bonds for 2017 on 14 March 2017, totaling RMB3,000,000,000 with a term of 245 days and a coupon rate of 4.58%.

Pursuant to the special resolution considered and approved at the annual general meeting of the Company held on 17 May 2017, the Company issued the third tranche of super short term financing bonds for 2017 on 28 September 2017 for a term of 270 days. The interest commencement date was 29 September 2017 and the actual amount issued totaled RMB2,000,000,000 with a coupon rate of 4.90%. As of 31 December 2017, BBMG Finance Co., Ltd., a subsidiary of the Group, held the remaining balance of the bond of RMB30 million, which was deemed as repaid amount.

The proceeds of the corporate bonds, ultra short term financing bonds and super short term financing bonds were used for general working capital, including but not limited to the capital requirements for project investments and capital operations.

REPORT OF THE DIRECTORS

Permitted Indemnity Provision

Pursuant to the Articles of Association of the Company, all Directors, Supervisors, general manager and other senior management members shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, damages and expenses which he/she may sustain or incur from the execution and discharge of his or her duties or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors, Supervisors, general manager and other senior management members of the Company during the Reporting Period.

Environmental Protection Policies

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by conserving natural resources and encouraging recycle of resources. Meanwhile, the Group has conscientiously implemented a series of national and local guidelines and policies on energy conservation and environmental protection, took energy conservation and environmental protection as an important means for transforming development mode, increasing efficiency and fulfilling social responsibilities, and strived to overcome the profound impact resulting from severe and complicated economic situation and national industrial policy adjustment to steadily carry forward energy conservation and environmental protection work.

Relationships with Customers, Suppliers and Employees

Currently, the Company's principal businesses cover four major business segments, namely cement and ready-mixed concrete, modern building materials and commerce and logistics, property development and property investment and management, and its main products involve various offerings, including cement, ready-mixed concrete, furniture and woods, decorative and fitting materials, wall body and insulation materials, refractory materials, affordable housing, commodity housing and investment properties, with diversified customer composition. By adhering to the objective of "customer first", the Company actively arrange its overall sales channels while enhancing its after-sales service quality, so as to establish long-term stable cooperation relationships and promote good win-win relationships with customers, as well as strengthen its position in the industry and market image.

For a long time, the Company persists in the equal consultation, mutual benefit and win-win principle, and always establishes long-term strategic partnership with suppliers with good qualification, reputation and high quality products and services.

REPORT OF THE DIRECTORS

The Company firmly fosters a people-oriented development philosophy. Based on development of harmonious labor relations and protection of employees' legal interests, the Company strives to promote building of a service, innovation, learning-oriented team to condense talented people and realize their value, providing talent assurance for the Company's long-term development.

Compliance with the Relevant Laws and Regulations which have a Significant Impact on the Group

During the Reporting Period, the Group had compliance policies and procedures in place to ensure compliance in all material respects with applicable laws, rules and regulations which have a significant impact on the Group, including the PRC Company Law, the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Rules for the General Meetings of Shareholders of Listed Companies (《上市公司股東大會規則》), and the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》). During the Reporting Period, the Group was committed to ensuring compliance with these laws and regulations through various measures, such as internal controls and risk management, approval procedures and training programs for directors, supervisors and senior management. During the Reporting Period, as far as the Board and management are aware, there was no material breach or non-compliance by the Group with the applicable laws, rules and regulations which have a significant impact on the Group.

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. 41 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. 42, 43, 44, 45, 46, 47 and 48 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 2017, an amount of approximately RMB12,308,722,278.91 standing to the credit of the Company's reserve account is available for distribution, of which approximately RMB512,533,014 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 Deyi (*Chairman*)

Zeng Jin (appointed on 15 August 2017)

Wu Dong

Zheng Baojin (appointed on 15 August 2017)

Zang Feng (resigned on 27 June 2017)

Non-executive Directors:

Guo Yanming (appointed on 27 June 2017)

Yu Zhongfu (appointed on 15 December 2017)

Independent non-executive Directors:

Wang Guangjin

Tian Lihui

Tang Jun

Ngai Wai Fung

Supervisors:

Xu Feng (appointed on 15 August 2017)

Wang Zhicheng (appointed on 15 August 2017)

Yu Kaijun

Hu Juan

Zhuang Zhengguo (appointed on 27 June 2017)

Zhang Guoliang (appointed on 27 June 2017)

Zhang Qicheng (appointed on 27 June 2017)

Zhang Dengfeng (resigned on 27 June 2017)

Zhang Yifeng (resigned on 27 June 2017)

Wang Xin (resigned on 27 June 2017)

REPORT OF THE DIRECTORS

The terms of office of the Directors and Supervisors of the current fourth session of the Board and supervisory board of the Company (“**Supervisory Board**”) commenced from the respective dates of appointment and will expire on the date of the 2017 AGM. Upon the expiry of the term of appointment at the 2017 AGM, the Company will arrange for the proposed appointment of the new session.

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 19 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.

Employee Retirement Plan

Please refer to Notes III. 20 and V. 37 to the financial statements for details of the Group’s employee retirement plan.

REPORT OF THE DIRECTORS

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.

According to the relevant regulations in relation to the remuneration management of the Company and completion of the results of each year, the Company proposes and submits the annual remuneration of the executive Directors for the consideration and approval at the annual general meeting of that year.

The remuneration of the non-independent directors will be determined by the shareholders of the Company at 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 independent directors will be determined by the shareholders of the Company at the general meetings held for approving their appointment based on the corporate policy on directors' remuneration as well as his workload and responsibilities, of which the independent directors will receive RMB150,000 per year (before tax).

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 (before tax); and (iii) supervisors elected democratically by the staff and workers of the Company will not receive any separate remuneration.

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.

REPORT OF THE DIRECTORS

Interests and Short Positions of Directors, Supervisors and Chief Executive Officer in Shares And Underlying Shares

As at 31 December 2017, the interests or short positions of the Directors, supervisors or chief executive officer of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register of interests required to be kept under section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

Name of director	Capacity	Number of A Shares held	Number of H Shares held	Percentage of
				the issued share capital of the Company
Jiang Deyi	Beneficial owner	63,000	–	0.00%
Wu Dong	Beneficial owner	60,000	–	0.00%

All the shareholding interests listed in the above table are “long” position.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the model code for securities transactions by the Directors, supervisors and relevant employees on terms no less exacting than the required standards set out in the Model Code. Relevant employees who are likely to be in possession of unpublished inside information of the Company in relation to the purchase and sale of the securities of the Company are also required to comply with the Model Code.

As at 31 December 2017, the Directors were not aware of any issues of the Directors, supervisors and relevant employees not in compliance with the Model Code during the Reporting Period. Specific enquiry has been made to all Directors and supervisors, who have confirmed that they had complied with the Model Code during the Reporting Period.

REPORT OF THE DIRECTORS

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 RMB8,155,715.50 (for the year ended 31 December 2016: RMB533,347.02).

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.

REPORT OF THE DIRECTORS

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.

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.

REPORT OF THE DIRECTORS

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 2017, 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 2017, 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 Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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	北京國有資本經營管理中心 (Beijing SCOM Center) (Note 1)	Direct beneficial owner	4,797,357,572	57.53	44.93
	北京京國發股權投資基金 (有限合夥) (Beijing Jinguofa Equity Investment Fund (Limited Partnership)) (Note 2)	Interest of corporation controlled by the substantial shareholder	105,749,102	1.27	0.99
	State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1)	Held by controlled corporation	4,903,106,674	58.80	45.92
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	168,580,960	7.21	2.02
H Shares	Platinum Investment Management Limited	Trustee	98,416,084	4.21	1.18
		Investment manager	18,566,716	0.79	0.22
		Total:	116,982,800	5.00	1.40

Note 1: The Beijing SCOM Center is a collectively-owned enterprise established under the laws of the PRC with registered capital fully paid up by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Note 2: The Beijing SCOM Center is interested in 105,749,102 A Shares through its 57.77% direct equity interest in 北京京國發股權投資基金(有限合夥) (Beijing Jinguofa Equity Investment Fund (Limited Partnership)).

REPORT OF THE DIRECTORS

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.	Interest of corporation controlled by the substantial shareholder	214,000	0.01	0.00

Save as disclosed above, as at 31 December 2017, 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 of interests 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.

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 and Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the Group had no discloseable connected transaction or continuing connected transaction during the Reporting Period within the meaning of the Listing Rules which are required to be disclosed in the annual report of the Company.

REPORT OF THE DIRECTORS

Change of the Chinese Name and Chinese Stock Short Name of the Company

As the gratuitous transfer (the “**Gratuitous Transfer**”) of state-owned A shares of the Company from BBMG Group Company Limited (being the original controlling shareholder) to Beijing Stated-Owned Capital Operation and Management Center (北京國有資本經營管理中心) (“**Beijing SCOM Center**”) was completed on 29 December 2016, Beijing SCOM Center has become the controlling shareholder of the Company through the Gratuitous Transfer. Hence, in accordance with the requirements to deepen the comprehensive reformation of state-owned assets and state-owned enterprises and to promote the realization of the overall development strategic objective and extend the social brand awareness of “BBMG Group”, in order to streamline the management structural mechanism for the Company and BBMG Group Company Limited and enhance the operational efficiency and economic momentum of the Company, in accordance to the requirements of the relevant laws, administrative regulations and listing rules of the listing markets of the Company, the Company changed its Chinese name from “北京金隅股份有限公司” to “北京金隅集團股份有限公司” according to the proposal of Beijing SCOM Center, the controlling shareholder of the Company, and based on the Company’s strategic positioning for future development with an emphasis on its core competitive advantages. The Board considers that the proposed change of the Chinese name of the Company is in the interests of the Company and the shareholders of the Company (the “**Shareholders**”) as a whole. Meanwhile, in order to align with the change of the Chinese name of the Company, the Company has proposed to change the Company’s Chinese stock short name from “金隅股份” to “金隅集團” upon completion of the change of the Company’s Chinese name. The ordinary resolution in relation to the proposed change of the Company’s Chinese name and Chinese stock short name was passed at the 2017 second extraordinary general meeting (the “**2017 Second EGM**”) held on 15 December 2017. The Company has received the new business license of the Company issued by the Beijing Administration for Industry and Commerce on 19 December 2017. The change of the Company’s Chinese name has become effective from 19 December 2017. On 9 January 2018, the Company received from the Companies Registry of Hong Kong the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company reflecting the change of Chinese name of the Company. The change of the Company’s Chinese stock short name took effect on 19 January 2018. For details of the change of the Company’s Chinese name and Chinese stock short name, please refer to the announcements of the Company dated 27 October 2017, 15 December 2017, 22 December 2017 and 15 January 2018 and the circular of the Company dated 30 October 2017.

REPORT OF THE DIRECTORS

Independent Auditor

The consolidated financial statements for the year ended 31 December 2017 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 2017 AGM.

On behalf of the Board

Jiang Deyi

Chairman

Beijing, the PRC

29 March 2018

REPORT OF THE SUPERVISORY BOARD

In 2017, 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 2017.

1. Meetings of the Supervisory Board in 2017

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

(I) The ninth meeting of the fourth session of the Supervisory Board

The ninth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 29 March 2017. All five 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 2016
2. The resolution for considering the audited accounts of the Company for 2016
3. The resolution for considering the preliminary profit distribution of the Company for 2016
4. The resolution for considering the corporate social responsibility report of the Company for 2016
5. The resolution for considering the "Special Report on the Deposit and the Actual Use of Proceeds" of the Company
6. The resolution for considering the temporary supplement of working capital by certain idle proceeds by the Company
7. The resolution for considering the work report of the Supervisory Board for 2016

REPORT OF THE SUPERVISORY BOARD

(II) The tenth meeting of the fourth session of the Supervisory Board

The tenth meeting of the fourth session of the Supervisory Board was convened by way of communication voting on 26 April 2017 to consider and approve the resolution for considering the first quarterly report of the Company for 2017.

(III) The eleventh meeting of the fourth session of the Supervisory Board

The eleventh meeting of the fourth session of the Supervisory Board was convened by way of communication voting on 26 April 2017. The resolution on the adjustments to the project of "BBMG International Logistics Park" under the fund-raising project of the 2014 non-public issuance of A Shares was considered and approved at the meeting.

(IV) The twelfth meeting of the fourth session of the Supervisory Board

The twelfth meeting of the fourth session of the Supervisory Board was convened by way of communication voting on 28 June 2017. The resolution regarding the nomination of Supervisor candidates of the Company was considered and approved at the meeting.

(V) The thirteenth meeting of the fourth session of the Supervisory Board

The thirteenth meeting of the fourth session of the Supervisory Board was convened onsite in Beijing on 15 August 2017. All seven eligible Supervisors attended the meeting. The resolution regarding the election of the chairman of the Supervisory Board was considered and approved at the meeting.

REPORT OF THE SUPERVISORY BOARD

(VI) The fourteenth meeting of the fourth session of the Supervisory Board

The fourteenth meeting of the fourth session of the Supervisory Board was convened by way of communication voting on 29 August 2017. The following resolutions was considered and approved at the meeting:

1. The resolution for considering the interim report, summary and the interim results announcement of the Company for 2017
2. The resolution for considering the “Interim Special Report on the Deposit and the Actual Use of Proceeds for 2017” of the Company
3. The resolution for considering the changes to accounting policies

(VII) The fifteenth meeting of the fourth session of the Supervisory Board

The fifteenth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 27 October 2017. All seven 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 2017
2. The resolution for considering the temporary supplement of working capital by certain idle proceeds

(VIII) The sixteenth meeting of the fourth session of the Supervisory Board

The sixteenth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 28 October 2017. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution regarding the matters in relation to the injection of the relevant assets of the cement and other businesses of the Company into Tangshan Jidong Cement Co., Ltd.
2. The resolution for entering into the agreement in relation to the equity transfer arrangement of Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.
3. The resolution regarding the ordinary connected transactions of the Company

REPORT OF THE SUPERVISORY BOARD

2. Attendance of Members of the Supervisory Board at General Meetings and their In-attendance at Board Meetings in 2017

During the Reporting Period, members of the Supervisory Board attended three shareholders' general meetings of the Company, and were in attendance at ten 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 2017

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 2017. 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 2016, Preliminary Profit Distribution Plan for 2016, the financial accounting reports included in the regular reports (定期報告) in 2016 and the first quarterly report, interim report and third quarterly report for 2017, 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 2017, 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 operating condition of the Company during each of the Reporting Period in 2016 and 2017. 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.

REPORT OF THE SUPERVISORY BOARD

(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.

(VI) Opinion on corporate social responsibility report

During the Reporting Period, the Supervisory Board reviewed the Company's corporate social responsibility report for 2016, 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 2018

In 2018, the Supervisory Board will continue to discharge its duties diligently in 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 2018, 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.

REPORT OF THE SUPERVISORY BOARD

(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.

(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.**

Xu Feng

Supervisory Board

Beijing, the PRC

29 March 2018

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, Zheng Baojin and the director of the Board Office, Zhang Jian Feng are 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 teleconference, investors' presentations and press conferences for the quarterly, interim and annual results announcements to 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.

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.bbm.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.

INVESTOR RELATIONS REPORT

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 Information

1 Share Particulars

H Shares

Listing date	29 July 2009
Board lot	1,000 shares
Number of issued H shares	2,338,764,870 shares (as at 31 December 2017 and 29 March 2018)
Stock code	02009.HK

A Shares

Listing date	1 March 2011
Board lot	100 shares
Number of issued A shares	8,339,006,264 shares (as at 31 December 2017 and 29 March 2018)
Stock code	601992.SH

INVESTOR RELATIONS REPORT

2	Financial Calendar	
	2016 annual results announcement	published on 29 March 2017
	2017 first quarterly results announcement	published on 26 April 2017
	2017 interim results announcement	published on 29 August 2017
	2017 third quarterly results announcement	published on 27 October 2017
	2017 annual results announcement	published on 29 March 2018
	Closure of register of H shares members for attending the 2016 AGM	from 18 April 2017 to 17 May 2017
	2016 AGM	17 May 2017
	Closure of register of H shares members for attending the 2017 AGM	from 25 April 2018 to 24 May 2018
	2017 AGM	24 May 2018
	Financial year end	31 December
3	Dividends	
	2016 final dividend	RMB0.46 per 10 shares
	Closure of register of H shares members for 2016 final dividend	from 26 May 2017 to 31 May 2017
	2016 H shares final dividend payment date	17 July 2017
	Proposed 2017 final dividend	RMB0.48 per 10 shares
	Closure of register of H shares members for 2017 final dividend	from 2 June 2018 to 7 June 2018
	2017 H shares final dividend payment date	24 July 2018

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

CORPORATE GOVERNANCE REPORT





CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2017.

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 operates 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 had 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 Reporting Period as its own code on corporate governance practices. During the Reporting Period, the Company had reviewed its corporate governance documents and was of the view that the Company had fully complied with the code provisions of the CG Code.

CORPORATE GOVERNANCE REPORT

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 for General Manager (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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

According to the Working Guidelines for General Manager (總經理工作細則), all routine operations are delegated to the general manager 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 four executive Directors, two non-executive Directors and four independent non-executive Directors:

Executive Directors:

Jiang Deyi	Chairman of the Board and Chairman of the Strategic Committee
Zeng Jin	Member of the Strategic Committee
Wu Dong	Member of the Remuneration and Nomination Committee
Zheng Baojin	Member of the Strategic Committee

Non-executive Directors:

Guo Yanming	Member of the Audit Committee
Yu Zhongfu	Member of the Audit Committee

Independent non-executive Directors:

Wang Guangjin	Chairman of the Remuneration and Nomination Committee and members of the Audit Committee and Strategic Committee
Tian Lihui	Chairman of the Audit Committee and members of the Remuneration and Nomination Committee and Strategic Committee
Tang Jun	Members of the Remuneration and Nomination Committee, Audit Committee and Strategic Committee
Ngai Wai Fung	Members of the Remuneration and Nomination Committee, Audit Committee and Strategic Committee

The Board received a resignation letter from Mr. Zang Feng (who was elected democratically by the staff and workers of the Company as the executive Director) because he has reached the age of retirement on 27 June 2017 in respect of his duty as the executive Director of the Company and the member of the Remuneration and Nomination Committee with effect from 27 June 2017. Upon the resignation of Mr. Zang Feng, Mr. Guo Yanming was elected democratically by the staff and workers of the Company as the non-executive Director of the Company with effect from 27 June 2017 as Mr. Guo Yanming has fulfilled the relevant requirements and his appointment as the non-executive Director of the Company is not subject to election at a general meeting. Mr. Guo Yanming was also appointed as the member of the Audit Committee of the Company on 15 August 2017. The term of appointment of Mr. Guo Yanming as the non-executive Director will be for a period commencing from the date of his appointment and expiring on the date of the annual general meeting of the Company for the year of 2017.

CORPORATE GOVERNANCE REPORT

At the 2017 first extraordinary general meeting (the “**2017 First EGM**”) held on 15 August 2017, the resolution in relation to the appointment of Mr. Zeng Jin and Mr. Zheng Baojin as the executive Directors has been approved. Mr. Zeng Jin and Mr. Zheng Baojin were also appointed as the members of the Strategic Committee of the Company on 15 August 2017. The term of appointment of Mr. Zeng Jin and Mr. Zheng Baojin as the executive Directors will be for a period commencing from the 2017 First Extraordinary General Meeting and expiring on the date of the annual general meeting of the Company for the year of 2017.

At the 2017 Second Extraordinary General Meeting, the resolution in relation to the appointment of Mr. Yu Zhongfu as the non-executive Director has been approved. Mr. Yu Zhongfu was also appointed as the member of the Audit Committee of the Company on 28 December 2017. The term of appointment of Mr. Yu Zhongfu as the non-executive Director will be for a period commencing from the 2017 Second Extraordinary General Meeting and expiring on the date of the annual general meeting of the Company for the year of 2017.

The biographical details of each Director are disclosed on pages 8 to 13 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.

The independent non-executive directors of the Company possess wide professional expertise and experience, and can fully perform their important functions of supervision and to protect and balance 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.

CORPORATE GOVERNANCE REPORT

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 independent non-executive Directors advise the Company on strategic and significant matters. The Board considers that each independent 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 independent non-executive Directors so as to improve the quality of the decisions made by the Board without constraining the independent views of the independent non-executive Directors. Regular Board meetings were held during the year with open discussion between the executive Directors and the independent 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.

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.

CORPORATE GOVERNANCE REPORT

The Chairman and the Chief Executive Officer

For the year ended 31 December 2017, the Company has reviewed its corporate governance documents and is of the view that the Company had fully complied with the code provisions of the CG Code set out in the Appendix 14 to the Listing Rules.

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.

The General Manager, who also act as the chief executive officer of the Company, 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.

Terms of Office of Directors, Supervisors and Senior Management

The terms of office of the Directors and Supervisors of the current fourth session of the Board and Supervisory Board of the Company commenced from the respective dates of appointment and will expire on the date of the 2017 AGM. Upon the expiry of the terms of appointment at the 2017 AGM, the Company will arrange for the proposed appointment of the new session of the Board and the Supervisory Board.

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 Buy-backs, Companies Ordinance, Securities and Futures Ordinance

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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 2016 AGM, the 2017 First EGM and the 2017 Second EGM. The number of meetings and attendance details of each Director during the Reporting Period are set out in the table below:

Name of Directors	Number of attendance/ Number of meetings entitled to attend			
	Board meetings	2016 AGM	2017 First EGM	2017 Second EGM
<i>Executive Directors</i>				
Jiang Deyi (Chairman)	10/10	1/1	1/1	1/1
Zeng Jin (appointed on 15 August 2017)	5/5	0/0	0/0	1/1
Wu Dong	10/10	1/1	1/1	1/1
Zheng Baojin (appointed on 15 August 2017)	5/5	0/0	0/0	1/1
Zang Feng (resigned on 27 June 2017)	3/3	1/1	0/0	0/0
<i>Non-executive Directors</i>				
Guo Yanming (appointed on 27 June 2017)	5/5	0/0	1/1	1/1
Yu Zhongfu (appointed on 15 December 2017)	1/1	0/0	0/0	0/0
<i>Independent non-executive Directors</i>				
Wang Guangjin	10/10	1/1	1/1	1/1
Tian Lihui	10/10	1/1	1/1	1/1
Tang Jun	10/10	1/1	1/1	1/1
Ngai Wai Fung	10/10	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

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.

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 enroll 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.

CORPORATE GOVERNANCE REPORT

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:

Name of Directors	Types of training
<i>Executive Directors</i>	
Jiang Deyi (<i>Chairman</i>)	A + B + C
Zeng Jin (appointed on 15 August 2017)	A + B + C
Wu Dong	A + B + C
Zheng Baojin (appointed on 15 August 2017)	A + B + C
Zang Feng (resigned on 27 June 2017)	A + C
<i>Non-executive Directors</i>	
Guo Yanming (appointed on 27 June 2017)	A + C
Yu Zhongfu (appointed on 15 December 2017)	A + C
<i>Independent non-executive Directors</i>	
Wang Guangjin	A + B + C
Tian Lihui	A + B + C
Tang Jun	A + B + C
Ngai Wai Fung	A + B + C

- 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.

CORPORATE GOVERNANCE REPORT

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 2017, the Audit Committee comprised of four independent non-executive Directors, namely Tian Lihui (Chairman), Wang Guangjin, Tang Jun and Ngai Wai Fung and two non-executive Directors, namely Guo Yanming and Yu Zhongfu.

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;

CORPORATE GOVERNANCE REPORT

- To review and monitor the effectiveness of the internal audit and risk management 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 and continuing 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.

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Independent non-executive Directors</i>	
Tian Lihui (Chairman of the Audit Committee)	5/5
Wang Guangjin	5/5
Tang Jun	5/5
Ngai Wai Fung	5/5
<i>Non-executive Directors</i>	
Guo Yanming (appointed on 27 June 2017)	2/2
Yu Zhongfu (appointed on 15 December 2017)	0/0

CORPORATE GOVERNANCE REPORT

The major 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 2016;
- the proposed appointment of Ernst & Young Hua Ming LLP as the Company's independent auditor for the year ended 31 December 2017;
- review of the 2017 interim report and interim results announcement;
- review of the 2017 first quarter and third quarter results reports;
- review of the internal control and risk management function 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 2017; and
- review of the connected transactions and continuing connected transactions of the Group.

This Annual Report and the annual results announcement of the Company for the Reporting Period have been reviewed by the Audit Committee during the meeting convened on 28 March 2018.

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

CORPORATE GOVERNANCE REPORT

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 2017, the Remuneration and Nomination Committee consisted of five members, one of whom is executive Director, namely Wu Dong, together with four independent non-executive Directors, namely, Wang Guangjin (serving as chairman of the committee), Tian Lihui, Tang Jun and Ngai Wai Fung.

During the Reporting Period, the Remuneration and Nomination Committee convened four meetings. Key resolutions considered and approved at the meetings 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 2016 performance-based remuneration plan for the Company's senior management and 2016 remuneration plan;
- c. The consideration and review on (i) the proposed appointment of senior management and (ii) the composition of the Remuneration and Nomination Committee and Strategic Committee; and
- d. Reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Executive Directors</i>	
Wu Dong	4/4
Zang Feng (resigned on 27 June 2017)	1/1
<i>Independent non-executive Directors</i>	
Wang Guangjin (Chairman of the Remuneration and Nomination Committee)	4/4
Tian Lihui	4/4
Tang Jun	4/4
Ngai Wai Fung	4/4

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 16 to 19 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 2017, the Strategic Committee consisted of seven members, three of whom are executive Directors, namely Jiang Deyi, Zeng Jin and Zheng Baojin with Jiang Deyi serving as the Chairman, together with four independent non-executive Directors, namely, Wang Guangjin, Tian Lihui, Tang Jun and Ngai Wai Fung.

During the Reporting Period, the Strategic Committee convened one meeting on 28 March 2017 with an attendance rate of 100% (except for Zeng Jin and Zheng Baojin who were appointed on 15 August 2017) to review the investment and financing proposals of the Company for 2017.

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 and risk management function for the year ended 31 December 2017.

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 2017, 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 132 to 138 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 2017, none of the Directors, the Supervisors and the specific employees who may have possession of certain inside information that had not been disclosed in accordance with the requirements of 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 General Manager, the Deputy General Manager, the Chief Financial Officer, the Board Secretary and the Company Secretary as the members of the senior management.

For the year ended 31 December 2017, remuneration paid to the members of the senior management other than the Executive Directors was as follows:

	2017 RMB	2016 RMB
Total remuneration	7,872,596	5,576,376

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

	2017	2016
RMB0-1,000,000	11	11
RMB1,000,001-1,500,000	2	1
	13	12

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.

CORPORATE GOVERNANCE REPORT

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 had 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.

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 2017 pursuant to the requirements of fundamental standards, evaluation guidelines and other relevant laws and regulations on an annual basis.

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.

CORPORATE GOVERNANCE REPORT

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.

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 2017 is summarised as follows:

Ernst & Young Hua Ming LLP	RMB
Annual results auditing services	4,710,000
Review of 2017 interim results	2,900,000
Other non-annual audit or review services	—
Total	7,610,000

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 business days prior to 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 their election 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.

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

CORPORATE GOVERNANCE REPORT

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

As the Gratuitous Transfer was completed on 29 December 2016, Beijing SCOM Center has become the controlling shareholder of the Company through the Gratuitous Transfer. In order to further maintain the accuracy and timeliness of the articles of association of the Company (the "**Articles of Association**"), the Board announced that it is necessary to make amendments to the Articles of Association in accordance with the relevant laws, administrative regulations and listing rules at the locality where the Company is listed and with reference to the actual circumstances. The proposed amendments to the Articles of Association have been approved as a special resolution by the Shareholders at the 2017 Second EGM and took effect on 15 January 2018. Please refer to the announcements of the Company dated 27 October 2017 and 15 December 2017 and the circular of the Company dated 30 October 2017 for details of the amendments to the Articles of Association.

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 Deyi

Chairman

Beijing, the PRC

29 March 2018

AUDITORS' REPORT



Auditors' Report



Ernst & Young Hua Ming (2018) Shen Zi No. 60667053_A01

To the shareholders of BBMG Corporation:

I. Audit opinion

We have audited the financial statements of BBMG Corporation, which comprise the consolidated and company balance sheets as at 31 December 2017, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for 2017 and the relevant notes to the financial statements.

In our opinion, the accompanying financial statements of BBMG Corporation present fairly, in all material aspects, the consolidated and company's financial position of BBMG Corporation as at 31 December 2017 and the consolidated and company's operating results and cash flows for 2017 in accordance with the Accounting Standards for Business Enterprises.

II. Basis for audit opinion

We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Our responsibilities under those standards are further described in the section "**Certified Public Accountants' responsibilities for the audit of the financial statements**" under the auditors' report. Pursuant to the Code of Ethics for Chinese Certified Public Accountants, we are independent of BBMG Corporation and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the section "**Certified Public Accountants' responsibilities for the audit of the financial statements**" under the report, including those in relation to these key audit matters. Accordingly, our audit included the performance of audit procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the key audit matters below, provide the basis for our audit opinion on the financial statements as a whole.

Auditors' Report (continued)

III. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p>Fair value of investment properties</p> <p>As at 31 December 2017, the carrying value of the investment properties in the consolidated and the Company's financial statements amounted to RMB15.44 billion (2016: RMB14.977 billion) and RMB10.165 billion (2016: RMB9.896 billion). The investment properties were subsequently measured using fair value model.</p> <p>The management of BBMG Corporation (hereinafter referred to as the "Management") engages an independent third-party valuer with relevant qualifications to perform the valuation of the fair value of investment properties once a year. Income method was adopted in the valuation with reference to the prices in the open market. The valuation of the fair value of investment properties involves a range of estimates and assumptions, such as the analysis of the economic environment and future trend of the regions where the investment properties are located, estimated rentals, occupancy rates and discount rates. The changes in estimates and assumptions would cause material impacts on the fair value of the investment properties valued.</p> <p>Please refer to Note III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES 13. Investment properties, 30. Fair value measurement and 31. Significant accounting judgments and estimates, Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 13. Investment properties and 55. Gains from changes in fair value, 13 and 55 and Note IX. DISCLOSURE OF FAIR VALUE and Note XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS 3. Investment properties for disclosures on the matter in the financial statements.</p>	<p>Our audit procedures mainly included assessment of the objectivity, independence and competence of the independent third-party valuer engaged by the Management. We selected material or typical samples to review and assess the valuation method, assumptions as well as the reasonableness of key valuation inputs selected, for example, lease term, current average rentals, anticipated rentals in the future, occupancy rates, lease area and discount rates, with the support from our internal valuation specialists. We further reviewed the presentation and disclosures on the valuation of the fair value of investment properties in the financial statements.</p>

Auditors' Report (continued)

III. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p>Impairment of goodwill</p> <p>As at 31 December 2017, the carrying value of goodwill in the consolidated financial statements amounted to RMB2.74 billion (2016: RMB2.749 billion, among which, the impairment provision made for goodwill amounted to RMB62.65 million (2016: RMB53.16 million).</p> <p>Goodwill is tested for impairment at least annually by the Management and the carrying value of goodwill is adjusted according to the result of the impairment test, which depends, to a large extent, on the estimates made and the assumptions adopted by the Management, for example, the estimates of future cash flow expected to be generated from asset group and discount rates. Those estimates are affected by the judgment made by the Management on the future market and economic environment. The adoption of different estimates and assumptions would cause material impact on the recoverable amount of the goodwill valued.</p> <p>Please refer to Note III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES 18. Impairment of assets and 31. Significant accounting judgments and estimates and Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 18. Goodwill for disclosures on the matter in the financial statements.</p>	<p>Our audit procedures mainly included review on the Management's determination of asset groups and allocation of goodwill. We obtained an understanding of the historical performance and development planning of each asset group as well as the development trend of the macroeconomy and the industry the asset groups belong to. We evaluated the assumptions and methods adopted by the Management in estimate of the recoverable amounts of asset groups. We assessed the reasonableness of the estimated cash flow and the discount rates adopted, including estimated production volumes, future sales prices, growth rates, estimated gross profit margin and relevant expenses of the asset groups, and compared them with the historical data and the industry benchmark for analysis. We involved our internal valuation specialists to review and assess the valuation methods selected and the key assumptions adopted by the Management, including the discount rates and perpetual growth rates, etc. We further reviewed the disclosures in relation to the impairment of goodwill in the financial statements.</p>

Auditors' Report (continued)

IV. Other information

The Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report.

Our audit opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the work we have performed, if we are certain that the other information is materially misstated, we should report the facts. In this regard, we have nothing to report.

V. Responsibilities of the Management and those charged with governance for the financial statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, performance and maintenance of such internal control as the Management determines necessary to enable the financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing BBMG Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to continuing as a going concern and using the assumptions of continuing as a going concern unless it is intended to either commence liquidation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BBMG Corporation's financial reporting process.

Auditors' Report (continued)

VI. Certified Public Accountants' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are usually considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also perform the following tasks:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the assumptions of continuing as a going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BBMG Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw attention of users of the financial statements in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information obtained up to the date of our auditors' report. However, future events or conditions may cause BBMG Corporation to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' Report (continued)

VI. Certified Public Accountants' responsibilities for the audit of the financial statements *(continued)*

- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within BBMG Corporation to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance the matters regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about these matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: **Ma Yue (Engagement Partner)**

Chinese Certified Public Accountant: **Liu Taiping**

Beijing, the PRC

29 March 2018

Audited Consolidated Balance Sheet

As at 31 December 2017

RMB	Note V	31 December 2017	31 December 2016
Assets			
Current assets			
Cash and bank balances	1	17,903,847,144.72	28,010,211,147.53
Financial assets at fair value through profit or loss	2	46,226,108.99	615,807,328.90
Bills receivable	3	8,181,663,835.79	3,857,028,994.07
Accounts receivable	4	7,686,182,058.93	8,889,912,604.49
Prepayments	5	1,792,354,290.47	4,968,682,354.70
Interests receivable	6	1,284,128.69	11,652,789.72
Dividends receivable		10,071,936.52	3,071,700.00
Other receivables	7	5,879,068,734.08	6,129,310,409.74
Inventories	8	98,649,716,753.63	64,111,234,886.21
Other current assets	9	3,438,847,412.19	2,881,813,184.06
Total current assets		143,589,262,404.01	119,478,725,399.42
Non-current assets			
Available-for-sale financial assets	10	2,897,887,864.39	2,498,348,403.92
Long-term receivables	11	485,377,872.64	207,709,788.90
Long-term equity investments	12	2,174,939,257.51	2,233,650,974.77
Investment properties	13	15,440,453,467.02	14,976,628,345.79
Fixed assets	14	45,895,321,483.24	45,773,283,593.75
Construction in progress	15	2,871,490,458.74	3,963,622,127.52
Construction materials	16	109,571,966.37	313,968,043.93
Intangible assets	17	10,857,085,997.78	11,350,165,626.93
Goodwill	18	2,740,287,649.80	2,749,770,521.44
Long-term deferred expenditures	19	1,134,362,027.11	960,198,551.90
Deferred income tax assets	20	2,952,009,690.68	2,695,681,312.01
Other non-current assets	21	1,059,431,952.41	1,195,364,185.45
Total non-current assets		88,618,219,687.69	88,918,391,476.31
Total assets		232,207,482,091.70	208,397,116,875.73

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet (continued)

As at 31 December 2017

RMB	Note V	31 December 2017	31 December 2016
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	23	34,375,200,000.00	32,027,734,141.83
Bills payable	24	1,457,987,393.20	2,313,321,400.81
Accounts payable	25	15,747,091,122.08	12,311,643,681.22
Receipts in advance	26	27,340,492,780.84	23,462,497,764.75
Wages payable	27	365,587,130.76	400,092,413.18
Tax payable	28	1,769,260,167.61	1,829,789,141.33
Interests payable	29	858,108,769.82	799,032,866.63
Dividends payable	30	190,801,504.66	202,581,371.25
Other payables	31	8,026,337,535.37	5,980,694,327.60
Non-current liabilities due within one year	32	11,491,439,775.59	6,897,420,505.71
Short-term financing bonds	35	2,769,698,081.12	3,000,000,000.00
Other current liabilities	33	6,042,357,010.03	5,739,382,129.82
Total current liabilities		110,434,361,271.08	94,964,189,744.13
Non-current liabilities			
Long-term loans	34	25,671,030,000.00	18,087,685,000.00
Bonds payable	35	18,154,840,828.51	21,279,396,543.45
Long-term payables	36	920,769,354.18	3,740,891,436.82
Long-term wages payable	37	654,032,290.50	722,768,832.46
Accrued liabilities	38	464,935,400.17	371,279,348.97
Deferred income tax liabilities	20	4,473,726,257.58	4,800,870,600.03
Deferred income	39	855,519,940.14	860,067,751.75
Other non-current liabilities	40	660,456,831.52	660,456,831.52
Total non-current liabilities		51,855,310,902.60	50,523,416,345.00
Total liabilities		162,289,672,173.68	145,487,606,089.13

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet (continued)

As at 31 December 2017

RMB	Note V	31 December 2017	31 December 2016
Shareholders' equity			
Share capital	41	10,677,771,134.00	10,677,771,134.00
Other equity instruments	42	9,972,000,000.00	4,982,000,000.00
Capital reserve	43	5,820,202,037.98	5,865,195,783.46
Other comprehensive income	44	254,210,159.32	231,839,701.65
Specific reserve	45	12,989,928.59	8,655,529.41
Surplus reserve	46	1,368,019,010.35	1,276,866,688.51
General risk reserve	47	299,478,851.25	178,039,195.99
Retained earnings	48	22,758,176,658.95	20,980,120,619.08
Equity attributable to the shareholders of the parent company		51,162,847,780.44	44,200,488,652.10
Minority interests		18,754,962,137.58	18,709,022,134.50
Total shareholders' equity		69,917,809,918.02	62,909,510,786.60
Total liabilities and shareholders' equity		232,207,482,091.70	208,397,116,875.73

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement

For the year ended 31 December 2017

RMB	Note V	2017	2016
Operating revenue	49	63,678,330,931.54	47,738,772,726.96
Less: Operating costs	49	47,635,012,016.74	36,542,047,502.53
Tax and surcharges	50	1,840,188,001.03	1,570,844,106.31
Selling expenses	51	2,607,289,133.93	1,854,235,365.55
Administrative expenses	52	6,225,624,061.98	3,807,863,279.50
Finance costs	53	2,675,587,642.88	1,603,501,301.02
Asset impairment losses	54	535,024,339.55	414,983,653.40
Add: Gains from changes in fair value	55	721,380,105.57	592,679,140.75
Investment gains	56	336,837,296.54	641,527,977.78
Including: Share of investment gains of associates and joint ventures		188,732,130.32	108,900,509.77
Gains on disposal of assets	57	65,845,881.95	88,683,394.98
Other gains	58	689,837,617.01	–
Operating profit		3,973,506,636.50	3,268,188,032.16
Add: Non-operating revenue	59	500,608,948.73	788,149,012.48
Less: Non-operating expenses	60	416,971,876.24	379,805,571.12
Total profit		4,057,143,708.99	3,676,531,473.52
Less: Income tax expenses	62	1,106,794,986.53	986,183,712.30
Net profit		2,950,348,722.46	2,690,347,761.22
Classified by operating continuity			
Net profit from continuing operations		2,950,348,722.46	2,690,347,761.22
Net profit from discontinued operations		–	–
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		2,836,664,933.59	2,686,653,868.20
Minority interests		113,683,788.87	3,693,893.02

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement (continued)

For the year ended 31 December 2017

RMB	Note V	2017	2016
Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to shareholders of the parent company	44		
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		41,897,925.00	23,664,304.00
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting periods			
Exchange differences on translation of financial statements prepared in foreign currency		(9,930,872.94)	7,393,864.80
Changes in fair value of available-for-sale financial assets		(2,550,691.68)	5,906,864.93
Share of investee's other comprehensive income to be reclassified into profit or loss under the equity method		3,148,459.03	(20,888.22)
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from the disposal of self-occupied properties or inventories and measured with the fair value model		(10,194,361.74)	(11,151,793.59)
Net other comprehensive income after deducting impact of income tax		22,370,457.67	25,792,351.92
Net other comprehensive income after tax attributable to minority shareholders	44	1,322,633.85	39,712,599.72
Total comprehensive income		2,974,041,813.98	2,755,852,712.86

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement (continued)

For the year ended 31 December 2017

RMB	Note V	2017	2016
Including:			
Total comprehensive income attributable to shareholders of the parent company		2,859,035,391.26	2,712,446,220.12
Total comprehensive income attributable to minority shareholders		115,006,422.72	43,406,492.74
Earnings per share	63		
Basic earnings per share (RMB/share)		0.27	0.25
Diluted earnings per share (RMB/share)		0.27	0.25

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Equity attributable to shareholders of the parent company								Total equity	
	Share capital	Other equity instruments including Perpetual bonds	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal		Minority interests
I. Balance at the beginning of the year	10,677,771,134.00	4,982,000,000.00	5,865,195,783.46	231,839,701.65	8,655,529.41	1,276,866,688.51	178,039,195.99	44,200,488,652.10	18,709,022,134.50	62,909,510,786.60
II. Movements during the year	-	-	-	2,237,045.67	-	-	2,836,664,933.59	2,839,035,391.26	115,066,422.72	2,974,041,813.98
(1) Total comprehensive income	-	-	-	2,237,045.67	-	-	2,836,664,933.59	2,839,035,391.26	115,066,422.72	2,974,041,813.98
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	104,125,000.00	104,125,000.00
2. Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	(2,127,922.87)	(2,127,922.87)
3. Acquisition of minority interests in subsidiaries	-	-	(42,338,831.13)	-	-	-	-	(42,338,831.13)	12,338,831.13	(30,000,000.00)
4. Issuance of perpetual bonds (Note V. 42)	-	4,990,000,000.00	-	-	-	-	-	4,990,000,000.00	-	4,990,000,000.00
(3) Profit distribution	-	-	-	-	-	91,152,321.84	(91,152,321.84)	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	91,152,321.84	(91,152,321.84)	-	-	-
2. Dividend to shareholders	-	-	-	-	-	(491,177,472.16)	(491,177,472.16)	(491,177,472.16)	(9,106,956.15)	(500,284,428.31)
3. Appropriation of general risk reserve	-	-	-	-	-	121,039,655.26	(121,039,655.26)	-	-	-
4. Interest on perpetual bonds	-	-	-	-	-	(354,839,444.46)	(354,839,444.46)	(354,839,444.46)	(174,000,000.00)	(528,839,444.46)
(4) Specific reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriated during the year	-	-	-	-	63,436,796.09	-	-	63,436,796.09	87,610,592.30	151,047,388.39
2. Paid during the year	-	-	-	-	(59,102,396.91)	-	-	(59,102,396.91)	(88,018,421.18)	(147,120,818.09)
(5) Others	-	-	(2,654,914.35)	-	-	-	-	(2,654,914.35)	112,457.13	(2,542,457.22)
III. Balance at the end of the year	10,677,771,134.00	9,972,000,000.00	5,820,202,037.98	254,210,159.32	12,889,928.59	1,368,019,010.35	22,758,176,658.95	51,162,847,780.44	18,754,962,137.58	69,917,809,918.02

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2016

	Equity attributable to shareholders of the parent company							Total equity		
	Share capital	Other equity instruments including: Perpetual bonds	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings		Subtotal	Minority interests
I. Balance at the beginning of the year	5,338,885,567.00	990,000,000.00	206,047,349.73	8,896,481.87	1,053,285,969.67	59,993,193.86	18,846,160,038.86	38,082,273,176.55	4,098,901,220.25	42,181,374,396.80
II. Movements during the year	-	-	25,792,351.92	-	-	-	2,686,653,868.20	2,712,446,220.12	43,406,492.74	2,755,852,712.86
(1) Total comprehensive income	-	-	25,792,351.92	-	-	-	2,686,653,868.20	2,712,446,220.12	43,406,492.74	2,755,852,712.86
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	39,225,000.00	39,225,000.00
1. Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	39,225,000.00	39,225,000.00
2. Unilateral capital increase from minority shareholders	-	(12,934,517.94)	-	-	-	-	-	(12,934,517.94)	15,745,715.91	2,811,97.97
3. Issuance of perpetual bonds	-	3,992,000,000.00	-	-	-	-	-	3,992,000,000.00	-	3,992,000,000.00
4. Acquisition of minority interests in subsidiaries	-	-	(955,924,349.06)	-	-	-	-	(955,924,349.06)	(990,837,889.17)	(1,346,762,238.23)
5. Business combination not under common control	-	-	-	-	-	-	-	-	15,680,918,969.02	15,680,918,969.02
(3) Profit distribution	-	-	-	-	223,580,718.84	-	(223,580,718.84)	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	223,580,718.84	-	(223,580,718.84)	-	-	-
2. Dividend to shareholders	-	-	-	-	-	-	(160,166,567.01)	(160,166,567.01)	(133,256,180.60)	(293,422,747.61)
3. Appropriation of general risk reserve	-	-	-	-	-	118,046,002.13	(118,046,002.13)	-	-	-
4. Interest on perpetual bonds	-	-	-	-	-	-	(50,900,000.00)	(50,900,000.00)	(43,380,821.94)	(94,280,821.94)
(4) Specific reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriated during the year	-	-	-	21,919,741.99	-	-	-	21,919,741.99	3,562,333.63	25,482,075.62
2. Paid during the year	-	-	-	(22,160,694.45)	-	-	-	(22,160,694.45)	(5,262,705.34)	(27,423,399.79)
(5) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-
Conversion of capital reserve into share capital	5,338,885,567.00	(5,338,885,567.00)	-	-	-	-	-	(6,764,358.10)	-	(6,764,358.10)
(6) Others	-	-	-	-	-	-	-	-	-	-
III. Balance at the end of the year	10,677,771,134.00	4,982,000,000.00	231,839,701.65	8,655,529.41	1,276,866,688.51	178,039,195.99	20,980,120,619.08	44,200,488,652.10	18,709,022,134.50	62,909,510,786.60

The financial statements have been signed by:

Legal representative:

Jiang Deyi

Chief accountant:

Chen Guogao

Head of the accounting department:

Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows

For the year ended 31 December 2017

RMB	Note V	2017	2016
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		68,649,893,234.45	53,838,251,748.52
Refunds of taxes		549,750,971.46	341,959,514.86
Net decrease in deposits placed with the Central Bank		211,808,285.97	–
Cash received from other operating activities	64	<u>3,578,259,161.99</u>	<u>1,197,721,752.62</u>
Subtotal of cash inflows from operating activities		<u>72,989,711,653.87</u>	<u>55,377,933,016.00</u>
Cash paid for goods and services		68,459,366,904.42	39,634,068,992.60
Net increase in deposits placed with the Central Bank		–	991,114,834.98
Cash paid to and on behalf of employees		5,536,903,839.33	3,667,553,128.33
Cash paid for all types of taxes		5,746,555,185.68	4,163,468,949.25
Cash paid for other operating activities	64	<u>5,101,409,504.44</u>	<u>3,417,977,321.76</u>
Subtotal of cash outflows from operating activities		<u>84,844,235,433.87</u>	<u>51,874,183,226.92</u>
Net cash flows used in/(from) operating activities	65(1)	<u>(11,854,523,780.00)</u>	<u>3,503,749,789.08</u>

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2017

RMB	Note V	2017	2016
II. Cash flows from investing activities			
Cash received from redemption of investments		700,626,245.46	1,094,176,171.34
Cash received from return on investments		240,302,718.85	78,737,986.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		499,584,709.98	1,337,953,036.78
Net cash received from disposal of subsidiaries and other operating units	65(2)	634,885,099.31	13,739,745.87
Cash received from other investing activities	64	7,768,780,036.37	6,595,438.22
Subtotal of cash inflows from investing activities		9,844,178,809.97	2,531,202,378.68
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,882,247,811.92	3,335,181,425.42
Cash paid for investments		262,238,427.23	5,500,000.00
Net cash paid for acquisition of subsidiaries and other operating units	65(2)	210,840,422.98	1,854,242,780.73
Cash paid for other investing activities	64	8,188,441,146.73	1,361,280,000.00
Subtotal of cash outflows from investing activities		10,543,767,808.86	6,556,204,206.15
Net cash flows used in investing activities		(699,588,998.89)	(4,025,001,827.47)

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2017

RMB	Note V	2017	2016
III. Cash flows from financing activities			
Cash received from capital contributions		104,125,000.00	39,225,000.00
Including: Cash received by subsidiaries from minority interests		104,125,000.00	39,225,000.00
Cash received from borrowings		46,198,270,202.00	38,485,556,247.00
Cash received from issuance of bonds		16,765,620,000.00	10,000,000,000.00
Cash received from issuance of perpetual bonds		4,990,000,000.00	3,992,000,000.00
Cash received from other financing activities	64	357,259,000.00	—
Subtotal of cash inflows from financing activities		68,415,274,202.00	52,516,781,247.00
Cash paid for repayment of borrowings		35,422,288,948.83	29,627,774,082.22
Cash paid for distribution of dividends or profits or for interest expenses		5,417,425,700.43	3,036,717,408.81
Including: Dividends and profits paid by subsidiaries to minority interests		141,664,501.06	9,947,357.46
Cash paid for redemption of bonds		16,142,305,000.00	11,132,500,000.00
Cash paid for other financing activities	64	4,105,222,066.76	1,346,762,238.23
Subtotal of cash outflows from financing activities		61,087,241,716.02	45,143,753,729.26
Net cash flows from financing activities		7,328,032,485.98	7,373,027,517.74
IV. Effect of changes in exchange rate on cash and cash equivalents		29,384,560.62	45,422,187.86
V. Net (decrease)/increase in cash and cash equivalents		(5,196,695,732.29)	6,897,197,667.21
Add: Cash and cash equivalents at the beginning of the year		18,110,782,535.76	11,213,584,868.55
VI. Cash and cash equivalents at the end of the year	65(3)	12,914,086,803.47	18,110,782,535.76

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet

As at 31 December 2017

RMB	Note XV	31 December 2017	31 December 2016
Assets			
Current assets			
Cash and bank balances		6,259,648,184.09	6,954,119,259.97
Accounts receivable		124,246.15	1,358,245.90
Interests receivable		1,106,889,669.23	556,193,459.72
Dividends receivable		1,582,172,059.85	2,277,673,338.00
Other receivables	1	53,735,739,340.08	33,425,504,048.71
Other current assets		7,511,032.83	7,907,358.45
Total current assets		62,692,084,532.23	43,222,755,710.75
Non-current assets			
Available-for-sale financial assets		200,000.00	200,000.00
Long-term equity investments	2	34,720,818,298.28	34,340,871,900.99
Investment properties	3	10,164,795,183.02	9,895,924,295.76
Fixed assets		1,230,783,437.66	1,296,631,935.94
Intangible assets		414,752,345.13	426,142,908.38
Deferred income tax assets		168,663,517.96	156,090,145.69
Total non-current assets		46,700,012,782.05	46,115,861,186.76
Total assets		109,392,097,314.28	89,338,616,897.51
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		20,841,550,000.00	17,520,000,000.00
Accounts payable		25,462,384.48	13,762,384.48
Receipts in advance		118,748,027.30	104,481,435.49
Wages payable		14,420,033.15	13,876,243.10
Tax payable		54,341,168.83	33,682,970.56
Interests payable		677,805,693.89	531,667,058.63
Dividends payable		142,270,606.35	21,492,928.09
Other payables		4,807,302,630.21	2,887,069,917.38
Short-term financing bonds		2,000,000,000.00	3,000,000,000.00
Non-current liabilities due within one year		7,500,000,000.00	2,280,000,000.00
Other current liabilities		-	717,233.77
Total current liabilities		36,181,900,544.21	26,406,750,171.50

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet (continued)

As at 31 December 2017

RMB	31 December 2017	31 December 2016
Non-current liabilities		
Long-term loans	13,724,470,000.00	9,531,600,000.00
Bonds payable	15,956,825,637.00	14,976,484,492.30
Long-term wages payable	363,073,483.46	414,196,150.45
Deferred income tax liabilities	2,081,544,558.97	2,014,326,837.14
Other non-current liabilities	717,233.77	–
Total non-current liabilities	32,126,630,913.20	26,936,607,479.89
Total liabilities	68,308,531,457.41	53,343,357,651.39
Shareholders' equity		
Share capital	10,677,771,134.00	10,677,771,134.00
Other equity instruments	9,972,000,000.00	4,982,000,000.00
Capital reserve	6,674,854,902.82	6,674,854,902.82
Other comprehensive income	82,198,530.79	49,398,221.79
Surplus reserve	1,368,019,010.35	1,276,866,688.51
Retained earnings	12,308,722,278.91	12,334,368,299.00
Total shareholders' equity	41,083,565,856.87	35,995,259,246.12
Total liabilities and shareholders' equity	109,392,097,314.28	89,338,616,897.51

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Income Statement

As at 31 December 2017

RMB	Note XV	2017	2016
Operating revenue	4	948,865,757.08	954,934,397.07
Less: Operating costs	4	82,881,213.23	99,209,108.56
Tax and surcharges		128,808,392.47	93,036,540.85
Selling expenses		55,929,611.51	42,654,350.71
Administrative expenses		141,615,679.83	185,782,095.22
Finance costs		888,152,373.75	739,689,538.84
Asset impairment losses		4,136,519.52	(1,330,781.12)
Add: Gains from changes in fair value		268,870,887.26	496,580,863.78
Investment gains	5	745,297,998.49	2,007,610,256.19
Including: Share of investment (losses)/gains of associates and joint ventures		(7,981,402.21)	58,882,014.12
Operating profit		661,510,852.52	2,300,084,663.98
Add: Non-operating revenue		326,482,973.06	12,825,228.61
Less: Non-operating expenses		21,826,257.66	292,914.56
Total profit		966,167,567.92	2,312,616,978.03
Less: Income tax expenses		54,644,349.55	76,809,789.61
Net profit		911,523,218.37	2,235,807,188.42
Classified by operation continuity			
Net profit from continuing operations		911,523,218.37	2,235,807,188.42
Net profit from discontinued operations		—	—
Net other comprehensive income after tax			
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		32,800,309.00	17,728,844.00
Total comprehensive income		944,323,527.37	2,253,536,032.42

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Statement of Changes in Equity

For the year ended 31 December 2017

RMB

	Other equity instruments		Capital reserve	Other comprehensive income		Surplus reserve	Retained earnings	Total equity
	Share capital	Including: Perpetual bonds		income				
I. Balance at the end of the previous year	10,677,771,134.00	4,982,000,000.00	6,674,854,902.82	49,398,221.79	1,276,866,688.51	12,334,368,299.00	35,995,259,246.12	
II. Movements during the year								
(1) Total comprehensive income	-	-	-	32,800,309.00	-	911,523,218.37	944,323,527.37	
(2) Capital contribution from shareholders								
1. Issuance of perpetual bonds	-	4,990,000,000.00	-	-	-	-	4,990,000,000.00	
(3) Profit distribution								
1. Appropriation of surplus reserves	-	-	-	-	91,152,321.84	(91,152,321.84)	-	
2. Dividend to Shareholders	-	-	-	-	(491,177,472.16)	(491,177,472.16)	-	
3. Interest on perpetual bonds	-	-	-	-	-	(354,839,444.46)	(354,839,444.46)	
III. Balance at the end of the year	10,677,771,134.00	9,972,000,000.00	6,674,854,902.82	82,198,530.79	1,368,019,010.35	12,308,722,278.91	41,083,565,856.87	

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Statement of Changes in Equity (continued)

For the year ended 31 December 2016

RMB	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
	Share capital	Including: Perpetual bonds					
I. Balance at the end of the previous year	5,338,885,567.00	990,000,000.00	12,013,740,469.82	31,669,377.79	1,053,285,969.67	10,533,208,396.44	29,960,789,780.72
II. Movements during the year							
(1) Total comprehensive income	-	-	-	17,728,844.00	-	2,235,807,188.42	2,253,536,032.42
(2) Capital contribution from shareholders							
1. Conversion of capital reserve into share capital	5,338,885,567.00	-	(5,338,885,567.00)	-	-	-	-
2. Issuance of perpetual Bonds	-	3,992,000,000.00	-	-	-	-	3,992,000,000.00
(3) Profit distribution							
1. Appropriation of surplus reserve	-	-	-	-	223,580,718.84	(223,580,718.84)	-
2. Dividend to shareholders	-	-	-	-	-	(160,166,567.02)	(160,166,567.02)
3. Interest on perpetual bonds	-	-	-	-	-	(50,900,000.00)	(50,900,000.00)
III. Balance at the end of the year	10,677,771,134.00	4,982,000,000.00	6,674,854,902.82	49,398,221.79	1,276,866,688.51	12,334,368,299.00	35,995,259,246.12

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Statement of Cash Flows

For the year ended 31 December 2017

RMB	Note XV	2017	2016
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		1,104,865,202.09	1,043,060,395.34
Cash received from other operating activities	6	67,382,983,102.26	43,272,622,960.97
Subtotal of cash inflows from operating activities		68,487,848,304.35	44,315,683,356.31
Cash paid for goods and services		26,992,950.94	45,670,830.51
Cash paid to and on behalf of employees		72,200,391.51	55,853,902.48
Cash paid for all types of taxes		176,128,964.04	142,322,006.67
Cash paid for other operating activities	6	83,725,321,901.23	48,265,382,078.42
Subtotal of cash outflows from operating activities		84,000,644,207.72	48,509,228,818.08
Net cash flows used in operating activities	7(1)	(15,512,795,903.37)	(4,193,545,461.77)
II. Cash flows from investing activities			
Cash received from redemption of investments		–	43,615,552.98
Cash received from return on investments		1,418,143,362.00	1,720,612,355.77
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		94,175.00	–
Subtotal of cash inflows from investing activities		1,418,237,537.00	1,764,227,908.75
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		9,487,643.16	7,801,173.93
Cash paid for investments		1,078,623,525.40	5,631,174,340.00
Subtotal of cash outflows from investing activities		1,088,111,168.56	5,638,975,513.93
Net cash flows from/(used in) investing activities		330,126,368.44	(3,874,747,605.18)
III. Cash flows from financing activities			

The accompanying notes form an integral part of these financial statements

Audited Statement of Cash Flows (continued)

For the year ended 31 December 2017

RMB	Note XV	2017	2016
Cash received from borrowings		27,738,050,000.00	23,445,000,000.00
Cash received from issuance of bonds		15,500,000,000.00	10,000,000,000.00
Cash received from issuance of perpetual bonds		4,990,000,000.00	3,992,000,000.00
Subtotal of cash inflows from financing activities		48,228,050,000.00	37,437,000,000.00
Cash paid for repayment of borrowings		19,503,630,000.00	18,710,000,000.00
Cash paid for distribution of dividends or profits or for interest expenses		3,237,583,974.04	2,111,926,503.31
Cash paid for redemption of bonds		11,000,000,000.00	9,900,000,000.00
Subtotal of cash outflows from financing activities		33,741,213,974.04	30,721,926,503.31
Net cash flows from financing activities		14,486,836,025.96	6,715,073,496.69
IV. Effect of changes in exchange rate on cash and cash equivalents		1,191,702.66	(734,164.27)
V. Net decrease in cash and cash equivalents		(694,641,806.31)	(1,353,953,734.53)
Add: Cash and cash equivalents at the beginning of the year		6,904,569,211.47	8,258,522,946.00
VI. Cash and cash equivalents at the end of the year	7(2)	6,209,927,405.16	6,904,569,211.47

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

For the year ended 31 December 2017

I. BASIC INFORMATION OF THE GROUP

BBMG Corporation (hereinafter referred to as the “**Company**” or “**BBMG Group**”) 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 headquarters is located at No. 36, North Third Ring East Road, Dongcheng District, Beijing.

The principal business activities of the Company and its subsidiaries (collectively, the “**Group**”) includes: manufacture and sale of cement and building materials, construction and decoration, trade and logistics, tourism services, real estate development, property investment and management.

The Company’s parent and ultimate holding company is BBMG Assets Management Co., Ltd. (北京金隅資產經營管理有限責任公司) (formerly named as “**BBMG Group Company Limited**”, hereinafter referred to as “**BBMG Assets Company**”), a company established in the People’s Republic of China, originally. On 11 November 2016, State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality agreed the gratuitous transfer of 4,797,357,572 A shares of the Company held by BBMG Assets Company to Beijing SCOM Center (hereinafter referred to as “**BSCOMC**”). On 29 December 2016, the transfer registration formalities for the gratuitous transfer of the A shares of the Company were completed, afterwhich, BSCOMC directly held 4,797,357,572 state-owned shares of the Company, representing 44.93% of the total share capital of the Company, and became the controlling shareholder of the Company.

These financial statements were approved by a resolution of the board of directors of the Company on 29 March 2018. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

The consolidation scope of consolidated financial statements was determined on the basis of control.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

For the year ended 31 December 2017

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES

The specific accounting policies and accounting estimation has been prepared by the Group based on actual production and operation characteristics, as mainly embodied in the provision for bad debt of accounts receivable, inventory valuation method, the useful live and residual values of fixed assets, classification between investment properties and inventories, classification between investment properties and fixed assets, the recognition and allocation of development costs on properties under construction.

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 2017 and their financial performance and cash flows for 2017.

2. Accounting period

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

3. Functional currency

The Company'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.

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.

Notes to Financial Statements

For the year ended 31 December 2017

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

4. Business combinations *(continued)*

Business combinations under common control *(continued)*

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 against 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 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 acquiree's identifiable assets, liabilities and contingent liabilities acquired in a business combination not under common control are measured at their fair values on the acquisition date.

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 acquired, 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 acquired, 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 acquirer's interest in the fair value of the acquiree's identifiable net assets acquired, the difference is recognised in profit or loss for the current period.

Notes to Financial Statements

For the year ended 31 December 2017

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

4. Business combinations *(continued)*

Business combinations not under common control *(continued)*

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 profit or loss 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 2017. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural entity controlled by the Company, etc.) that is controlled by the Company.

In preparing consolidated financial statements, subsidiaries adopt 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 minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against minority interests.

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 will 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.

Notes to Financial Statements

For the year ended 31 December 2017

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

5. Consolidated financial statements *(continued)*

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 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 only 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 financial statements prepared in foreign currencies

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

Foreign currency transactions are recorded, on initial recognition, in their functional currencies by translating 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 assets qualified for capitalisation, 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 on the date on which the fair values are determined. The resulting exchange differences are recognised in profit or loss or as other comprehensive income for the current period, depending on the nature of the non-monetary item.

Notes to Financial Statements

For the year ended 31 December 2017

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

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

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 on the transaction dates; 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 or 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.

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;
- (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.

Notes to Financial Statements

For the year ended 31 December 2017

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

9. Financial instruments *(continued)*

Recognition and derecognition of financial instruments *(continued)*

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 amounts initially recognised.

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 a 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 as 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) and the fair value of which 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.

Notes to Financial Statements

For the year ended 31 December 2017

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

9. Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

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 recognized 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 kinds of financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortisation or impairment are recognised in profit or loss for the current period.

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. 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 derecognized 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 the fair value of which 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 charged to profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial amounts recognised.

Notes to Financial Statements

For the year ended 31 December 2017

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

9. Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

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 a 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 as 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) and the fair value of which cannot be reliably measured. For such kinds 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.

Other financial liabilities

Such kinds 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 become bankrupt or carry out other financial reorganisations; and observable data indicating that there is a measurable decrease in the estimated future cash flows of the obligor.

Notes to Financial Statements

For the year ended 31 December 2017

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

9. Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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 the 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 the 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.

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 objectively related to an event occurring after the impairment was recognised, the previously recognized 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 on the date the impairment is reversed.

Notes to Financial Statements

For the year ended 31 December 2017

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

9. Financial instruments *(continued)*

Impairment of financial assets (continued)

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 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.

Objective evidence that an available-for-sale equity instrument investment is impaired includes a significant or prolong decline in fair value. "Significant" is evaluated against the extent that the fair value is less than the cost, while "prolong" is evaluated by the length of duration when the fair value is less than 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.

The determination of what is "significant" and "prolonged" 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 previously recognised impairment loss was recognised, the previously recognised 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 the expected future cash flows which are discounted at the current market rate of return of similar financial assets is recognised as an impairment loss in profit or loss for the current period. Once an impairment loss is recognised, it is not reversed.

Notes to Financial Statements

For the year ended 31 December 2017

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

9. Financial instruments *(continued)*

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.

10. Receivables

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

At the balance sheet date, balances of 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 the estimated future cash flows as compared to the carrying amount of the receivable.

Notes to Financial Statements

For the year ended 31 December 2017

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

10. Receivables *(continued)*

(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 Assets Company 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 of 2 years)	30	30
2 to 3 years (inclusive of 3 years)	60	60
3 to 4 years (inclusive of 4 years)	85	85
4 to 5 years (inclusive of 5 years)	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 the estimated future cash flows and the carrying amount of the receivable.

Notes to Financial Statements

For the year ended 31 December 2017

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

11. Inventories

Inventories include raw materials, work in progress, finished goods, goods in stock, 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 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 object and cost item. Land use rights for development purpose are classified as part of properties under development.

The Group adopts a 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 for the current period. If factors that previously resulted in the provision for decline in value of inventories no longer exist and result in the net realisable value being higher than their carrying amount, the amount of the write-down is reversed to the extent of the amount of the previous 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 inventories related to a 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

For the year ended 31 December 2017

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

12. Long-term equity investments

Long-term equity investments include equity 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 against 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 that used to account for direct disposal of such 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 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 that used to account for direct disposal of such 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 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 to 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

For the year ended 31 December 2017

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

12. 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

For the year ended 31 December 2017

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

12. 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 associates and joint ventures, 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, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such 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, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such 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

For the year ended 31 December 2017

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

13. Investment properties

Investment properties are 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 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" in the 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.

Notes to Financial Statements

For the year ended 31 December 2017

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

13. Investment properties *(continued)*

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 interest rates and foreign exchange rates in the places where the investment properties are located; and there is no other force majeure and unforeseeable factor that may have a material impact on the Group's operation.

14. 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 meet 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 costs 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 values 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%
Other equipment	5 years	5%	19.00%

Notes to Financial Statements

For the year ended 31 December 2017

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

14. Fixed assets *(continued)*

Different depreciation rates are applied where the components of fixed assets have different useful lives or provide the entity with economic benefits 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 and 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 once at the end of each financial year, and makes adjustments if necessary.

15. Construction in progress

The cost of construction in progress is determined according to the actual costs incurred for the construction, including all necessary construction costs 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.

16. 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 in profit or loss for 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.

Notes to Financial Statements

For the year ended 31 December 2017

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

16. Borrowing costs *(continued)*

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 in profit or loss 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:

- (1) where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any temporary 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 capitalised on such borrowings is determined by multiplying a weighted average interest rate of the funds borrowed for a general purpose by 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 in profit or loss for the period during which they are incurred until the acquisition, construction or production is resumed.

Notes to Financial Statements

For the year ended 31 December 2017

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

17. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits 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 which is not under common control and with a fair value that can be measured reliably are recognized 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, software use rights, mining rights and trademarks.

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.

Costs of mining rights include costs incurred to obtain the mining licence and estimated mine restoration cost. Amortisation is calculated using the production method based on the relevant recoverable mining reserves.

Notes to Financial Statements

For the year ended 31 December 2017

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

17. Intangible assets *(continued)*

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 amortization method at least once at the end of each financial year and makes adjustment if necessary.

Intangible assets with indefinite use life (mainly trademarks) are tested for impairment each year, 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 assets with a finite useful life.

The Group classifies expenditure for 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

For the year ended 31 December 2017

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

18. 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 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 once at the end of each year, 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 flows 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 goodwill 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 synergy of the business combination and shall not be larger than a reportable segment determined by the Group.

Notes to Financial Statements

For the year ended 31 December 2017

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

18. 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.

19. 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 year 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.

20. 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 employees as well as families and other beneficiaries of deceased employees are also classified as employee benefits.

Short-term benefits

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

Notes to Financial Statements

For the year ended 31 December 2017

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

20. Employee benefits *(continued)*

Post-employment benefits (the defined contribution plan)

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

Post-employment benefits (the defined benefit plan)

The Group operates various defined benefit pension plans, which includes providing certain eligible retirees of the Company and its subsidiaries 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 in which 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 recognises changes in net liabilities of the defined benefit under finance expenses in the income statement. Service cost includes current service cost, past service cost 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

For the year ended 31 December 2017

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

21. 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.

22. Preference shares, perpetual bonds and other financial instruments

The financial instruments issued by the Group, such as perpetual bonds and preference shares, are classified as equity instruments when all of the following conditions are satisfied:

- (1) The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or financial liabilities under potential adverse condition with other parties;
- (2) If the financial instrument will or may be settled in the entity's own equity instruments, it is a non-derivative instrument that includes no contractual obligations to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

Other than financial instruments classified as equity instruments according to the above conditions, other financial instruments issued by the Group shall be classified as financial liabilities.

The financial instruments issued by the Group which are compound financial instruments are recognized as a liability based on the fair value of the liability component, and the amount net of the fair value of the liability component from the actual amount received is recognised as "other equity instruments". Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of gross proceeds.

Notes to Financial Statements

For the year ended 31 December 2017

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

22. Preference shares, perpetual bonds and other financial instruments *(continued)*

For financial instruments classified as financial liabilities (such as perpetual bonds and preference shares), except borrowing costs qualifying for capitalisation, its related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing are credited to profit or loss for the current period.

For financial instruments classified as equity instruments (such as perpetual bonds and preference shares), its issue (including refinancing), repurchase, sale or cancellation are treated by the Group as changes in equity, with related transaction costs deducted from equity. The Group's distribution to holders of equity instruments are treated as a distribution of profits. Changes in the fair value of equity instruments are not recognised by the Group.

23. Revenue

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

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 pre-sale collected prior to the revenue recognition will be presented under receipts in advance in the balance sheet.

Notes to Financial Statements

For the year ended 31 December 2017

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; 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 income is charged to profit or loss in the period in which it actually arises.

24. Government grants

Government grants are recognised when all attaching conditions can 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.

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.

Notes to Financial Statements

For the year ended 31 December 2017

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

24. Government grants *(continued)*

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 recognized immediately in profit or loss for the current period. A government grant related to an asset shall be recognised as deferred income, and recognised in profit or loss in instalments over the useful life of the related asset in a reasonable and systematic way. If the related assets are disposed of, transferred, scrapped and damaged before the end of the useful life, the relevant remaining deferred income unallocated shall be transferred to the profit or loss for the period when the assets are disposed of. However, a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period. A government grant related to both an asset and income is accounted for separately upon distinction, otherwise is classified as a government grant related to income as a whole.

Government grants related to daily corporate activities are included in other gains or used to offset relevant cost and expenses based on the nature of the economic business. Government grants not related to daily corporate activities are included in non-operating income.

25. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as an income tax 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 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 amounts in respect of items not recognized as assets and liabilities, but the tax bases being determinable under tax law.

Deferred 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

For the year ended 31 December 2017

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, joint ventures 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 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.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred 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 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 tax assets and deferred 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 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 tax assets to be utilised. Unrecognised deferred 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 tax asset to be recovered.

When the following conditions are satisfied, deferred tax assets and deferred tax liabilities are shown as net amounts after set-off: there is a legally enforceable right to settle current tax assets and current tax liabilities on a net basis; deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, but the involved taxable entities intended to settle the current tax assets and current tax liabilities on a net basis or to simultaneously acquire assets and repay debts during each future period in which significant amounts of deferred tax assets and deferred tax liabilities are expected to be reversed.

Notes to Financial Statements

For the year ended 31 December 2017

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

Quality guarantee fund is reserved by a certain percentage of the project payment. The fund will be repaid to the constructor after completion inspection of the properties has been completed, and with no quality issue within the agreed warranty period. The fund is accounted for under accounts payable.

27. Leases

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

Rental income under an operating lease is recognised on a straight-line basis over the lease term through profit or loss for the current period. Contingent rental income is credited to profit or loss in the period in which it actually arises.

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 at the shareholders' general meeting.

Notes to Financial Statements

For the year ended 31 December 2017

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

29. Production safety cost

Production safety cost appropriated pursuant to 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 separately 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 at fair value at each 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 orderly transaction to sell the asset or transfer the liability takes place in the principal market for the relevant asset or liability, or in the absence of a principal market, in the most advantageous market for the relevant asset or liability. The principal market (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 best economic 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 best use or by selling it to another market participant that would use the asset in its best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient information and other supporting information 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 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date; Level 2 inputs – the observable inputs, either directly or indirectly, of the relevant assets or liabilities other than Level 1 inputs; Level 3 inputs – unobservable inputs of the relevant assets or liabilities.

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

Notes to Financial Statements

For the year ended 31 December 2017

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 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 the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group 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 purposes. 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 purposes. 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

For the year ended 31 December 2017

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

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

Judgments (continued)

Classification of perpetual bonds

As described in Note V. 42, the Group issued perpetual bonds of RMB1 billion, RMB4 billion and RMB5 billion in 2015, 2016 and 2017 respectively, and Jidong Development Group Co., Ltd. (hereinafter referred to as “**Jidong Group**”, being a subsidiary of the Group) issued perpetual bonds of RMB3 billion on 3 December 2015. According to the Prospectus on 2015 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2016 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2016 Second Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2017 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2017 Second Tranche of Medium-term Notes of BBMG Corporation and the Prospectus on 2015 First Tranche of Medium-term Notes of Jidong Development Group Co., Ltd., the Group has no contractual obligation to repay the principal or pay interest on the bonds, namely the Group has no contractual obligation to pay in cash or other financial assets to the holders of the perpetual bonds nor to exchange financial assets or financial liabilities under potential adverse condition with the holders of the perpetual bonds. The perpetual bonds are classified by the Group as equity instruments, and the subsequent declared distribution will be treated as distribution to the holders of the equity.

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.

Notes to Financial Statements

For the year ended 31 December 2017

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

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

Uncertainty of estimation *(continued)*

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 goodwill is impaired at least on an 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.

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 realised.

Notes to Financial Statements

For the year ended 31 December 2017

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

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

Uncertainty of estimation (continued)

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 are 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 are 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.

Provision for decline in value of inventory

The Group's inventory is measured at the lower of the costs and net realisable value. Net realisable 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 in such estimates will affect the carrying amount of the inventory and the profit for the subsequent years.

Notes to Financial Statements

For the year ended 31 December 2017

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

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

Uncertainty of estimation *(continued)*

Measurement of defined benefit obligations

Supplementary subsidies and benefits paid to certain retired and early retired employees are recognized as a liability. The amounts of those 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 values 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 values of relevant assets to determine the total amount of depreciation which will be included in each reporting period. Useful lives and residual values 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.

32. Change in accounting policies

Change in Presentation of Gains or Losses on Disposal of Assets

Pursuant to the requirements of the Notice of the Ministry of Finance on the Revision of Format of Publication of General Financial Statement of Business Enterprises (《財政部關於修訂印發一般企業財務報表格式的通知》) (Cai Hui [2017] No. 30), the Group shall present the item of "gains on disposal of assets" separately above the item of "operating profit" in the income statement. For gains or losses on disposal of certain non-current assets which was originally presented in "non-operating revenue" and "non-operating expenses", the item shall be presented in "gains on disposal of assets" instead; the Group has restated the respective comparative amount in the income statement retrospectively. This change in accounting policy has had no impact on both the consolidated and the Company's net profit.

Change in Presentation of Government Grants

Pursuant to the requirements of the Notice concerning the Issuance of Amendments to "the Accounting Standards for Business Enterprises No. 16 – Government Grants" (《關於印發修訂〈企業會計準則第16號——政府補助〉的通知》) (Cai Hui [2017] No. 15), the Group has separately presented the item of "Other gains" above the item of "Operating profit" in the income statement, and government grants related to daily corporate activities have be presented in "Other gains" rather than "Non-operating income"; in accordance with the transitional requirements of the standards, the Group has applied the prospective application method for the government grants existed before 1 January 2017 and has adjusted additional government grants received between 1 January 2017 and the date of implementation of the standard (i.e. 12 June 2017) in accordance with the standard. Items presented under "other gains", "operating profit" and "non-operating income" in 2017 are different from those in 2016, however, it has had no impact on both the consolidated and the Company's net profit for 2017 and 2016.

Notes to Financial Statements

For the year ended 31 December 2017

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

32. Change in accounting policies *(continued)*

Change in Presentation of Discontinued Operations

Pursuant to the requirements of the Notice concerning the Issuance of “the Accounting Standards for Business Enterprises No. 42 – Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations” (《關於印發〈企業會計準則第42號——持有待售的非流動資產、處置組和終止經營〉的通知》) (Cai Hui [2017] No.13), the Group has added the items of “Net profit from continuing operations” and “Net profit from discontinued operations” under the item of “Net profit” in the income statement, which have been presented respectively as profit or loss from continuing operations and profit or loss from discontinued operations; in accordance with the transitional requirements of the standard, the Group has applied the prospective application method for the discontinued operations existed on 28 May 2017. Items under net profit as classified by operation continuity in the income statement in 2017 are different from those in 2016, however, it has had no impact on the consolidated and the Company’s net profit and shareholders’ equity.

IV. TAXATION

(1) Major categories of taxes and respective tax rates

Value-added tax (“VAT”):	Except for the items listed in (2) 1 below, the VAT payable is determined by the output VAT calculated based on the taxable revenue from general taxpayers at the tax rate of 17% and the output VAT calculated based on the taxable revenue from the modern services industry at the tax rate of 6% 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 revenue at a simplified tax rate of 6%.
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.

Notes to Financial Statements

For the year ended 31 December 2017

IV. TAXATION *(continued)*

(1) Major categories of taxes and respective tax rates *(continued)*

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 for passenger vehicles and by tonnage for trucks on vehicles owned or managed by the Group.
Urban 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 transfer of ownership by the Group at a consideration.
Resource tax:	Under the relevant tax laws of the PRC, it is levied to the minerals exploited by the Group on a quantity basis before 1 July 2016 and on a quantity or price basis since 1 July 2016.
Corporate income tax:	Except for the items listed in (2)3 below, the Group's corporate income tax is levied at the tax rate of 25% based on the taxable profit.

Notes to Financial Statements

For the year ended 31 December 2017

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 Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilisation of Goods and Services" (《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) (Cai Shui [2015] No. 78) promulgated by Ministry of Finance and State Administration of Taxation of the PRC with effect from 1 July 2015, some of the Company's subsidiaries engaged in cement production enjoy 70% VAT refund upon collection preferential policy in respect of their eligible cement products. Such subsidiaries include BBMG Liushui Environmental Protection Technology Co., Ltd., BBMG Mortar Co., Ltd., Hebei BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang Jinyu Cement Co., Ltd., Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Guangling Jinyu Cement Co., Ltd., Zhanhuang BBMG Cement Co., Ltd., Zhangjiakou Jinyu Cement Co., Ltd., Zhuolu Jinyu Cement Co., Ltd., Siping BBMG Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd., Lanxian BBMG Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., BBMG Beishui Environmental Protection Technology Co., Ltd., Xuanhua BBMG Cement Co., Ltd., Bo'ai BBMG Cement Co., Ltd., Xingtai BBMG Yongning Cement Co., Ltd., Jidong Cement (Tangshan branch), Tangshan Jidong Cement Sanyou Co., Ltd., Shenyang Jidong Cement Co., Ltd., Inner Mongolia Yidong Jidong Cement Co., Ltd., Wubu Jidong Special Cement Co., Ltd., Tangshan Dunshi Dry Powder Building Materials Co., Ltd., Jidong Cement Yongji Co., Ltd., Tangshan Dunshi Information and Technology Co., Ltd., Jidong Haitian Cement Wenxi Co., Ltd., Shanxi Shuangliang Dingxin Cement Co., Ltd., Jidong Cement Fengxiang Co., Ltd., Tangshan Jidong Qixin Cement Co., Ltd., Jidong Cement Luan County Co., Ltd., Jidong Cement Fuyu Co., Ltd., Inner Mongolia Yili Jidong Cement Co., Ltd. and Chengde BBMG Cement Co., Ltd.
- (2) In accordance with the Notice concerning the Value-added Tax Policy for Novel Wall Materials (《關於新型牆體材料增值稅政策的通知》) (Cai Shui [2015] No. 73), Beijing Jinyu Aerated Concrete Co., Ltd. and Tangshan Jinyu Aerated Concrete Co., Ltd., both being the Group's subsidiaries, enjoy 50% VAT refund upon collection preferential policy in respect of their eligible novel wall materials.

Notes to Financial Statements

For the year ended 31 December 2017

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (3) In accordance with the financial and tax documents, the products of Beijing Bio-Island Science and Technology Co., Ltd., a subsidiary of the Group, compile with the qualification of products involving comprehensive utilisation of resources produced by using waste lead-acid batteries, and enjoys 30% (for metal and nickel-cobalt-manganese hydroxide, nickel-cobalt-manganese lithium and cobalt chloride produced by waste batteries) and 50% (for industrial oil produced by waste mineral oil, such as lube base oil, gasoline and diesel) VAT refund upon collection preferential policy. Since 1 May 2016, it enjoys 70% VAT refund upon collection preferential policy for its services of processing and disposal of waste.
- (4) In accordance with the Notice of the State Administration of Taxation of the PRC concerning Temporary Exemption of Value-added Tax and Business Tax of Some Small and Micro-Enterprises (《國家稅務總局關於暫免徵收部分小微企業增值稅和營業稅的通知》) (Cai Shui [2013] No. 52), BBMG Human Resources Management Co., Ltd., a subsidiary of the Group, enjoys the VAT exemption for an enterprise or non-enterprise organisation with monthly sales amount of no more than RMB20,000 within small-scale VAT tax payers.
- (5) Under the project cooperation agreement entered into with the Management Committee of Tianjin Dongjiang Free Trade Zone (天津東疆保稅港區管理委員會), BBMG Finance Lease Co., Ltd., a subsidiary of the Group, enjoys a tax preference policy implemented by the tax authority in the Dongjiang Free Trade Zone, pursuant to which actual tax burden exceeding 3% will be entitled to VAT refund upon collection in accordance with the Notice concerning the Incorporation of the Railway Transportation Industry and the Postal Industry into the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《關於將鐵路運輸和郵政業納入營業稅改增值稅試點的通知》) (Cai Shui [2013] No. 106). In addition, in accordance with the Notice of Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau on Relevant Issues concerning Transitional Financial Subsidy for Pilot Program of Levying Value-added Tax in lieu of Business Tax (《天津市財政局天津市國家稅務局天津市地方稅務局關於營業稅改增值稅試點過渡性財政扶持資金申請撥付問題的通知》) (Jin Cai Shui Zheng [2013] No. 1), if the tax burden of VAT after the reform from business tax to value-added tax ("B2V Reform") is greater than that of business tax before B2V Reform, the financial subsidy for the increased tax burden will be executed according to the relevant requirements of the above documents. Pursuant to the agreement, the Dongjiang Free Trade Zone would undertake 70% of turnover tax from 2015 to 2020 supported by the preferential policies.

Notes to Financial Statements

For the year ended 31 December 2017

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (6) According to the requirements of Appendix 3 Requirements of the Transition Policy for the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》) of the Notice concerning the Overall Implementation of the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36), in respect of borrowing and lending business, the interests charged on a subsidiary of the Group at the borrowing interest rates not higher than those paying to financial institutions or the coupon rate of bonds paid are exempted from VAT.

2. Business tax

In accordance with the Reply of the State Administration of Taxation regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes (《國家稅務總局關於處置危險廢棄物取得收入免徵營業稅問題的批覆》) (Guo Shui Han [2009] No.587), the Notice on Circulating the "Reply of the State Administration of Taxation regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes" issued by Beijing Local Taxation Bureau (《北京市地方稅務局轉發〈國家稅務總局關於處置危險廢棄物取得收入免徵營業稅問題的批覆〉的通知》) (Jing Di Shui Han [2009] No.80) and the Reply of Sanhe Local Taxation Bureau regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes (《三河市地方稅務局關於處置危險廢棄物取得收入免徵營業稅問題的批覆》) (San Di Shui Fa [2011] No.30), Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd., Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. and Beijing Bio-Island Science and Technology Co., Ltd., all being the Group's subsidiaries, are exempted from business tax on revenue from disposal of hazardous wastes during the period from 1 January 2016 to 1 May 2016. Upon the full implementation of B2V Reform since 1 May 2016, the above preferential policy for business tax is no longer applicable.

Notes to Financial Statements

For the year ended 31 December 2017

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

3. Corporate income tax

Certain subsidiaries of the Group enjoy the following corporate income tax preferences:

- (1) Certain subsidiaries of the Group are certified as high-tech enterprises by relevant governmental authorities and enjoy a preferential corporate income tax rate of 15% for high-tech enterprises in 2017 and 2016 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 Income Tax Preferences for High-tech Enterprises (《國家稅務總局關於高新技術企業所得稅優惠有關問題的通知》). Such subsidiaries include Beijing Liushui Environmental Technology Co., Ltd., Beijing BBMG Beishui Environmental Technology Co., Ltd., Tongda Refractory Technology Co., Ltd., Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd., Dachang BBMG Coating Co., Ltd., Beijing Building Materials Academy Co., Ltd., Beijing Building Material Testing Academy Co., Ltd., Beijing Jiandu Design and Research Institute Co., Ltd., Beijing Dynea Chemical Industry Co., Ltd., Beijing Sanchong Mirror Co., Ltd., Beijing Tintan Ma Jencia Seats Co., Ltd. (北京天壇瑪金莎座椅有限公司), Beijing BBMG Cement Energy Saving Technology Co., Ltd., Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd., Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd., BBMG Mortar Co., Ltd., Beijing Bio-Island Science and Technology Co., Ltd. and Tangshan Dunshi Electric Gas Co., Ltd.
- (2) In accordance with the Indices on Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects (《環境保護、節能節水項目企業所得稅優惠政策目錄》), 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.
- (3) BBMG Human Resources Management Co., Ltd. and Gongyi Tongda Zhongyuan Refractory Co., Ltd., both being subsidiaries of the Group, enjoy tax preferences concerning small and thin profit enterprises stipulated by the State Administration of Taxation of the PRC, and are subject to corporate income tax at a rate of 10%.

Notes to Financial Statements

For the year ended 31 December 2017

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

3. Corporate income tax *(continued)*

- (4) Pursuant to the Notice on the Issues concerning the Taxation Policies for Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) and the Announcement No. 12, 2012 of the State Administration of Taxation on the Corporate Income Tax in relation to Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關企業所得稅問題的公告》), Inner Mongolia Yili Jidong Cement Co., Ltd., Baotou Jidong Cement Co., Ltd., Jidong Cement Bishan Co., Ltd., Jidong Cement Chongqing Hechuan Co., Ltd., Shaanxi Jidong Logistics Services Co., Ltd., Jidong Cement Fengxiang Co., Ltd. and Jidong Cement Chongqing Concrete Co., Ltd., all being subsidiaries of the Group, were subject to corporate income tax at rate of 15% after obtaining the approval from the competent tax authorities; according to the Notice concerning Further Expansion of the Scope of Tax Preference Policy Enjoyed by Large and Small Enterprises Earning Thin Profits from State Administration of Taxation of Ministry of Finance (《財政部國家稅務總局關於進一步擴大小型微利企業所得稅優惠政策範圍的通知》) (Cai Shui [2015] No.99) and Announcement concerning Further Expansion of the Scope of 50% Exemption of Enterprise Income Tax Enjoyed by Large and Small Enterprises Earning Thin Profits from State Administration of Taxation of Ministry of Finance (《國家稅務總局關於貫徹落實進一步擴大小型微利企業減半徵收企業所得稅範圍有關問題的公告》) (Announcement No. 61 of 2015 from State Administration of Taxation), as Tangshan Jidong Vocational Skills Training School complied with the tax preference policy relating to small enterprises earning thin profits, they enjoyed a reduced 10% corporate income tax rate.

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2017	2016
Cash in stock	908,870.81	2,809,075.64
Bank deposits	16,157,596,409.79	25,004,928,092.54
Other monetary fund	516,903,909.35	1,562,227,738.61
Statutory deposit reserve placement with central bank by finance company	1,228,437,954.77	1,440,246,240.74
	17,903,847,144.72	28,010,211,147.53

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Cash and bank balances (continued)

Monetary fund with restrictions:

	2017	2016
Monetary fund for collateral:		
Statutory deposit reserve placement with central bank by finance company	1,228,437,954.77	1,440,246,240.74
Deposits for letter of credit	59,308,277.04	455,177,838.33
Quality/performance guarantees	117,009,520.57	185,295,070.68
Deposits for acceptance bills	177,489,541.28	1,742,309,504.84
Other monetary fund with restrictions:		
Restricted part of property pre-sale funds	3,245,141,712.81	5,927,843,305.70
Others	162,373,334.78	148,556,651.48
	4,989,760,341.25	9,899,428,611.77

As at 31 December 2017, the monetary fund with restrictions utilized by the Group included bank deposits of RMB3,245,141,712.81 (31 December 2016: RMB6,924,522,401.14), other monetary fund of RMB516,180,673.67 (31 December 2016: RMB1,534,659,969.89) and statutory deposit reserve placement with central bank by finance company of RMB1,228,437,954.77 (31 December 2016: RMB1,440,246,240.74).

Interest income is generated from current savings as determined by the interest rate for the savings in banks. Short-term time deposits with durations from 7 days to 3 months are made in accordance with the Group's need for cash, with interest income generated according to the respective time deposit interest rates.

As at 31 December 2017, the Group's monetary fund deposited overseas amounted to RMB32,669,894.86 (31 December 2016: RMB35,192,680.78).

2. Financial assets at fair value through profit or loss

	2017	2016
Financial assets held for trading		
Equity instrument investment	46,226,108.99	615,807,328.90

As at 31 December 2017, such equity instrument investment referred to the market value of the tradable shares of listed companies held by Tangshan Jidong Cement Co., Ltd., a subsidiary of the Group, as at the end of the year.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Bills receivable

	2017	2016
Commercial acceptance bills	1,279,229,955.29	409,788,790.82
Bank acceptance bills	<u>6,902,433,880.50</u>	<u>3,447,240,203.25</u>
	<u>8,181,663,835.79</u>	<u>3,857,028,994.07</u>

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

	2017		2016	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	–	345,743,510.81	–	216,490,750.67
Bank acceptance bills	<u>3,547,596,983.95</u>	<u>3,411,269,211.02</u>	<u>1,711,849,070.99</u>	<u>1,445,696,807.64</u>
	<u>3,547,596,983.95</u>	<u>3,757,012,721.83</u>	<u>1,711,849,070.99</u>	<u>1,662,187,558.31</u>

As at 31 December 2017, bills receivable of RMB5,300,000.00 (31 December 2016: RMB51,872,956.51), all being bank acceptance bills, was used for discounting of short-term loan. For details of pledge of bills receivable, please refer to Note V. 66.

As at the balance sheet date, there was no transfer of bills receivable into accounts receivable due to default on the part of the drawer.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable

The credit periods of accounts receivable from external third parties are generally 1 to 6 months and amounts due from related parties have no fixed terms of repayment. Accounts receivable are non-interest bearing.

An aging analysis of the accounts receivable is as follows:

	2017	2016
Within 1 year (inclusive of 1 year)	5,594,236,704.72	6,894,980,054.45
1 to 2 years (inclusive of 2 years)	1,893,391,337.30	2,129,770,460.66
2 to 3 years (inclusive of 3 years)	998,531,700.06	953,036,198.04
3 to 4 years (inclusive of 4 years)	667,986,707.04	469,194,740.39
4 to 5 years (inclusive of 5 years)	387,965,394.02	294,129,504.80
Over 5 years	564,790,562.46	399,677,696.18
	10,106,902,405.60	11,140,788,654.52
Less: Provision for bad debts of accounts receivable	2,420,720,346.67	2,250,876,050.03
	7,686,182,058.93	8,889,912,604.49

The movements in provision for bad debts of accounts receivable are as follows:

	2017	2016
Opening balance	2,250,876,050.03	505,467,859.38
Provision for the year	550,190,679.03	284,726,525.58
Transferred in upon acquisition of subsidiaries	42,894.45	1,714,725,707.39
Reversal for the year	(355,573,980.57)	(232,156,263.77)
Write-off for the year	(24,815,296.27)	(7,541,648.07)
Removed from upon disposal of subsidiaries	-	(14,346,130.48)
Closing balance	2,420,720,346.67	2,250,876,050.03

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

	2017			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	165,916,230.92	1.64	95,292,154.85	57.43
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	5,554,791,184.63	54.96	–	–
1 to 2 years (inclusive of 2 years)	1,622,133,911.48	16.05	486,609,621.86	30.00
2 to 3 years (inclusive of 3 years)	799,332,777.79	7.91	479,599,666.68	60.00
3 to 4 years (inclusive of 4 years)	496,762,500.50	4.92	422,248,125.69	85.00
4 to 5 years (inclusive of 5 years)	297,619,135.91	2.94	297,619,135.91	100.00
Over 5 years	507,630,233.09	5.02	507,630,233.09	100.00
	9,278,269,743.40	91.80	2,193,706,783.23	
Provision for bad debts by special credit characteristics group	324,402,353.52	3.21	–	–
Individually not significant but subject to separate provision for bad debts	338,314,077.76	3.35	131,721,408.59	38.93
	<u>10,106,902,405.60</u>	<u>100.00</u>	<u>2,420,720,346.67</u>	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

	2016			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	170,647,210.26	1.53	81,880,445.33	47.98
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	6,807,468,434.46	61.10	–	–
1 to 2 years (inclusive of 2 years)	1,689,150,887.47	15.16	506,745,266.80	30.00
2 to 3 years (inclusive of 3 years)	870,976,822.28	7.82	522,586,093.29	60.00
3 to 4 years (inclusive of 4 years)	433,871,045.91	3.89	368,790,389.29	85.00
4 to 5 years (inclusive of 5 years)	277,293,605.22	2.49	277,293,605.22	100.00
Over 5 years	<u>364,362,977.02</u>	<u>3.27</u>	<u>364,362,977.02</u>	100.00
	10,443,123,772.36	93.73	2,039,778,331.62	
Provision for bad debts by special credit characteristics group	283,626,984.23	2.55	–	–
Individually not significant but subject to separate provision for bad debts	<u>243,390,687.67</u>	<u>2.19</u>	<u>129,217,273.08</u>	53.09
	<u>11,140,788,654.52</u>	<u>100.00</u>	<u>2,250,876,050.03</u>	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

As at 31 December 2017, 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 1	78,993,168.64	61,474,662.37	77.82	Partly uncollectible
Unit 2	51,900,000.00	15,570,000.00	30.00	Partly uncollectible
Unit 3	17,538,494.30	762,924.50	4.35	Partly uncollectible
Unit 4	17,484,567.98	17,484,567.98	100.00	Uncollectible
	165,916,230.92	95,292,154.85		

As at 31 December 2016, 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 10	12,921,309.90	1,509,870.50	11.69	Partly uncollectible
Unit 11	11,765,813.04	2,576,860.17	21.90	Partly uncollectible
Unit 12	11,488,491.30	25,925.82	0.23	Partly uncollectible
Unit 4	13,565,793.30	13,565,793.30	100.00	Uncollectible
Unit 1	69,005,802.72	48,631,995.54	70.48	Partly uncollectible
Unit 2	51,900,000.00	15,570,000.00	30.00	Partly uncollectible
	170,647,210.26	81,880,445.33		

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

In 2017, 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 provisions for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit 5	Payment for goods received	Aging analysis	6,171,287.23	6,171,287.23
Unit 11	Payment for goods received	Individual identification	2,576,860.17	2,576,860.17
Unit 10	Payment for goods received	Individual identification	1,509,870.50	1,509,870.50
Unit 12	Payment for goods received	Individual identification	25,925.82	25,925.82
			10,283,943.72	10,283,943.72

The aging of receivables from Unit 5 were originally 1 to 4 years, and the management classified it into the group with credit risk characteristics in aging and made provision for bad debts; while aging of the receivables from Unit 10, Unit 11 and Unit 12 were originally 0 to 2 years respectively, and the management classified them as individual identification and made provision for bad debts separately. The Group received cash repayments in the current year, and therefore, reversed the provision for bad debts previously made.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

In 2016, 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 provisions for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit 13	Payment for goods received	Individual identification	9,769,003.63	1,330,781.12
Unit 14	Payment for goods received	Aging analysis	17,647,147.67	17,647,147.67
Unit 16	Payment for goods received	Aging analysis	8,687,915.04	8,687,915.04
Unit 17	Payment for goods received	Aging analysis	9,301,575.93	9,301,575.93
Unit 15	Payment for goods received	Aging analysis	7,831,187.04	7,831,187.04
			53,236,829.31	44,798,606.80

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

The aging of receivables from Unit 13 were originally 1 to 5 years respectively, and the management classified it as individual identification and made provision for bad debts separately; while the aging of receivables from Unit 14 to Unit 17 were originally 1 to 4 years, and the management classified them into the group with credit risk characteristics in aging and made provision for bad debts. The Group received cash repayments in the current year, and therefore, reversed the provision for bad debts previously made.

In 2017, no individually significant accounts receivable were written-off (2016: Nil).

For the information relating to the accounts receivable pledged as guarantee for the Group's bank loans as at the balance sheet date, please refer to Note V. 66.

As at 31 December 2017, the top 5 of accounts receivable were as follows:

	Proportion in total			Net amount
	Balance	accounts receivable (%)	Provision for bad debts	
Unit 6	148,478,348.34	1.47	68,000,805.28	80,477,543.06
Unit 1	80,756,418.64	0.80	63,094,799.87	17,661,618.77
Unit 7	67,815,547.49	0.67	–	67,815,547.49
Unit 8	55,938,329.62	0.55	110,694.02	55,827,635.60
Unit 9	53,936,074.01	0.53	44,459,489.91	9,476,584.10
	406,924,718.10	4.02	175,665,789.08	231,258,929.02

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

As at 31 December 2016, the top 5 of accounts receivable were as follows:

	Balance	Proportion in total accounts receivable (%)	Balance of provision for bad debts as at the end of the year	Net amount
Unit 6	92,325,502.31	0.83	38,199,229.25	54,126,273.06
Unit 9	89,969,835.49	0.81	78,351,214.14	11,618,621.35
Unit 17	81,880,877.85	0.73	81,880,877.85	–
Unit 15	79,380,000.00	0.71	–	79,380,000.00
Unit 1	69,005,802.72	0.62	48,631,995.54	20,373,807.18
	412,562,018.37	3.70	247,063,316.78	165,498,701.59

5. Prepayments

An aging analysis of prepayments is as follows:

	2017		2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year (inclusive)	1,618,250,818.14	88.17	2,420,394,959.05	48.32
1 to 2 years (inclusive)	113,738,152.85	6.20	286,256,409.26	5.72
2 to 3 years (inclusive)	28,337,468.54	1.54	51,855,162.70	1.04
Over 3 years	75,134,002.97	4.09	2,250,277,357.07	44.92
	1,835,460,442.50	100.00	5,008,783,888.08	100.00
Less: Provision for bad debts of prepayments	43,106,152.03		40,101,533.38	
	1,792,354,290.47		4,968,682,354.70	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Prepayments (continued)

As at 31 December 2017, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total prepayments	Reasons for being not yet settled in time
Unit 50	1-2 years and 2-3 years	<u>33,079,173.18</u>	1.80%	Transaction conditions agreed under the contract not satisfied

As at 31 December 2016, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total prepayments	Reasons for being not yet settled in time
Unit 52	1-2 years and over 3 years	<u>2,441,129,537.04</u>	49.13%	Transaction conditions agreed under the contract not satisfied

As at 31 December 2017, the top 5 prepayments were as follows:

Name of unit receiving prepayments	Amount	Percentage of total prepayments
Unit 47	262,039,244.70	14.28%
Unit 48	98,603,195.88	5.37%
Unit 49	83,482,264.44	4.55%
Unit 50	33,079,173.18	1.80%
Unit 51	<u>29,569,354.27</u>	<u>1.61%</u>
	<u>506,773,232.47</u>	<u>27.61%</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Interests receivable

	2017	2016
STAR-USG Building Materials Co., Ltd.	1,284,128.69	6,716,763.51
Krono (Beijing) Woods Co., Ltd.	-	106,581.77
Others	-	4,829,444.44
	1,284,128.69	11,652,789.72

7. Other receivables

An aging analysis of other receivables is as follows:

	2017	2016
Within 1 year (inclusive)	3,524,562,301.83	3,691,288,320.75
1 to 2 years (inclusive)	1,238,904,193.19	785,493,184.65
2 to 3 years (inclusive)	489,456,704.83	514,248,192.58
3 to 4 years (inclusive)	419,793,430.29	440,563,002.21
4 to 5 years (inclusive)	253,461,395.33	480,076,837.47
Over 5 years	1,237,623,747.11	1,533,221,873.89
	7,163,801,772.58	7,444,891,411.55
Less: Provision for bad debts of other receivables	1,284,733,038.50	1,315,581,001.81
	5,879,068,734.08	6,129,310,409.74

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

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

	2017	2016
Opening balance	1,315,581,001.81	158,213,408.65
Provision for the year	348,610,117.91	161,994,141.45
Business combination not under common control	60,000.00	1,010,034,125.98
Removed from/transferred in others	(60,000.00)	(414,614.90)
Reversal for the year	(359,123,810.99)	(6,993,762.11)
Write-off for the year	(20,334,270.23)	(7,252,297.26)
Closing balance	1,284,733,038.50	1,315,581,001.81

	2017			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage of provision (%)
Individually significant and subject to separate provision for bad debts	1,049,521,502.08	14.65	555,906,061.27	52.97
Provision for bad debts by aging group				
Within 1 year (inclusive)	2,056,603,431.19	28.71	-	-
1 to 2 years (inclusive)	176,255,657.72	2.46	52,876,577.32	30.00
2 to 3 years (inclusive)	66,295,002.51	0.93	39,777,001.51	60.00
3 to 4 years (inclusive)	41,323,846.77	0.58	35,123,721.12	85.00
4 to 5 years (inclusive)	49,528,192.06	0.69	49,528,192.06	100.00
Over 5 years	464,503,537.95	6.48	464,503,537.95	100.00
	2,854,509,668.20	39.85	641,809,029.96	
Provision for bad debts by special credit characteristics group	3,140,411,904.03	43.84	-	-
Individually not significant but subject to separate provision for bad debts	119,358,698.27	1.67	87,017,947.27	72.9
	7,163,801,772.58	100.00	1,284,733,038.50	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

	2016			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage of provision (%)
Individually significant and subject to separate provision for bad debts	1,017,434,369.36	13.67	539,584,693.80	53.03
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive)	1,220,402,419.52	16.39	–	–
1 to 2 years (inclusive)	160,780,360.75	2.16	48,234,108.23	30.00
2 to 3 years (inclusive)	103,239,123.16	1.39	61,943,473.90	60.00
3 to 4 years (inclusive)	127,219,106.15	1.71	108,136,240.22	85.00
4 to 5 years (inclusive)	45,073,101.05	0.61	45,073,101.05	100.00
Over 5 years	440,202,091.09	5.91	440,202,090.13	100.00
	2,096,916,201.72	28.17	703,589,013.53	
Provision for bad debts by special credit characteristics group	4,171,003,062.27	56.02	–	–
Individually not significant but subject to separate provision for bad debts	159,537,778.20	2.14	72,407,294.48	45.39
	<u>7,444,891,411.55</u>	<u>100.00</u>	<u>1,315,581,001.81</u>	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

As at 31 December 2017, 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
Unit 19	193,800,000.00	116,280,000.00	60.00	Partly uncollectible
Unit 20	126,964,897.64	36,569,230.67	28.80	Partly uncollectible
Unit 21	124,595,646.26	6,229,782.31	5.00	Partly uncollectible
Unit 1	116,589,327.25	91,915,165.90	78.84	Partly uncollectible
Other units	<u>487,571,630.93</u>	<u>304,911,882.39</u>	62.54	Partly uncollectible
	<u>1,049,521,502.08</u>	<u>555,906,061.27</u>		

As at 31 December 2016, other receivables which were individually not significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit 19	193,800,000.00	96,900,000.00	50.00	Partly uncollectible
Unit 1	108,303,000.00	86,518,737.27	79.89	Partly uncollectible
Unit 25	101,333,690.45	45,116,490.50	44.52	Partly uncollectible
Unit 21	90,942,831.86	45,471,415.93	50.00	Partly uncollectible
Other units	<u>523,054,847.05</u>	<u>265,578,050.10</u>	50.77	Partly uncollectible
	<u>1,017,434,369.36</u>	<u>539,584,693.80</u>		

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

Other receivables by nature were as follows:

	2017	2016
Current account with other entities	1,729,224,573.12	1,793,209,374.36
Disbursements previously made	1,054,864,213.70	1,422,245,846.81
Consideration receivable for equity transfer	1,231,866,805.24	1,073,891,148.86
Deposits	1,086,461,353.04	926,129,650.30
Government grants receivable	56,592,224.11	125,635,677.69
Reserve fund	155,567,050.51	94,732,549.55
Other current account	564,492,514.36	693,466,162.17
	5,879,068,734.08	6,129,310,409.74

As at 31 December 2017, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
Unit 22	546,661,460.00	7.63	Consideration receivable for equity transfer	Within 1 year	-
Unit 19	193,800,000.00	2.71	Consideration receivable for equity transfer	Over 5 years	116,280,000.00
Unit 23	156,701,654.49	2.19	Disbursements previously made	Over 5 years	156,701,654.49
Unit 24	134,248,050.00	1.87	Consideration for equity transfer	Within 1 year, over 5 years	-
Unit 20	126,964,897.64	1.77	General current borrowings	1-2 years, 3-4 years	36,569,230.67
	1,158,376,062.13	16.17			309,550,885.16

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

As at 31 December 2016, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
Unit 26	1,191,784,692.71	16.01	Disbursements previously made	Within 1 year, over 5 years	–
Unit 27	834,548,506.03	11.21	Consideration receivable for equity transfer	Within 1 year	95,441.55
Unit 28	380,735,613.67	5.11	Current account with other entities	1-2 years, over 5 years	–
Unit 29	201,831,479.33	2.71	Other current account	Within 1 year	–
Unit 19	193,800,000.00	2.60	Consideration receivable for equity transfer	4-5 years	96,900,000.00
	<u>2,802,700,291.74</u>	<u>37.64</u>			<u>96,995,441.55</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

As at 31 December 2017, government grants receivable were as follows:

	Description of government grants	Amount	Aging	Expected time of receipt
Unit 30	Refunds of VAT	38,213,505.08	Within 1 year	2018
Unit 31	Refunds of VAT	9,126,462.14	Within 1 year	2018
Unit 32	Refunds of VAT	2,808,813.48	Within 1 year	2018
Unit 33	Refunds of VAT	2,236,400.86	Within 1 year	2018
Unit 34	Refunds of VAT	1,697,238.58	Within 1 year	2018
Unit 35	Refunds of VAT	1,366,570.53	Within 1 year	2018
Unit 36	Refunds of VAT	265,999.19	Within 1 year	2018
Unit 37	Refunds of VAT	217,328.17	Within 1 year	2018
Unit 38	Refunds of VAT	205,912.34	Within 1 year	2018
Unit 39	Refunds of VAT	192,299.51	Within 1 year	2018
Other units	Refunds of VAT	261,694.23		
		<u>56,592,224.11</u>		

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

As at 31 December 2016, government grants receivable were as follows:

	Description of government grants	Amount	Aging	Expected time of receipt
Unit 30	Refunds of VAT	87,182,138.66	Within 1 year, 1-2 years, 2-3 years, 3-4 years	2017
Unit 31	Refunds of VAT	16,783,317.01	Within 1 year	2017
Unit 40	Refunds of VAT	4,086,029.84	Within 1 year	2017
Unit 41	Refunds of VAT	3,434,800.38	Within 1 year	2017
Unit 42	Refunds of VAT	3,355,945.72	Within 1 year	2017
Unit 43	Refunds of VAT	2,950,074.73	Within 1 year	2017
Unit 44	Refunds of VAT	1,933,821.10	Within 1 year	2017
Unit 38	Refunds of VAT	1,593,974.61	Within 1 year	2017
Unit 45	Refunds of VAT	1,498,351.45	Within 1 year	2017
Unit 46	Refunds of VAT	758,753.57	Within 1 year	2017
Other units	Refunds of VAT	<u>2,058,470.62</u>		
		<u>125,635,677.69</u>		

As set out in Note IV. (2) Tax, certain companies of the Group enjoy the policy of immediate refund of VAT levied. As at the balance sheet date, the value-added tax receivable refund policies have been verified by various tax bureaus, and the management expects that the amounts will be fully recovered next year.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories

	2017		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	1,894,373,153.74	(100,513,654.18)	1,793,859,499.56
Items in production	840,631,376.18	(46,209,849.70)	794,421,526.48
Finished goods	1,939,035,330.53	(53,935,822.09)	1,885,099,508.44
Turnover materials	73,467,759.77	(81,472.31)	73,386,287.46
Goods in stock	390,545,544.02	(395,486.62)	390,150,057.40
Development costs	81,490,890,193.24	(15,632,660.41)	81,475,257,532.83
Products under development	12,419,619,674.52	(182,077,333.06)	12,237,542,341.46
	99,048,563,032.00	(398,846,278.37)	98,649,716,753.63

	2016		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	2,065,180,305.69	(73,982,451.78)	1,991,197,853.91
Items in production	1,182,178,258.06	(72,674,203.82)	1,109,504,054.24
Finished goods	1,224,843,883.86	(80,504,007.51)	1,144,339,876.35
Turnover materials	71,580,440.68	(337,616.84)	71,242,823.84
Goods in stock	453,792,881.65	(1,122,050.29)	452,670,831.36
Development costs	48,699,606,647.31	(40,401,250.12)	48,659,205,397.19
Products under development	10,976,675,796.38	(293,601,747.06)	10,683,074,049.32
	64,673,858,213.63	(562,623,327.42)	64,111,234,886.21

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

2017

	Opening balance	Transfer in on acquisition of subsidiaries	Provision for the year	Decrease in the year		Closing balance
				Reversal	Write-off	
Raw materials	73,982,451.78	956,633.12	37,458,568.34	(140,871.70)	(11,743,127.36)	100,513,654.18
Items in production	72,674,203.82	-	11,672,783.00	(2,296,671.00)	(35,840,466.12)	46,209,849.70
Finished goods	80,504,007.51	-	63,362,726.62	(6,871,538.39)	(83,059,373.65)	53,935,822.09
Turnover materials	337,616.84	-	-	(256,144.53)	-	81,472.31
Goods in stock	1,122,050.29	-	-	(726,563.67)	-	395,486.62
Development costs	40,401,250.12	-	-	-	(24,768,589.71)	15,632,660.41
Products under development	293,601,747.06	-	45,401,806.07	(43,533,161.04)	(113,393,059.03)	182,077,333.06
	<u>562,623,327.42</u>	<u>956,633.12</u>	<u>157,895,884.03</u>	<u>(53,824,950.33)</u>	<u>(268,804,615.87)</u>	<u>398,846,278.37</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

2016

	Opening balance	Transfer in on acquisition of subsidiaries	Provision for the year	Decrease in the year		Closing balance
				Reversal	Write-off	
Raw materials	11,855,003.79	70,292,697.69	3,384,229.44	(170,489.25)	(11,378,989.89)	73,982,451.78
Items in production	22,921,437.80	64,217,801.31	31,448.94	(70,000.00)	(14,426,484.23)	72,674,203.82
Finished goods	20,746,086.99	52,153,156.35	30,877,804.75	(65,649.31)	(23,207,391.27)	80,504,007.51
Turnover materials	4,569,291.97	-	81,472.31	-	(4,313,147.44)	337,616.84
Goods in stock	1,092,050.29	-	30,000.00	-	-	1,122,050.29
Development costs	103,385,674.96	-	33,231,400.00	(58,382,744.75)	(37,833,080.09)	40,401,250.12
Products under development	210,002,295.72	122,507,305.80	56,375,105.23	(19,877,938.20)	(75,405,021.49)	293,601,747.06
	<u>374,571,841.52</u>	<u>309,170,961.15</u>	<u>124,011,460.67</u>	<u>(78,566,821.51)</u>	<u>(166,564,114.41)</u>	<u>562,623,327.42</u>

As at 31 December 2017, the balance of development costs included the capitalised borrowing costs of RMB3,339,772,026.89 (31 December 2016: RMB2,589,740,822.63). The capitalised borrowing costs amounted to RMB1,318,364,035.21 in aggregate in 2017 (2016: RMB1,176,744,779.00), and the rate of interest capitalisation was 4.62% (31 December 2016: 5.29%).

Details of pledge of inventories are set out in Note V. 66.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

(1) The following sets out the breakdown of costs of property development:

Project name	Time of commencement	Estimated completion time of the next phase	Aggregate investment	31 December 2017	31 December 2016
Hangzhou – Jingfangsanbao	May 2017	December 2019	10,389,880,000.00	7,794,797,761.79	430,000,000.00
Tianjin – Jindian	December 2017	June 2021	9,119,780,000.00	6,154,726,837.94	870,425,000.00
Beijing – Fengtai Project	December 2015	June 2018	6,622,570,000.00	5,823,383,723.90	5,160,344,380.51
Anhui – Forklift Factory Project	November 2015	July 2018	8,697,690,000.00	5,538,793,046.01	5,034,952,658.04
Hefei – Plot at Baohe District	December 2016	April 2020	7,832,880,000.00	4,929,122,998.74	800,000,000.00
Nanjing – Plot G07 at Diary Farm	December 2016	November 2020	7,209,200,000.00	4,628,655,149.01	4,397,936,605.46
Chongqing – Xinduhui Project	November 2017	September 2019	20,117,351,300.00	4,104,114,958.20	3,940,158,970.41
Beijing – Phase II to IV of Penglai Project	November 2017	April 2019	2,028,840,000.00	4,003,618,006.44	378,142,090.97
Nanjing – Plot G20 at Jiulonghu	December 2017	April 2020	N/A	3,327,162,601.40	–
Ningbo – Plot 07#115# at Gaixin District	N/A	N/A	5,576,000,000.00	3,167,386,989.40	–
Shanghai – Jiading Juyuan	November 2015	May 2018	5,500,000,000.00	2,837,522,654.41	3,673,257,016.72
Beijing – Plot at Fangshan Yancun	N/A	N/A	N/A	2,540,000,000.00	–
Beijing – Yizhuang Economic Development Zone	N/A	N/A	N/A	2,460,000,000.00	–
Qingdao – Qingdao Project	March 2015	September 2018	3,400,000,000.00	2,445,038,410.14	1,911,991,191.46
Beijing – Houshayu Project	October 2016	2018	2,396,580,000.00	2,436,377,810.43	2,061,377,563.12
Beijing – Konggang Project	December 2017	N/A	2,800,610,000.00	2,029,763,499.51	–
Nanjing – Plot A2 at Xinglong Street North	March 2014	June 2018	4,540,170,000.00	1,921,318,371.09	3,910,427,220.40
Chengdu – Gaixin Zhonghe Project	N/A	N/A	N/A	1,749,364,483.47	–
Beijing – Plot at Western Xijiao Gravel Plant	May 2016	December 2018	2,648,303,200.00	1,662,886,919.26	1,134,273,463.68
Chongqing – Nanshanjun	December 2011	November 2019	4,374,991,427.00	1,210,348,479.32	1,402,607,558.73
Haikou – Haidianxi Project	April 2016	September 2022	3,557,265,274.00	1,158,475,389.29	1,470,720,237.00
Chengdu – Xindu Dafeng Project	N/A	N/A	N/A	1,069,710,676.81	–
Tangshan – Qixin 1889#	April 2014	November 2020	810,889,940.35	1,047,454,794.67	253,421,513.66
Chongqing – Times Metro	December 2011	May 2018	4,036,912,780.00	978,005,735.37	1,118,132,596.64
Chengdu – Wuhou Longxijun Project	June 2015	December 2020	2,761,300,000.00	766,475,980.57	1,641,038,032.55
Inner Mongolia – Jinyu Global Finance Centre	July 2013	December 2018	1,549,375,400.00	700,733,359.79	759,502,919.70
Tangshan – Jinyu Lefu	March 2011	December 2019	1,900,176,778.32	597,804,216.27	765,788,042.96

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

(1) The following sets out the breakdown of costs of property development: (continued)

Project name	Time of commencement	Estimated completion time of the next phase	Aggregate investment	31 December 2017	31 December 2016
Nanhu – Jin'anshiming	N/A	N/A	N/A	567,875,759.55	598,503,096.65
Beijing – Public Rental Apartments of Technology Park	June 2015	June 2018	18,960,000.00	490,869,688.93	65,697,288.23
Chengdu – Shangxifu	N/A	N/A	N/A	485,727,813.37	–
Hangzhou – 2D Plot	May 2013	March 2018	644,267,397.16	459,930,827.80	414,553,168.33
Beijing – Nankou Project	May 2016	October 2018	682,973,619.00	348,763,167.23	166,513,842.87
Ningbo – Plot at Yaojiang Chuanzha	May 2016	December 2019	840,000,000.00	324,695,337.29	206,644,992.43
Beijing – Jinyu Hongshizuo	March 2012	March 2018	928,663,517.09	269,348,903.43	248,553,386.87
Beijing – Phase II of Dandian	April 2014	June 2018	4,406,665,057.79	250,288,146.91	460,817,457.82
Beijing – Chaoyang New City	August 2013	June 2018	4,184,808,038.41	184,219,448.30	181,306,766.31
Tianjin – Jinyu Yuecheng	September 2010	October 2017	5,157,217,800.00	174,890,456.22	851,640,529.34
Beijing – Kanghuiyuan	February 2009	December 2020	1,923,699,963.82	135,492,986.07	126,759,088.18
Hangzhou – 2G/F Plot	July 2016	December 2020	Planning has not yet completed, so the aggregate investment is not available.	121,721,612.37	121,721,612.37
Beijing – Changyang Polytechnic University Land No.1	May 2013	December 2018	2,500,000,000.00	114,277,273.80	1,215,379,825.89
Chengde – Chengde Project	N/A	N/A	N/A	61,529,109.20	–
Tangshan – Laishui Dormitory	March 2009	June 2018	49,479,634.00	45,745,047.51	43,883,283.18
Beijing – Phase II of Xingpai	April 2014	June 2018	3,111,138,531.52	25,825,746.56	23,393,996.43
Beijing – Jinyu Vanke City	March 2008	Planning of Plot A7 not yet completed	4,011,000,000.00	24,578,918.96	24,843,994.77
Hangzhou – Plot at Laochengxiang	July 2014	Completed	2,291,327,400.00	–	1,663,791,321.65
Nanhu – Jin'anhongbao	February 2015	Completed	552,507,290.58	–	473,354,457.88
Ma'anshan – Project at the Eastern Foot of Jiashan	May 2013	Completed	1,060,105,900.00	–	209,432,768.83
Tianjin – Elegancy City	May 2013	Completed	2,294,700,000.00	–	170,080,323.21
Others				306,434,436.10	277,837,133.94
Total				81,475,257,532.83	48,659,205,397.19

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

(2) The following sets out the breakdown of costs of property development:

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Hangzhou – Jinyu Xuefu	November 2017	–	2,020,219,666.49	(362,400,319.14)	1,657,819,347.35
Tangshan – Jin'an hongbao	December 2017	442,652,863.34	697,285,849.81	(287,994,395.81)	851,944,317.34
Beijing – Shangchengjun	December 2017	–	1,116,772,075.21	(298,056,424.32)	818,715,650.89
Beijing – Jiapin MALL	September 2015	811,471,711.72	–	–	811,471,711.72
Beijing – Chaoyang New City	June 2015	775,122,392.30	–	(8,382,526.25)	766,739,866.05
Chongqing – Nanshanjun	December 2017	656,320,985.95	308,838,000.15	(237,304,053.24)	727,854,932.86
Haikou – Xixili	December 2017	310,474,621.33	737,509,068.89	(364,742,543.56)	683,241,146.66
Tangshan – Jinyu Lefu	July 2017	819,148,124.18	216,150,041.69	(359,876,788.70)	675,421,377.17
Hangzhou – Banshan Tianyuan	March 2016	982,989,703.80	–	(513,867,915.64)	469,121,788.16
Chengdu – Longxijun	November 2017	–	1,105,754,179.56	(644,418,080.32)	461,336,099.24
Hangzhou – Guanlan Times	February 2015年	850,779,512.38	–	(483,696,480.64)	367,083,031.74
Tianjin – Jinyu Yuecheng	October 2017	151,040,979.13	816,164,892.99	(641,864,225.74)	325,341,646.38
Shanghai – Jiading Juyuan	May 2017	–	1,544,638,243.69	(1,226,895,026.50)	317,743,217.19
Chongqing – Times Metro	June 2017	331,632,488.00	421,388,795.41	(460,624,914.90)	292,396,368.51
Tianjin – Jinyu Mantang	December 2017	444,362,167.37	170,080,323.21	(323,267,662.30)	291,174,828.28
Beijing – Changyang Polytechnic University Land No.1	June 2017	230,447,744.75	1,112,334,677.62	(1,085,625,366.63)	257,157,055.74
Beijing – Jinyu Feili	April 2016	1,026,832,841.37	–	(771,409,714.05)	255,423,127.32
Tangshan – Phase I of Qixin 1889#	January 2016	298,417,801.69	–	(59,587,910.53)	238,829,891.16
Inner Mongolia – Jinyu Elegancy City	March 2016	261,213,200.04	–	(31,408,177.01)	229,805,023.03
Ma' anshan – Jiashanshu	October 2017	108,581,143.81	212,990,822.12	(122,747,906.36)	198,824,059.57
Inner Mongolia – Global Center	June 2017	–	442,179,030.31	(274,645,699.94)	167,533,330.37
Chengdu – Dachengjun	January 2015	326,674,368.17	–	(170,655,049.78)	156,019,318.39
Nanjing – Zijinfu	December 2017	–	2,431,395,032.75	(2,304,970,348.77)	126,424,683.98
Beijing – Kanghuiyuan	March 2011	126,055,470.49	–	(27,864,387.80)	98,191,082.69
Beijing – BBMG International	April 2005	85,111,715.33	–	(12,467,043.01)	72,644,672.32
Beijing – Guogongzhuang	December 2014	92,075,667.54	–	(13,185,620.67)	78,890,046.87
Beijing – Tuqiao Project	August 2016	218,438,839.76	–	(143,022,918.39)	75,415,921.37
Beijing – Dacheng Shidai	November 2010	95,414,114.52	–	(21,532,796.99)	73,881,317.53
Beijing – Binheyuan	June 2014	86,930,459.18	–	(16,258,886.74)	70,671,572.44
Beijing – Tuqiao Phase III	August 2016	75,052,011.85	–	(6,623,647.09)	68,428,364.76
Inner Mongolia – Jinyu Times City	June 2014	90,968,930.27	–	(26,315,847.26)	64,653,083.01
Beijing – Jinyu Town-House	October 2014	58,473,651.79	–	(589,233.88)	57,884,417.91
Beijing – Chang'an New City	December 2007	57,406,570.26	–	(4,514,432.94)	52,892,137.32

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

(2) The following sets out the breakdown of costs of property development: (continued)

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Huijingyuan	September 2017	59,317,479.34	222,363,987.49	(230,222,726.11)	51,458,740.72
Tangshan – Lixinjiayuan	September 2016	118,078,793.37	–	(80,375,213.79)	37,703,579.58
Beijing – Jinyu Lanwan	October 2016	274,506,382.88	–	(240,011,622.93)	34,494,759.95
Hainan – Dacheng Business					
Apartments	February 2005	39,007,053.77	–	(5,188,020.92)	33,819,032.85
Beijing – Dacheng International	December 2011	30,603,408.75	–	–	30,603,408.75
Beijing – I Cube	February 2015	29,860,305.60	–	(2,551,548.15)	27,308,757.45
Beijing – Huixingyuan(Xingpai)	June 2016	28,986,628.81	–	(6,516,482.08)	22,470,146.73
Beijing – Ruiheyuan	October 2014	21,873,764.49	–	–	21,873,764.49
Beijing – Dachengjun	August 2012	38,471,104.47	–	(26,425,323.73)	12,045,780.74
Beijing – Tiantan Gongguan	October 2004	9,979,590.96	–	–	9,979,590.96
Beijing – Liyuan Jincheng Center	December 2013	9,282,530.11	–	–	9,282,530.11
Beijing – Ziyouzhu	December 2016	9,935,294.75	–	(2,239,327.60)	7,695,967.15
Beijing – Jianxinyuan Affordable					
Housing	October 2004	15,961,739.07	–	(8,415,301.23)	7,546,437.84
Beijing – Jiaheyuan	August 2016	49,670,002.47	–	(42,531,479.76)	7,138,522.71
Beijing – Meiheyuan	June 2010	5,634,489.44	–	–	5,634,489.44
Beijing – Guanlan Times	June 2013	5,063,529.23	–	–	5,063,529.23
Beijing – Taiheyuan	December 2013	45,975,220.53	–	(41,570,413.62)	4,404,806.91
Qingdao – Elegancy City	November 2015	40,770,060.52	–	(37,275,728.19)	3,494,332.33
Haikou – Meilinghu	January 2014	13,830,730.52	–	(13,830,730.52)	–
Others		22,175,859.92	27,278,495.32	(4,904,627.04)	44,549,728.20
Total		10,683,074,049.32	13,603,343,182.71	(12,048,874,890.57)	12,237,542,341.46

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

9. Other current assets

	2017	2016
Prepaid enterprise income tax	807,512,779.97	709,909,333.90
Prepaid land appreciation tax	807,877,261.43	662,655,374.49
Prepaid business tax and other tax	832,994,250.34	716,050,902.71
VAT recoverable	781,652,061.69	528,218,009.56
VAT certifiable	38,471,297.50	30,632,353.75
Prepaid expenses	18,928,639.83	23,170,067.68
Amortisation of long-term prepaid expenses within one year	–	52,604,396.96
Others	151,411,121.43	158,572,745.01
	3,438,847,412.19	2,881,813,184.06

10. Available-for-sale financial assets

	2017	2016
Available-for-sale debt instruments (1)	588,151,110.39	–
Available-for-sale equity instruments		
Measured at fair value (2)	2,303,039,303.04	2,491,650,952.96
Measured at cost (3)	6,697,450.96	6,697,450.96
	2,897,887,864.39	2,498,348,403.92

(1) Available-for-sale debt instruments represent interbank certificates of deposit of RMB488,139,000.00 held by BBMG Finance Co., Ltd. (金隅財務有限公司) from Industrial Bank and monetary fund of RMB100,012,110.39 from Cinda Smart Steward C (信達慧管家C).

(2) Collective trust of Noble Sky Wenjian Phase I from Yunan International Trust Co., Ltd. (雲南國際信託有限公司), amounting to RMB1,506,972,400.00 in aggregate, was held by Jidong Development Group International Trading Co., Ltd. (冀東發展集團國際貿易有限公司), Jidong Sand Gravel Aggregate Co., Ltd. (冀東砂石骨料有限公司), Tangshan Dunshi Real Estate Development Co. Ltd. (唐山盾石房地產開發有限公司), Hebei Building Material Industry Design & Research Institution (河北省建築材料工業設計研究院) and Jidong Development Logistics Co., Ltd. (冀東發展物流有限責任公司), all being subsidiaries of the Group. BBMG Finance Lease Co., Ltd. (金隅融資租賃有限公司) purchased trust scheme (i.e. Huazheng Value No. 330) of RMB104,000,000.00 from Huarong Securities Co., Limited (華融證券股份有限公司) in July 2016 and trust scheme (i.e. FTSE New Hope No. 1) of RMB287,280,000.00 from Beijing Xinhua FTSE Asset Management Company Limited (北京新華富時資產管理有限公司) in August 2016. The finance lease company became a deeply subordinated beneficiary of the both trust schemes aforementioned. Huazheng Value No. 330 matured in July 2017 and extended for 3 years, and FTSE New Hope No. 1 matured in August 2017. The finance lease company has drawn the principal amount of RMB168,000,000.00, and the remaining of RMB119,280,000.00 has extended for 3 years.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

- (2) Tangshan Jidong Cement Co., Ltd. (唐山冀東水泥股份有限公司), a subsidiary of the Group, held 108,482,368 shares of Yatai (Group) (stock code:600881). As at 31 December 2017, the share price and market value were RMB5.28 and RMB572,786,903.04 respectively (2016:RMB593,398,552.96).
- (3) As at the balance sheet date, 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:

2017

	Gross carrying amount			Provision for impairment			Percentage of shareholding	Cash dividend for the year
	Increase/ (decrease) in the		Closing balance	Increase in the		Closing balance		
	Opening balance	year		Opening balance	year			
Tianjia (Tianjin) Building Materials Company Limited (天嘉天津建材有限公司)	1,000,000.00	-	1,000,000.00	1,000,000.00	-	1,000,000.00	10.00	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京市房山區城關農村信用合作社)	101,000.00	-	101,000.00	-	-	-	0.01	11,110.00
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	266,086.09
*Beijing Beizhuan Gas Station (北京市北磚加油站)	648,297.22	-	648,297.22	291,047.22	-	291,047.22	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 Trading (北京天雲實業)	75,000.00	-	75,000.00	-	-	-	15.00	-
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	-

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

(3)

	Gross carrying amount			Provision for impairment			Percentage of shareholding	Cash dividend for the year
	Increase/ (decrease) in the		Closing balance	Increase in the		Closing balance		
	Opening balance	year		Opening balance	year			
*Hainan Dihao Furniture Co., Ltd. (海南帝豪傢俱公司)	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	-
Hebei ZCJY (河北眾誠建築)	500,000.00	-	500,000.00	-	-	-	16.00	-
Tangshan Productivity Promotion Center Co., Ltd. (唐山市生產力促進中心有限公司)	194,200.96	-	194,200.96	-	-	-	16.67	-
Sinoma Hanjiang Cement Co., Ltd. (中材漢江水泥股份有限公司)	600,000.00	-	600,000.00	-	-	-	0.22	-
Xi'an High-Tech Industry Company (西安高科實業公司)	1,220,000.00	-	1,220,000.00	-	-	-	1.12	-
Shaanxi Yao County Cement Factory Properties Co., Ltd. (陝西耀縣水泥廠置業有限公司)	70,000.00	-	70,000.00	-	-	-	0.29	-
	14,001,616.72	-	14,001,616.72	7,304,165.76	-	7,304,165.76		277,196.09

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

(3) 2016

	Gross carrying amount			Provision for impairment			Percentage of shareholding	Cash dividend for the year
	Opening balance	Increase/(decrease) in the year	Closing balance	Opening balance	Increase 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	746,000.00	254,000.00	1,000,000.00	10.00	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京市房山區城關農村信用合作社)	101,000.00	-	101,000.00	-	-	-	0.01	8,888.00
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	174,461.30
*Beijing Beizhuan Gas Station (北京市北磚加油站)	648,297.22	-	648,297.22	291,047.22	-	291,047.22	62.50	1,152,381.01
*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 Trading (北京天雲實業)	75,000.00	-	75,000.00	-	-	-	15.00	-
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. (海南帝豪傢俱公司)	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	-
Hebei ZCJY (河北眾誠建築)	-	500,000.00	500,000.00	-	-	-	16.00	-
Tangshan Productivity Promotion Center Co., Ltd. (唐山市生產力促進中心有限公司)	-	194,200.96	194,200.96	-	-	-	16.67	121,914.00
Sinoma Hanjiang Cement Co., Ltd. (中材漢江水泥股份有限公司)	-	600,000.00	600,000.00	-	-	-	0.22	-
Xi'an High-Tech Industry Company (西安高科實業公司)	-	1,220,000.00	1,220,000.00	-	-	-	1.12	-
Shaanxi Yao County Cement Factory Properties Co., Ltd. (陝西耀縣水泥廠置 業有限公司)	-	70,000.00	70,000.00	-	-	-	0.29	-
	11,417,415.76	2,584,200.96	14,001,616.72	7,050,165.76	254,000.00	7,304,165.76		1,457,644.31

* The Group holds more than 50% of the equity interests in these companies but is unable to participate in their operation and decision-making, which are therefore accounted for as available-for-sale financial assets.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

11. Long-term receivables

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Lease receivables	229,024,145.84	-	229,024,145.84	-	-	-
Security deposits of finance lease	-	-	-	4,750,000.00	-	4,750,000.00
Payables to related parties	256,353,726.80	-	256,353,726.80	202,959,788.90	-	202,959,788.90
	485,377,872.64	-	485,377,872.64	207,709,788.90	-	207,709,788.90

As at 31 December 2017, the lease receivables above referred to lease payment to be charged by BBMG Finance Lease Co., Ltd. (金隅融資租賃有限公司), a subsidiary of the Group, from Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司) in respect of its lease back of machinery and equipment that was previously sold. The original lease receivables were RMB262,000,000.00, of which RMB30,000,000.00 will mature within 1 year, and the unrealised finance income was RMB2,975,854.16 (31 December 2016: Nil).

Payables to related parties referred to the borrowings and interest receivable provided to Cross Point Trading 274 (Pty) Ltd (RF), a joint venture of African Rhino Co., Ltd. (非洲犀牛有限公司) which is a subsidiary of the Group. Pursuant to the agreement between both parties, such borrowings will bear interest at a rate of 9.75%-10.5% per annum and be recovered in September 2030 and March 2044, respectively.

An aging analysis of the long-term receivables is as follows:

	2017	2016
Within 1 year	307,668,083.74	19,991,482.94
1 to 2 years	19,991,482.94	50,056,538.37
2 to 3 years	50,056,538.37	137,661,767.59
Over 3 years	137,661,767.59	-
	515,377,872.64	207,709,788.90
Less: long-term receivables due within 1 year	30,000,000.00	-
Total	485,377,872.64	207,709,788.90

As at the balance sheet date, as evaluated by the management of the Group, no provision for impairment was needed for long-term receivables.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term equity investments

2017

	Movements during the year							Closing net value	
	Opening balance	Increase/ (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	Provision for impairment	Carrying amount at the end of the year		Provision for impairment at the end of the year
Joint ventures									
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	-	-	15,938,256.81	-	-	-	15,938,256.81	-	15,938,256.81
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	3,725,369.48	-	62,329.30	-	(60,126.17)	-	3,727,572.61	-	3,727,572.61
BBMG TUS Technology Incubator Co., Ltd. (北京金隅啟迪科技孵化器有限公司)	3,683,994.60	-	553,461.55	-	-	-	4,237,456.15	-	4,237,456.15
Jidong Heidelberg (Fufeng) Cement Co., Ltd. (冀東海德堡(扶風)水泥有限公司)	490,907,685.52	-	64,055,419.54	(723,741.08)	(72,165,000.00)	-	482,074,363.98	-	482,074,363.98
Jidong Heidelberg (Jingyang) Cement Co., Ltd. (冀東海德堡(涇陽)水泥有限公司)	531,865,534.19	-	81,486,909.63	(5,062.38)	(50,000,000.00)	-	563,347,381.44	-	563,347,381.44
Tangshan Caofeidian Dunshi New Building Material Co., Ltd. (唐山曹妃甸盾石新型建材有限公司)	100,944,300.10	-	38,970,486.32	-	-	-	139,914,786.42	-	139,914,786.42
Anshan Jidong Cement Co., Ltd. (鞍山冀東水泥有限責任公司)	234,064,065.95	-	6,423,480.35	-	(5,000,000.00)	-	235,487,546.30	-	235,487,546.30
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. (冀東太平洋(北京)環保工程技術有限公司)	11,129,657.22	-	652,286.23	-	-	-	11,781,943.45	-	11,781,943.45
Cross Point Trading 274 (Pty) Ltd (RF)	72,671,080.66	-	(4,722,375.78)	9,540,784.95	-	-	77,489,489.83	-	77,489,489.83
Subtotal of joint ventures	1,448,991,687.72	-	203,420,253.95	8,811,981.49	(127,225,126.17)	-	1,533,998,796.99	-	1,533,998,796.99

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term equity investments (continued)

2017 (continued)

	Movements during the year						Carrying amount at the end of the year	Provision for impairment at the end of the year	Closing net value
	Opening balance	Increase/ (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	Provision for impairment			
Associates									
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)*	72,371,175.20	(68,401,982.43)	(3,969,192.77)	-	-	-	-	-	-
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	142,904,803.94	-	(15,211,882.11)	-	(32,340,000.00)	-	95,352,921.83	-	95,352,921.83
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料(北京)有限公司)	63,680,856.42	-	(4,106,489.68)	-	-	-	59,574,366.74	-	59,574,366.74
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	25,067,432.00	-	(1,038,728.52)	-	(254,000.00)	-	23,774,703.48	-	23,774,703.48
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	10,592,819.89	-	1,304,500.61	-	-	-	11,897,320.50	-	11,897,320.50
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	16,128,846.71	-	110,194.13	-	-	-	16,239,040.84	-	16,239,040.84
Tangshan Conch Profiles Co., Ltd. (唐山海環型材有限責任公司)	143,126,171.52	-	406,634.08	-	(4,000,000.00)	-	139,532,805.60	-	139,532,805.60
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd. (北京青年營金隅鳳山教育科技有限公司)	1,502,187.19	-	83,188.11	-	-	-	1,585,375.30	-	1,585,375.30
Baogang Jidong Cement Co., Ltd. (包鋼冀東水泥有限公司)	97,818,593.99	-	4,288,920.32	-	-	-	102,107,514.31	-	102,107,514.31
Jidong Cement Fufeng Transportation Co., Ltd. (冀東水泥扶風運輸有限責任公司)	6,471,985.71	-	7,094.65	-	-	-	6,479,080.36	-	6,479,080.36
Jilin Changjitu Investment Co., Ltd. (吉林省長吉圖投資有限公司)	148,817,651.91	-	(5,423,680.75)	-	-	-	143,393,971.16	-	143,393,971.16

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term equity investments (continued)

2017 (continued)

	Movements during the year								
	Opening balance	Increase/ (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	Provision for impairment	Carrying amount at the end of the year	Provision for impairment at the end of the year	Closing net value
SINJI TRADING PTE LTD (新冀貿易私人有限公司)	5,081,441.23	-	(405,010.46)	-	-	-	4,676,430.77	-	4,676,430.77
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. (中房華瑞(唐山)置業有限公司)	4,989,973.07	-	1,861.94	-	-	-	4,991,835.01	-	4,991,835.01
Changchun Light Rail Jidong Concrete Co., Ltd. (長春輕軌冀東混凝土有限公司)	46,105,348.27	-	9,264,466.82	-	(24,034,720.47)	-	31,335,094.62	-	31,335,094.62
Tangshan Hangdao Marine Heavy Industry Co., Ltd. (唐山航島海洋重工有限公司)**	-	-	-	-	-	-	-	-	-
Beijing XinYuan Concrete Co., Ltd. (北京新源混凝土有限公司)**	-	-	-	-	-	-	-	-	-
Xianyang Jidong High New Concrete Co., Ltd. (咸陽冀東高新混凝土有限公司)**	-	-	-	-	-	-	-	-	-
Fuxin Jidong Xianghe Concrete Co., Ltd. (阜新冀東祥合混凝土有限公司)**	-	-	-	-	-	-	-	-	-
Liquan Qinling Cement Co., Ltd. (禮泉秦嶺水泥有限公司)**	-	-	-	-	-	-	-	-	-
Shaanxi Yan'an Qinling Cement Grinding Co. Ltd. (陝西延安秦嶺水泥粉磨有限公司)**	-	-	-	-	-	-	-	-	-
Shaanxi Qinling Cement Group Special Cement Co. Ltd. 陝西秦嶺水泥集團特種水泥有限責任公司**	-	-	-	-	-	-	-	-	-
Tangshan Fengrun First Transportation Company (唐山市豐潤區第一運輸公司)**	-	-	-	-	-	-	-	-	-
Tangshan Haigang Datang Tongzhou Construction Materials Company Limited (唐山海港大唐同舟建材有限公司)**	-	-	-	-	-	-	-	-	-
Subtotal of associates	784,659,287.05	(68,401,982.43)	(14,688,123.63)	-	(60,628,720.47)	-	640,940,460.52	-	640,940,460.52
Total	2,233,650,974.77	(68,401,982.43)	188,732,130.32	8,811,981.49	(187,853,846.64)	-	2,174,939,257.51	-	2,174,939,257.51

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term equity investments (continued)

2016

	Opening balance	Movements during the year						Carrying amount at the end of the year	Provision for impairment at the end of the year	Closing net value
		Obtained from business combinations not under common control	Increase/ (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	Provision for impairment			
Joint ventures										
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	2,318,884.75	-	-	(2,318,884.75)	-	-	-	-	-	-
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	3,874,677.55	-	-	61,637.20	-	(210,945.27)	-	3,725,369.48	-	3,725,369.48
BBMG TUS Technology Incubator Co., Ltd. (北京金隅微迪科技孵化器有限公司)	-	-	4,000,000.00	(316,005.40)	-	-	-	3,683,994.60	-	3,683,994.60
Jidong Heidelberg (Fufeng) Cement Co., Ltd. (冀東海德堡(扶風)水泥有限公司)	-	463,141,065.16	-	27,748,333.76	18,286.60	-	-	490,907,685.52	-	490,907,685.52
Jidong Heidelberg (Jingyang) Cement Co., Ltd. (冀東海德堡(涇陽)水泥有限公司)	-	511,332,767.62	-	20,675,759.32	(142,992.75)	-	-	531,865,534.19	-	531,865,534.19
Tangshan Caofeidian Dunshi New Building Material Co., Ltd. (唐山曹妃甸盾石新型建材有限公司)	-	98,524,651.18	-	2,419,648.92	-	-	-	100,944,300.10	-	100,944,300.10
Anshan Jidong Cement Co., Ltd. (鞍山冀東水泥有限公司)	-	236,223,702.63	-	(2,159,636.68)	-	-	-	234,064,065.95	-	234,064,065.95
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. (冀東太平洋(北京)環保工程技術有限公司)	-	11,200,813.97	-	(71,156.75)	-	-	-	11,129,657.22	-	11,129,657.22

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term equity investments (continued)

2016 (continued)

	Movements during the year									
	Opening balance	Obtained from business combinations not under common control	Increase/(Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	Provision for impairment	Carrying amount at the end of the year	Provision for impairment at the end of the year	Closing net value
Cross Point Trading 274 (Pty). Ltd (RF)	-	74,107,228.23	-	(1,436,147.57)	-	-	-	72,671,080.66	-	72,671,080.66
Subtotal of joint ventures	6,193,562.30	1,394,530,228.79	4,000,000.00	44,603,548.05	(124,706.15)	(210,945.27)	-	1,448,991,687.72	-	1,448,991,687.72
Associates										
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)*	5,469,434.67	-	(5,469,434.67)	-	-	-	-	-	-	-
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	86,783,222.28	-	-	(14,412,047.08)	-	-	-	72,371,175.20	-	72,371,175.20
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	99,135,472.21	-	-	67,553,877.20	-	(23,784,545.47)	-	142,904,803.94	-	142,904,803.94
OCV Reinforcements (Beijing) Co., Ltd. (鳳文斯科學複合材料(北京)有限公司)	64,172,528.49	-	-	7,145,248.47	-	(7,636,920.54)	-	63,680,856.42	-	63,680,856.42
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	24,153,611.73	-	-	913,820.27	-	-	-	25,067,432.00	-	25,067,432.00
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	9,234,002.76	-	-	1,358,817.13	-	-	-	10,592,819.89	-	10,592,819.89
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	16,021,098.90	-	-	107,747.81	-	-	-	16,128,846.71	-	16,128,846.71
Tangshan Conch Profiles Co., Ltd. (唐山海螺型材有限責任公司)	-	169,347,372.93	-	(2,221,201.41)	-	(24,000,000.00)	-	143,126,171.52	-	143,126,171.52

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term equity investments (continued)

2016 (continued)

	Movements during the year									
	Opening balance	Obtained from business combinations not under common control	Increase/(Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	Provision for impairment	Carrying amount at the end of the year	Provision for impairment at the end of the year	Closing net value
Shaanxi Qinling Cement Group										
Special Cement Co. Ltd. (陝西秦嶺水泥集團特種水泥有限責任公司)**	-	-	-	-	-	-	-	-	-	-
Tangshan Hangdao Marine Heavy Industry Co., Ltd. (唐山航島海洋重工有限公司)**	-	-	-	-	-	-	-	-	-	-
Beijing XinYuan Concrete Co., Ltd. (北京新源混凝土有限公司)**	-	-	-	-	-	-	-	-	-	-
Xianyang Jidong High New Concrete Co., Ltd. (咸陽冀東高新混凝土有限公司)**	-	-	-	-	-	-	-	-	-	-
Fuxin Jidong Xianghe Concrete Co., Ltd. (阜新冀東祥合混凝土有限公司)**	-	-	-	-	-	-	-	-	-	-
Tangshan Fengrun First Transportation Company (唐山市豐潤區第一運輸公司)**	-	-	-	-	-	-	-	-	-	-
Pfeiffer Jidong Liezen Machinery (Beijing) Co., Ltd. (飛利浦利岑機械(北京)有限公司)	-	4,145,439.05	(4,145,439.05)	-	-	-	-	-	-	-
Subtotal of associates	304,969,371.04	478,931,183.12	(8,114,873.72)	64,296,961.72	(1,889.10)	(55,421,466.01)	-	784,659,287.05	-	784,659,287.05
Total	311,162,933.34	1,873,461,411.91	(4,114,873.72)	108,900,509.77	(126,595.25)	(55,632,411.28)	-	2,233,650,974.77	-	2,233,650,974.77

* See details in Note VI. 1.

** Such companies are joint ventures and associates of Jidong Group. Fair values of such companies at the time and date when BBMG Corporation acquired Jidong Group were nil.

The Group's long-term equity investments in joint ventures and associates are unlisted investments, which are accounted for using equity method.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Investment properties

Fair value model is applied to investment properties of the Group for subsequent measurement:

2017

	Buildings
Opening balance	14,976,628,345.79
Disposal and retirement	(62,526,015.74)
Transfer of self-occupied properties into investment properties	12,467,043.03
Changes in fair value	513,884,093.94
Closing balance	15,440,453,467.02

2016

	Buildings
Opening balance	14,444,803,327.98
Disposal and retirement	(65,031,909.32)
Changes in fair value	596,856,927.13
Closing balance	14,976,628,345.79

All the above investment properties are located in the PRC and held under operating commercial leases.

The Group's investment properties were valued by Savills Valuation and Professional Services Limited, an independent valuer with professional qualifications, using future earnings method and market-based approach on an open market and existing use basis, the appraised value of which as at 31 December 2017 was RMB15,440,453,467.02 (31 December 2016: RMB14,976,628,345.79).

As at 31 December 2017, procedures for the title certificates for certain investment properties were yet to be completed. These investment properties were acquired through the business combination under common control in 2011, and the Group was in the process of handling the procedures for changing the relevant titles. The management was of the view that the Group had the legitimate and valid right to occupy and use or dispose of the above properties and the above matters would not impose material adverse effect on the overall financial position of the Group as at 31 December 2017.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Investment properties (continued)

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

	31 December 2017	31 December 2016
Jianjin Building	192,800,000.00	167,100,000.00
Jinhuanyu Building	157,500,000.00	136,700,000.00
	350,300,000.00	303,800,000.00

Details of pledge of investment properties are set out in Note V. 66.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Fixed assets

2017

	Buildings	Machinery and equipment	Transportation equipment	Other equipments	Total
Cost					
Opening balance	28,236,098,712.18	25,424,018,671.00	2,067,898,477.06	645,256,766.95	56,373,272,627.19
Addition	22,334,493.76	237,008,962.61	80,766,292.32	55,735,666.02	395,845,414.71
Transfer from construction in progress	1,378,040,147.01	2,050,702,994.02	1,313,869.56	14,509,643.91	3,444,566,654.50
Business combination not under common control	-	336,163,975.77	212,834.95	1,264,130.44	337,640,941.16
Disposal or retirement	(143,925,562.05)	(244,425,496.74)	(116,113,275.75)	(30,407,634.18)	(534,871,968.72)
Disposal of subsidiaries	-	-	-	(8,950,420.80)	(8,950,420.80)
Closing balance	<u>29,492,547,790.90</u>	<u>27,803,469,106.66</u>	<u>2,034,078,198.14</u>	<u>677,408,152.34</u>	<u>60,007,503,248.04</u>
Accumulated depreciation					
Opening balance	3,614,797,393.14	5,644,174,493.05	641,847,766.21	430,907,331.58	10,331,726,983.98
Provision for the year	1,277,411,034.19	2,027,067,451.26	317,146,021.41	64,952,239.01	3,686,576,745.87
Disposal or retirement	(66,997,758.13)	(157,569,149.09)	(89,950,014.13)	(21,083,104.52)	(335,600,025.87)
Disposal of subsidiaries	-	-	-	(1,276,914.19)	(1,276,914.19)
Closing balance	<u>4,825,210,669.20</u>	<u>7,513,672,795.22</u>	<u>869,043,773.49</u>	<u>473,499,551.88</u>	<u>13,681,426,789.79</u>
Provision for impairment					
Opening balance	76,123,698.84	182,592,424.18	7,472,042.08	2,073,884.36	268,262,049.46
Provision for the year	85,207,792.62	81,652,404.17	15,022,238.90	266,628.02	182,149,063.71
Disposal or retirement	(8,511,052.61)	(9,800,870.81)	(326,746.74)	(1,017,468.00)	(19,656,138.16)
Closing balance	<u>152,820,438.85</u>	<u>254,443,957.54</u>	<u>22,167,534.24</u>	<u>1,323,044.38</u>	<u>430,754,975.01</u>
Carrying amount					
At the end of the year	<u>24,514,516,682.85</u>	<u>20,035,352,353.90</u>	<u>1,142,866,890.41</u>	<u>202,585,556.08</u>	<u>45,895,321,483.24</u>
At the beginning of the year	<u>24,545,177,620.20</u>	<u>19,597,251,753.77</u>	<u>1,418,578,668.77</u>	<u>212,275,551.01</u>	<u>45,773,283,593.75</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Fixed assets (continued)

2016

	Buildings	Machinery and equipment	Transportation equipment	Other equipments	Total
Cost					
Opening balance	13,190,471,520.68	12,974,408,432.68	974,992,101.87	534,213,764.52	27,674,085,819.75
Addition	239,732,042.63	486,241,487.79	42,201,312.69	29,217,789.59	797,392,632.70
Transfer from construction in progress	979,474,112.45	614,681,374.49	7,898,941.28	10,613,424.10	1,612,667,852.32
Business combination not under common control	14,483,113,174.21	12,468,835,176.44	1,193,000,209.31	97,884,090.03	28,242,832,649.99
Disposal or retirement	(656,692,137.79)	(1,120,147,800.40)	(150,194,088.09)	(26,672,301.29)	(1,953,706,327.57)
Closing balance	<u>28,236,098,712.18</u>	<u>25,424,018,671.00</u>	<u>2,067,898,477.06</u>	<u>645,256,766.95</u>	<u>56,373,272,627.19</u>
Accumulated depreciation					
Opening balance	3,176,825,336.80	5,065,166,153.38	564,128,982.37	393,437,538.33	9,199,558,010.88
Provision	636,258,052.74	924,752,754.36	247,907,243.38	61,694,168.92	1,870,612,219.40
Disposal or retirement	(198,285,996.40)	(345,744,414.69)	(170,188,459.54)	(24,224,375.67)	(738,443,246.30)
Closing balance	<u>3,614,797,393.14</u>	<u>5,644,174,493.05</u>	<u>641,847,766.21</u>	<u>430,907,331.58</u>	<u>10,331,726,983.98</u>
Provision for impairment					
Opening balance	116,741,541.19	209,902,508.62	5,074,832.36	1,639,237.66	333,358,119.83
Provision	31,403,975.12	58,631,377.36	4,867,390.69	613,160.83	95,515,904.00
Disposal or retirement	(72,021,817.47)	(85,941,461.80)	(2,470,180.97)	(178,514.13)	(160,611,974.37)
Closing balance	<u>76,123,698.84</u>	<u>182,592,424.18</u>	<u>7,472,042.08</u>	<u>2,073,884.36</u>	<u>268,262,049.46</u>
Carrying amount					
At the end of the year	<u>24,545,177,620.20</u>	<u>19,597,251,753.77</u>	<u>1,418,578,668.77</u>	<u>212,275,551.01</u>	<u>45,773,283,593.75</u>
At the beginning of the year	<u>9,896,904,642.69</u>	<u>7,699,339,770.68</u>	<u>405,788,287.14</u>	<u>139,136,988.53</u>	<u>18,141,169,689.04</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Fixed assets (continued)

The carrying amounts of the fixed assets under finance leases are as follows:

	2017	2016
Machinery and equipment	4,039,734,333.63	5,696,880,670.69
Buildings	49,826,439.11	56,780,625.96
Transportation equipment	62,337,952.11	25,730,925.21
	4,151,898,724.85	5,779,392,221.86

The carrying amounts of the fixed assets leased out under operating leases are as follows:

	2017	2016
Machinery and equipment	4,939,122.54	12,800,538.36
Buildings	21,889,223.73	10,744,406.12
Transportation equipment	-	4,949,158.78
Other equipments	-	2,861.86
	26,828,346.27	28,496,965.12

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Fixed assets (continued)

As at 31 December 2017, fixed 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
Office building for Chengde BBMG Cement	4,313,895.41	In process
Office building for Xuanhua BBMG Cement	40,315,540.88	In process
Office building for Zuoquan BBMG Cement	25,918,767.64	In process
Tangshan Jidong Development Jicheng Housing Co., Ltd. (唐山冀東發展集成房屋有限公司)	63,068,191.00	In process
Hohhot Jidong Cement & Concrete Co., Ltd. (呼和浩特市冀東水泥混凝土有限公司)	12,894,616.73	In process
Tangshan High Voltage Porcelain Insulator Works Co., Ltd. (唐山高壓電瓷有限公司)	94,057,586.67	In process
Jidong Rizhang Energy-Conserving Fan Manufacture Co., Ltd. (冀東日彰節能風機製造有限公司)	88,145,069.05	In process
Total	328,713,667.38	

Details of pledge of fixed assets are set out in Note V. 66.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Beijing Liushui Environmental Protection						
– Construction waste resources optimization	57,780,767.18	–	57,780,767.18	1,380,995.37	–	1,380,995.37
– Improvement and expansion project of fly ash	34,986,805.15	–	34,986,805.15	1,979,312.44	–	1,979,312.44
– Renovation projects concerning conveying system for the base of clinker silos no.1 to 5 and discharge system for the side of clinker silo no.1	4,252,364.10	–	4,252,364.10	310,811.95	–	310,811.95
– Capacity improvement project of the disposal of fly ashes	11,777,217.29	–	11,777,217.29	2,495,382.11	–	2,495,382.11
– Project concerning comprehensive utilization of fly ash	5,647,066.46	–	5,647,066.46	1,536,540.68	–	1,536,540.68
Beijing Jianhua-Bulangni Concrete						
– Relocation of production line of 4.5 cubic meters in Qingyundian Town	7,300,000.00	–	7,300,000.00	–	–	–
– Project for building basement and material shed of concrete mixing tower for Bulangni (Qingyundian)	2,100,000.00	–	2,100,000.00	–	–	–
Beijing BBMG Concrete						
– Mobile equipment	–	–	–	4,963,736.00	–	4,963,736.00
Hebei BBMG Dingxin Cement						
– Projects for managing sheds in branches no. 1, 2 and 3 and stone plant in 2017	3,322,733.39	–	3,322,733.39	–	–	–
– Project concerning comprehensive technological improvement on new powder separation and energy-saving in branch no. 2 in 2017	4,374,560.14	–	4,374,560.14	–	–	–
Handan BBMG Taihang Cement						
– Collaborative project of the disposal of garbage for cement kiln	–	–	–	51,458,621.68	–	51,458,621.68
– Renovation project concerning raw coal shed for XM-2017-04 4#, 5#	9,633,883.02	–	9,633,883.02	–	–	–
– Renovation project concerning sandstone shed	2,456,000.00	–	2,456,000.00	–	–	–
Cheng'an BBMG Taihang Cement						
– Material shed	3,702,396.11	–	3,702,396.11	–	–	–

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Handan BBMG Taihang Building Materials						
– Land expenses	6,167,550.30	-	6,167,550.30	933,127.00	-	933,127.00
Handan Shexian BBMG Cement						
– Project concerning comprehensive utilisation of mining mullock	1,822,497.71	-	1,822,497.71	31,032,339.00	-	31,032,339.00
– Relocation and technological improvement project of cement grinding station	-	-	-	3,603,603.60	-	3,603,603.60
– Renovation project for wet fly dash for 2013J-4	-	-	-	2,351,847.67	-	2,351,847.67
– Project for raw and fuel material shed for 2014J-4	-	-	-	8,363,641.96	-	8,363,641.96
Zanhuang BBMG Cement						
– Collaborative disposal of household garbage and sludge in cement kiln	44,926,265.56	-	44,926,265.56	547,169.80	-	547,169.80
– Upgrading of line 1 raw meal mill	-	-	-	19,954,841.54	-	19,954,841.54
– Energy management system	-	-	-	6,139,594.23	-	6,139,594.23
– Intelligent logistics management system	-	-	-	3,827,446.49	-	3,827,446.49
– First-level security standardization project	-	-	-	3,915,136.25	-	3,915,136.25
Zhangjiakou Jinyu Cement						
– Technological improvement for environmental protection of fly ash silo	-	-	-	2,627,132.00	-	2,627,132.00
– Construction project of cement mill (1 million tonnes)	-	-	-	3,387,321.77	-	3,387,321.77
Quyuan Jinyu Cement						
– Solid wastes treatment project	-	-	-	28,825,783.43	-	28,825,783.43
– Renewal of licence of mining right of a mine (mine integration)	-	-	-	5,853,415.61	-	5,853,415.61
Tianjin BBMG Concrete						
– Binhai creative investment office building	23,650,000.00	-	23,650,000.00	23,650,000.00	-	23,650,000.00
– Construction project of new station in Wuqing	2,677,497.45	-	2,677,497.45	1,228,328.58	-	1,228,328.58

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Tianjin Zhenxing Cement						
– Technological improvement of raw material grinding system for energy saving	-	-	-	13,268,621.06	-	13,268,621.06
– Upgrading of feeding system	-	-	-	13,225,009.34	-	13,225,009.34
Lingchuan BBMG Cement						
– Hazardous waste disposal	-	-	-	22,586,094.50	-	22,586,094.50
Zuoquan BBMG Cement						
– Construction project of a mine	-	-	-	3,405,400.90	-	3,405,400.90
– Mine project	-	-	-	7,442,110.30	-	7,442,110.30
Bo'ai BBMG Cement						
– Bo'ai Zhaihuoxiang limestone mine	14,097,169.75	-	14,097,169.75	13,614,150.89	-	13,614,150.89
– Technological improvement of raw meal mill	-	-	-	25,608,561.32	-	25,608,561.32
– Project concerning clinker shed	-	-	-	3,387,726.53	-	3,387,726.53
Guangling BBMG Cement						
– Technological improvement of clinker shed	14,080,459.89	-	14,080,459.89	-	-	-
– Renovation project of a workshop	2,711,497.77	-	2,711,497.77	1,500,000.00	-	1,500,000.00
– Construction of a new cement warehouse with a storage of 1,200 tonnes	2,559,925.67	-	2,559,925.67	-	-	-
– Cogeneration projects	2,483,383.91	-	2,483,383.91	916,364.40	-	916,364.40
– Collaborative project of hazardous waste disposal	-	-	-	20,560,550.15	-	20,560,550.15
Chengde BBMG Cement						
– Project concerning comprehensive utilisation of hazardous waste	28,015,172.27	-	28,015,172.27	16,833,869.04	-	16,833,869.04
– 110KV power supply technological improvement project	-	-	-	15,895,816.67	-	15,895,816.67
Xingtai BBMG Yongning Cement						
– Collaborative disposal of wastes in cement kiln	8,626,215.61	-	8,626,215.61	511,427.00	-	511,427.00
Beijing BBMG Tiantan Furniture						
– Intelligent manufacturing workshop	139,236,575.77	-	139,236,575.77	-	-	-
– Renovation of a plant of Longshuncheng	14,188,487.82	-	14,188,487.82	-	-	-
Dachang BBMG Tiantan Furniture						
– Construction of Dachang project	20,774,294.83	-	20,774,294.83	273,194,087.82	-	273,194,087.82

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Beijing Aerated Concrete						
– Logistics park project	955,230,172.52	-	955,230,172.52	766,401,717.96	-	766,401,717.96
Beijing Building Material Test Centre						
– Establish of information platform	3,487,392.11	-	3,487,392.11	1,969,456.23	-	1,969,456.23
– Water-saving appliances quality monitoring and inspection center	-	-	-	30,769,118.34	-	30,769,118.34
– Comprehensive lab of enthalpy difference	-	-	-	2,272,654.22	-	2,272,654.22
BBMG (Dachang) Modern Industrial Park						
– Furniture project standard plant	25,195,976.26	-	25,195,976.26	24,544,970.76	-	24,544,970.76
– Coating product warehouse and test center	8,070,502.80	-	8,070,502.80	7,735,744.92	-	7,735,744.92
BBMG Weiguan (Cangzhou) Chemical						
– Adhesive and poly-hydroxy-acid alkaline agent	46,739,986.14	-	46,739,986.14	22,247,579.93	-	22,247,579.93
Beijing BBMG Doudian Technology						
– Water-saving center project	-	-	-	32,540,738.70	-	32,540,738.70
– Two projects including a testing workshop	-	-	-	5,968,696.20	-	5,968,696.20
Innovation Incubator						
– Auction of properties of Unisplendour Founder	-	-	-	3,422,726.19	-	3,422,726.19
Hongye Ecological						
– Jianjin Building decoration project	28,026,857.13	-	28,026,857.13	30,874,361.13	-	30,874,361.13
Jidong Development Group						
– Caofeidian industrial park	67,352,913.55	-	67,352,913.55	59,253,147.10	-	59,253,147.10
– Sand making project	4,324,624.50	-	4,324,624.50	4,324,624.50	-	4,324,624.50
– Further treatment and transformation of a mine	2,393,961.68	-	2,393,961.68	-	-	-
– Renovation project of Qixin sanatorium	-	-	-	7,001,013.95	-	7,001,013.95
Tangshan Jidong Concrete						
– ERP project	7,884,948.85	-	7,884,948.85	7,830,653.85	-	7,830,653.85
– Renovation project of a green environmental protection station	-	-	-	8,433,026.97	-	8,433,026.97
Tangshan Jidong Equipment & Engineering						
– Corporate innovation ability development project	-	-	-	5,807,784.07	-	5,807,784.07
– Caofeidian hotworking project	-	-	-	194,685,431.34	-	194,685,431.34

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Jidong Sand Gravel Aggregate						
– Construction project of a production line of 2.5 million tonnes dolomite	23,466,333.46	-	23,466,333.46	19,163,509.32	-	19,163,509.32
– Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	14,044,839.69	-	14,044,839.69	94,433,361.50	-	94,433,361.50
– No. 3 slag production line	-	-	-	58,017,949.36	-	58,017,949.36
Jidong Development Machinery and Equipment						
– Heavy equipment plant	241,232,485.60	-	241,232,485.60	218,637,902.54	-	218,637,902.54
– Ancillary equipment plant	163,959,664.38	-	163,959,664.38	136,294,220.63	-	136,294,220.63
– Equipment under installation	98,554,523.11	-	98,554,523.11	4,321,500.00	-	4,321,500.00
– Deferred expenditures	39,280,497.78	-	39,280,497.78	11,211,990.42	-	11,211,990.42
– Bid lot I (warehouse, heat exchange station, etc.)	25,028,382.32	-	25,028,382.32	23,629,271.74	-	23,629,271.74
– 110KV substation	18,590,649.05	-	18,590,649.05	18,346,566.17	-	18,346,566.17
– Dunshi machinery manufacturing project	14,057,435.08	-	14,057,435.08	14,057,435.08	-	14,057,435.08
– 13 meter vertical lathe	11,037,352.45	-	11,037,352.45	11,037,352.45	-	11,037,352.45
– Plant pipe network project	9,721,524.01	-	9,721,524.01	-	-	-
– Hotworking plant	8,609,108.40	-	8,609,108.40	-	-	-
– Roads in plant	6,765,539.44	-	6,765,539.44	-	-	-
– Road A5	6,316,687.81	-	6,316,687.81	5,270,549.59	-	5,270,549.59
– Painting of heavy ancillary equipment plant	6,000,000.00	-	6,000,000.00	6,000,000.00	-	6,000,000.00
– Ancillary machinery building	4,042,734.42	-	4,042,734.42	3,594,700.00	-	3,594,700.00
Hebei Mining Engineering						
– Construction project of explosive depot in Yutian	3,018,519.37	-	3,018,519.37	3,018,519.37	-	3,018,519.37
Huahai Wind Power						
– Caofeidian new wind power project	107,045,976.72	-	107,045,976.72	107,045,976.72	-	107,045,976.72
Yan Dong Construction						
– Production line for Jicheng Housing plate-making workshop	3,989,307.93	-	3,989,307.93	-	-	-
– Plate-making workshop – composite plate production line	3,550,750.56	-	3,550,750.56	3,314,670.00	-	3,314,670.00
– Hainan villa	2,336,304.83	-	2,336,304.83	2,320,906.55	-	2,320,906.55
– Upgrading production line in plate-making workshop	2,315,063.08	-	2,315,063.08	-	-	-

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
- Maintenance-free mobile composite plate production line for comprehensive foaming and heating platform	61,590.89	-	61,590.89	2,110,509.33	-	2,110,509.33
Cement museum						
- Museum project	804,718.62	-	804,718.62	62,459,464.17	-	62,459,464.17
Yi County Xinhai Mining						
- Project concerning crushed stone production of 1.2 million cubic meters per annum	55,942,478.74	-	55,942,478.74	34,925,491.41	-	34,925,491.41
Jidong Cement Heilongjiang						
- Cement production line using new drying process with clinker	53,164,479.34	-	53,164,479.34	537,298,377.09	-	537,298,377.09
Jidong Cement Tongchuan						
- Conveyor belt project	28,893,452.21	3,978,739.01	24,914,713.20	28,893,452.21	1,556,436.49	27,337,015.72
Chengde Jidong Cement						
- Technological improvement project of mining	15,983,664.78	-	15,983,664.78	10,689,988.52	-	10,689,988.52
Tangshan Jidong Qixin Cement						
- Renovation project of ancillary material shed	15,687,753.02	-	15,687,753.02	-	-	-
Baotou Jidong Cement						
- Flux limestone crushing and screening project, phase II for Baotou company	15,614,377.59	-	15,614,377.59	-	-	-
Jidong Haitian Cement Wenxi						
- Clinker storage tent	11,711,711.71	-	11,711,711.71	-	-	-
Yantai Jidong Runtai Building Materials						
- Production line project	10,437,308.14	-	10,437,308.14	155,874,519.70	-	155,874,519.70
Jidong Cement Chongqing Jiangjin						
- Avenue leading to plant	7,476,867.80	-	7,476,867.80	6,383,152.66	-	6,383,152.66
Laishui Jidong Cement						
- Project of hazardous solid waste disposal	6,898,595.34	-	6,898,595.34	5,448,269.17	-	5,448,269.17
Jidong Cement Yongji						
- Project concerning a change of exploration right to mining right of Qincaigou mine	6,268,841.07	-	6,268,841.07	5,994,083.80	-	5,994,083.80
- Project of stripping regolith of limestone mine in 2016	-	-	-	4,283,559.46	-	4,283,559.46

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Mizhi Jidong Cement						
– Project concerning cement production by comprehensive utilization using new dry process	5,926,650.40	-	5,926,650.40	239,191,544.18	-	239,191,544.18
Tangshan branch under Tangshan Jidong Cement						
– Collaborative project of the disposal of solid wastes (sludge) for cement kiln of the Plant no.2	5,693,379.69	-	5,693,379.69	-	-	-
Datong Jidong Cement						
– Original flood command center	5,067,326.00	-	5,067,326.00	5,067,326.00	-	5,067,326.00
Inner Mongolia Yili Jidong Cement						
– Upgrading project of filter press	4,760,256.42	-	4,760,256.42	4,760,256.42	-	4,760,256.42
– Jet coal dryer project	-	-	-	-	-	-
– Technological improvement project of boilers using exhaust gas to increase heat at the entrance of kiln	-	-	-	3,629,639.79	-	3,629,639.79
– Project of building mixed material shed of cement mill	-	-	-	9,929,720.98	-	9,929,720.98
Jilin Jidong Logistics						
– Construction project concerning energy saving and environmental protection	4,107,624.29	-	4,107,624.29	3,622,417.00	-	3,622,417.00
Tangshan Jidong Qixin Cement						
– Construction project of a new slag shed	3,619,000.77	-	3,619,000.77	-	-	-
– Final treatment project of side slopes of a mine	3,377,477.87	-	3,377,477.87	57,409.44	-	57,409.44
Jidong Cement Huludao						
– Cement production line using new drying process with clinker	3,190,260.58	-	3,190,260.58	3,135,260.58	-	3,135,260.58
Liaoyang Jidong Cement						
– Cogeneration projects of Liaoyang company	3,037,775.33	-	3,037,775.33	-	-	-
Jidong Haitian Cement						
– Project concerning bag filter revamping from ESP at the entrance of a kiln	3,017,094.01	-	3,017,094.01	-	-	-

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Linli Jidong Cement						
- Upgrading project of desulphurization of exhaust gas at the end of a kiln	2,665,117.24	-	2,665,117.24	-	-	-
Jidong Cement Chongqing Hechuan						
- Relocation project of 110KV power supply line	2,423,354.13	-	2,423,354.13	2,384,615.39	-	2,384,615.39
Tangshan Jidong Cement Sanyou						
- Project concerning design of connection system of 12MW cogeneration project phase II and its upgrading of grid connection	2,365,193.14	-	2,365,193.14	113,926.79	-	113,926.79
Linli Jidong Cement						
- Technological improvement project of conveying limestone	2,360,872.86	-	2,360,872.86	-	-	-
Jidong Cement Luan County						
- Technological improvement project of grid connection for generating sets phase II	2,153,680.09	-	2,153,680.09	73,584.91	-	73,584.91
- Improvement project of energy management center	2,147,008.55	-	2,147,008.55	2,147,008.55	-	2,147,008.55
Linli Jidong Cement						
- Environmental protection plug project in ancillary material shed areas	2,033,056.26	-	2,033,056.26	-	-	-
Tangshan Jidong Cement						
- Technological improvement project of Jidong supply chain + internet of construction in progress	-	-	-	3,985,130.60	-	3,985,130.60
Tangshan Jidong Qixin Cement						
- Project concerning treatment of dangerous slope in slope 85 of a mine	-	-	-	2,739,057.60	-	2,739,057.60
- Slag dryer system project	-	-	-	8,197,632.89	-	8,197,632.89
- Project concerning direct addition of citric acid dregs into ball mill	-	-	-	3,101,501.50	-	3,101,501.50
Inner Mongolia Jidong Cement						
- New roller press finish grinding mill system	-	-	-	27,110,816.87	-	27,110,816.87

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

	2017			2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Jidong Cement Tongchuan						
– Project concerning restoration of Line D central controlling building, denitrifying plant and mountain road	-	-	-	4,933,933.58	-	4,933,933.58
– Demonstration project concerning construction of an energy management center for Qinling cement company	-	-	-	4,573,559.28	-	4,573,559.28
– Project concerning production from Line D clinker to cement	-	-	-	3,363,007.89	-	3,363,007.89
Tangshan Haigang Jidong Building Materials						
– Gas transport project	-	-	-	6,945,178.65	-	6,945,178.65
Shandong Jidong Shengwei Building Materials						
– Project concerning transit depot of colour steel at Shouguang Port	-	-	-	22,082,631.67	-	22,082,631.67
Others	<u>184,180,682.75</u>	<u>30,624,254.06</u>	<u>153,556,428.69</u>	<u>151,395,913.92</u>	<u>4,928,225.40</u>	<u>146,467,688.52</u>
	<u>2,906,093,451.81</u>	<u>34,602,993.07</u>	<u>2,871,490,458.74</u>	<u>3,970,106,789.41</u>	<u>6,484,661.89</u>	<u>3,963,622,127.52</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2017

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to		Closing balance	Source of funding	Percentage of project investment in budget (%)
				fixed assets in the year	Other decreases (notes)			
Beijing Lushui Environmental Technology								
- Construction waste resources optimization	72,240	1,380,995.37	56,399,771.81	-	-	57,780,767.18	Self-financing and borrowing	79.98
- Improvement and expansion project of fly ash	70,910	1,979,312.44	33,007,492.71	-	-	34,986,805.15	Self-financing	49.34
- Cement mill project, phase II	65,000	-	74,326.49	74,326.49	-	-	Self-financing	0.11
- Capacity enhancement and optimization of treatment line of fly ash	22,960	2,495,382.11	13,089,866.87	3,808,031.69	-	11,777,217.29	Self-financing and borrowing	67.88
- Project concerning comprehensive utilization of fly ash	61,290	1,536,540.68	5,868,666.46	1,758,140.68	-	5,647,066.46	Self-financing and borrowing	12.08
- System upgrading of cement mill with capacity of 1 million tonnes	140,950	-	580,441.24	580,441.24	-	-	Self-financing and borrowing	0.41
Hebei BBMG Dingxin Cement								
- Project concerning comprehensive technological improvement on new powder separation and energy-saving in branch no. 2 in 2017	90,000	-	4,374,560.14	-	-	4,374,560.14	Self-financing	4.86
Handan Shexian BBMG Cement								
- Project concerning comprehensive utilisation of mining mullock	46,000	31,032,339.00	15,718,665.38	44,928,506.67	-	1,822,497.71	Group funding	101.63
- Relocation and technological improvement project of cement grinding station	125,000	3,603,603.60	85,477,208.06	89,080,811.66	-	-	Group funding	71.26
Zanhuang BBMG Cement								
- Upgrading of line 1 raw meal mill	30,500	19,954,841.54	7,698,086.63	27,652,928.17	-	-	Appropriation by the state, self-financing	90.67
Zhangjiakou Jinyu Cement								
- Base for fly ash	734,000	250,545.12	-	250,545.12	-	-	Self-financing	0.03
Zhuolu Jinyu Cement								
- Shed project of 0.3 million tonnes of clinker	25,481	-	61,320.75	-	-	61,320.75	Self-financing	0.24
Quyuan Jinyu Cement								
- Solid wastes treatment project	44,150	28,825,783.43	10,560,220.87	39,386,004.30	-	-	Self-financing	89.21
Tianjin BBMG Concrete								
- Binhai creative investment office building	33,816	23,650,000.00	-	-	-	23,650,000.00	Self-financing	69.94

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2017 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to	Other decreases (notes)	Closing balance	Source of funding	Percentage of
				fixed assets in the year				project investment in budget (%)
Shijiazhuang BBMG Xucheng								
– Road restoration project of branch company in Zhengding New Area	30,140	111,360.00	30,028,785.37	30,140,145.37	-	-	Self-financing	100.00
Tianjin Zhenxing Cement								
– Construction waste	74,500	-	30,982.44	-	-	30,982.44	Self-financing	0.04
– Technological improvement for energy-saving of raw material grinding system	22,700	13,268,621.06	6,452,529.21	19,721,150.27	-	-	Self-financing	86.88
Qinyang BBMG Cement								
– Collaborative project of hazardous waste disposal with cement production line	31,073	112,702.87	538,413.64	-	-	651,116.51	Self-financing	2.10
Lingchuan BBMG Cement								
– Hazardous waste disposal	36,180	22,586,094.50	12,292,357.95	34,878,452.45	-	-	Borrowing	96.40
Beijing Chinafarge Cement								
– Chinafarge upgrading project	580,000	-	5,651,361.34	-	-	5,651,361.34	Self-financing	0.97
Bo'ai BBMG Cement								
– Bo'ai Zhaihuoxiang limestone mine	21,103	13,614,150.89	483,018.86	-	-	14,097,169.75	Self-financing and borrowing	66.80
– Hazardous waste disposal project	34,723	681,593.73	-	-	-	681,593.73	Self-financing	1.96
– Technological improvement of raw meal mill	29,344	25,608,561.32	1,273,861.56	26,882,422.88	-	-	Self-financing and borrowing	91.61
Guangling BBMG Cement								
– Collaborative project of hazardous waste disposal	37,480	20,560,550.15	11,945,097.60	32,505,647.75	-	-	Self-financing	86.73
Chengde BBMG Cement								
– Project concerning comprehensive utilisation of hazardous waste	39,140	16,833,869.04	11,181,303.23	-	-	28,015,172.27	Group funding	71.58
– Intelligent engineering projects	45,197	-	402,564.10	-	-	402,564.10	Self-financing	0.89
– 110KV power supply technological improvement project	45,000	15,895,816.67	21,787,413.40	37,683,230.07	-	-	Group funding	83.74
Xingtai BBMG Yongning Cement								
– Collaborative disposal of wastes in cement kiln	42,057	511,427.00	8,114,788.61	-	-	8,626,215.61	Self-financing	20.51
Beijing BBMG Tiantan Furniture								
– Intelligent manufacturing workshop	281,400	-	139,236,575.77	-	-	139,236,575.77	Group funding	49.48
– Renovation of a plant of Longshuncheng	42,000	-	14,188,487.82	-	-	14,188,487.82	Group funding	33.78

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2017 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to		Closing balance	Source of funding	Percentage of project investment in budget (%)
				fixed assets in the year	Other decreases (notes)			
Dachang BBMG Tiantan Furniture								
- Construction of Dachang project	558,600	273,194,087.82	143,220,302.69	209,122,657.22	186,517,438.46	20,774,294.83	Appropriation by the state, self- financing	74.55
Beijing Aerated Concrete								
- Logistics park project	1,367,600	766,401,717.96	51,607,175.60	-	-	818,008,893.56	Self-financing	59.81
Beijing Building Material Test Centre								
- Water-saving appliances quality monitoring and inspection center	88,100	30,769,118.34	811,006.87	31,555,509.98	24,615.23	-	Self-financing	35.85
BBMG (Dachang) Modern Industrial Park								
- Tiantan Furniture project standard plant	37,201	24,544,970.76	651,005.50	-	-	25,195,976.26	Self-financing	67.73
- Tiantan Furniture phase I at Lot 4#, 10-2# under Tiantan Furniture project	97,813	-	821,813.06	-	-	821,813.06	Self-financing	0.84
- Tiantan Furniture project-GSHP project	88,000	-	112,506.29	-	-	112,506.29	Self-financing	0.13
- Sanchong Mirror project	27,524	-	65,000.00	-	-	65,000.00	Self-financing	0.24
- Tiantan Furniture phase I with capacity of 0.8 million pieces of furniture at Lot 7# and 9#	197,707	-	487,670.62	-	450,000.00	37,670.62	Self-financing	0.25
BBMG Weiguan (Cangzhou)								
- Adhesive and poly-hydroxy-acid alkaline agent	88,392	22,247,579.93	33,912,406.21	-	9,420,000.00	46,739,986.14	Self-financing	63.54
Beijing BBMG Doudian Technology								
- Water-saving center project	50,390	32,540,738.70	5,745,683.72	38,286,422.42	-	-	Group funding	75.98
Badaling Hot Spring								
- Upgrading of resorts	433,000	-	1,264,150.93	-	-	1,264,150.93	Self-financing	0.29
Hongye Ecological								
- Jianjin Building decoration project	34,000	30,874,361.13	-	-	2,847,504.00	28,026,857.13	Self-financing	90.81
Jidong Development Group								
- Caofeidian industrial park	67,352	59,253,147.10	8,099,766.45	-	-	67,352,913.55	Self-financing and borrowing	99.99
Tangshan Jidong Equipment								
- Corporate innovation ability development project	25,000	5,807,784.07	-	4,410,670.32	1,397,113.75	-	Self-financing	23.23
- Caofeidian hotworking project	216,500	194,685,431.34	35,453,692.01	230,139,123.35	-	-	Self-financing and borrowing	106.30

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2017 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to		Closing balance	Source of funding	Percentage of project investment in budget (%)
				fixed assets in the year	Other decreases (notes)			
Laishui Jinglai Building Materials								
– Construction project of a production line of 2.5 million tonnes dolomite	120,073	19,163,509.32	4,302,824.14	-	-	23,466,333.46	Self-financing	19.54
Jidong Development Jingyang Building Materials								
– Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	330,780	94,433,361.50	113,130,489.12	190,696,586.73	2,822,424.20	14,044,839.69	Self-financing and borrowing	62.75
Jidong Development Machinery and Equipment								
– Heavy equipment plant	276,328	218,637,902.54	22,594,583.06	-	-	241,232,485.60	Self-financing	87.30
– Ancillary equipment plant	136,006	136,294,220.63	27,665,443.75	-	-	163,959,664.38	Self-financing	120.55
– Equipment under installation	272,070	4,321,500.00	94,233,023.11	-	-	98,554,523.11	Self-financing	36.22
– Deferred expenditures	39,280	11,211,990.42	28,068,507.36	-	-	39,280,497.78	Self-financing	100.00
– Bid lot I (integrated warehouse, cafeteria, bathrooms, and heat exchange station, etc.)	33,829	23,629,271.74	1,399,110.58	-	-	25,028,382.32	Self-financing	73.98
– 110KV substation	26,154	18,346,566.17	244,082.88	-	-	18,590,649.05	Self-financing	71.08
– Dunshi machinery manufacturing project	286,000	14,057,435.08	-	-	-	14,057,435.08	Self-financing	4.92
– Plant pipe network project	39,557	-	9,721,524.01	-	-	9,721,524.01	Self-financing	24.58
– Hotworking plant	24,000	-	8,609,108.40	-	-	8,609,108.40	Self-financing	35.87
Huahai Wind Power								
– Caofeidian new wind power project	230,000	107,045,976.72	-	-	-	107,045,976.72	Self-financing	46.54
Yan Dong Construction								
– Yuquan plate-making workshop	50,000	1,715,418.53	270,000.00	-	1,881,000.00	104,418.53	Self-financing	3.97
Cement museum								
– Museum project	250,000	62,459,464.17	45,239,913.09	106,894,658.64	-	804,718.62	Self-financing	43.08
Yi County Xinhai Mining								
– Project concerning crushed stone production of 1.2 million cubic meters per annum	92,172	34,925,491.41	21,016,987.33	-	-	55,942,478.74	Self-financing and borrowing	60.69
Jidong Cement Heilongjiang								
– Cement production line using new drying process with clinker	1,670,000	537,298,377.09	571,618,230.94	1,055,752,128.69	-	53,164,479.34	Self-financing and borrowing	66.40
Jidong Cement Tongchuan								
– Conveyor belt project	55,000	28,893,452.21	-	-	-	28,893,452.21	Self-financing	52.53

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2017 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Chengde Jidong Cement								
- Technological improvement project of mining	50,170	10,689,988.52	5,293,676.26	-	-	15,983,664.78	Self-financing	31.86
- Renovation project of auxiliary material shed	20,455	-	15,687,753.02	-	-	15,687,753.02	Self-financing	76.69
Yantai Jidong Runtai Building Materials								
- Production line project	238,098	155,874,519.70	37,276,936.08	182,714,147.64	-	10,437,308.14	Self-financing and borrowing	81.12
Jidong Cement Yongji								
- Project concerning a change of exploration right to mining right of Qincaigou mine	122,839	5,994,083.80	274,757.27	-	-	6,268,841.07	Self-financing	5.10
Mizhi Jidong Cement								
- Project concerning cement production by comprehensive utilization using new dry process	487,831	239,191,544.18	209,889,027.13	443,153,920.91	-	5,926,650.40	Self-financing and borrowing	92.06
Jilin Jidong Logistics								
- Construction project concerning energy saving and environmental protection	50,000	3,622,417.00	485,207.29	-	-	4,107,624.29	Borrowing	8.22
Tangshan Jidong Qixin Cement								
- Construction project of a new slag shed	20,694	-	3,619,000.77	-	-	3,619,000.77	Self-financing	17.49
Jidong Cement Huludao								
- Cement production line using new drying process with clinker	790,000	3,135,260.58	55,000.00	-	-	3,190,260.58	Group funding	0.40
Liaoyang Jidong Cement								
- Cogeneration projects of Liaoyang company	33,070	-	3,037,775.33	-	-	3,037,775.33	Self-financing	9.19
Jidong Haitian Cement Wenzhi								
- Conveyor belts of a mine	98,220	1,972,500.00	-	-	-	1,972,500.00	Self-financing	2.01
Jidong Cement Panzhi								
- Yantong Lazi mining	99,408	1,666,926.89	-	-	-	1,666,926.89	Self-financing	1.68
Shanxi Shuangliang Dingxin Cement								
- Technological improvement project of collaborative disposal of cement kiln in Shuangliang company	40,000	-	478,274.23	-	-	478,274.23	Self-financing	1.20
Inner Mongolia Jidong Cement								
- New roller press finish grinding mill system	29,916	27,110,816.87	-	27,110,816.87	-	-	Self-financing	90.62
- Mining right phase II project	25,000	64,509.43	18,831,941.75	-	18,896,451.18	-	Self-financing	75.59

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2017 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of
								project investment in budget (%)
Yangquan Jidong Cement								
– Upgrading project of cement system in Shuangliang company	21,470	529,491.53	-	-	529,491.53	-	Self-financing	2.47
– Project concerning transit depot of colour steel at Shouguang Port	29,000	22,082,631.67	3,530,743.11	25,613,374.78	-	-	Self-financing	88.32
Others		500,925,134.04	679,176,309.85	509,785,852.14	99,181,222.87	571,134,368.88		
		<u>3,970,106,789.41</u>	<u>2,704,520,578.12</u>	<u>3,444,566,654.50</u>	<u>323,967,261.22</u>	<u>2,906,093,451.81</u>		

Note: Other decreases mainly represent transfer of total RMB186,517,438.46 of park ancillary management system of Dachang construction project of Dachang BBMG Tiantan Furniture Co., Ltd., a subsidiary of the Company, to intangible assets.

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2016

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Beijing Liusui Environmental Technology									
- Collaborative project of the disposal of lime - stabilized sludge and cement kiln	32,000	722,695.65	-	-	-	722,695.65	-	Self-financing	2.26
- Construction waste resources optimization	99,870	321,358.41	-	1,059,636.96	-	-	1,380,995.37	Self-financing	1.38
- Improvement and expansion project of fly ash	74,910	-	-	1,979,312.44	-	-	1,979,312.44	Self-financing and borrowing	2.64
Hebei BBMG Dingxin									
- Upgrading of 2nd sub line 2 raw meal ball mill to roller press finish grinding mill	30,500	1,444,645.22	-	23,673,644.84	25,118,290.06	-	-	Self-financing	82.36
- Stripping of 1st sub orebody phase II	127,328	-	-	6,071,250.80	-	6,071,250.80	-	Self-financing	4.77
Baoding Taihang Heyi									
- Updating of raw mill for energy saving	29,840	18,278,675.83	-	5,758,465.38	24,037,141.21	-	-	Self-financing and borrowing	80.55
Handan BBMG Taihang Cement									
- Collaborative project of the disposal of garbage for cement kiln	118,770	12,365.66	-	51,446,256.02	-	-	51,458,621.68	Self-financing	43.33
Handan Shexian BBMG Cement									
- Project concerning comprehensive utilisation of mining mullock	46,000	-	-	31,032,339.00	-	-	31,032,339.00	Borrowing	67.46
- Relocation and technological improvement project of cement grinding station	125,000	-	-	3,603,603.60	-	-	3,603,603.60	Borrowing	2.88
Zanhuang BBMG Cement									
- Construction of sandstone mine	43,260	15,826,689.80	-	18,596,042.79	34,422,732.59	-	-	Self-financing	79.57
- Collaborative disposal of household garbage and sludge in cement kiln	125,650	-	-	547,169.80	-	-	547,169.80	Self-financing	0.44
- Upgrading of line 1 raw meal mill	30,500	-	-	19,954,841.54	-	-	19,954,841.54	Self-financing	65.43
Quyuan Jinyu Cement									
- Solid wastes treatment project	53,222	82,981.28	-	28,742,802.15	-	-	28,825,783.43	Self-financing	54.16

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Tianjin BBMG Concrete									
– Binhai creative investment office building	33,800	–	–	23,650,000.00	–	–	23,650,000.00	Self-financing	69.97
Tianjin Zhenxing Cement									
– Project concerning clinker storage tent	28,350	28,347,508.05	–	186,485.13	28,533,993.18	–	–	Borrowing	100.65
– Raw coal and auxiliary material shed	26,150	26,145,793.42	–	1,227,576.47	27,373,369.89	–	–	Borrowing	104.68
– Technological improvement for energy- saving of raw material grinding system	22,700	–	–	13,268,621.06	–	–	13,268,621.06	Self-financing	58.45
Lingchuan BBMG Cement									
– Hazardous waste disposal	36,180	435,369.81	–	22,150,724.69	–	–	22,586,094.50	Borrowing	62.43
Beijing BBMG Mining									
– Integration of non-coal mines in Fangshan District	157,920	54,621,284.23	–	46,534.09	–	54,667,818.32	–	Self-financing	34.62
Beishui Environmental Protection Technology									
– Construction project of limestone mine in Xiashuang	36,808	13,992,349.63	–	19,935,220.97	33,927,570.60	–	–	Self-financing	92.17
Xuanhua BBMG Cement									
– Project concerning completion of cement production by utilization of carbide slag	67,000	1,591,326.53	–	8,673.47	1,600,000.00	–	–	Self-financing	98.78
Bo'ai BBMG Cement									
– Bo'ai Zhaihuoxiang limestone mine	21,102	10,722,641.49	–	2,891,509.40	–	–	13,614,150.89	Self-financing	64.52
– Technological improvement of raw meal mill	30,650	9,948,018.87	–	15,660,542.45	–	–	25,608,561.32	Self-financing and borrowing	83.55
Guangling BBMG Cement									
– Collaborative project of hazardous waste disposal	37,480	–	–	20,560,550.15	–	–	20,560,550.15	Self-financing and borrowing	54.86
Chengde BBMG Cement									
– Treatment of mine environment and other projects	20,440	5,382,792.21	–	–	3,326,930.85	2,055,861.36	–	Self-financing	126.24

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
- Project concerning comprehensive utilisation of hazardous waste	39,140	308,850.86	-	16,525,018.18	-	-	16,833,869.04	Share borrowing	43.01
- 110KV power supply technological improvement project	45,000	-	-	15,895,816.67	-	-	15,895,816.67	Share borrowing	35.32
Xingtai BBMG Yongning									
- Phase I of renovation of raw meal mill	32,246	29,666.67	-	24,624,121.36	24,653,788.03	-	-	Self-financing and loans	76.46
- Phase II of renovation of raw meal mill	32,246	-	-	21,622,828.48	21,622,828.48	-	-	Self-financing	67.06
Dachang BBMG Tiantan Furniture									
- Construction of Dachang project	685,355	81,873,849.75	-	191,320,238.07	-	-	273,194,087.82	Appropriation/ Fundraising/ Borrowing	39.86
Beijing Aerated Concrete									
- Logistics park project	1,369,000	434,077,594.22	-	332,324,123.74	-	-	766,401,717.96	Self-financing	55.98
Beijing Building Material Test Centre									
- Water-saving appliances quality monitoring and inspection center	36,570	320,254.72	-	30,448,863.62	-	-	30,769,118.34	Self-financing	84.14
BBMG (Dachang) Modern Industrial Park									
- Tiantan furniture project	590,492	276,189,695.83	-	89,687,740.04	341,332,465.11	-	24,544,970.76	Fundraising/Self-financing/ Borrowing	61.96
- Sanchong Mirror project	27,524	40,000.00	-	21,485,144.05	21,525,144.05	-	-	Self-financing	78.20
- GSHF project of Tiantan furniture Phase I	88,000	48,731,109.78	-	10,704,847.05	59,435,956.83	-	-	Self-financing	67.54
BBMG Weiguan (Gangzhou) Chemical									
- Adhesive and poly-hydroxy-acid alkaline agent	88,392	-	-	22,247,579.93	-	-	22,247,579.93	Self-financing	25.17
Doudian Technology Corporate Management									
- Water-saving center project	50,390	3,135,850.73	-	29,404,887.97	-	-	32,540,738.70	Borrowing	64.58

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Badaling Hot Spring									
– Riverside town improvement project	28,300	–	–	28,525,695.44	28,525,695.44	–	–	Borrowing	100.80
Hongye Ecological									
– Jianjin Building decoration project	24,000	13,580,318.50	–	17,294,042.63	–	–	30,874,361.13	Self-financing	128.64
Jidong Group									
– Caofeidian Industrial Park	59,253	–	58,314,247.43	938,899.67	–	–	59,253,147.10	Self-financing and borrowing	99.99
Tangshan Caofeidian Jidong Equipment Mechanical Hotworking									
– Caofeidian hotworking project	216,500	–	166,948,855.60	27,736,575.74	–	–	194,685,431.34	Self-financing and borrowing	89.92
Tangshan Dunshi Electric									
– Corporate innovation ability development project	25,000	–	2,630,839.66	3,176,944.41	–	–	5,807,784.07	Self-financing and government grants	23.23
Tangshan Dunshi Machinery Manufacturing									
– Dunshi machinery manufacturing project	286,000	–	14,057,435.08	–	–	–	14,057,435.08	Self-financing and borrowing	4.92
Beijing Zhejun Technology Development									
– No. 3 slag production line	60,000	–	56,026,479.44	1,991,469.92	–	–	58,017,949.36	Self-financing and borrowing	96.70
Laishui Jingjai Building Materials									
– Construction project of a production line of 2.5 million tonnes dolomite	120,073	–	18,141,188.19	1,022,321.13	–	–	19,163,509.32	Borrowing	15.96
Jidong Development Jingyang Building Materials									
Aggregates production line with annual production capacity of 3 million tonnes	283,579	–	77,459,173.16	16,974,188.34	–	–	94,433,361.50	Self-financing and borrowing	33.30
Tangshan Jidong Development Machinery and Equipment Manufacturing									
– Heavy equipment plant	269,923	–	218,637,902.54	–	–	–	218,637,902.54	Self-financing	81.00
– Ancillary equipment plant	164,607	–	136,294,220.63	–	–	–	136,294,220.63	Self-financing	82.80

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
– Project concerning transit depot of colour steel at Shouguang Port	29,000	–	19,386,492.58	2,696,139.09	–	–	22,082,631.67	Self-owned	76.15
Chengde Jidong Cement									
– Technological improvement project of mining	50,170	–	10,689,988.52	–	–	–	10,689,988.52	Self-financing	21.31
Jilin Jidong Logistics									
– Construction project concerning energy saving and environmental protection	50,000	–	3,621,473.60	943.40	–	–	3,622,417.00	Borrowing	7.24
Jidong Cement Huludao									
– Cement production line using new drying process with clinker	790,000	–	3,135,260.58	–	–	–	3,135,260.58	Borrowing	0.40
Inner Mongolia Jidong Cement									
– Jujinshan project	165,650	–	136,362,081.29	3,816,634.83	137,605,657.25	2,573,058.87	–	Self-financing and borrowing	84.62
Jidong Cement Panshi									
– Yantong Lazi mining	99,408	–	1,384,927.04	281,999.85	–	–	1,666,926.89	Self-financing and borrowing	1.68
Yangquan Jidong Cement									
– Mining right phase II project	25,000	–	64,509.43	–	–	–	64,509.43	Self-financing	0.26
Liaoyang Jidong Hengdun Mining									
– Production line of crushed stone of limestone and gravel aggregate	379,203	–	281,511,347.36	8,922,169.27	290,433,516.63	–	–	Borrowing	76.59
Jidong Cement Chongqing Jiangjin									
– Cement vertical mill technological improvement project	48,812	–	48,348,561.82	–	48,348,561.82	–	–	Self-financing	99.05
Others		212,711,289.23	321,903,306.77	448,641,918.86	460,628,632.30	76,652,681.83	445,975,200.73		
Total		1,258,874,976.38	2,509,331,193.35	1,957,752,040.02	1,612,667,852.32	143,183,568.02	3,970,106,789.41		

Note: Other decreases mainly represent transfer of the orebody-stripping project of Hebei BBMG Dingxin Cement Co., Ltd., a subsidiary of the Company, from construction in progress to long-term deferred expenditures upon completion during the year and retirement of construction in progress of Beijing BBMG Mining Co., Ltd..

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

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

2017

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Beijing Liushui Environmental Technology – Construction waste resources optimization	79.98	214,600.00	214,600.00	3.48
Zanhuang BBMG Cement – Collaborative disposal of household garbage and sludge in cement kiln projects	35.76	603,683.33	603,683.33	3.48
Chengde BBMG Cement – Project concerning comprehensive utilisation of hazardous waste	71.58	616,880.75	485,554.75	3.76
Jidong Development Group – Caofeidian industrial park	2.74	18,962,762.76	3,923,296.72	5.18
Laishui Jinglai Building Materials – Construction project of a production line of 2.5 million tonnes dolomite	19.54	2,177,481.95	13,910.57	–
Jidong Development Jingyang Building Materials – Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	62.75	25,593,870.64	1,107,583.92	5.46

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

The analysis of capitalized amount and capitalization rate of borrowing costs included in balances for construction in progress is set out below: (continued)

2017 (continued)

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Tangshan Dunshi Machinery Manufacturing				
– Dunshi machinery manufacturing project	4.92	4,347,133.63	–	–
Yi County Xinhai Mining Co., Ltd.				
– Project concerning crushed stone production of 1.2 million cubic meters per annum	60.69	5,430,594.84	1,962,028.92	4.53
Jidong Cement Heilongjiang Co., Ltd.				
– Cement production line using new drying process with clinker	66.40	125,581,046.01	57,080,337.94	4.82
Jidong Cement Yongji				
– Project concerning a change of exploration right to mining right of Qincaigou mine	5.10	104,285.34	104,285.34	4.37
– Project of intelligent delivery and transportation plaza in front of plant and roads nearby	81.87	242.26	242.26	4.37
– Technological improvement project of construction of new raw coal shed	0.38	30.23	30.23	4.37
– Collaborative disposal of sludge in cement kiln	98.80	2,406.99	13,365.48	4.39
Jidong Cement Panshi				
– Yantong Lazi mining	1.68	1,666,926.89	–	–
		185,301,945.62	65,508,919.46	

Note: The amount of capitalized interests included in construction in progress for 2017 was RMB86,331,737.21 (2016: RMB29,496,755.26), among which, RMB20,822,817.75 (2016: RMB2,717,482.06) had been transferred to fixed assets.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

The analysis of capitalized amount and capitalization rate of borrowing costs included in balances for construction in progress is set out below: (continued)

2016

	Progress of works (%)	Accumulated amount of Interest capitalized	Of which: interest capitalized for the year	Capitalization rate for the year (%)
Bo'ai				
– Technological improvement of raw meal mill	95.00	217,500.00	217,500.00	4.35
Lingchuan				
– Hazardous waste disposal	90.00	78,203.82	78,203.82	2.50
Handan Shexian				
– Project concerning comprehensive utilisation of mining mullock	87.00	568,043.54	568,043.54	4.29
– Project concerning raw material shed	84.00	271,191.89	271,191.89	4.13
Chengde BBMG				
– Project concerning comprehensive utilisation of hazardous waste	53.00	131,326.00	131,326.00	3.34
– 110KV power supply technological improvement project	26.00	135,816.67	135,816.67	4.35
Dachang BBMG Tiantan				
– Construction of Dachang project	40.00	1,006,250.00	523,250.00	4.60
Doudian Technology				
– Water-saving center project	90.00	609,519.80	544,859.99	4.30
Jidong Group				
– Caofeidian Industrial Park	11.00	15,039,466.04	931,406.08	5.43
Jidong Equipment Mechanical Hotworking				
– Caofeidian hotworking project	77.00	11,660,642.76	1,702,574.15	6.18
Jidong Development Jingyang Building Materials				
– Aggregates production line with annual production capacity of 3 million tonnes project	86.00	24,486,286.72	2,715,876.12	5.38

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

The analysis of capitalized amount and capitalization rate of borrowing costs included in balances for construction in progress is set out below: (continued)

2016 (continued)

	Progress of works (%)	Accumulated amount of Interest capitalized	Of which: interest capitalized for the year	Capitalization rate for the year (%)
Jingyang Jinhui Building Materials – Technological improvement of production line	70.00	5,807,584.15	466,452.45	5.14
Beijing Zhejun Technology Development – No. 3 slag production line	95.00	9,961,734.96	1,033,161.30	7.36
Laishui Jinglai Building Materials – Construction project of a production line of 2.5 million tonnes dolomite	99.70	2,163,571.38	–	
Tangshan Qixin Cement Industry Museum – Museum project	90.00	20,972,440.60	729,984.75	5.88
Jidong Cement Heilongjiang – Cement production line using new drying process with clinker	75.00	68,500,708.07	11,978,919.27	4.82
Mizhi Jidong Cement – Project concerning cement production by comprehensive utilization using new dry process	80.00	4,575,091.26	2,992,287.04	4.86
Yantai Jidong Runtai Building Materials – Production line project	65.47	4,847,909.37	1,082,859.90	4.57
Yi County Xinhai Mining – Project concerning crushed stone production of 1.2 million cubic meters per annum	72.00	3,468,565.92	391,153.39	4.76
Jidong Cement Yongji – Collaborative disposal project of sludge in cement kiln	15.00	2,406.99	2,406.99	4.76
Jidong Cement Panshi – Yantong Lazi mining	10.00	1,666,926.89	281,999.85	4.61
Tangshan Dunshi Machinery Manufacturing – Dunshi machinery manufacturing project	4.92	4,347,133.63	–	
		<u>180,518,320.46</u>	<u>26,779,273.20</u>	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

Provision for impairment of construction in progress for 2017:

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Reason for impairment
Hebei BBMG Dingxin – Project for the first branch	1,299,924.00	-	-	1,299,924.00	Project suspension
Jidong Group – Nanhu Yingbinguan	-	25,696,028.66	-	25,696,028.66	Recoverable amount is lower than the carrying amount
Jingyang Jinhui Building Materials – Technological improvement of production line	2,147,850.07	-	-	2,147,850.07	Recoverable amount is lower than the carrying amount
Laishui Jidong Development Building Materials – Project of a production line with annual production capacity of 10 million tonnes dolomite	1,480,451.33	-	-	1,480,451.33	Recoverable amount is lower than the carrying amount
Jidong Cement Tongchuan – Conveyor belt project	1,556,436.49	2,422,302.52	-	3,978,739.01	Recoverable amount is lower than the carrying amount
	<u>6,484,661.89</u>	<u>28,118,331.18</u>	<u>-</u>	<u>34,602,993.07</u>	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Construction in progress (continued)

Provision for impairment of construction in progress for 2016:

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Reason for impairment
Hebei BBMG Dingxin					
– Project for the first branch	1,299,924.00	–	–	1,299,924.00	Project suspension
– Assets in Zhuozhou	570,000.00	–	570,000.00	–	Project suspension
Handan BBMG Taihang					
– Technological upgrading projects of old lines	6,009,693.38	–	6,009,693.38	–	Project suspension
Beijing BBMG Cement Trading					
– New countryside bulk cement logistics distribution	751,763.47	–	751,763.47	–	Project suspension
Jinyu Pinggu Cement					
– Production line renovation project	1,054,783.21	–	1,054,783.21	–	Project suspension
Jingyang Jinhui Building Materials					
– Technological improvement of production line	–	2,147,850.07	–	2,147,850.07	Recoverable amount is lower than the carrying amount
Laishui Jidong Development Building Materials					
– Project of a production line with annual production capacity of 10 million tonnes dolomite	–	1,480,451.33	–	1,480,451.33	Recoverable amount is lower than the carrying amount
Jidong Cement Tongchuan					
– Conveyor belt project	–	1,556,436.49	–	1,556,436.49	Recoverable amount is lower than the carrying amount
	9,686,164.06	5,184,737.89	8,386,240.06	6,484,661.89	

Note: The provision for impairment of the construction in progress of Handan BBMG Taihang, Beijing BBMG Cement Trading and Jinyu Pinggu Cement were written off.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Construction materials

	2017	2016
Special-purpose equipment	112,596,475.40	317,917,156.81
Special-purpose materials	9,374,748.31	7,107,573.27
Equipment and instruments	2,771,803.06	3,455,558.06
	124,743,026.77	328,480,288.14
Less: Provision for impairment	15,171,060.40	14,512,244.21
	109,571,966.37	313,968,043.93

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Intangible assets

2017

	Computer software					Total
	Land use rights	licenses	Mining rights	Trademark rights	Others	
Cost						
Opening balance	8,866,453,997.40	142,685,476.24	3,109,948,816.31	95,084,700.00	214,585,274.20	12,428,758,264.15
Addition	315,689,402.26	26,243,746.95	109,577,423.54	-	1,704,156.00	453,214,728.75
Business combination not under common control	-	91,190.88	-	-	-	91,190.88
Disposal or retirement	(55,538,456.96)	(1,926,494.23)	(413,482,726.95)	(11,670,000.00)	(18,999,932.30)	(501,617,610.44)
Closing balance	<u>9,126,604,942.70</u>	<u>167,093,919.84</u>	<u>2,806,043,512.90</u>	<u>83,414,700.00</u>	<u>197,289,497.90</u>	<u>12,380,446,573.34</u>
Accumulated depreciation						
Opening balance	732,431,123.22	36,730,494.14	199,584,853.48	-	42,018,390.34	1,010,764,861.18
Provision for the year	245,154,513.58	28,910,294.55	179,079,273.95	-	11,223,385.11	464,367,467.19
Disposal or retirement	(7,582,464.94)	(1,767,047.97)	(23,005,736.37)	-	(6,376,397.63)	(38,731,646.91)
Closing balance	<u>970,003,171.86</u>	<u>63,873,740.72</u>	<u>355,658,391.06</u>	<u>-</u>	<u>46,865,377.82</u>	<u>1,436,400,681.46</u>
Provision for impairment						
Opening balance	6,235,685.06	-	48,811,850.42	5,000,000.00	7,780,240.56	67,827,776.04
Provision for the year	-	-	19,132,118.06	-	-	19,132,118.06
Closing balance	<u>6,235,685.06</u>	<u>-</u>	<u>67,943,968.48</u>	<u>5,000,000.00</u>	<u>7,780,240.56</u>	<u>86,959,894.10</u>
Carrying amount						
At the end of the year	<u>8,150,366,085.78</u>	<u>103,220,179.12</u>	<u>2,382,441,153.36</u>	<u>78,414,700.00</u>	<u>142,643,879.52</u>	<u>10,857,085,997.78</u>
At the beginning of the year	<u>8,127,787,189.12</u>	<u>105,954,982.10</u>	<u>2,861,552,112.41</u>	<u>90,084,700.00</u>	<u>164,786,643.30</u>	<u>11,350,165,626.93</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Intangible assets (continued)

2016

	Computer software					Total
	Land use rights	licenses	Mining rights	Trademark rights	Others	
Cost						
Opening balance	3,561,715,468.09	54,626,957.60	1,246,350,504.02	16,670,000.00	62,115,164.52	4,941,478,094.23
Addition	92,996,706.16	7,022,872.54	124,885,852.37	-	66,480.00	224,971,911.07
Business combination not under common control	5,489,450,213.23	84,396,065.29	1,879,229,665.11	78,414,700.00	152,839,236.28	7,684,329,879.91
Disposal or retirement	(277,708,390.08)	(3,360,419.19)	(140,517,205.19)	-	(435,606.60)	(422,021,621.06)
Closing balance	<u>8,866,453,997.40</u>	<u>142,685,476.24</u>	<u>3,109,948,816.31</u>	<u>95,084,700.00</u>	<u>214,585,274.20</u>	<u>12,428,758,264.15</u>
Accumulated depreciation						
Opening balance	604,823,471.11	28,256,349.09	134,567,578.87	-	39,224,255.59	806,871,654.66
Provision for the year	136,059,059.54	11,755,485.92	65,186,563.52	-	2,794,173.04	215,795,282.02
Disposal or retirement	(8,451,407.43)	(3,281,340.87)	(169,288.91)	-	(38.29)	(11,902,075.50)
Closing balance	<u>732,431,123.22</u>	<u>36,730,494.14</u>	<u>199,584,853.48</u>	<u>-</u>	<u>42,018,390.34</u>	<u>1,010,764,861.18</u>
Provision for impairment						
Opening balance	-	-	40,043,841.71	5,000,000.00	2,310,000.00	47,353,841.71
Provision for the year	6,235,685.06	-	16,636,150.17	-	5,470,240.56	28,342,075.79
Disposal or retirement	-	-	(7,868,141.46)	-	-	(7,868,141.46)
Closing balance	<u>6,235,685.06</u>	<u>-</u>	<u>48,811,850.42</u>	<u>5,000,000.00</u>	<u>7,780,240.56</u>	<u>67,827,776.04</u>
Carrying amount						
At the end of the year	<u>8,127,787,189.12</u>	<u>105,954,982.10</u>	<u>2,861,552,112.41</u>	<u>90,084,700.00</u>	<u>164,786,643.30</u>	<u>11,350,165,626.93</u>
At the beginning of the year	<u>2,956,891,996.98</u>	<u>26,370,608.51</u>	<u>1,071,739,083.44</u>	<u>11,670,000.00</u>	<u>20,580,908.93</u>	<u>4,087,252,597.86</u>

Notes to Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. 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:

	2017	2016
Less than 50 years	8,037,606,414.58	8,127,787,189.12

Details of pledge of intangible assets are set out in Note V.66.

As at 31 December 2017, the useful life of trademark rights with a carrying amount of RMB78,414,700.00 was indefinite (31 December 2016: RMB90,084,700.00). 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 future periods. After evaluated by the management of the Group, no provision for impairment is necessary.

As at 31 December 2017, 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
Mining rights of Hebei BBMG Dingxin Cement	14,400,000.00	In process
Land rights and mining rights of Jidong Haitian Cement Wenxi	9,623,502.07	In process
Land rights of Hohhot Jidong Cement & Concrete	4,750,666.68	In process
Land rights of Laishui Jidong Cement	2,687,113.19	In process
Land rights of Pingquan Jidong Cement	2,531,550.00	In process
	33,992,831.94	

Notes to Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Goodwill

	2017	2016
Hebei BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Technology 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 Prospect Environmental Protection Technology Co., Ltd. (北京太行前景環保科技有限公司)	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司)	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
Jidong Cement Business	2,013,854,242.93	2,013,854,242.93
Jidong Equipment Business	477,549,380.23	477,549,380.23
	2,802,933,045.39	2,802,933,045.39
Less: Provision for impairment of goodwill	62,645,395.59	53,162,523.95
	2,740,287,649.80	2,749,770,521.44

Movements in provision for impairment of goodwill are as follows:

2017

	Opening balance	Provision for the year	Decrease in the year	Closing balance
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	3,967,009.95	-	-	3,967,009.95
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	-	-	10,931,009.96
Beijing Taihang Prospect Environmental Protection Technology Co., Ltd. (北京太行前景環保科技有限公司)	-	9,482,871.64	-	9,482,871.64
Handan Shexian BBMG Cement Co., Ltd.	35,521,793.75	-	-	35,521,793.75
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	-	-	2,742,710.29
	53,162,523.95	9,482,871.64	-	62,645,395.59

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Goodwill (continued)

Movements in provision for impairment of goodwill are as follows: (continued)

2016

	Opening balance	Provision for the year	Decrease in the year	Closing balance
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	3,967,009.95	–	–	3,967,009.95
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	–	–	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	35,521,793.75	–	–	35,521,793.75
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	–	–	2,742,710.29
	<u>53,162,523.95</u>	<u>–</u>	<u>–</u>	<u>53,162,523.95</u>

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

The recoverable amount was determined based on the higher of the net amount of fair value of the assets group less costs to sell and the present value of the estimated future cash flow of the asset.

The net amount of fair value of the assets group less costs to sell was determined based on the market value of the interests held by the Group in the RMB denominated ordinary shares issued by way of public issuance in the People's Republic of China as at 31 December 2017, after deducting the transaction expenses and other necessary costs incurred on disposal of equity.

The estimated future cash flows are based on the five-year financial budget approved by the management at a discount rate of 10% – 11% (2016: 12% – 13%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%-3% (2016: 1% – 3%) per annum. Other key assumptions adopted during the evaluation include estimated production capacity, future selling price, growth rate, expected gross profit margin and relevant expenditures of the asset product portfolio, and the above assumptions are based on the previous performance of these assets groups, industry standard and the management's expectations on market development.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

19. Long-term deferred expenditures

2017

	Opening balance	Increase in the year	Increase in business combination not under common control	Amortisation for the year	Others decreases	Closing balance
Decoration	112,437,313.26	46,839,545.96	-	(33,395,860.73)	(8,115,109.80)	117,765,888.69
Leasehold improvement for fixed assets rented	22,292,358.49	7,977,768.61	-	(9,844,184.18)	-	20,425,942.92
Land lease prepayments	344,206,231.57	15,017,440.41	-	(20,150,599.33)	(500,000.04)	338,573,072.61
Cost of stripping mines	423,596,008.33	91,850,487.22	-	(20,376,937.86)	(743,790.46)	494,325,767.23
Others	110,271,037.21	108,356,116.60	22,101.66	(50,533,886.42)	(4,844,013.39)	163,271,355.66
	<u>1,012,802,948.86</u>	<u>270,041,358.80</u>	<u>22,101.66</u>	<u>(134,301,468.52)</u>	<u>(14,202,913.69)</u>	<u>1,134,362,027.11</u>
Less: amount categorised as current portion within one year	<u>(52,604,396.96)</u>					-
	<u>960,198,551.90</u>					<u>1,134,362,027.11</u>

2016

	Opening balance	Increase in the period	Increase in business combination not under common control	Amortisation for the period	Others decreases	Closing balance
Decoration	92,640,054.05	13,692,710.92	32,699,041.99	(25,752,279.11)	(842,214.59)	112,437,313.26
Leasehold improvement for fixed assets rented	8,457,637.86	18,778,338.83	1,267,059.92	(3,545,424.29)	(2,665,253.83)	22,292,358.49
Land lease prepayments	23,085,639.89	14,060,794.52	314,145,254.80	(7,083,688.55)	(1,769.09)	344,206,231.57
Cost of stripping mines	222,789,095.56	63,089,215.07	151,929,303.04	(14,175,532.56)	(36,072.78)	423,596,008.33
Others	85,993,167.26	27,435,723.18	40,208,215.19	(39,866,387.82)	(3,499,680.60)	110,271,037.21
	<u>432,965,594.62</u>	<u>137,056,782.52</u>	<u>540,248,874.94</u>	<u>(90,423,312.33)</u>	<u>(7,044,990.89)</u>	<u>1,012,802,948.86</u>
Less: amount categorised as current portion within one year	<u>(28,196,215.47)</u>					<u>(52,604,396.96)</u>
	<u>404,769,379.15</u>					<u>960,198,551.90</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities not eliminated:

	2017		2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for LAT	2,462,289,487.36	615,572,371.84	2,159,622,326.52	539,905,581.63
Deductible tax losses (Note)	2,743,348,954.68	685,837,238.67	2,622,622,581.84	655,655,645.46
Provision for impairment of assets	2,752,435,448.72	688,108,862.18	2,671,890,325.36	667,972,581.34
Difference in accounting and tax of revenue recognition	74,968,816.36	18,742,204.09	23,543,132.24	5,885,783.06
Accrual of property development cost	2,699,765,097.60	674,941,274.40	2,512,498,331.52	628,124,582.88
Unrealised profits and losses of internal transactions	771,760,173.12	192,940,043.28	501,924,708.20	125,481,177.05
Others	303,470,784.88	75,867,696.22	290,623,842.36	72,655,960.59
	11,808,038,762.72	2,952,009,690.68	10,782,725,248.04	2,695,681,312.01

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

	2017		2016	
	Taxable temporary differences	Taxable tax liabilities	Deductible temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Valuation gains of investment properties	8,775,739,306.96	2,193,934,826.74	8,294,498,248.48	2,073,624,562.12
Difference arising from accounting and tax of accumulated depreciation	1,336,575,894.88	334,143,973.72	1,336,758,803.72	334,189,700.93
Fair value adjustment arising from business combination	6,329,150,784.88	1,582,287,696.22	7,032,981,141.76	1,758,245,285.44
Changes in fair value of available-for-sale financial assets	118,905,453.76	29,726,363.44	597,341,631.60	149,335,407.90
Deferred relocation compensation income	501,500,387.29	125,375,096.82	1,027,900,387.29	256,975,096.82
Others	833,033,202.55	208,258,300.64	914,002,187.27	228,500,546.82
	17,894,905,030.32	4,473,726,257.58	19,203,482,400.12	4,800,870,600.03

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Deferred tax assets/liabilities (continued)

Deductible temporary differences and deductible tax losses of unrecognised deferred tax assets are as follows:

	2017	2016
Deductible tax losses	7,137,027,656.13	5,944,003,526.63
Deductible temporary differences	3,340,755,629.93	3,509,405,201.68
	10,477,783,286.06	9,453,408,728.31

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

	2017	2016
2017	–	326,890,796.47
2018	440,777,797.37	547,730,614.02
2019	107,555,461.59	107,555,461.59
2020	921,492,836.20	1,223,765,051.18
2021	3,625,822,913.21	3,738,061,603.37
2022	2,041,378,647.76	–
	7,137,027,656.13	5,944,003,526.63

21. Other non-current assets

	2017	2016
Repurchase (Note)	460,843,080.58	460,843,080.58
Prepayment for projects, equipment and plants	397,704,657.68	369,845,013.85
Prepayment for lands	136,326,054.15	221,480,955.02
Prepayment for exploration rights	64,558,160.00	143,195,136.00
	1,059,431,952.41	1,195,364,185.45

Note: Chongqing BBMG Dacheng Shanshui Properties Co., Ltd., a subsidiary of the Group, 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 RMB460,843,080.58 as other non-current assets. The relevant receipts in advance of RMB660,456,831.52 were classified and presented as other non-current liabilities.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

22. Provisions for impairment of assets

2017

	Opening balance	Provision for the year	Transferred in		Decrease in the year		Closing balance
			upon acquisition of subsidiaries	Transferred out upon others	Reversal	Write-off	
Provision for bad debts:	3,606,558,585.22	905,930,357.85	102,894.45	(60,000.00)	(718,031,387.88)	(45,940,912.44)	3,748,559,537.20
Of which: Accounts receivable	2,250,876,050.03	550,190,679.03	42,894.45	-	(355,573,980.57)	(24,815,296.27)	2,420,720,346.67
Other receivables	1,315,581,001.81	348,610,117.91	60,000.00	(60,000.00)	(359,123,810.99)	(20,334,270.23)	1,284,733,038.50
Prepayments	40,101,533.38	7,129,560.91	-	-	(3,333,596.32)	(791,345.94)	43,106,152.03
Provision for decline in value of inventories	562,623,327.42	157,895,884.03	956,633.12	-	(53,824,950.33)	(268,804,615.87)	398,846,278.37
Provision for impairment of available-for-sale financial assets	7,304,165.76	-	-	-	-	-	7,304,165.76
Provision for impairment of fixed assets	268,262,049.46	182,149,063.71	-	-	-	(19,656,138.16)	430,754,975.01
Provision for impairment of construction materials	14,512,244.21	1,430,205.69	-	-	-	(771,389.50)	15,171,060.40
Provision for impairment of construction in progress	6,484,661.89	28,118,331.18	-	-	-	-	34,602,993.07
Provision for impairment of intangible assets	67,827,776.04	19,132,118.06	-	-	-	-	86,959,894.10
Provision for impairment of goodwill	53,162,523.95	9,482,871.64	-	-	-	-	62,645,395.59
Provision for impairment of other non-current assets	12,829.03	2,741,845.60	-	-	-	-	2,754,674.63
	<u>4,586,748,162.98</u>	<u>1,306,880,677.76</u>	<u>1,059,527.57</u>	<u>(60,000.00)</u>	<u>(771,856,338.21)</u>	<u>(335,173,055.97)</u>	<u>4,787,598,974.13</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

22. Provisions for impairment of assets (continued)

2016

	Opening balance	Provision for the year	Business combination not under common control	Disposal of subsidiaries	Decrease in the year		Closing balance
					Reversal	Write-off	
Provision for bad debts:	667,353,041.73	478,006,314.04	2,729,903,946.04	(14,760,745.38)	(239,150,025.88)	(14,793,945.33)	3,606,558,585.22
Of which: Accounts receivable	505,467,859.38	284,726,525.58	1,714,725,707.39	(14,346,130.48)	(232,156,263.77)	(7,541,648.07)	2,250,876,050.03
Other receivables	158,213,408.65	161,994,141.45	1,010,034,125.98	(414,614.90)	(6,993,762.11)	(7,252,297.26)	1,315,581,001.81
Prepayments	3,671,773.70	31,285,647.01	5,144,112.67	-	-	-	40,101,533.38
Provision for decline in value of inventories	374,571,841.52	124,011,460.67	309,170,961.15	-	(78,566,821.51)	(166,564,114.41)	562,623,327.42
Provision for impairment of available-for-sale financial asset	7,050,165.76	254,000.00	-	-	-	-	7,304,165.76
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	(5,469,434.67)	-
Provision for impairment of fixed assets	333,358,119.83	95,515,904.00	-	-	-	(160,611,974.37)	268,262,049.46
Provision for impairment of construction materials	13,139,064.84	1,373,179.37	-	-	-	-	14,512,244.21
Provision for impairment of construction in progress	9,686,164.06	5,184,737.89	-	-	-	(8,386,240.06)	6,484,661.89
Provision for impairment of intangible assets	47,353,841.71	28,342,075.79	-	-	-	(7,868,141.46)	67,827,776.04
Provision for impairment of goodwill	53,162,523.95	-	-	-	-	-	53,162,523.95
Provision for impairment of other non-current assets	-	12,829.03	-	-	-	-	12,829.03
	<u>1,511,144,198.07</u>	<u>732,700,500.79</u>	<u>3,039,074,907.19</u>	<u>(14,760,745.38)</u>	<u>(317,716,847.39)</u>	<u>(363,693,850.30)</u>	<u>4,586,748,162.98</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

23. Short-term loans

	2017	2016
Guaranteed loans (Note 1)	1,840,000,000.00	1,321,700,000.00
Credit loans	32,029,900,000.00	29,927,226,954.83
Mortgaged loans (Note 2)	–	23,000,000.00
Pledged loans (Note 3)	505,300,000.00	755,807,187.00
	34,375,200,000.00	32,027,734,141.83

Note 1: As at the balance sheet date, the guaranteed loans of RMB270,000,000.00 were guaranteed by Mingsheng Bank (Tangshan Branch) and the remaining part was guaranteed by entities within the Group.

Note 2: Details and values of the collaterals for mortgaged loans of the Group as at the balance sheet date are set out in note V.66.

Note 3: As at the balance sheet date, pledged loans of the Group included pledged loans of RMB500,000,000.00 secured by equity interests with a carrying amount of RMB269,299,741.71 and loans of RMB5,300,000.00 by discounting the bills receivable of the Group's subsidiaries. Details are set out in note V.66.

As at 31 December 2017, the above loans bore an interest rate of 3.30%-8.40% (31 December 2016: 3.30%-8.00%) per annum.

As at 31 December 2017, the Group had no outstanding loans that were due.

24. Bills payable

	2017	2016
Bank acceptance bills	1,448,906,903.71	2,242,911,852.59
Commercial acceptance bills	9,080,489.49	70,409,548.22
	1,457,987,393.20	2,313,321,400.81

As at the balance sheet date, the Group had no outstanding bills payable that were due and the bills payable of the Group would be due in twelve months.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

25. 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:

	2017	2016
Within 1 year (inclusive)	13,414,142,024.97	9,780,749,251.40
1 to 2 years (inclusive)	1,199,775,599.39	1,505,470,010.48
2 to 3 years (inclusive)	551,774,237.03	425,198,933.54
Over 3 years	581,399,260.69	600,225,485.80
	15,747,091,122.08	12,311,643,681.22

As at 31 December 2017, significant accounts payable of the Group aging over 1 year are as follows:

	Relationship with the Group	Amount	Percentage of total accounts Payable (%)	Reasons for non-payment
Unit 53	Third party	40,300,000.00	0.26	Estimated construction payables
Unit 54	Third party	32,359,678.79	0.21	Estimated construction payables
Unit 55	Third party	25,831,182.78	0.16	Estimated construction payables
Unit 56	Third party	14,996,718.56	0.10	Estimated construction payables
Unit 57	Third party	12,814,258.40	0.08	Estimated construction payables

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

26. Receipts in advance

An aging analysis on receipts in advance is as follows:

	2017	2016
Within 1 year (inclusive)	21,422,561,618.09	20,760,757,692.62
1 to 2 years (inclusive)	5,514,717,637.86	2,537,144,447.55
2 to 3 years (inclusive)	307,860,377.52	94,668,590.22
Over 3 years	95,353,147.37	69,927,034.36
	27,340,492,780.84	23,462,497,764.75

An analysis on receipts in advance by nature is as follows:

	2017	2016
Advances on pre-sale of properties	24,734,998,222.71	20,937,300,214.56
Advances on sale of goods	1,887,290,435.52	1,959,061,475.77
Advances on rents and property fees	521,884,670.95	446,770,789.55
Advances on construction costs	196,319,451.66	119,365,284.87
	27,340,492,780.84	23,462,497,764.75

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

26. Receipts in advance (continued)

Details of advances on pre-sale of properties as at the balance sheet date are as follows:

Projects	Expected settlement date of the next batch	Proportion of the pre-sales	2017	2016
Beijing – Treasures Mansion House	June 2018	81%	4,222,064,132.05	1,761,935,656.96
Nanjing – Jinyu Zijinfu	April 2018	94%	3,543,777,965.70	5,382,094,706.24
Beijing – Wangchuan Beiyuan	October 2018	40%	3,030,140,764.94	1,149,221,348.05
Qingdao – Beizutuan	June 2018	68%	2,733,284,906.09	1,354,056,785.82
Hefei – Nanqi Garden	December 2018	24%	2,295,969,583.00	640,216,150.00
Hangzhou – Jinyu Xuefu	March 2018	91%	1,739,304,781.36	1,842,763,380.63
Shanghai – Juyuan	June 2018	54%	1,129,515,771.91	1,282,667,177.83
Beijing – Shunyi Jinchengyu Garden (順義金成裕雅苑)	January 2019	80%	1,070,430,125.00	–
Hangzhou – Guanlan Times	May 2018	83%	693,820,353.46	292,563,609.80
Haikou – Xixili	December 2018	70%	623,698,987.70	224,309,836.69
Beijing – Jinyu Feili	December 2018	100%	564,491,929.03	1,453,104,373.26
Chongqing – Times Metro	May 2018	84%	476,886,198.59	188,850,900.33
Beijing – Nankou housing with a price cap	September 2018	100%	391,628,128.81	362,942,773.65
Hangzhou – Banshan Project	January 2018	89%	300,187,537.56	242,422,991.33
Beijing – Shangchengjun	June 2018	50%	201,298,419.15	–
Tangshan – Jin'an hongbao	January 2018	65%	172,425,369.35	18,043,454.10
Beijing – Jiaheyuan	April 2018	94%	171,432,398.51	201,193,155.89
Beijing – Nankou Affordable Housing	October 2018	82%	169,434,021.00	112,875,216.00
Beijing – Plot 1 of Changyang University of Science and Technology	September 2018	86%	163,606,689.88	1,430,210,355.18
Tangshan – Jinyu Lefu	December 2020	60%	130,114,909.12	220,163,622.29
Tianjin – Jinyu Yuecheng	January 2018	93%	127,688,795.47	717,792,487.36
Beijing – Chaoyang New City	June 2019	100%	115,947,085.64	74,402,364.38
Tianjin – Jinyu Mantang	January 2018	96%	105,044,999.19	271,913,960.92
Inner Mongolia – Jinyu Global Finance Centre	June 2019	30%	97,339,051.11	139,019,466.53
Chongqing – Nanshanjun	December 2019	57%	93,134,275.43	67,600,312.74
Chengdu – Longxijun	January 2018	93%	62,802,676.23	602,896,332.32
Beijing – Chang'an New City	December 2018	100%	32,614,620.00	8,175,474.26

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

26. Receipts in advance (continued)

Details of advances on pre-sale of properties as at the balance sheet date are as follows: (continued)

Projects	Expected settlement date of the next batch	Proportion of the pre-sales	2017	2016
Inner Mongolia – Jinyu Times City	March 2018	97%	21,107,694.51	17,927,830.88
Tangshan – Lixinjiayuan	January 2018	86%	21,042,278.98	73,511,655.35
Beijing – Tuqiao Phase III	January 2018	95%	17,438,169.07	43,229,641.36
Beijing – Tuqiao Huashijiang	January 2018	99%	14,811,929.84	142,743,330.67
Beijing – Jinyu Town–House	January 2018	100%	13,609,436.24	13,109,436.24
Beijing – Jinyu Lanwan	January 2018	98%	10,917,821.99	274,337,353.54
Beijing – Ruiheyuan	January 2018	100%	10,413,331.89	10,629,737.60
Beijing – Meiheyuan	January 2018	100%	10,045,138.83	9,854,662.64
Beijing – Dachengjun	December 2018	97%	8,828,610.30	15,103,145.91
Chengdu – Shuangliu project	January 2018	100%	8,334,260.00	36,000,901.00
Beijing – Jinyu Huijingyuan	January 2018	100%	7,329,231.60	38,316,881.38
Ma'anshan – Eastern Foot of Jiashan Hill	January 2018	89%	7,329,003.84	23,558,316.99
Beijing – Tuqiao Tongheyuan	January 2018	100%	7,201,634.04	5,304,980.60
Inner Mongolia – Jinyu Elegancy City	March 2018	92%	5,840,910.89	16,098,456.17
Beijing – Kanghuiyuan	December 2020	97%	5,532,743.55	7,235,651.90
Beijing – Tuqiao Ziyouzhu	January 2018	98%	5,311,155.62	4,952,022.44
Beijing – Liyuan Jincheng Centre	December 2018	98%	4,036,546.66	1,176,190.47
Beijing – Guogongzhuang project	December 2018	94%	3,926,875.25	30,859,191.92
Tangshan – Qixin Phase 1	January 2018	67%	3,814,094.35	15,807,168.39
Beijing – Jinyu Huixingyuan	January 2018	100%	3,492,074.98	9,844,802.86
Beijing – Binheyuan	January 2018	100%	3,328,752.28	5,174,681.65
Beijing – I Cube	January 2018	99%	3,189,128.01	3,843,355.91
Qingdao – Site in Jinggangshan Rd.	January 2018	99%	2,697,954.86	10,582,896.09
Beijing – Jinyu Vanke City	January 2018	100%	10,000.00	10,000.00
Haikou – Meilinghu	January 2018	100%	–	1,574,616.00
Others			77,324,969.85	85,077,414.04
			24,734,998,222.71	20,937,300,214.56

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

27. Wages payable

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	349,055,936.48	4,877,968,336.66	(4,929,175,689.51)	297,848,583.63
Post-employment benefits (defined contribution plan)	48,200,679.31	592,019,626.82	(604,496,350.22)	35,723,955.91
Termination benefits	2,835,797.39	32,410,593.43	(3,231,799.60)	32,014,591.22
	400,092,413.18	5,502,398,556.91	(5,536,903,839.33)	365,587,130.76

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	113,303,064.91	3,414,472,437.17	(3,178,719,565.60)	349,055,936.48
Post-employment benefits (defined contribution plan)	5,299,582.13	444,933,332.31	(402,032,235.13)	48,200,679.31
Termination benefits	–	9,107,124.71	(6,271,327.32)	2,835,797.39
	118,602,647.04	3,868,512,894.19	(3,587,023,128.05)	400,092,413.18

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

27. Wages payable (continued)

Details of short-term remunerations are as follows:

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	167,202,401.24	3,788,401,055.23	(3,746,756,459.48)	208,846,996.99
Staff welfare	4,801.00	300,544,606.01	(300,549,407.01)	-
Social insurance	61,831,894.04	364,184,876.74	(416,780,835.89)	9,235,934.89
Of which: Medical insurance	59,346,531.02	308,105,177.52	(359,802,030.33)	7,649,678.21
Work injury insurance	1,901,642.71	38,526,443.16	(39,252,417.40)	1,175,668.47
Maternity insurance	583,720.31	17,553,256.06	(17,726,388.16)	410,588.21
Housing funds	19,416,158.00	308,581,387.61	(320,303,427.90)	7,694,117.71
Union fund and employee education fund	47,415,963.38	82,378,144.13	(77,443,361.59)	52,350,745.92
Others	53,184,718.82	33,878,266.94	(67,342,197.64)	19,720,788.12
	349,055,936.48	4,877,968,336.66	(4,929,175,689.51)	297,848,583.63

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

27. Wages payable (continued)

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	68,836,344.90	2,576,164,781.12	(2,477,798,724.78)	167,202,401.24
Staff welfare	–	167,609,774.77	(167,604,973.77)	4,801.00
Social insurance	12,480,662.12	303,927,948.29	(254,576,716.37)	61,831,894.04
Of which: Medical insurance	10,341,633.54	269,731,217.50	(220,726,320.02)	59,346,531.02
Work injury insurance	1,827,262.13	21,598,518.61	(21,524,138.03)	1,901,642.71
Maternity insurance	311,766.45	12,598,212.18	(12,326,258.32)	583,720.31
Housing funds	3,639,409.00	228,909,128.00	(213,132,379.00)	19,416,158.00
Union fund and employee education fund	24,747,375.89	78,456,202.41	(55,787,614.92)	47,415,963.38
Others	3,599,273.00	59,404,602.58	(9,819,156.76)	53,184,718.82
	<u>113,303,064.91</u>	<u>3,414,472,437.17</u>	<u>(3,178,719,565.60)</u>	<u>349,055,936.48</u>

As at the balance sheet date, there was no wages payable in arrears.

Details of post-employment benefits (defined contribution plan) as at the balance sheet date are as follows:

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	42,595,443.29	532,439,843.90	(541,018,944.77)	34,016,342.42
Corporate annuity	2,520,171.73	38,754,304.33	(40,731,411.60)	543,064.46
Unemployment insurance	3,085,064.29	20,825,478.59	(22,745,993.85)	1,164,549.03
	<u>48,200,679.31</u>	<u>592,019,626.82</u>	<u>(604,496,350.22)</u>	<u>35,723,955.91</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

27. Wages payable (continued)

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	4,034,987.16	381,282,398.08	(342,721,941.95)	42,595,443.29
Corporate annuity	220,639.67	43,546,135.34	(41,246,603.28)	2,520,171.73
Unemployment insurance	1,043,955.30	20,104,798.89	(18,063,689.90)	3,085,064.29
	<u>5,299,582.13</u>	<u>444,933,332.31</u>	<u>(402,032,235.13)</u>	<u>48,200,679.31</u>

The Group participated in the pension insurance and unemployment insurance managed by local government, to which the Group and employees made contributions based on 18%-20% and 8% of the total wages in the previous year respectively. In addition, the Group also participated in the corporate annuity scheme operated and managed by a competent external management organization, to pay a certain percentage of annuity for eligible enterprises and employees.

28. Tax payable

	2017	2016
VAT	397,466,917.54	282,255,304.53
Business tax	461,068.69	3,210,131.66
Corporate income tax	982,515,360.34	1,113,485,789.61
Individual income tax	24,725,077.76	20,776,389.46
City maintenance and construction tax	25,632,955.58	19,732,799.54
Resource tax	7,260,281.07	22,323,209.13
Land appreciation tax	181,605,784.99	258,252,497.97
Education surcharges	20,498,275.73	14,976,834.85
Urban and rural land use tax	25,169,007.14	30,784,243.33
Real estate tax	40,607,067.92	36,759,469.98
Others	63,318,370.85	27,232,471.27
	<u>1,769,260,167.61</u>	<u>1,829,789,141.33</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

29. Interests payable

	2017	2016
Interests on borrowings	136,525,059.42	84,337,461.70
Of which: Interests on long-term borrowings	56,329,360.17	36,589,434.85
Interests on short-term borrowings	80,195,699.25	47,748,026.85
Interests of corporate bonds	721,583,710.40	714,695,404.93
	858,108,769.82	799,032,866.63

30. Dividends payable

	2017	2016
Dividends payable to minority shareholders	35,182,953.04	167,740,497.95
Sinoma	16,770,600.00	16,770,600.00
Other shareholders	4,760,561.95	4,722,328.09
Interests on perpetual bonds	134,087,389.67	13,347,945.21
	190,801,504.66	202,581,371.25

31. Other payables

An aging analysis of other payables is as follows:

	2017	2016
Within 1 year (inclusive)	6,340,159,297.00	4,455,306,399.98
1 to 2 years (inclusive)	588,529,850.00	804,809,789.77
2 to 3 years (inclusive)	403,818,180.75	240,991,899.24
Over 3 years	693,830,207.62	479,586,238.61
	8,026,337,535.37	5,980,694,327.60

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

31. Other payables (continued)

An analysis on other payables by nature is as follows:

	2017	2016
Amounts collected on behalf and temporary receipts	2,697,906,349.10	1,761,726,097.41
Deposits	1,549,719,228.45	1,228,887,372.48
Payables for land use right	2,056,379,654.91	898,057,811.40
Construction costs payable	179,517,391.27	352,280,518.12
Payables for relocation compensation	260,196,816.96	246,125,204.86
Freight and miscellaneous charges payable	178,953,768.60	181,257,861.94
Payables for acquisition of equity investments	49,782,791.64	157,967,009.56
Payables to related parties (Note X.6)	1,380,753.06	94,967,631.12
Utilities	65,110,139.65	88,425,980.23
Public maintenance fund payable	47,872,372.87	58,701,982.83
Current portion of net liabilities of defined benefit plan (Note V.37)	70,648,301.69	73,043,593.00
Others	868,869,967.17	839,253,264.65
	8,026,337,535.37	5,980,694,327.60

As at 31 December 2017, significant other payables of the Group aging more than one year are as follows:

	Relationship with the Group	Amount	Percentage of total other payables (%)	Reasons for non-payment
Unit 58	Third party	196,157,893.82	2.44	Not yet settled
Unit 59	Third party	101,122,925.19	1.26	Not yet settled
Unit 60	Third party	64,800,000.00	0.81	Not yet settled
Unit 61	Third party	52,000,000.00	0.65	Not yet settled
Unit 62	Third party	50,935,500.00	0.63	Not yet settled

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

32. Non-current liabilities due within one year

	2017	2016
Long-term loans due within one year (Note V.34)	2,402,037,997.00	1,556,867,602.00
Bonds payable due within one year (Note V.35)	8,374,629,908.13	4,395,182,341.01
Long-term payables due within one year (Note V.36)	714,771,870.46	945,370,562.70
	11,491,439,775.59	6,897,420,505.71

Details of long-term loans due within one year are as follows:

	2017	2016
Guaranteed loans	502,600,000.00	576,757,602.00
Credit loans	1,741,897,997.00	980,110,000.00
Mortgaged loans	157,540,000.00	–
	2,402,037,997.00	1,556,867,602.00

33. Other current liabilities

	2017	2016
Deferred income carried over within one year (Note V.39)	–	62,547,646.85
Accrued expenses	6,042,357,010.03	5,676,834,482.97
Of which: Accrued development cost	3,272,200,988.66	3,248,747,071.29
Provision for LAT	2,562,713,668.13	2,284,285,942.32
Accrued costs for treatment of solid wastes	127,089,285.59	93,123,373.60
Other accrued expenses	80,353,067.65	50,678,095.76
	6,042,357,010.03	5,739,382,129.82

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

34. Long-term borrowings

	2017	2016
Mortgaged loans (Note 1)	6,704,237,997.00	7,212,507,602.00
Guaranteed loans	6,507,360,000.00	4,389,480,000.00
Credit loans	11,921,470,000.00	5,042,565,000.00
Pledged loans (Note 1)	2,940,000,000.00	3,000,000,000.00
	28,073,067,997.00	19,644,552,602.00
Closing balance	28,073,067,997.00	19,644,552,602.00
Of which: Long-term loans due within one year (Note V.32)	2,402,037,997.00	1,556,867,602.00
Non-current portion	25,671,030,000.00	18,087,685,000.00

An analysis on maturity of long-term loans as at the balance sheet date is as follows:

	2017	2016
Within 1 year	2,402,037,997.00	1,556,867,602.00
1 to 2 years	5,347,800,000.00	3,431,720,000.00
2 to 5 years	13,803,760,000.00	6,484,365,000.00
Over 5 years	6,519,470,000.00	8,171,600,000.00
	28,073,067,997.00	19,644,552,602.00

Note 1: As at 31 December 2017, details and value of collaterals corresponding to mortgaged and pledged loans of the Group are set out in note V. 66.

As at 31 December 2017, the above loans bore interest rates of 1.2%-10.34% (31 December 2016: 1.2%-10.34%) per annum.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Bonds payable

	2017	2016
Corporate bonds	15,230,995,736.64	11,880,492,387.25
Medium-term notes	5,000,000,000.00	7,000,000,000.00
Private bonds	5,798,475,000.00	6,794,086,497.21
Debt financing plan	500,000,000.00	—
Closing balance	26,529,470,736.64	25,674,578,884.46
Including: Bonds payable due within one year (Note V. 32)	8,374,629,908.13	4,395,182,341.01
Non-current portion	18,154,840,828.51	21,279,396,543.45
	2017	2016
Analysis of maturity of bonds payable:		
Within 1 year (inclusive)	8,374,629,908.13	4,395,182,341.01
1 to 2 years (inclusive)	9,420,108,004.27	9,865,164,155.24
2 to 5 years (inclusive)	8,734,732,824.24	8,826,521,280.97
Over 5 years	—	2,587,711,107.24
	26,529,470,736.64	25,674,578,884.46
Current portion		
Short-term financing bonds	2,769,698,081.12	3,000,000,000.00

As at the balance sheet date, the short-term financing bonds above would be due within one year.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Bonds payable (continued)

2017

	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:											
1) RMB2 billion medium-term notes	RMB2 billion	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	80,600,000.00	-	(2,000,000,000.00)	-	-
2) 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)	-
3) RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	107,000,000.00	-	-	-	2,000,000,000.00
3) RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	79,500,000.00	-	-	-	1,500,000,000.00
4) RMB2 billion private bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	2,000,000,000.00	-	110,000,000.00	-	-	(2,000,000,000.00)	-
4) RMB2.5 billion private bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	2,500,000,000.00	-	136,500,000.00	-	-	(2,500,000,000.00)	-
4) RMB500 million private bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	500,000,000.00	-	25,750,000.00	-	-	(500,000,000.00)	-
6) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	5 years	3,200,000,000.00	3,185,369,201.77	-	103,224,353.43	3,384,353.42	-	-	3,188,753,555.19
6) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	7 years	1,800,000,000.00	1,791,115,290.53	-	64,305,438.09	1,305,438.08	-	-	1,792,420,728.61
17) RMB3.5 billion corporate bonds	RMB3.5 billion	19 May 2017	5 years	3,500,000,000.00	-	3,500,000,000.00	113,747,865.59	(12,135,467.76)	-	-	3,487,864,532.74
17) RMB500 million corporate bonds	RMB500 million	19 May 2017	7 years	500,000,000.00	-	500,000,000.00	16,734,021.40	(1,804,311.95)	-	-	498,195,688.05

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Bonds payable (continued)

2017 (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
18) RMB1.25 billion corporate bonds	RMB1.25 billion	13 July 2017	2 years	1,250,000,000.00	-	1,250,000,000.00	31,052,546.27	(4,155,787.07)	-	-	1,245,844,212.93
19) RMB1.75 billion corporate bonds	RMB1.75 billion	13 July 2017	3 years	1,750,000,000.00	-	1,750,000,000.00	43,855,253.31	(6,233,080.02)	-	-	1,743,746,919.98
20) Debt financing plan	RMB500 million	17 November 2017	2 years	500,000,000.00	-	500,000,000.00	3,315,068.49	-	-	-	500,000,000.00
9) RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	797,106,000.00	-	35,820,073.95	2,805,200.00	(761,000,000.00)	-	38,911,200.00
8) RMB1.5 billion corporate bonds	RMB1.5 billion	24 July 2015	3 years	1,500,000,000.00	1,495,500,000.00	-	62,067,945.21	4,500,000.00	(1,500,000,000.00)	-	-
12) 2007 corporate bonds	RMB600 million	1 August 2007	10 years	600,000,000.00	598,097,435.08	-	19,215,000.00	1,902,564.92	(600,000,000.00)	-	-
11) Jidong RMB100 million private bonds	RMB100 million	20 May 2014	3 years	100,000,000.00	99,882,371.87	-	2,670,967.74	117,628.13	(100,000,000.00)	-	-
11) Jidong RMB900 million private bonds	RMB900 million	19 September 2014	3 years	900,000,000.00	898,129,125.34	-	39,000,000.00	1,870,874.66	(900,000,000.00)	-	-
13) RMB1.6 billion corporate bonds	RMB1.6 billion	30 August 2011	7 years	1,600,000,000.00	1,073,389,155.24	-	67,694,475.00	2,565,752.89	-	(1,076,154,908.13)	-
13) RMB900 million corporate bonds	RMB900 million	20 March 2012	8 years	900,000,000.00	895,366,562.66	-	30,077,385.75	1,339,317.98	(481,305,000.00)	-	415,400,880.64
14) RMB800 million corporate bonds	RMB800 million	15 October 2012	5 years	800,000,000.00	799,073,408.72	-	35,783,333.33	926,591.28	(800,000,000.00)	-	-
14) RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	448,679,516.54	-	26,550,000.00	449,301.67	-	-	449,128,818.21
14) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	796,595,816.71	-	48,000,000.00	508,258.01	-	-	797,104,074.72

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Bonds payable (continued)

2017 (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
10) RMB300 million private bonds	RMB300 million	4 May 2015	3 years	300,000,000.00	296,075,000.00	-	21,532,876.71	2,400,000.00	-	(298,475,000.00)	-
10) RMB500 million private bonds	RMB500 million	3 June 2015	3 years	500,000,000.00	500,000,000.00	-	34,000,000.00	-	-	(500,000,000.00)	-
21) RMB500 million corporate bonds	RMB500 million	30 June 2017	3 years	500,000,000.00	-	497,000,000.00	14,950,000.00	470,217.94	-	-	497,470,217.94
				34,250,000,000.00	25,674,578,884.46	7,997,000,000.00	1,440,046,604.27	196,852.18	(7,142,305,000.00)	(8,374,629,908.13)	18,154,840,828.51
Current portion:											
7) RMB3 billion ultra-short financing bonds	RMB3 billion	20 May 2016	266 days	3,000,000,000.00	3,000,000,000.00	-	11,533,333.33	-	(3,000,000,000.00)	-	-
22) RMB3 billion ultra-short financing bonds	RMB3 billion	13 January 2017	88 days	3,000,000,000.00	-	3,000,000,000.00	29,250,000.00	-	(3,000,000,000.00)	-	-
22) RMB3 billion ultra-short financing bonds	RMB3 billion	14 March 2017	245 days	3,000,000,000.00	-	3,000,000,000.00	40,338,333.33	-	(3,000,000,000.00)	-	-
23) RMB1 billion short-term financing bonds	RMB1 billion	21 June 2017	270 days	1,000,000,000.00	-	798,620,000.00	26,939,442.62	1,078,081.12	-	-	799,698,081.12
24) RMB2 billion ultra-short financing bonds	RMB2 billion	28 September 2017	270 days	2,000,000,000.00	-	2,000,000,000.00	24,969,863.01	-	(30,000,000.00)	-	1,970,000,000.00
				12,000,000,000.00	3,000,000,000.00	8,798,620,000.00	133,584,972.29	1,078,081.12	(9,030,000,000.00)	-	2,769,698,081.12
				46,250,000,000.00	28,674,578,884.46	16,795,620,000.00	1,573,631,576.56	1,274,933.30	(16,172,305,000.00)	(8,374,629,908.13)	20,924,538,909.63

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Bonds payable (continued)

2016

	Par value	Issuance date	Term	Issuance amount	Opening balance	Business combination		Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
						not under common control	issuance amount during the year					
Non-current portion:												
1) 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)	-
2) 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
3) RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	-	107,000,000.00	-	-	-	2,000,000,000.00
3) RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	-	79,500,000.00	-	-	-	1,500,000,000.00
4) RMB2 billion private bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	2,000,000,000.00	-	-	110,000,000.00	-	-	-	2,000,000,000.00
4) RMB2.5 billion private bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	2,500,000,000.00	-	-	136,500,000.00	-	-	-	2,500,000,000.00
4) RMB500 million private bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	500,000,000.00	-	-	25,750,000.00	-	-	-	500,000,000.00
6) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	5 years	3,200,000,000.00	-	3,200,000,000.00	-	82,517,290.46	(14,630,798.23)	-	-	3,185,369,201.77
6) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	7 years	1,800,000,000.00	-	1,800,000,000.00	-	51,415,290.53	(8,884,709.47)	-	-	1,791,115,290.53
8) RMB1.5 billion corporate bonds	RMB1.5 billion	24 July 2015	3 years	1,500,000,000.00	-	1,500,000,000.00	1,494,750,000.00	30,881,095.89	750,000.00	-	-	1,495,500,000.00

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Bonds payable (continued)

2016 (continued)

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Business combination		Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
							not under common control	the year					
9) RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	-	-	796,834,500.00	12,703,561.65	271,500.00	-	-	-	797,106,000.00
10) RMB300 million private bonds	RMB300 million	4 May 2015	3 years	300,000,000.00	-	-	296,075,000.00	5,325,616.44	-	-	-	-	296,075,000.00
10) RMB500 million private bonds	RMB500 million	3 June 2015	3 years	500,000,000.00	-	-	500,000,000.00	8,476,712.33	-	-	-	-	500,000,000.00
11) Jidong RMB100 million private bonds	RMB100 million	20 May 2014	3 years	100,000,000.00	-	-	99,806,925.83	1,725,000.00	75,446.04	-	(99,882,371.87)	-	-
11) Jidong RMB900 million private bonds	RMB900 million	19 September 2014	3 years	900,000,000.00	-	-	897,450,190.04	12,837,500.00	678,935.30	-	(898,129,125.34)	-	-
12) 2007 Corporate bonds	RMB600 million	1 August 2007	10 years	600,000,000.00	-	-	596,552,619.75	8,235,000.00	1,564,815.33	-	(598,097,455.08)	-	-
13) RMB1.6 billion corporate bonds	RMB1.6 billion	30 August 2011	7 years	1,600,000,000.00	-	-	1,074,635,690.85	16,923,618.75	(1,046,955.61)	-	-	-	1,073,589,155.74
13) RMB900 million corporate bonds	RMB900 million	20 March 2012	8 years	900,000,000.00	-	-	895,901,508.37	12,555,000.00	(534,945.71)	-	-	-	895,366,562.66
14) RMB800 million corporate bonds	RMB800 million	15 October 2012	5 years	800,000,000.00	-	-	799,481,871.04	11,300,000.00	(408,462.32)	-	(799,073,408.72)	-	-
14) RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	-	-	448,848,666.33	6,637,500.00	(169,149.79)	-	-	-	448,679,516.54
14) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	-	-	796,786,932.90	12,000,000.00	(191,116.19)	-	-	-	796,595,816.71
				26,250,000,000.00	12,000,000,000.00	5,000,000,000.00	8,697,103,905.11	990,877,186.05	(22,525,020.65)	-	(4,395,182,341.01)	-	21,279,396,543.45

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For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Bonds payable (continued)

2016 (continued)

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Business combination		Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
							not under common control	not under common control					
Current portion:													
5) RMB1 billion ultra-short financing bonds	RMB1 billion	16 September 2015	270 days	1,000,000,000.00	1,000,000,000.00	-	-	15,954,444.44	-	(1,000,000,000.00)	-	-	-
5) RMB1 billion ultra-short financing bonds	RMB1 billion	24 September 2015	180 days	1,000,000,000.00	1,000,000,000.00	-	-	8,143,333.33	-	(1,000,000,000.00)	-	-	-
5) RMB2 billion short-term financing bonds	RMB2 billion	14 October 2015	366 days	2,000,000,000.00	2,000,000,000.00	-	-	53,675,000.00	-	(2,000,000,000.00)	-	-	-
5) RMB2 billion ultra-short financing bonds	RMB2 billion	19 November 2015	93 days	2,000,000,000.00	2,000,000,000.00	-	-	10,072,222.23	-	(2,000,000,000.00)	-	-	-
7) RMB2 billion ultra-short financing bonds	RMB2 billion	21 April 2016	180 days	2,000,000,000.00	-	2,000,000,000.00	-	33,700,000.00	-	(2,000,000,000.00)	-	-	-
7) RMB3 billion ultra-short financing bonds	RMB3 billion	20 May 2016	266 days	3,000,000,000.00	-	3,000,000,000.00	-	64,565,000.00	-	-	-	-	3,000,000,000.00
15) RMB500 million ultra-short financing bonds	RMB500 million	27 January 2016	270 days	500,000,000.00	-	-	499,632,803.81	-	367,195.19	(500,000,000.00)	-	-	-
16) 15 Jidong PPN001	RMB500 million	31 December 2015	1 year	500,000,000.00	-	-	524,319,301.37	-	8,180,698.63	(532,500,000.00)	-	-	-
				12,000,000,000.00	6,000,000,000.00	5,000,000,000.00	1,023,952,105.18	186,110,000.00	8,547,894.82	(9,632,500,000.00)	-	-	3,000,000,000.00
				38,250,000,000.00	18,000,000,000.00	10,000,000,000.00	9,721,056,010.29*	1,116,987,186.05	(13,977,125.83)	(9,632,500,000.00)	(4,395,182,341.01)	-	24,279,396,543.45

* The total bonds payable of the increase of business combination not under common control for 2016 amounted to RMB9,721,056,010.29, of which long-term bonds payable, bonds payable due within one year and short-term financing bonds accounted for RMB7,103,314,169.49, RMB1,593,789,735.62 and RMB499,632,803.81 respectively. Private bonds accounted for in the other current liabilities amounted to RMB524,319,301.37

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Bonds payable *(continued)*

- (1) 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 document 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 for 2012 totaling RMB2,000,000,000 on 20 September 2012 with a term of 5 years and a coupon rate of 5.58%.
- (2) 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 rate of 5.8%.
- (3) Pursuant to the document Zhong Shi Xie Zhu [2014] No. 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 rate 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 rate of 5.3%.
- (4) Pursuant to the document Zhong Shi Xie Zhu [2014] No. PPN570 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of private placement notes for 2015 on 5 February 2015, totaling RMB2,000,000,000 with a term of 3 years and a coupon rate of 5.50%; the Company issued its second tranche of private placement notes for 2015 on 19 March 2015, totaling RMB2,500,000,000 with a term of 3 years and a coupon rate of 5.46%; and the Company issued its third tranche of private placement notes for 2015 on 20 July 2015, totaling RMB500,000,000 with a term of 3 years and a coupon rate of 5.15%.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Bonds payable *(continued)*

- (5) Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP219 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of ultrashort financing bonds for 2015 on 16 September 2015, totaling RMB1,000,000,000 with a term of 270 days and a coupon of 3.46%; the Company issued its second tranche of ultrashort financing bonds for 2015 on 24 September 2015, totaling RMB1,000,000,000 with a term of 180 days and a coupon of 3.49%; and the Company issued its third tranche of short-term financing bonds for 2015 on 19 November 2015, totaling RMB2,000,000,000 with a term of 93 days and a coupon of 3.70%. Pursuant to the document Zhong Shi Xie Zhu [2015] No. CP276 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2015 on 14 October 2015, totaling RMB2,000,000,000 with a term of 366 days and a coupon of 3.39%. The above short-term financing bonds have been repaid during the previous year.
- (6) Upon consideration and approval by the 27th meeting of the 3rd session of the Board held on 12 October 2015 and the 2015 second extraordinary general meeting of the Company held on 27 November 2015, the Company intended to issue corporate bonds of no more than RMB5,000,000,000. Pursuant to the document [2016] No. 35 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2016 on 14 March 2016, totaling RMB3,200,000,000 with a term of 5 years and a coupon of 3.12%. Bond holders may exercise their sale back rights on 14 March 2019; and the Company issued its first tranche of corporate bonds (type two) for 2016 on 14 March 2016, totaling RMB1,800,000,000 with a term of 7 years and a coupon of 3.5%. Bond holders may exercise their sale back rights on 14 March 2021.
- (7) Upon consideration and approval by the 17th meeting of the 3rd session of the Board held on 26 March 2015 and the 2014 annual general meeting of the Company held on 27 May 2015, and pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP219 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of ultrashort financing bonds for 2016 on 21 April 2016, totaling RMB2,000,000,000 with a term of 180 days and a coupon rate of 3.37%; and the Company issued its second tranche of ultrashort financing bonds for 2016 on 20 May 2016, totaling RMB3,000,000,000 with a term of 266 days and a coupon rate of 3.49%;

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Bonds payable (continued)

- (8) Jidong Group obtained the document (Zheng Jian Xu Ke [2015] No. 252) issued by the China Securities Regulatory Commission on 3 June 2015. It completed the non-public issue of corporate bonds on 24 July 2015, totaling RMB1,500,000,000 with a term of 3 years and a coupon rate of 7.44%.
- (9) Pursuant to the document (Fa Gai Cai Jin [2012] No. 2810) issued by National Development and Reform Commission, Jidong Group issued the first tranche of corporate bonds for 2012 on 13 September 2012 (“12 Jidong Development Bond”), totaling RMB800,000,000 with a term of 7 years and a coupon rate of 6.3%.
- (10) Pursuant to the approval document (Zhong Shi Xie Zhu [2015] No. PPN73) issued by the National Association of Financial Market Institutional Investors, Tangshan Jidong Concrete Co., Ltd. could conduct non-public placement financing of no more than RMB1,500,000,000. The amount of the first tranche of non-public placement debt financing instruments for 2014-2016 is RMB300,000,000 with a term of 3 years and a coupon rate of 7.00%. The maturity date is 4 May 2018. The amount of the second tranche of non-public placement debt financing instruments for 2014-2016 is RMB500,000,000 with a term of 3 years and a coupon rate of 6.80%. The maturity date is 3 June 2018.
- (11) Pursuant to the document (Zhong Shi Xie Zhu [2013] No. PPN369) issued by the National Association of Financial Market Institutional Investors, Jidong Cement issued the first tranche of private bonds for 2014 on 20 May 2014, totaling RMB100,000,000 with a term of 3 years and a coupon rate of 6.9%. On 19 September 2014, it issued the second tranche of private bonds for 2014, totaling RMB900,000,000 with a term of 3 years and a coupon rate of 6.5%.
- (12) Pursuant to the approval of the Reply in relation to National Development and Reform Commission Agreeing the Issuance of Corporate Bonds for 2007 by Jidong Cement (Fa Gai Cai Jin [2007] No. 1814) issued by National Development and Reform Commission and document (Ji Fa Gai Cai Jin [2007] No. 1177) issued by Hebei Development and Reform Commission, Jidong Cement issued corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2007 (“07 Jidong Cement Bonds”) of RMB600,000,000 with a term of 10 years and a coupon rate of 5.49% on 1 August 2007.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Bonds payable (continued)

- (13) Pursuant to the document (Zheng Jian Xu Ke [2011] No. 1179) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB2,500,000,000 to the public, including “2011 Jidong 01” and “2011 Jidong 02”. On 30 August 2011, it issued 2011 Jidong 01, totaling RMB1,600,000,000 with a coupon rate of 6.28% and an effective interest rate of 6.46%. The term of the bonds is 7 years (with the issuer’s option to raise the coupon rate after the end of the fifth year and the investors’ entitlement to sell back the bonds). The sale back amount as announced on 30 August 2016 is RMB522,000,000, with the remaining amount of RMB1,078,000,000 due on 30 August 2018. On 20 March 2012, it issued 2011 Jidong 02 in an amount of RMB900,000,000 with a coupon rate of 5.58% and an effective interest rate of 5.76%. The term of the bonds is 8 years (with the issuer’s option to raise the coupon rate after the end of the fifth year and the investors’ entitlement to sell back the bonds). The total sale back amount as announced on 17 March 2017 is RMB481,305,000.00 (exclusive of interests) with the remaining amount of RMB414,721,980.26 (exclusive of interests) due on 20 March 2020.
- (14) Pursuant to the document (Zheng Jian Xu Ke [2012] No. 1000) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB2,050,000,000 to the public. On 15 October 2012, it issued 2012 Jidong 01 Bonds in an amount of RMB800,000,000 with a term of 5 years, a coupon rate of 5.65% and an effective interest rate of 5.80%. The maturity date is 15 October 2017. On 15 October 2012, it issued 2012 Jidong 02 Bonds in an amount of RMB450,000,000 with a term of 7 years, a coupon rate of 5.90% and an effective interest rate of 6.02%. The maturity date is 15 October 2019. On 15 October 2012, it issued 2012 Jidong 03 Bonds in an amount of RMB800,000,000 with a term of 10 years, a coupon rate of 6.00% and an effective interest rate of 6.09%. The maturity date is 15 October 2022.
- (15) Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP[174] issued by the National Association of Financial Market Institutional Investors, Jidong Cement issued its first tranche of super short-term financing bonds for 2016 in open market on 27 January 2016, totaling RMB500,000,000 with a term of 270 days and a coupon rate of 6.99%. The maturity date is 23 October 2016.
- (16) Pursuant to the approval document (Zhong Shi Xie Zhu [2015] No. PPN390) issued by the National Association of Financial Market Institutional Investors on 31 August 2015, Jidong Development Group Co., Ltd. issued the first tranche of private placement debt financing instruments (“Private Placement Bond”) of Jidong Development Group Co., Ltd. for 2015 in open market on 31 December 2015, totaling RMB500,000,000 with a coupon rate of 6.50% and a term of 1 year.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Bonds payable *(continued)*

- (17) Upon consideration and approval by the 4th meeting of the 4th session of the Board held on 23 March 2016 and the 2015 general meeting of the Company held on 18 May 2016, the Company intended to issue corporate bonds of no more than RMB4,000,000,000. Pursuant to the document [2017] No. 46 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2017 on 19 May 2017, totaling RMB3,500,000,000 with a term of 5 years and a coupon rate of 5.2%. Bond holders may exercise their sale back rights on 19 May 2020; and the Company issued its first tranche of corporate bonds (type two) for 2017 on 19 May 2017, totaling RMB500,000,000 with a term of 7 years and a coupon rate of 5.38%. Bondholders may exercise their sale back rights on 19 May 2022.
- (18) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,250,000,000 with a term of not more than 3 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the second year during the term of the bonds. The bonds bear an annual coupon rate of 5.20% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.
- (19) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,750,000,000 with a term of not more than 5 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the third year during the term of the bonds. The bonds bear an annual interest rate of 5.30% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.
- (20) Upon consideration and approval by the 18th meeting of the 4th session of the Board held on 26 April 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the document Debt Financing Plan [2017] No. 0192 issued by Beijing Financial Assets Exchange Limited, the Company successfully issued the first tranche of debt financing plan for 2017 on 17 November 2017 for a term of 2+3 years. The interest commencement date was 17 November 2017 and the expiry date will be 17 November 2022. The actual listing amount totaled RMB500,000,000 with a coupon rate of 5.50%. The interests are calculated at fixed rate and allocated based on actual number of days.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Bonds payable (continued)

- (21) Upon consideration and approval by the 13th meeting of the 7th session of the Board held on 13 December 2015 and the 2015 second extraordinary general meeting of the Company held on 30 December 2015, and pursuant to the No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Issuance of Corporate Bonds for 2016 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2016] No. 471) (《關於唐山冀東水泥股份有限公司2016年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2016]471號)) issued by the Shenzhen Stock Exchange, Tangshan Jidong Cement Co., Ltd., a subsidiary of the Group, issued the first tranche of corporate bonds by way of non-public issuance on 30 June 2017 with a term of 3 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the second year. The interest commencement date was 30 June 2017 and the actual amount issued totaled RMB500,000,000. The bonds bear an interest rate of 5.98%.
- (22) Upon consideration and approval by the 17th meeting of the 3rd session of the Board held on 26 March 2015 and the 2014 annual general meeting of the Company held on 27 May 2015, and pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP219 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of ultrashort financing bonds for 2017 on 13 January 2017, totaling RMB3,000,000,000 with a term of 88 days and a coupon rate of 3.9%; and the Company issued its second tranche of ultrashort financing bonds for 2017 on 14 March 2017, totaling RMB3,000,000,000 with a term of 245 days and a coupon rate of 4.58%.
- (23) Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP [174] issued by the National Association of Financial Market Institutional Investors, Tangshan Jidong Cement Co., Ltd. issued its first tranche of ultrashort financing bonds for 2017 in open market on 21 June 2017, totaling RMB1,000,000,000 with a term of 270 days and a coupon rate of 5.1%. The maturity date is 18 March 2018.
- (24) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300)(《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the National Association of Financial Market Institutional Investors, the Company successfully issued the third tranche of super short term financing bonds for 2017 on 28 September 2017 for a term of 270 days. The interest commencement date was 29 September 2017 and the actual amount issued totaled RMB2,000,000,000 with a coupon rate of 4.90%. As of 31 December 2017, BBMG Finance Co., Ltd., a subsidiary of BBMG, held the remaining balance of the bond of RMB30 million, which was deemed as repaid amount.

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

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

36. Long-term payables

	2017	2016
Finance leases (Note 1)	1,595,973,841.56	4,386,261,999.52
Others (Note 2)	39,567,383.08	300,000,000.00
	1,635,541,224.64	4,686,261,999.52
Less: Long-term payables due within one year (Note V. 32)	714,771,870.46	945,370,562.70
Non-current portion	920,769,354.18	3,740,891,436.82

	2017	2016
Analysis of maturity of long-term payables		
Within 1 year (inclusive)	714,771,870.46	945,370,562.70
1 to 2 years (inclusive)	642,102,218.16	1,263,211,586.84
2 to 5 years (inclusive)	278,667,136.02	2,477,679,849.98
	1,635,541,224.64	4,686,261,999.52

Note 1: BBMG Badaling Hot Spring Resort Co., Ltd., a subsidiary of the Group, rented geothermal well equipment in 2013 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 unrecognized finance charges amortised at an annual interest rate of 6.55%. BBMG Mortar, a subsidiary of the Group, leased dry mortar mix cans through financing in 2017. The value of the fixed assets under finance lease initially recognised was RMB8,022,762,380, with a lease period of 2 years and the unrecognized finance charges amortised at an annual interest rate of 4.75%. As at 31 December 2017, the unrecognized finance lease payment was RMB1,996,249.01 (31 December 2016: RMB2,852,511.47).

The Group and Jidong Group, a subsidiary of the Group, have finance lease payments in relation to fixed assets payable to Everbright Financial Leasing Co., Ltd., Bank of Communications Financial Leasing Co., Ltd., CCB Financial Leasing Corporation Limited, China National Foreign Trade Financial & Leasing Co., Ltd. and CMB Financial Leasing Co., Ltd. As at 31 December 2017, the original value of long-term payables amounted to RMB1,740,084,217.74 (2016: RMB4,952,410,089.38) and unrecognized finance lease payment was RMB125,714,162.98 (2016: 585,202,417.39).

Note 2: Others represent the borrowings from Tangshan Dunshi Real Estate Development Co. Ltd. (唐山盾石房地產開發有限公司) to Tangshan Lubei District Urban Construction Investment Co., Ltd (唐山市路北區建設投資有限公司), which will be due on 29 January 2018 and all of which had been classified into due within 1 year this year.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

37. Long-term wages payable

	2017	2016
Net liabilities of defined benefit plan	654,032,290.50	722,768,832.46

The Group's defined benefit plans are various supplementary benefit plans targeting at employees retiring before the designated dates, and the plans are 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 plans 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 2017 using the projected accumulated benefit units method.

The following table sets forth the principal actuarial assumptions used as at the balance sheet date:

	2017	2016
Discount rate (%)	4.00%-4.25%	3.00%-3.75%
Expected growth rate of future retiree benefit costs (%)	2.50%	2.50%

The following table sets forth the quantitative sensitivity analysis of significant assumptions used:

2017

	Increase/(decrease) in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	Increase %	Decrease %	Increase %	Decrease %
Discount rate (%)	0.25	(16,151,364.00)	(0.25)	17,475,604.00
Expected growth rate of future retiree benefit costs (%)	0.50	22,131,679.00	(0.50)	(20,374,573.00)

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

37. Long-term wages payable (continued)

2016

	Increase %	Increase/(decrease) in present value of defined benefit obligations		Decrease %	Increase/(decrease) in present value of defined benefit obligations	
Discount rate (%)	0.25	(18,049,523.00)		(0.25)		18,931,965.00
Expected growth rate of future retiree benefit costs (%)	0.50	25,054,011.00		(0.50)		(23,031,893.00)

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. The sensitivity analysis is based on changes in major assumptions with other assumptions remain unchanged. As changes in assumptions are always not isolated from each other, the sensitivity analysis may not represent the actual changes in the defined benefit obligations.

The table below sets out the relevant costs recognised in the income statement:

	2017	2016
Net interest expenses charged to finance expenses	23,979,700.00	16,550,950.00
Charged to management expenses	37,958,656.33	4,286,732.34

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

37. Long-term wages payable (continued)

Movements in present value of net liabilities of defined benefit plan are as follows:

	2017	2016
Amount at the beginning of the year	795,812,425.46	498,495,429.00
Increase of business combination not under common control	–	359,468,418.37
Interest expenses for the year	23,979,700.00	16,550,950.00
Service costs for the year	37,958,656.33	4,286,732.34
Welfare benefits paid for the year	(80,126,564.60)	(52,626,100.25)
Actuarial gains recognised in other comprehensive income	(52,943,625.00)	(30,363,004.00)
Of which: Actuarial changes arising from changes in demographic statistics assumptions	7,357,000.00	–
Actuarial changes arising from changes in financial assumptions	(13,392,000.00)	(14,871,000.00)
Actuarial gains on difference in experience	(46,908,625.00)	(15,492,004.00)
Amount at the end of the year	724,680,592.19	795,812,425.46
Of which: Current portion of net liabilities of defined benefit plan (Note V.31)	70,648,301.69	73,043,593.00
Non-current portion	654,032,290.50	722,768,832.46

Expected future payments to the defined benefit plan:

	2017	2016
Within 1 year	70,648,301.69	73,043,593.00
2 to 5 years	256,299,613.67	262,053,416.65
6 to 10 years	217,260,376.80	233,665,073.54
Over 10 years	596,287,934.57	723,015,118.82
	1,140,496,226.73	1,291,777,202.01

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Accrued liabilities

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance	
Accrued concrete loss	32,733,222.62	1,899,665.81	4,418,422.74	30,214,465.69	Note 1
Restoration cost of mines	241,526,126.35	46,490,526.03	6,905,555.24	281,111,097.14	Note 2
Finance charges from sale and repurchase	97,020,000.00	55,902,000.00	–	152,922,000.00	Note 3
Others	–	687,837.34	–	687,837.34	
	371,279,348.97	104,980,029.18	11,323,977.98	464,935,400.17	

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance	
Accrued concrete loss	40,263,093.11	1,148,717.33	8,678,587.82	32,733,222.62	Note 1
Restoration cost of mines	96,183,259.17	149,006,422.47	3,663,555.29	241,526,126.35	Note 2
Finance charges from sale and repurchase	–	97,020,000.00	–	97,020,000.00	Note 3
	136,446,352.28	247,175,139.80	12,342,143.11	371,279,348.97	

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.

Note 3: A subsidiary of the Group engaged in real estate has entered into an en bloc sales agreement for a commercial property in Chongqing on 16 December 2015. As the agreement provided for a possible repurchase after five years, the expected return rate may not be satisfied for the year. Finance charges were expected based on the relevant agreement.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

39. Deferred income

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Government grants	922,615,398.60	42,426,314.79	109,521,773.25	855,519,940.14

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Government grants	682,258,810.90	315,737,950.92	75,381,363.22	922,615,398.60

Of which, the details of government grants are as follows:

	2017	2016
Government grants related to assets		
Environmental protection projects	432,674,914.50	259,086,574.00
Cogeneration projects	28,159,631.79	21,202,690.43
Relocation compensation	260,443,532.70	234,899,639.42
Specific funds	49,745,454.76	50,688,412.70
Others	81,714,238.73	351,563,038.24
Government grants related to income		
Research and development funds	2,782,167.66	5,175,043.81
Closing balance	855,519,940.14	922,615,398.60
Of which: Deferred income carried over within one year and included in current liabilities (Note V.33)	–	62,547,646.85
Non-current portion	855,519,940.14	860,067,751.75

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

39. Deferred income (continued)

As at 31 December 2017, the major items related to government grants were as follows:

	Opening balance	Increase in the year	Recognised in other income in the year	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	203,027,594.00	–	29,791,613.64	173,235,980.36	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	172,477,904.58	–	15,562,783.84	156,915,120.74	Related to assets
Appropriation for mud project of Beijing Cement Plant	30,876,388.89	–	2,976,666.65	27,899,722.24	Related to assets
Relocation compensation for Jianji	51,587,878.96	–	1,842,424.20	49,745,454.76	Related to assets
Subsidy for Zanhuang –2,500 tonnes new cement clinker production line project	7,976,444.42	–	730,666.68	7,245,777.74	Related to assets
Raw material storage tent of Zhenxing	9,408,000.00	–	672,000.00	8,736,000.00	Related to assets
Air pollution control project of Zanhuang	7,557,666.68	–	539,833.32	7,017,833.36	Related to assets
Heat supply renovation project of Liulihe	7,375,000.00	–	500,000.03	6,874,999.97	Related to assets
Tangshan Qixin Cement Industry Museum project	50,688,412.70	–	–	50,688,412.70	Related to assets

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

39. Deferred income (continued)

As at 31 December 2016, the major 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	212,011,428.88	–	8,983,834.88	203,027,594.00	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	187,853,822.22	–	15,375,917.64	172,477,904.58	Related to assets
Appropriation for mud project of Beijing Cement Plant	33,853,055.54	–	2,976,666.65	30,876,388.89	Related to assets
Relocation compensation for Jianji	53,430,303.16	–	1,842,424.20	51,587,878.96	Related to assets
Subsidy for Zanhuang – 2,500 tonnes new cement clinker production line project	8,707,111.10	–	730,666.68	7,976,444.42	Related to assets
Raw material storage tent of Zhenxing	10,080,000.00	–	672,000.00	9,408,000.00	Related to assets
Air pollution control project of Zanhuang	8,097,500.00	–	539,833.32	7,557,666.68	Related to assets
Heat supply renovation project of Liulihe	7,500,000.00	–	125,000.00	7,375,000.00	Related to assets
Tangshan Qixin Cement Industry Museum project	–	50,688,412.70	–	50,688,412.70	Related to assets

40. Other non-current liabilities

	2017	2016
Other non-current liabilities (Note V.21)	660,456,831.52	660,456,831.52

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

41. Share capital

2017

	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	1,084,736,590.00	-	(896,057,346.00)	(896,057,346.00)	188,679,244.00
2. Other domestic shareholdings	110,837,102.00	-	(105,989,102.00)	(105,989,102.00)	4,848,000.00
Total shares subject to lock-up restriction	1,195,573,692.00	-	(1,002,046,448.00)	(1,002,046,448.00)	193,527,244.00
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	7,143,432,572.00	-	1,002,046,448.00	1,002,046,448.00	8,145,479,020.00
2. Foreign listed shares	2,338,764,870.00	-	-	-	2,338,764,870.00
Total shares not subject to lock-up restriction	9,482,197,442.00	-	1,002,046,448.00	1,002,046,448.00	10,484,243,890.00
Total share capital	10,677,771,134.00	-	-	-	10,677,771,134.00

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

41. Share capital (continued)

2016

	Increase/(decrease) in the year				Closing balance
	Opening balance	Increase of share capital by conversion of capital reserve	Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	596,023,960.00	596,023,960.00	(107,311,330.00)	488,712,630.00	1,084,736,590.00
2. Other domestic shareholdings	462,076,547.00	461,668,547.00	(812,907,992.00)	(351,239,445.00)	110,837,102.00
3. Foreign shareholdings	–	–	–	–	–
Total shares subject to lock-up restriction	<u>1,058,100,507.00</u>	<u>1,057,692,507.00</u>	<u>(920,219,322.00)</u>	<u>137,473,185.00</u>	<u>1,195,573,692.00</u>
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	3,111,402,625.00	3,111,810,625.00	920,219,322.00	4,032,029,947.00	7,143,432,572.00
2. Foreign listed shares	<u>1,169,382,435.00</u>	<u>1,169,382,435.00</u>	–	<u>1,169,382,435.00</u>	<u>2,338,764,870.00</u>
Total shares not subject to lock-up restriction	<u>4,280,785,060.00</u>	<u>4,281,193,060.00</u>	<u>920,219,322.00</u>	<u>5,201,412,382.00</u>	<u>9,482,197,442.00</u>
Total share capital	<u>5,338,885,567.00</u>	<u>5,338,885,567.00</u>	–	<u>5,338,885,567.00</u>	<u>10,677,771,134.00</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

42. Other equity instruments

The Company issued RMB5 billion medium-term notes in aggregate registered with the National Association of Financial Market Institutional Investors in 2015. On 15 October 2015, the Company issued 10,000,000 medium-term notes at par value of RMB100 to specific investors, and the actual proceeds after deducting related issue expenses amounted to RMB990,000,000.00. On 2 September 2016 and 6 September 2016, the Company issued 20,000,000 and 20,000,000 medium-term notes at par value of RMB100 to specific investors respectively, and the actual proceeds after deducting related issue expenses amounted to RMB3,992,000,000.00. On 11 October 2017 and 6 November 2017, the Company issued 25,000,000 and 25,000,000 medium-term notes at par value of RMB100 to specific investors respectively, and the actual proceeds after deducting related issue expenses amounted to RMB4,990,000,000.00. According to the Prospectus on 2015 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2016 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2016 Second Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2017 First Tranche of Medium-term Notes of BBMG Corporation, and the Prospectus on 2017 Second Tranche of Medium-term Notes of BBMG Corporation, the major terms of the medium-term notes are as follows:

Maturity date	The medium-term notes have no fixed maturity date, which are on a long-term basis until redemption by the Company according to the requirement of the issuance provisions, and will expire when the Company redeems the notes according to the requirement of the issuance provisions.
Deferred distribution	Unless a mandatory interest payment event has occurred, on each interest payment date of the medium-term notes, the Company can elect to defer payment of interest due and all interest deferred according to the issuance provisions and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the requirement. Interest shall accrue on each of the deferred interest at the prevailing coupon rate over the period of deferral.
Mandatory distribution payment events	If any of the following events occurs within 12 months prior to the interest payment date, the Company shall not defer the payment of interest due or all interest deferred pursuant to this term and its fruits: <ol style="list-style-type: none"> (1) distributing dividends to ordinary shareholders; (2) reducing the registered capital.
Redemption and purchase	The Company is entitled to redeem the medium-term notes at par value plus payable interest (including all deferred interest) on the fifth and each of the subsequent interest payment dates of the medium-term notes.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

42. Other equity instruments (continued)

- | | | |
|---------------|---|---|
| Interest rate | – | Medium-term notes carried fixed rate; |
| determination | – | The coupon rate of the medium-term notes for the first five years of interest calculation is determined through book-building and centralised placing, and shall remain unchanged for the first five years of interest calculation. The coupon rate shall be reset every five years from the sixth year of interest calculation; |
| | – | The coupon rate for the first five years of interest calculation is the initial benchmark interest rate plus initial spread. Among which, the initial benchmark interest rate is defined as the arithmetic average yield rate (rounded to the nearest 0.01%) of treasury bonds with a repayment period of 5 years in the interbank treasury bond fixed rate bond yield curve published on China Bond information webpage (www.chinabond.com.cn) (or other website recognized by China Central Depository & Clearing Co., Ltd.) 5 working days before the book-building day. Initial spread is the difference between the coupon rate and the initial benchmark interest rate; |
| | – | In the event that the issuer does not exercise its redemption right, starting from the sixth year of interest calculation, the coupon rate shall be adjusted to benchmark interest rate for the current period plus initial spread plus 300 basis points, and shall remain unchanged from the sixth to the tenth year of interest calculation. The benchmark interest rate for the current period is defined as the arithmetic average yield rate (rounded to the nearest 0.01%) of treasury bonds with a repayment period of 5 years in the interbank treasury bond fixed rate bond yield curve published on China Bond information webpage (www.chinabond.com.cn) (or other website recognized by China Central Depository & Clearing Co., Ltd.) 5 working days before the reset of the coupon rate. Thereafter, the coupon interest rate is reset every 5 years to the benchmark interest rate for the current period plus the initial spread plus 300 basis points; |
| | – | Formula of coupon rate: coupon rate for the current period = benchmark interest rate for the current period + initial spread + 300BPs; |
| | – | In the event that the benchmark interest rate for the current period is not available on the date of reset due to factors such as changes in macroeconomy and policies in the future, the coupon rate will be determined based on the benchmark interest rate for the period prior to the reset of the coupon rate plus initial spread plus 300 basis points. |

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

42. Other equity instruments (continued)

In view of the above characteristics of the medium-term notes, the Company has no contractual obligation to repay the principal or pay interest on the bonds, namely the Company has no contractual obligation to pay in cash or other financial assets to the holders of the perpetual bonds nor to exchange financial assets or financial liabilities under potential adverse condition with the holders of the perpetual bonds. The perpetual bonds were accounted for by the Company based on the net proceeds after deducting issue expenses and included in other equity instruments, and the relevant coupon payments declared will be treated as distribution to the holders of the equity.

In 2017, the interest rate of medium-term notes of the Company was 5.09%~5.85%, the interest accrued was RMB354,839,444.46 and interest payable to specific investors amounted to RMB234,100,000.00.

43. Capital reserve

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	5,865,195,783.46	–	44,993,745.48	5,820,202,037.98

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	11,579,704,575.56	–	5,714,508,792.10	5,865,195,783.46

Please see the Consolidated Statement of Changes in Equity for the reasons of movements in capital reserve.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

44. Other comprehensive income

Accumulated balance of other comprehensive income in the consolidated balance sheet:

	1 January 2016	Increase/ (decrease)	31 December 2016	Increase/ (decrease)	31 December 2017
Re-measurement of changes in net liabilities of defined benefit plan	4,510,281.00	23,664,304.00	28,174,585.00	41,897,925.00	70,072,510.00
Transfer of inventories/self-occupied properties into investment properties	198,068,231.31	(11,151,793.59)	186,916,437.72	(10,194,361.74)	176,722,075.98
Effect on changes in other shareholders' equity of investee under equity method	–	(20,888.22)	(20,888.22)	3,148,459.03	3,127,570.81
Foreign currency translation	3,468,837.42	7,393,864.80	10,862,702.22	(9,930,872.94)	931,829.28
Available-for-sale financial assets	–	5,906,864.93	5,906,864.93	(2,550,691.68)	3,356,173.25
	<u>206,047,349.73</u>	<u>25,792,351.92</u>	<u>231,839,701.65</u>	<u>22,370,457.67</u>	<u>254,210,159.32</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

44. Other comprehensive income (continued)

Amount of other comprehensive income in the consolidated income statement for the period:

2017

	Amount before tax	Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Less: Income tax	Equity	
				Attributable to parent company	attributable to minority interests
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	52,943,625.00	-	-	41,897,925.00	11,045,700.00
Other comprehensive income that will be reclassified to profit or loss in subsequent periods					
Disposal of transfer out of other comprehensive income incurred from transfer of fixed assets/inventories to investment properties	-	13,592,482.32	(3,398,120.58)	(10,194,361.74)	-
Effect on changes in other shareholders' equity of investee under equity method	9,540,784.95	-	-	3,148,459.03	6,392,325.92
Exchange differences on foreign currency translation	(13,138,219.23)	-	-	(9,930,872.94)	(3,207,346.29)
Available-for-sale financial assets	(20,611,649.92)	-	(5,152,912.46)	(2,550,691.68)	(12,908,045.78)
	28,734,540.80	13,592,482.32	(8,551,033.04)	22,370,457.67	1,322,633.85

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

44. Other comprehensive income (continued)

2016

	Amount before tax	Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Less: Income tax	Equity attributable to parent company	Equity attributable to minority interests
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	30,363,004.00	–	–	23,664,304.00	6,698,700.00
Other comprehensive income that will be reclassified to profit or loss in subsequent periods					
Other comprehensive income incurred from transfer of fixed assets/inventories to investment properties	–	14,869,058.12	(3,717,264.53)	(11,151,793.59)	–
Effect on changes in other shareholders' equity of investee under equity method	(126,595.25)	–	–	(20,888.22)	(105,707.03)
Exchange differences on foreign currency translation	10,621,155.05	–	–	7,393,864.80	3,227,290.25
Available-for-sale financial assets	47,732,241.92	–	11,933,060.49	5,906,864.93	29,892,316.50
	<u>88,589,805.72</u>	<u>14,869,058.12</u>	<u>8,215,795.96</u>	<u>25,792,351.92</u>	<u>39,712,599.72</u>

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

45. Specific reserve

2017

	Amount			
	Opening balance	provided for the year	Amount paid during the year	Closing balance
Production safety cost	<u>8,655,529.41</u>	<u>63,436,796.09</u>	<u>59,102,396.91</u>	<u>12,989,928.59</u>

2016

	Amount			
	Opening balance	provided for the year	Amount paid during the year	Closing balance
Production safety cost	<u>8,896,481.87</u>	<u>21,919,741.99</u>	<u>22,160,694.45</u>	<u>8,655,529.41</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 non-metal mineral products industries at a fixed amount from 2012, the details of which are set out in Note III 29. Production safety cost.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

46. Surplus reserve

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>1,276,866,688.51</u>	<u>91,152,321.84</u>	<u>–</u>	<u>1,368,019,010.35</u>

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>1,053,285,969.67</u>	<u>223,580,718.84</u>	<u>–</u>	<u>1,276,866,688.51</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 exceeded 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 reserve. Upon approval, discretionary surplus reserve can be used to make up for losses from previous years or to increase the share capital.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

47. General risk reserve

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
General risk reserve	178,039,195.99	121,439,655.26	–	299,478,851.25

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
General risk reserve	59,993,193.86	118,046,002.13	–	178,039,195.99

The general risk reserve 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 period/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.

48. Retained earnings

	2017	2016
Retained earnings as at the end of the previous year	20,980,120,619.08	18,846,160,038.86
Net profit attributable to the shareholders of the parent company	2,836,664,933.59	2,686,653,868.20
Less: Cash dividends declared for ordinary shares (Note 1)	491,177,472.16	160,166,567.01
Less: Appropriation of surplus reserve (Note V. 46)	91,152,321.84	223,580,718.84
Less: Interest of perpetual bonds (Note V.42)	354,839,444.46	50,900,000.00
Less: Appropriation of general risk reserve (Note V. 47)	121,439,655.26	118,046,002.13
Retained earnings at the end of the year	22,758,176,658.95	20,980,120,619.08

Note 1: Upon the consideration and approval by the 2016 annual general meeting of the Company convened on 18 May 2017, profit distribution for the year 2016 was calculated based on 10,677,771,134 ordinary shares in issue as of 31 December 2016, with the distribution of a dividend of RMB0.46 per 10 shares (tax inclusive) in an aggregate amount of cash dividends of RMB491,177,472.16.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

49. Operating revenue and operating costs

Operating revenue, which is also turnovers of the Group, represents 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 revenue are as follows:

	2017		2016	
	Revenue	Costs	Revenue	Costs
Principal operations	62,646,084,271.12	47,112,576,141.08	46,793,384,648.28	36,034,558,111.26
Other operations	1,032,246,660.42	522,435,875.66	945,388,078.68	507,489,391.27
	63,678,330,931.54	47,635,012,016.74	47,738,772,726.96	36,542,047,502.53

Information of principal business by product:

	2017		2016	
	Revenue	Costs	Revenue	Costs
Sale of products	32,148,187,255.64	23,558,934,647.27	17,122,472,271.65	13,723,306,660.79
Bulk commodity trade	8,943,201,342.95	8,695,042,768.92	6,817,904,203.52	6,762,104,377.80
Sale of properties	16,151,135,156.01	12,048,874,890.57	18,425,608,161.24	13,343,215,622.90
Rental income from investment properties	1,187,090,427.20	109,529,937.78	1,213,476,530.18	112,437,976.68
Property management	857,584,626.14	580,741,718.92	773,695,358.11	560,836,862.91
Hotel management	418,399,427.21	214,605,377.06	406,329,907.00	206,625,706.00
Income from decoration	876,910,392.65	769,944,690.80	820,021,019.71	756,494,489.75
Treatment of solid wastes	629,074,388.58	389,739,776.16	528,251,017.41	340,783,269.17
Others	1,434,501,254.74	745,162,333.60	685,626,179.46	228,753,145.26
	62,646,084,271.12	47,112,576,141.08	46,793,384,648.28	36,034,558,111.26

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

49. Operating revenue and operating costs (continued)

Operating revenue are as follows:

	2017	2016
Sale of products	32,148,187,255.64	17,122,472,271.65
Bulk commodity trade	8,943,201,342.95	6,817,904,203.52
Sale of properties	16,151,135,156.01	18,425,608,161.24
Lease income	1,404,610,174.93	1,352,901,012.50
Of which: Rental income from investment properties	1,187,090,427.20	1,213,476,530.18
Other lease income	217,519,747.73	139,424,482.32
Property management	857,584,626.14	773,695,358.11
Hotel management	418,399,427.21	406,329,907.00
Income from decoration	876,910,392.65	820,021,019.71
Treatment of solid wastes	629,074,388.58	528,251,017.41
Revenue from the rendering of services	180,797,908.00	222,300,326.50
Others	2,068,430,259.43	1,269,289,449.32
	63,678,330,931.54	47,738,772,726.96

50. Tax and surcharges

	2017	2016
Business tax	239,462,520.89	818,205,003.58
City maintenance and construction tax	192,029,242.96	136,131,005.15
Education surcharges	151,379,646.54	107,729,970.80
Land appreciation tax	677,999,182.12	268,452,551.08
Real estate tax	231,983,796.63	117,700,346.11
Land use tax	164,364,161.81	61,146,205.69
Vehicle and vessel tax	6,102,984.86	1,048,923.08
Stamp duty	52,982,358.70	26,692,031.34
Others	123,884,106.52	33,738,069.48
	1,840,188,001.03	1,570,844,106.31

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

51. Selling expenses

	2017	2016
Employee remunerations	761,817,038.84	535,015,675.80
Transportation expenses	725,398,925.52	439,203,005.47
Advertisement fee	365,219,880.75	305,005,270.87
Agency intermediary fee	359,321,173.20	280,570,752.86
Office and service expenses	215,120,459.17	152,850,427.70
Lease fee	143,667,982.72	114,546,454.76
Others	36,743,673.73	27,043,778.09
	2,607,289,133.93	1,854,235,365.55

52. Administrative expenses

	2017	2016
Employee remunerations	2,511,285,247.57	1,673,112,550.97
Office expenses	1,020,506,232.33	611,596,899.07
Loss on shut down	670,523,582.94	313,991,922.70
Lease and utilities	240,251,650.68	150,918,086.80
Intermediary service fees	224,246,753.28	162,079,101.65
Sewage and afforestation fees	135,165,014.79	76,749,119.15
R&D expenses	117,384,930.75	108,510,227.76
Tax	24,347,527.00	97,655,970.52
Others	1,281,913,122.64	613,249,400.88
	6,225,624,061.98	3,807,863,279.50

The above-mentioned administrative expenses included the auditor's remuneration to Ernst & Young Hua Ming LLP for the audit of the annual reports of the Company and its subsidiaries of RMB16,000,000.00 (2016: RMB16,000,000.00).

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

53. Finance costs

	2017	2016
Interest expenses	4,546,192,368.40	2,887,205,417.73
Including: Interests on bank loans and other loans to be fully repaid within 5 years	4,536,462,880.73	1,559,079,410.99
Interests on bank loans and other loans to be repaid over 5 years	9,729,487.67	8,854,551.00
Less: Interest income	(674,116,887.62)	(232,287,018.39)
Less: Amount of interest capitalized	(1,404,695,772.42)	(1,206,241,534.26)
Exchange gains	(29,384,560.62)	(45,422,187.86)
Handling charges	92,781,942.67	106,905,239.45
Others	144,810,552.47	93,341,384.35
	2,675,587,642.88	1,603,501,301.02

54. Asset impairment losses

	2017	2016
Losses on bad debts	187,898,969.97	238,856,288.16
Losses on decline in value of inventory	104,070,933.70	45,444,639.16
Losses on impairment of construction in progress	28,118,331.18	5,184,737.89
Losses on impairment of fixed assets	182,149,063.71	95,515,904.00
Losses on impairment of intangible assets	19,132,118.06	28,342,075.79
Losses on impairment of available-for-sale financial assets	–	254,000.00
Losses on impairment of construction materials	1,430,205.69	1,373,179.37
Losses on impairment of goodwill	9,482,871.64	–
Losses on impairment of other non-current assets	2,741,845.60	12,829.03
	535,024,339.55	414,983,653.40

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

55. Gains from changes in fair value

	2017	2016
Financial assets at fair value through profit or loss	207,496,011.63	(4,177,786.38)
Investment properties measured at fair value	513,884,093.94	596,856,927.13
	721,380,105.57	592,679,140.75

56. Investment gains

	2017	2016
Long-term equity investment gains measured under cost method	277,196.09	1,457,644.31
Long-term equity investment gains measured under equity method	188,732,130.32	108,900,509.77
Investment gains from disposal of subsidiaries	154,210,544.33	515,781,730.74
Investment gains from financial assets held for trading	686,895.00	–
Investment gains from holding available-for-sale financial assets	119,550,039.01	21,051,787.72
Investment losses from disposal of financial asset at fair value through profit or loss	(264,060,888.31)	(3,025,967.39)
Investment gains/(losses) from disposal of available-for-sale financial assets	120,475,483.75	(2,382,870.50)
Gains on re-measurement of equity interests in the acquiree held before the date of acquisition at fair value	14,563,139.38	–
Other comprehensive income from measurement of equity interests in the acquiree held before the date of acquisition using equity method	2,534,661.78	–
Others	(131,904.81)	(254,856.87)
	336,837,296.54	641,527,977.78

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2017. In 2017, the net loss from listed share investment among the gains or losses from fair value changes and investment income of the Group amounted to RMB55,877,981.68 (2016: RMB7,203,753.77).

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

57. Gains on disposal of assets

	2017	2016	Recognised in non-recurring profit and loss for 2017
Gains on disposal of fixed assets	150,959,264.84	100,137,328.22	150,959,264.84
Less: Losses from disposal of fixed assets	85,113,382.89	11,453,933.24	85,113,382.89
	65,845,881.95	88,683,394.98	65,845,881.95

58. Other gains

	2017	Recognised in non-recurring profit and loss for 2017
Refunds of VAT	480,707,517.88	–
Income from relocation compensation	18,889,096.35	18,889,096.35
Income from other subsidies	182,183,499.37	182,183,499.37
Grants of sale of heat	8,057,503.41	–
	689,837,617.01	201,072,595.72

In 2017, the refunds of VAT, government subsidies related to relocation and reconstruction and government subsidies related to operation were included in “Other gains” and the relocation compensation unrelated to the reconstruction were included in “Non-operating income” by the Group (please refer to Note V. 59 for more details).

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

59. Non-operating income

	2017	2016	Recognised in non-recurring profit and loss for 2017
Gains from debt restructuring	10,852,933.95	12,467,529.14	10,852,933.95
Net gains from fines	37,135,728.16	26,353,620.54	37,135,728.16
Government grants unrelated to daily activities	359,044,197.95	596,050,569.52	359,044,197.95
Unpayable amounts	11,722,548.61	25,573,605.02	11,722,548.61
Others	81,853,540.06	127,703,688.26	81,853,540.06
	500,608,948.73	788,149,012.48	500,608,948.73

Government grants included in non-operating income are as follows:

	2017	2016	Related to assets/gains
Refunds of VAT	–	315,598,698.93	Related to gains
Income from relocation compensation	359,044,197.95	96,549,440.05	Related to assets/gains
Income from other subsidies	–	174,137,852.22	Related to assets/gains
Grants of sale of heat	–	9,764,578.32	Related to gains
	359,044,197.95	596,050,569.52	

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

60. Non-operating expenses

	2017	2016	Recognised in non-recurring profit and loss for 2017
Losses on retirement of non-current assets damaged	252,280,038.03	207,632,869.20	252,280,038.03
Including: Losses on retirement of fixed assets	22,330,040.45	40,731,692.91	22,330,040.45
Loss on retirement of intangible assets	229,949,997.58	97,543,056.66	229,949,997.58
Loss on retirement of construction in progress	–	54,667,818.32	–
Others	–	14,690,301.31	–
Abnormal losses	445,699.76	3,132,899.19	445,699.76
Losses on debt restructuring	50,000.00	–	50,000.00
Expenses on charity donation	8,155,715.50	533,347.02	8,155,715.50
Losses on compensation, penalties and fines	53,072,070.71	15,678,952.77	53,072,070.71
Other expenses	102,968,352.24	152,827,502.94	102,968,352.24
	416,971,876.24	379,805,571.12	416,971,876.24

61. Expenses by nature

The supplemental information on the Group's operating costs, selling expenses and administrative expenses by nature is as follows:

	2017	2016
Consumption of raw materials	14,222,154,589.89	6,041,528,310.01
Procurement costs of tradable goods	9,988,982,539.07	7,352,972,886.19
Cost of sales of real estate	12,048,874,890.57	13,343,215,622.90
Changes in inventory of finished goods and work in progress	(309,397,227.16)	(146,438,973.33)
Employees' remuneration expenses	5,502,398,556.91	3,868,512,894.19
Depreciation and amortisation	4,285,245,681.58	2,176,830,813.75
Rentals	442,755,849.62	393,399,387.85
Maintenance expenses	1,321,743,748.32	864,834,458.50
Fuel and energy costs	2,868,623,024.56	1,837,863,781.50
Transportation fee	1,058,909,461.71	689,085,529.76
Advertising and marketing costs	365,219,880.75	305,005,270.87
Office expenses	154,061,100.76	120,781,088.64
Losses from suspension of production	670,523,582.94	313,991,922.70
Intermediary fee	583,567,926.48	442,649,854.51
Others expenses	3,264,261,606.65	4,599,913,299.54
	56,467,925,212.65	42,204,146,147.58

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

62. Income tax expense

	2017	2016
Current income tax expense	1,698,313,080.37	1,350,980,270.05
Deferred income tax expense	(591,518,093.84)	(364,796,557.75)
	1,106,794,986.53	986,183,712.30

A reconciliation of income tax expense and total profit is set out as follows:

	2017	2016
Total profit	4,057,143,708.99	3,676,531,473.52
Income tax expense at the statutory tax rate of 25% (Note 1)	1,014,285,927.25	919,132,868.38
Effect of different tax rates of some subsidiaries	(37,926,359.22)	(2,402,312.20)
Share of profits and losses of joint ventures and associates (Note 2)	(59,108,920.95)	(32,799,719.25)
Income not subject to tax	–	(137,676.06)
Expenses not deductible	20,913,677.14	4,866,743.18
Deductible temporary differences and deductible losses utilized from previous years	(209,474,276.14)	(200,560,069.41)
Adjustments on the current income tax of previous periods	(90,081,126.17)	(14,643,561.75)
Deductible temporary difference and deductible losses not recognized	468,186,064.62	312,727,439.41
	1,106,794,986.53	986,183,712.30

Note 1: Income tax of the Group shall be calculated based on the estimated taxable income from Mainland China and the applicable tax rate. 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 joint ventures and associates for 2017 were RMB41,728,422.96 and RMB5,738,197.31 respectively (2016: RMB10,746,301.13 and RMB5,809,822.61 respectively).

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

63. 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.

	2017	2016
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,836,664,933.59	2,686,653,868.20
Shares		
Weighted average number of ordinary shares in issue of the Company	10,677,771,134.00	10,677,771,134.00
Earnings per share	0.27	0.25

The Company did not have potentially dilutive ordinary shares.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

64. Notes to items of statement of cash flows

	2017	2016
Cash received from other operating activities		
Deposits and relevant amounts received	483,231,985.20	275,657,363.30
Compensation received	626,332,443.95	246,398,114.40
Current accounts and other current account	2,468,694,732.84	675,666,274.92
	3,578,259,161.99	1,197,721,752.62
Cash paid relating to other operating activities		
Selling and administrative expenses etc. paid	4,188,422,869.75	2,913,542,710.00
Current accounts and other current account	912,986,634.69	504,434,611.76
	5,101,409,504.44	3,417,977,321.76
Cash received from other investing activities		
Repayment from borrowings of minority shareholders	490,000.00	2,450,000.00
Disposal of associates	–	4,145,438.22
Proceeds from disposal of short-term wealth management products	7,768,290,036.37	–
	7,768,780,036.37	6,595,438.22
Cash paid relating to other investing activities		
Payment for purchase of trust products	8,188,441,146.73	391,280,000.00
Finance lease paid	–	970,000,000.00
	8,188,441,146.73	1,361,280,000.00
Cash received from other financing activities		
Borrowings from minority shareholders	357,259,000.00	–
Cash paid relating to other financing activities		
Payment for acquisition of minority interests	848,366,053.40	1,346,762,238.23
Payment for financing of sale and lease back business	3,256,856,013.36	–
	4,105,222,066.76	1,346,762,238.23

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

65. 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:

	2017	2016
Net profit	2,950,348,722.46	2,690,347,761.22
Add: Assets impairment losses	535,024,339.55	414,983,653.40
Depreciation of fixed assets	3,686,576,745.87	1,870,612,219.40
Amortisation of intangible assets	464,367,467.19	215,795,282.02
Amortisation of long-term deferred expenses	134,301,468.52	90,423,312.33
Net losses from disposal of fixed assets, intangible assets and other long-term assets	186,434,156.08	118,949,474.22
Gains from changes in fair value	(721,380,105.57)	(592,679,140.75)
Finance expenses	3,112,112,035.36	1,635,541,695.61
Investment gains	(336,837,296.54)	(641,527,977.78)
Increase in deferred income tax assets	(256,328,378.67)	(551,479,103.28)
(Decrease)/increase in deferred income tax liabilities	(327,899,113.69)	184,427,759.21
Increase in inventories	(33,331,948,499.01)	(4,515,198,991.43)
Decrease in operating receivables	4,719,774,742.56	727,324,596.99
Increase in operating payables	7,330,929,935.89	1,856,229,247.92
Net cash flows (used in)/from operating activities	(11,854,523,780.00)	3,503,749,789.08

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

65. Supplemental information to statement of cash flows (continued)

(1) Supplemental information to statement of cash flows (continued)

	2017	2016
Material financing activities not involving cash:		
Dividends receivable as capital injection from minority shareholders	-	2,811,197.97
Business combination not under common control	-	15,680,918,969.02
	-	15,683,730,166.99
Endorsement and transfer of bills:		
Endorsement and transfer of bank acceptance bills received from sale of goods or rendering of services	6,117,721,678.40	5,260,582,307.57
Net movements in cash and cash equivalents:		
Balances of cash at end of the year	12,914,086,803.47	18,110,782,535.76
Less: Balances of cash at beginning of the year	18,110,782,535.76	11,213,584,868.55
Net (decrease)/increase in cash and cash equivalents	(5,196,695,732.29)	6,897,197,667.21

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

65. Supplemental information to statement of cash flows (continued)

(2) Information on acquisition or disposal of subsidiaries and other operating units

Information on disposal of subsidiaries and other operating units

	2017	2016
Consideration of disposal of subsidiaries and other operating units	30,350,000.00	688,040,000.00
Cash and cash equivalents received from disposal of subsidiaries and other operating units	636,620,000.00	51,420,000.00
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	1,734,900.69	1,559,678.53
Less: Handling fees of disposal of subsidiaries and other operating units	—	36,120,575.60
Net cash received from disposal of subsidiaries and other operating units	634,885,099.31	13,739,745.87

Information on acquisition of subsidiaries and other operating units

	2017	2016
Cash consideration paid for acquisition of subsidiaries and other operating units	211,406,182.67	3,975,000,000.00
Less: Cash and cash equivalents held by subsidiaries and other operating units acquired	565,759.69	2,120,757,219.27
Net cash paid for acquisition of subsidiaries and other operating units	210,840,422.98	1,854,242,780.73

(3) Cash and cash equivalents

	2017	2016
Cash	12,914,086,803.47	18,110,782,535.76
Including: Cash on hand	908,870.81	2,809,075.64
Bank deposits on demand	12,912,454,696.98	18,080,405,691.40
Other monetary fund on demand	723,235.68	27,567,768.72
Balance of cash and cash equivalents at end of the year	12,914,086,803.47	18,110,782,535.76

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

66. Assets with restricted titles or right to use

	Note	2017	2016
Pledged assets			
Cash and bank balances			
Statutory deposit reserve placement with central bank by Finance Company	(1)	1,228,437,954.77	1,440,246,240.74
Guarantee deposits for L/C	(1)	59,308,277.04	455,177,838.33
Quality/performance deposits	(1)	117,009,520.57	185,295,070.68
Guarantee deposits for acceptance bills	(1)	177,489,541.28	1,742,309,504.84
Inventories	(2)	8,571,416,008.34	9,689,159,465.31
Bills receivable	(2)	5,300,000.00	51,872,956.51
Other receivables	(2)	–	36,819,544.33
Fixed assets	(2)	4,274,246,121.07	1,159,127,880.28
Investment properties	(2)	7,599,987,014.63	7,333,134,295.76
Equity interests	(2)	5,494,299,741.71	5,695,283,952.00
Land use rights	(2)	118,768,976.72	85,505,417.46
Cash and bank balances whose titles are restricted for other reasons			
Restricted cash arising from pre-sales of properties	(3)	3,245,141,712.81	5,927,843,305.70
Other restricted cash		162,373,334.78	148,556,651.48
		31,053,778,203.72	33,950,332,123.42

Note 1: As at 31 December 2017, the total amount of the Group's pledged cash and bank balances was RMB1,582,245,293.66 (31 December 2016: RMB3,823,028,654.59), 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 as statutory deposit reserve in accordance with relevant regulations which cannot be used for daily operations was RMB1,228,437,954.77 (31 December 2016: RMB1,440,246,240.74).

Note 2: As at 31 December 2017, the Group obtained short-term borrowings of RMB500,000,000.00 (31 December 2016: RMB775,807,187.00) and long-term borrowings of RMB9,444,800,000.00 (31 December 2016: RMB10,212,507,602.00) secured by inventories with a carrying amount of RMB8,571,416,008.34 (31 December 2016: RMB9,689,159,465.31), fixed assets with a carrying amount of RMB4,274,246,121.07 (31 December 2016: RMB1,159,127,880.28), investment properties with a carrying amount of RMB7,599,987,014.63 (31 December 2016: RMB7,333,134,295.76) and land use rights with a carrying amount of RMB118,768,976.72 (31 December 2016: RMB85,505,417.46) and pledged by equity interests with a carrying amount of RMB5,494,299,741.71 (31 December 2016: RMB5,695,283,952.00). The Group also obtained short-term borrowings of RMB5,300,000.00 pledged by bills receivable with a carrying amount of RMB5,300,000.00 (31 December 2016: bank acceptance bills of RMB3,000,000.00 and RMB48,872,956.51 were pledged for securing borrowings and bank acceptance bills business respectively).

Note 3: In accordance with relevant provisions, funds from pre-sales of commodity housing of property developers have to be deposited in special bank accounts of funds from pre-sales of real estates for supervision to ensure that the pre-sales 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 accepted and other required conditions have been satisfied, application for lifting supervision of the funds may be made. As at 31 December 2017, there were no bank borrowings obtained from unreleased pledge by land use rights of commodity houses of the Company which had already been delivered to the purchasers.

Notes to Financial Statements

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

67. Foreign currency monetary items

	2017			2016		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
Cash at banks						
USD	12,114,512.24	6.5342	79,158,645.88	9,202,414.61	6.9470	63,929,174.30
HKD	1,917,852.76	0.8359	1,603,133.12	1,411,012.36	0.8959	1,264,125.97
EUR	1.39	7.8023	10.85	-	-	-
JPY	24,259,925.00	0.0579	1,404,649.66	24,259,901.00	0.0594	1,441,038.12
MNT	1,246,231,165.99	0.0027	3,364,824.15	-	-	-
ZAR	32,523,224.05	0.5277	17,162,505.33	9,230,951.23	0.5083	4,692,092.51
ZMK	-	-	-	53,437.14	0.6988	37,341.87
Accounts receivable						
USD	80,533,480.10	6.5342	526,221,865.67	3,304,296.42	6.9470	22,954,947.23
EUR	802,285.44	7.8023	6,259,671.69	210,398.43	7.3034	1,536,623.89
JPY	-	-	-	78,645.84	0.0594	4,671.56
ZAR	-	-	-	47,624,271.49	0.5083	24,207,417.20
Accounts payable						
USD	(70,461,342.96)	6.5342	(460,408,507.17)	(255,672.84)	6.9470	(1,776,159.22)
ZAR	-	-	-	(13,482,066.52)	0.5083	(6,852,934.41)
Receipts in advance						
USD	(3,187,001.73)	6.5342	(20,824,506.70)	-	-	-
HKD	(31,968.00)	0.8359	(26,722.05)	-	-	-
EUR	(97,000.00)	7.8023	(756,823.10)	-	-	-
Prepayments						
USD	2,099,888.97	6.5342	13,721,094.51	-	-	-
HKD	38,174.00	0.8359	31,909.65	-	-	-
Other receivables						
USD	2,959,772.60	6.5342	19,339,746.12	1,749,884.31	6.9470	12,156,446.30
ZAR	-	-	-	484,509.05	0.5083	246,275.95
HKD	285,974.00	0.8359	239,045.67	-	-	-
Other payables						
USD	(2,270,097.00)	6.5342	(14,833,267.82)	(30,000.00)	6.9470	(208,410.00)
ZAR	-	-	-	(5,132,564.37)	0.5083	(2,608,882.47)
HKD	(2,647,219.28)	0.8359	(2,212,810.60)	-	-	-
Long-term receivables						
ZAR	485,794,441.54	0.5277	256,353,726.80	399,291,341.53	0.5083	202,959,788.90
Long-term payables						
USD	(2,388,600.00)	6.5342	(15,607,590.12)	-	-	-
			410,190,601.54			323,983,557.70

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VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Business combination not under common control

Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司) (hereinafter referred to as “**Krono Woods**”) was originally a 30%-owned associate of the Company. On 8 November 2016, Highfield (HK) Limited (高能(香港)有限公司) (hereinafter referred to as “**Highfield HK**”), Krono Woods and the Company entered into an equity transfer agreement, pursuant to which the Company agreed to acquire 70% of the equity interests in Krono Woods held by Highfield HK at a cash consideration of RMB209,797,472.00 and pay an additional amount of RMB1,608,710.67 to Highfield HK to repay the borrowings from Krono Woods. As of 26 May 2017, as the effective conditions stipulated under the above agreements have been satisfied, the Company has deposited the payment for equity interests to the supervisory bank account as stipulated in the agreement and completed the relevant equity transfer procedures and changes in the articles of association. The Company holds all of the equity interests of Krono Woods and become its controlling shareholder.

The fair values and carrying values of identifiable assets and liabilities of Krono Woods on acquisition date are set out as follows:

	Fair value as at 31 May 2017	Carrying value as at 31 May 2017
Cash and bank balances	565,759.69	565,759.69
Accounts receivable	26,210.28	26,210.28
Prepayments	348,526.12	348,526.12
Other receivables	395,839.19	395,839.19
Inventories	20,020,559.95	20,020,559.95
Other current assets	22,101.66	22,101.66
Fixed assets	337,640,941.16	272,915,877.27
Intangible assets	91,190.88	91,190.88
Wages payable	(420,186.55)	(420,186.55)
Tax payable	(967,527.47)	(967,527.47)
Accounts payable	(18,988,139.95)	(18,988,139.95)
Other payables	(19,854,419.55)	(19,854,419.55)
Other current liabilities	(690,757.05)	(690,757.05)
Deferred tax liabilities	(16,181,265.97)	–
Identifiable net assets	302,008,832.39	253,465,034.47
Fair value of the original 30% equity interests	90,602,649.72	
Consideration of acquisition of 70% equity interests	209,797,472.00	
Additional payment	1,608,710.67	
	211,406,182.67	

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For the year ended 31 December 2017

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combination not under common control *(continued)*

The operation results and cash flows of Krono Woods from the acquisition date to the end of the year are set out as follows:

	From 31 May to 31 December 2017
Operating revenue	–
Net loss	(1,657,313.97)
Net cash flows	2,548.76

2. Deregistration of subsidiaries

Tangshan Jidong Development Coal Technology Co., Ltd.(唐山冀東發展煤炭科技有限公司), Tangshan Dunshi Machinery Maintenance Co., Ltd.(唐山盾石機械維修有限公司), Jidong Development Logistics Co., Ltd. Shenyang Branch (冀東發展物流有限責任公司瀋陽分公司), Hebei Lirong Energy-Saving Technology Service Co., Ltd. (河北利榮節能技術服務有限公司), Jidong Residential Property Development Co., Ltd.(冀東住宅產業化科技發展有限公司), Hebei Dunshi Engineering Technology Co., Ltd. (河北盾石工程技術有限公司), Tanshan Jitong Heavy Cargo Transportation Co., Ltd. (唐山冀通大型貨物運輸有限責任公司), Shijiazhuang Dunshi Xingye Real Estate Development Co., Ltd. (石家莊盾石興業房地產開發有限公司), Beijing Great Wall Furniture Decorative Materials Co., Ltd. (北京長城傢俱裝飾材料有限公司) and Zhangjiakou Star Building Materials Co., Ltd. (張家口市星牌建材有限責任公司) were deregistered by the Company in 2017

Notes to Financial Statements

For the year ended 31 December 2017

VI. CHANGE IN SCOPE OF CONSOLIDATION (continued)

3. Establishment of new subsidiaries

The Group established the following new subsidiaries in 2017:

Name of company	Principal business
Beijing BBMG Beijia Engineering Co., Ltd. (北京金隅北加工程技術有限公司)	Project contracting, etc.
Beijing BBMG Business Management Co., Ltd. (北京金隅商業管理有限公司)	Property management, etc.
Beijing BBMG Aixin Binhe Elderly Services Co., Ltd. (北京金隅愛馨濱和養老服務有限公司)	Centralized elderly services
BBMG China Railway Nuode (Hangzhou) Property Development Co., Ltd. (金隅中鐵諾德(杭州)房地產開發有限公司)	Property development and sale
BBMG Jinghua Property Development Hefei Co., Ltd. (金隅京華房地產開發合肥有限公司)	Property development and sale
Dacheng Meixi International Property Development (Beijing) Co., Ltd. (大成美西國際置業發展(北京)有限公司)	Property development and sale
Beijing BBMG Konggang Development Co., Ltd. (北京金隅空港開發有限公司)	Property development and sale
BBMG Jiaying Nanjing Real Estate Development Co., Ltd. (金隅嘉星南京房地產開發有限公司)	Property development and sale
BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd. (金隅京遠(寧波)房地產開發有限公司)	Property development and sale
Chengdu BBMG Yuehuang Real Estate Co., Ltd. (成都金隅岳煌置業有限公司)	Property development and sale
Chengdu BBMG Jingfeng Real Estate Development Co., Ltd. (成都金隅京峰房地產開發有限公司)	Property development and sale
Chengdu BBMG Wancheng Real Estate Development Co., Ltd. (成都金隅萬成房地產開發有限公司)	Property development and sale
Chengde BBMG Real Estate Development Co., Ltd. (承德金隅地產開發有限公司)	Property development and sale
Shaanxi BBMG Jidong Cement Trading Co., Ltd. (陝西金隅冀東水泥經貿有限公司)	Wholesale and retail of coal and cement
BBMG Jidong Cement Jilin Trading Co., Ltd. (金隅冀東水泥吉林經貿有限公司)	Wholesale and retail of coal and cement
Liaoning BBMG Jidong Cement Trading Co., Ltd. (遼寧金隅冀東水泥貿易有限公司)	Wholesale and retail of coal and cement
Yantai BBMG Jidong Cement Inshore Trading Co., Ltd. (煙台金隅冀東水泥沿海經貿有限公司)	Wholesale and retail of coal and cement
Inner Mongolia BBMG Jidong Cement Trading Co., Ltd. (內蒙古金隅冀東水泥經貿有限公司)	Wholesale and retail of coal and cement
Taiyuan BBMG Jidong Cement Trading Co., Ltd. (太原金隅冀東水泥經貿有限公司)	Wholesale and retail of coal and cement
Chongqing BBMG Jidong Cement Trading Co., Ltd. (重慶金隅冀東水泥貿易有限公司)	Wholesale and retail of coal and cement

Notes to Financial Statements

For the year ended 31 December 2017

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

4. Disposal of subsidiaries

	Place of registration	Business nature	The Group's total proportion of shareholding	The Group's total proportion of votes	Reason for ceasing to be subsidiaries
Kinetic Traction Systems, Inc.	United States	Research and development and sales of technology	100.00%	100.00%	Disposal

On 2 December 2016, Huahai Wind Power Development Co., Ltd., a subsidiary of Jidong Development Group, and Xiamen Jialing Equity Investment Partnership (Limited Partner) (廈門市嘉領股權投資合夥企業(有限合夥人)) entered into an equity transfer agreement to sell its 100% equity interests in Kinetic Traction Systems, Inc. (“**KTSI**”) at RMB30,500,000.00. The disposal date was 5 January 2017. Therefore, the Group ceased to include KTSI into the scope of consolidation since 6 January 2017.

The relevant financial information of KTSI on disposal date are set out as follows:

	Carrying value as at 5 January 2017
Current assets	33,112,314.38
Non-current assets	26,833,645.94
Current liabilities	183,617,003.75
Non-current liabilities	39,500.90
	<u>(123,710,544.33)</u>
Gains from disposal	<u>154,210,544.33</u>
Consideration of disposal	<u>30,500,000.00</u>
	1 January 2017 to 5 January 2017
Operating revenue	—
Operating costs	—
Net profit	<u>—</u>

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For the year ended 31 December 2017

VII. INTERESTS IN OTHER ENTITIES

1. Interests in the subsidiaries

Information of the Company's subsidiaries is as follows:

	Place of registration/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment					
Beijing Liushui Environmental Protection Technology Co., Ltd. (北京琉水環保科技有限公司)	Beijing	Manufacture of cement, mining and sale of sandstone etc.	66,060.00	100.00	–
Beijing Jianhua-Bulangni Concrete Co., Ltd. (北京建華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.	46,541.04	100.00	–
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限公司)	Beijing	Disposal of hazardous waste etc.	169,815.09	51.00	–
Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅紅樹林環保技術有限公司)	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. (滄州臨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 commodity concrete	1,000.00	–	100.00
Daming BBMG Taihang Concrete Co., Ltd. (大名縣金隅太行混凝土有限公司)	Daming County	Sale of concretes and mortar	1,000.00	–	90.00
Zanhuang BBMG Cement Co., Ltd. (贊皇金隅水泥有限公司)	Zanhuang County	Manufacture and sale of cement and clinker	70,000.00	100.00	–
BBMG Cement Trading Co., Ltd. (北京金隅水泥經貿有限公司)	Beijing	Wholesale of cement and cement product etc.	50,000.00	100.00	–
Sanhe Jinling Mining Co., Ltd. (三河市金嶺礦業有限公司)	Sanhe	Processing and sale of rock materials for construction	500.00	–	100.00
Beijing BBMG Cement Energy Technology Co., Ltd. (北京金隅水泥節能科技有限公司)	Beijing	Development and transfer of cement and concrete technology	3,500.00	100.00	–

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For the year ended 31 December 2017

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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
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	–
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	35,000.00	100.00	–
Beijing BBMG Mining Co., Ltd. (北京金隅礦業有限公司)	Beijing	Sale of metal ore and mining products etc.	500.00	100.00	–
Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司)	Zuoquan County	Technical consultation service in relation to cement clinker	53,000.00	100.00	–
Xuanhua BBMG Cement Co., Ltd. (宣化金隅水泥有限公司)	Xuanhua County	Manufacture and sale of cement 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. (北京金隅砂業有限公司)	Beijing	Manufacture and sale of dry and mixed mortar	11,875.00	80.00	20.00
Tianjin Jinyu Treasure Bright Mortar Co., Ltd. (天津金隅寶輝砂業有限公司)	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	6,600.00	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

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天壇家具股份有限公司) (Note VII. 2))	Beijing	Manufacture, processing, and sale of furniture etc.	20,916.49	97.68	0.15
Beijing Tiantan-Jingwei Furniture Co., Ltd. (北京天壇京偉家具有限公司)	Beijing	Manufacture of wooden furniture	600.00	–	60.00
Foshan BBMG Tiantan Furniture Co., Ltd. (佛山金隅天壇家具有限公司)	Foshan	Processing and sale of furniture and wooden products etc.	500.00	–	100.00
Beijing Tiantan Decoration and Engineering Co., Ltd. (北京天壇裝飾工程有限責任公司)	Beijing	Furniture, decoration materials, building decoration and design consultation etc.	600.00	–	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 woodbased 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 various 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 distribution of refractory materials etc.	1,050.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Testing Center Co., Ltd. (鞏義通達中原耐火材料檢測中心有限公司)	Gongyi	Testing of refractory materials	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	37,496.77	100.00	–
Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司)	Handan	Sale of prepared components	1,000.00	–	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
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
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

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
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	27,480.00	55.68	–
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總院有限公司)	Beijing	Development, manufacture and sale of building materials etc.	19,170.00	100.00	–
Beijing Building Materials Testing Academy Co., Ltd. (北京建築材料檢驗研究院有限公司)	Beijing	Testing for building material quality etc.	8,136.61	–	100.00
Beijing Keshi Hardware Co., Ltd. (北京市科實五金有限責任公司)	Beijing	Manufacture of new 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. (北京建貿新科建材有限公司)	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 metal materials etc.	600.00	–	100.00
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 projects etc.	5,882.35	–	51.00
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

Notes to Financial Statements

For the year ended 31 December 2017

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/ principal business	Business nature	Registered capital RMB'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
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 metal materials 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 etc.	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 operation 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 brokerage	5,000.00	–	100.00
Inner Mongolia BBMG Property Investment Co., Ltd. (內蒙古金隅置業投資有限公司)	Hohhot	Property development and operation 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 operation 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 sale 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 operation 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	–
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

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For the year ended 31 December 2017

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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
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	2,000.00	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.	36,818.91	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	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.	78,732.79	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, investment 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	1,370.00	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 management and hotel management	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 property 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 Hengtai Commercial 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
Beijing Jinyu Chaixin Tiandi Property Investment Co., Ltd. (北京金隅朝新天地置業有限公司)	Beijing	Property development and property management etc.	1,000.00	–	100.00

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For the year ended 31 December 2017

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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
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	–	100.00
BBMG Finance Co., Ltd. (北京金隅財務有限公司)	Beijing	Operation of finance business and financing advisory business etc.	300,000.00	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	–	100.00
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 Centre 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 sales of housing etc.	49,250.00	–	100.00
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 general 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 property management etc.	1,000.00	–	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

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Liaocheng BBMG Hongjun Concrete Co., Ltd. (聊城金隅泓均砼業有限公司)	Liaocheng	Manufacture and sale of commercial concrete	1,000.00	–	80.00
Liaocheng BBMG Yonghui Concrete Co., Ltd. (聊城金隅永輝砼業有限公司)	Liaocheng	Manufacture and sale of commercial concrete	2,000.00	–	80.00
Dachang BBMG Tiantan Furniture Co., Ltd. (大廠金隅天壇傢俱有限責任公司)	Langfang	Manufacturing, processing, sale of furniture, etc.	68,000.00	–	100.00
BBMG Huitong (Dachang) Trading Co., Ltd. (金隅匯通大廠經貿有限公司)	Langfang	Wholesale of coal and building materials, etc.	20,000.00	–	100.00
BBMG Business and Trading Co., Ltd. (金隅商貿有限公司)	Tanzania	Import and export of bulk materials	217.35	–	100.00
Beijing BBMG Property Investment Co., Ltd. (北京金隅房地置業有限公司)	Beijing	Real estate development, sale of self-developed commercial housing	5,000.00	–	70.00
Beijing BBMG Aixin Tonghe Elderly Services Co., Ltd. (北京金隅愛馨通和養老服務有限公司)	Beijing	Provision of centralized accommodation and daily care services for the elderly	50.00	–	100.00
Beijing BBMG Aixin Taihe Elderly Services Co., Ltd. (北京金隅愛馨泰和養老服務有限公司)	Beijing	Elderly services and catering management, housework services	50.00	–	100.00
Qingdao BBMG Yangguang Property Development Co., Ltd. (青島金隅陽光房地產開發有限公司)	Qingdao	Real estate development and fiduciary agent for sale of real estate	60,000.00	–	100.00
Beijing BBMG Fengshan Training Centre Co., Ltd. (北京金隅鳳山培訓中心有限公司)	Beijing	Accommodation and conference services, etc.	200.00	–	100.00
Xi'an BBMG Tianli Business and Trading Co., Ltd. (西安金隅天麗商貿有限公司)	Xi'an	Sale of building materials and sanitary ware	5,000.00	–	65.00
BBMG Properties (Anhui) Co., Ltd. (金隅置業安徽有限公司)	Hefei	Property development and property management, etc.	50,000.00	–	100.00
BBMG Real Estate Development (Hefei) Co., Ltd. (金隅房地產開發合肥有限公司)	Hefei	Property development and operation	150,000.00	–	100.00
Beijing BBMG Innovation and Technology Incubator Co., Ltd. (北京金隅創新科技孵化器有限公司)	Beijing	Incubating property management and technology business	100,000.00	51.37	48.63
Chongqing BBMG Dacheng New Metropolis Co., Ltd. (重慶金隅大成新都會有限公司)	Chongqing	Property development; sale of commodity housing etc.	150,000.00	–	100.00

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
BBMG Finance Lease Co., Ltd. (金隅融資租賃有限公司)	Tianjin	Finance lease business	65,594.00	60.00	40.00
Beijing BBMG Culture Technology Development Co., Ltd. (北京金隅文化科技發展有限公司)	Beijing	Technology development, transfer, consulting, services, and engagement in cultural economy, etc.	5,000.00	–	68.00
Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd. (北京金隅節能保溫科技(大廠)有限公司)	Langfang	Manufacture and sale of building materials	1,700.00	–	100.00
Beijing Sanchong Mirror (Dachang) Co., Ltd. (北京三重鏡業(大廠)有限公司)	Langfang	Manufacture and sale of glass-made spectacle lenses	5,800.00	–	100.00
BBMG Weiguan (Cangzhou) Chemical Co., Ltd. (金隅微觀(滄州)化工有限公司)	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	6,000.00	–	100.00
Beijing BBMG Chengye Property Development Co., Ltd. (北京金隅成業房地產開發有限公司)	Beijing	Property development	5,000.00	–	100.00
BBMG Jiahua Nanjing Real Estate Co., Ltd. (金隅嘉華南京置業有限公司)	Nanjing	Property development	50,000.00	–	100.00
Fujian BBMG Coating Co., Ltd. (福建金隅塗料有限公司)	Fuzhou	Manufacture and sale of coating	1,000	–	55.00
Beijing BBMG Dongcheng Real Estate Co., Ltd. (北京金隅東成置業有限公司)	Beijing	Property development	100,000	–	90.50
BBMG Jindian (Tianjin) Property Development Co., Ltd. (金隅津典(天津)房地產開發有限公司)	Tianjin	Property development	10,000	–	100.00
Beijing BBMG Beijia Engineering Technology Co., Ltd. (北京金隅北加工程技術有限公司)(1)	Beijing	Engineering technology services	2,000	–	100.00
BBMG China Railway Nuode (Hangzhou) Property Development Co., Ltd. (金隅中鐵諾德(杭州)房地產開發有限公司)(1)	Hangzhou	Property development	20,000	–	51.00
BBMG Jinghua Property Development Hefei Co., Ltd. (金隅京華房地產開發合肥有限公司)(1)	Hefei	Property development	50,000	–	100.00
Dacheng Meixi International Property Development (Beijing) Co., Ltd. (大成美西國際置業發展(北京)有限公司)(1)	Beijing	Property development	10,000	–	100.00
Beijing BBMG Konggang Development Co., Ltd. (北京金隅空港開發有限公司)(1)	Beijing	Property development	10,000	–	95.00

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Beijing BBMG Business Management Co., Ltd. (北京金隅商業管理有限公司)(1)	Beijing	Corporate management	1,000	–	100.00
BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd. (金隅京遠(寧波)房地產開發有限公司)(1)	Ningbo	Property development	20,000	–	100.00
Chengdu BBMG Yuehuang Real Estate Co., Ltd. (成都金隅岳煌置業有限公司)(1)	Chengdu	Property development	5,000	–	100.00
Beijing BBMG Aixin Binhe Elderly Services Co., Ltd. (北京金隅愛馨濱和養老服務有限公司)(1)	Beijing	Elderly services	50	–	70.00
Chengdu BBMG Jingfeng Real Estate Development Co., Ltd. (成都金隅京峰房地產開發有限公司)(1)	Chengdu	Property development	5,000	–	100.00
Chengdu BBMG Wancheng Real Estate Development Co., Ltd. (成都金隅萬成房地產開發有限公司)(1)	Chengdu	Property development	5,000	–	100.00
Chengde BBMG Real Estate Development Co., Ltd. (承德金隅房地產開發有限公司)(1)	Chengde	Property development	5,000	–	100.00
BBMG Jiaxing Nanjing Real Estate Development Co., Ltd. (金隅嘉星南京房地產開發有限公司)(1)	Nanjing	Property development	10,000	–	70.00
Subsidiaries acquired through business combination under common control					
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	–
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	37,300.00	100	–
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	38,000.00	100	–
Quyang Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司)	Quyang County	Manufacture and sale of cement and clinker	28,000.00	90	–
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 utilisation and environmental protection	5,000.00	–	100.00
Tianjin BBMG Zhenxing Environment Protection Technology Co., Ltd. (天津金隅振興環保科技有限公司)	Tianjin	Manufacture of cement	57,943.97	62.09	–

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination under common control <i>(continued)</i>					
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	92.82	–
Shanghai BBMG 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
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	–	100
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
Haikou Dacheng Property Investment Co., Ltd. (海口大成置業有限公司)	Haikou	Property development, etc.	1,600.00	–	100
BBMG Hong Kong Limited (金隅香港有限公司)	Hong Kong	Self-owned property rental	(HKD)100.00	100	–
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	–
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 service	2,000.00	–	100
Beijing Longshuncheng Chinese Style Furniture Co., Ltd. (北京市龍順成中式傢俱有限公司)	Beijing	Manufacture of furniture, etc.	1,292.40	–	100
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	–
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 guest rooms rental, etc.	45,420.00	–	100
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	–	100
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
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	100	–
BBMG Dacheng Property Management Co., Ltd. (北京金隅大成物業管理有限公司)	Beijing	Property management	500	100	–
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	–

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For the year ended 31 December 2017

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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control					
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	–
Hebei BBMG Dingxin Cement Co., Ltd. (河北金隅鼎鑫水泥有限公司)	Luquan	Manufacture and sale of cement and clinker, etc.	131,700.00	100	–
Hebei Taihang Huaxin Building Materials Co. Ltd. (河北太行華信建材有限公司)	Handan	Mining of limestone and cement products operation	22,800.00	100	–
Beijing BBMG Qianjing Environmental Technology Co., Ltd. (北京金隅前景環保科技有限公司)	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67	–
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
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
Beijing Qianqian 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公司)	Handan	Manufacture of cement	66,434.29	92.63	–
Cheng'an BBMG Taihang Cement Co., Ltd. (成安金隅太行水泥有限公司)	Cheng'an	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 commercial concrete	4,000.00	–	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)(2)	Tianjin	Concrete project construction and manufacturing, etc.	39,590.51	91.01	–
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 BBMG Beishui Environmental Technology Co., Ltd. (北京金隅北水環保科技有限公司)	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 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	–

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control					
<i>(continued)</i>					
Beijing Alavus Building 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	–
Beijing Oriental Royal Banquet Restaurant Co., Ltd. (北京東方御宴大酒樓有限公司)(3)	Beijing	Food and beverage industry	500.00	–	100.00
Tangshan Jidong Guye Mining Investment Co., Ltd. (唐山冀東古冶礦業投資有限責任公司)(3)	Tangshan	Other machinery and equipment repair industry	10,650.00	–	70.00
Hebei Jidong Development Group Mining Engineering Co., Ltd. (冀東發展集團河北礦山工程有限公司)(3)	Shijiazhuang	Other construction and installation industry	2,000.00	–	85.00
Chengde BBMG Cement Co., Ltd. (承德金隅水泥有限責任公司)	Chengde	Manufacture of cement and clinker, etc.	40,000.00	85.00	–
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.	7,808.61	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 of housing, etc.	19,000.00	–	51.00
Xingtai BBMG Yongning Cement Co., Ltd. (邢台金隅詠寧水泥有限公司)	Xingtai	Manufacture and sale of cement clinker	33,000.00	60.00	–
Jidong Group (3)	Tangshan	Operating capital through holding, equity participation, merger and lease, wholesale and retail of building materials, etc.	247,950.40	55.00	–
Jidong Rizhang Energy-Conserving Fan Manufacture Co., Ltd. (冀東日彰節能風機製造有限公司)(3)	Tangshan	State-owned enterprise (machinery manufacturing industry)	8,400.00	–	100.00
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)(5)	Beijing	Manufacture, sale and provide technology services of decoration panels	44,987.38	100.00	–
Hebei Building Material Industry Design & Research Institution (河北省建築材料工業設計研究院)(3)	Shijiazhuang	Building materials industry engineering design	11,550.60	–	100.00
Jidong Development Logistics Co., Ltd. (冀東發展物流有限責任公司)(3)	Tangshan	Transportation and storage of general goods, etc.	10,000.00	–	100.00
Huahai Wind Power Development Co., Ltd. (華海風能發展有限公司)(3)	Tangshan	Wind power equipment manufacturing	15,000.00	–	58.95
Tang Ren Investment Development Limited (唐人投資發展有限公司)(3)	Hong Kong	Investment in building materials industry	0.80	–	100.00

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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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control					
<i>(continued)</i>					
China-Africa Jidong Building Materials Investment Co., Ltd. (中非冀東建材投資有限責任公司)(3)	Tangshan	Investment in building materials industry	34,830.00	–	60.00
Shijiazhuang Dunshi Real Estate Development Co., Ltd. (石家莊盾石房地產開發有限公司)(3)	Shijiazhuang	Property development and operation, etc.	10,000.00	–	65.00
Jidong Development (HK) International Ltd. (冀東發展(香港)國際有限公司)(3)	Hong Kong	Commodities trading	6,294.36	–	100.00
Hebei Dunshi Trading Co., Ltd. (河北盾石商貿有限公司)(3)	Tangshan	Wholesale and retail of cement, clinker and concrete, etc.	15,000.00	–	100.00
Tangshan Qixin Jiye Property Services Co., Ltd. (唐山啟新記憶物業服務有限公司)(3)	Tangshan	Property service, commodity retail, etc.	100.00	–	100.00
Tangshan Jidong Development Machinery and Equipment Manufacturing Co., Ltd. (唐山冀東發展機械設備製造有限公司)(3)	Tangshan	Manufacture and sales of machinery equipment and accessories	55,000.00	–	100.00
Tangshan Jixin Cement Transition Co., Ltd. (唐山冀新水泥中轉有限公司)(3)	Tangshan	Loading, offloading and handling	(USD) 600	–	60.00
Tangshan Qixin Cement Industry Museum (唐山啟新水泥工業博物館)(3)	Tangshan	Cultural relic collection and exhibition to promote national culture, etc.	6,724.00	–	100.00
Tangshan Jidong Cement Nanhu Property Development Co., Ltd. (唐山冀東水泥南湖房地產開發有限公司)(3)	Tangshan	Real estate	75,000.00	–	100.00
Jidong Development Group Dunshi Industrial Co., Ltd. (冀東發展集團盾石實業公司)(3)	Tangshan	Other general equipment manufacturing industry	10,576.00	–	100.00
Tangshan Jidong Property Services Co., Ltd. (唐山冀東物業服務有限公司)(3)	Tangshan	Property service	300.00	–	100.00
Jidong Development International Trading Co., Ltd. (冀東發展集團國際貿易有限公司)(3)	Beijing	Trading agent	10,000.00	–	100.00
Tangshan Dunshi Real Estate Development Co., Ltd. (唐山盾石房地產開發有限公司)(3)	Tangshan	Real estate	30,000.00	–	100.00
Tangshan High Voltage Porcelain Insulator Works Co., Ltd. (唐山高壓電瓷有限公司)(3)	Tangshan	Manufacture and sales of high voltage insulator	5,000.00	–	100.00
Tangshan Jidong Development Yan Dong Construction Co., Ltd. (唐山冀東發展燕東建設有限公司)(3)	Tangshan	Construction industry	10,000.00	–	59.00
Tangshan Qixin Cement Co., Ltd. (唐山啟新水泥有限公司)(3)	Tangshan	Manufacture of limestone, cement and cement clinker, etc.	23,544.00	–	100.00

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For the year ended 31 December 2017

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/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control					
<i>(continued)</i>					
Tangshan Qixin Building Materials Co., Ltd. (唐山啟新 建材有限公司)(3)	Tangshan	Manufacture of cement and cement products	16,747.00	-	100.00
Jidong Development Group Tangshan Xinxing Knitting Factory (冀東發展集團唐山新星針織總廠)(3)	Tangshan	Knitting processing	4,171.00	-	100.00
Tangshan Jidong Concrete Co., Ltd. (唐山冀東混凝土 有限公司)(3)	Tangshan	Manufacture and sales of concrete and concrete products	199,000.00	-	100.00
Jidong Sand Gravel Aggregate Co., Ltd. (冀東砂石骨 料有限公司)(3)	Tangshan	Aggregate	25,000.00	-	100.00
Tangshan Jidong Equipment & Engineering Co., Ltd. (唐 山冀東裝備工程股份有限公司)(3)/(4)	Tangshan	Manufacturing	22,700.00	-	30.00
Jidong Cement (3)/(4)	Tangshan	Manufacture and sales of cement and clinker, etc.	134,752	-	30.00
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限 公司)(1)	Beijing	Production and sale of artificial panels	44,987.38	100.00	-

- (1) Newly-established subsidiaries during the year.
- (2) In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted 11.21% of its voting rights in Tianjin BBMG Concrete Co., Ltd. to BBMG Group with a term of 8 years. In September 2015, pursuant to a resolution at the extraordinary general meeting held by Tianjin BBMG Concrete Co., Ltd., BBMG Group unilaterally made capital contribution of RMB100,000,000 to Tianjin BBMG Concrete Co., Ltd., resulting in an increase of BBMG Group's shareholding to 91.01% from previous 88.79%. As such, as at 31 December 2017, BBMG Group's shareholding in Tianjin BBMG Concrete Co., Ltd. was 91.01% with 100% voting rights.
- (3) In 2016, the Company acquired 55% equity interests of Jidong Group through capital increase and acquisition of equity interests, becoming the controlling shareholder of Jidong Group. The proportion of indirect shareholding in Jidong Group's subsidiaries represents the proportion of voting rights in these subsidiaries held by the Group through Jidong Group.
- (4) The Company holds 30% equity interests of Jidong Cement and Tangshan Jidong Equipment & Engineering Co., Ltd. ("**Jidong Equipment**") respectively through Jidong Group. After comprehensive consideration of the Group's voting rights in Jidong Cement and Jidong Equipment as compared with other shareholders' entitlement, historic exercise of voting rights at general meetings of Jidong Cement and Jidong Equipment, the Group's board seats in Jidong Cement and Jidong Equipment as well as the actual arrangement of production and operation activities of Jidong Cement and Jidong Equipment, the management of the Group believes that the Group has effective control over Jidong Cement and Jidong Equipment.
- (5) Newly-acquired companies during the year.

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For the year ended 31 December 2017

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Subsidiaries with significant minority interests are as follows:

	Percentage of minority shareholding	Profit or loss	Dividend paid	Accumulated equity	
		attributable to minority shareholders	to minority shareholders	Specific reserve	attributable to minority interests at the end of the year
2017					
BBMG Vanke Property Development Co., Ltd.	49.00%	17,556,989.47	-	-	371,294,915.85
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	49.00%	31,320,520.56	-	1,436,839.23	1,286,804,025.23
Jidong Group	45.00%	51,059,995.85	9,106,956.15	(2,104,677.36)	15,850,120,866.20
2016					
BBMG Vanke Property Development Co., Ltd.	49.00%	(4,052,585.18)	-	-	353,737,926.38
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	49.00%	25,157,570.24	100,449,997.45	(459,735.62)	1,254,046,697.30
Jidong Group	45.00%	315,776,750.09	-	(2,105,473.76)	15,810,272,503.86

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For the year ended 31 December 2017

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

The following table sets forth the major financial information of the above-mentioned subsidiaries. Relevant figures represent amounts before intragroup offsetting:

	Beijing BBMG Mangrove Environmental		
	BBMG Vanke Property Development Co., Ltd.	Protection Technology Co., Ltd.	Jidong Group
31 December 2017			
Current assets	880,698,129.09	1,897,360,292.23	21,073,005,497.99
Non-current assets	3,094,442.72	1,445,999,819.05	42,717,758,669.76
Total assets	<u>883,792,571.81</u>	<u>3,343,360,111.28</u>	<u>63,790,764,167.75</u>
Current liabilities	126,047,845.59	499,984,152.80	37,892,321,644.39
Non-current liabilities	–	217,245,228.13	7,755,694,131.89
Total liabilities	<u>126,047,845.59</u>	<u>717,229,380.93</u>	<u>45,648,015,776.28</u>
2017			
Operating revenue	21,851,596.14	1,091,467,127.63	22,663,384,834.71
Net profit/(loss)	35,830,590.76	63,919,431.33	(311,031,708.52)
Total comprehensive income	<u>35,830,590.76</u>	<u>63,919,431.33</u>	<u>(299,531,097.22)</u>
Net cash flows from/(used in) operating activities	<u>15,720,116.93</u>	<u>279,788,507.95</u>	<u>3,046,511,000.43</u>

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For the year ended 31 December 2017

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Beijing Vanke Property Development Co., Ltd.	Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	Jidong Group
31 December 2016			
Current assets	849,448,109.04	1,934,096,260.89	21,525,480,046.80
Non-current assets	13,440,256.86	1,510,556,184.50	44,027,347,493.19
Total assets	862,888,365.90	3,444,652,445.39	65,552,827,539.99
Current liabilities	136,102,230.56	668,481,556.63	32,311,159,395.95
Non-current liabilities	4,871,999.87	216,891,914.68	14,885,987,075.34
Total liabilities	140,974,230.43	885,373,471.31	47,197,146,471.29

	2016	2016	October to December 2016
Operating revenue	67,347,412.38	996,014,075.07	4,442,190,791.55
Net profit	8,270,582.00	51,341,980.09	188,204,633.03
Total comprehensive income	8,270,582.00	51,341,980.09	271,515,117.71
Net cash flows (used in)/from operating activities	(29,513,407.35)	156,744,671.84	729,880,301.92

2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

On 17 March 2017, the Company made a unilateral capital injection to Beijing BBMG Tiantan Furniture Co., Ltd., a subsidiary of the Company. Capital contribution was made based on the net asset per share of RMB3.5825 per share as at the date of the capital injection with the actual contribution made by the Company amounting to RMB185,000,000.00. The registered capital was increased by RMB51,639,916.00, and the Company's direct shareholding was increased from 97.11% to 97.68%.

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For the year ended 31 December 2017

VII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates

	Place of registration/ principal business	Business nature	Registered capital RMB'000	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 board, etc.	(USD) 54,520	50	–	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	Equity method
BBMG TUS Technology Incubator Co., Ltd. (北京金隅啟迪科技孵化器有限公司)	Beijing	Incubating technology business, enterprise management, etc.	8,000	–	50	Equity method
Jidong Heidelberg (Fufeng) Cement Co., Ltd. (冀東海德堡(扶風)水泥有限公司)	Baoji	Manufacture and sales of cement and clinker, etc.	489,975	–	48.11	Equity method
Jidong Heidelberg (Jingyang) Cement Co., Ltd. (冀東海德堡(滎陽)水泥有限公司)	Xianyang	Manufacture and sales of cement and clinker, etc.	458,960	–	50	Equity method
Tangshan Caofeidian Dunshi New Building Material Co., Ltd. (唐山曹妃甸盾石新型建材有限公司)	Tangshan	Manufacture and sales of slag fine powder and by-product	200,000	–	50	Equity method
Anshan Jidong Cement Co., Ltd. (鞍山冀東水泥有限責任公司)	Anshan	Manufacture and sales of cement and clinker, etc.	300,000	–	50	Equity method
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. (冀東太平洋(北京)環保工程技術有限公司)	Beijing	Design, research and development of cement energy-saving and environmental equipment, etc.	30,000	–	50	Equity method
Cross Point Trading 274 (Pty) Ltd (RF)	South Africa	Investment in building materials industry	(ZAR) 300,000	–	56	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, etc.	55,000	25	–	Equity method
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	Beijing	Production of radiators, etc.	(USD) 27,500	26.7	–	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	–	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	Equity method
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	Chengde	Technology research and testing for comprehensive utilization of solid waste, etc.	46,000	–	34.78	Equity method
Tangshan Conch Profiles Co., Ltd. (唐山海螺型材有限責任公司)	Tangshan	Manufacture and sales of architectural profiles	160,000	40	–	Equity method

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For the year ended 31 December 2017

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates *(continued)*

	Place of registration/ principal business	Business nature	Registered capital RMB'000	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
Associates <i>(continued)</i>						
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd. (北京青年營金隅鳳山教育科技有限公司)	Beijing	Education technology promotion services, etc.	10,000	–	30	Equity method
SINJI TRADING PTE LTD (新冀貿易私人有限公司)	Singapore	Wholesale and sales of metal and metallic mineral, etc.	(SGD) 800,000	–	40	Equity method
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. (中房華瑞(唐山)置業有限公司)	Tangshan	Property development and operation, etc.	10,000	–	40	Equity method
Tangshan Harbor Datangtongzhou Building Materials Co., Ltd. (唐山海港大唐同舟建材有限公司)	Tangshan	Manufacture and sales of concrete blocks, etc.	15,000	–	20	Equity method
Changchun Light Rail Jidong Concrete Co., Ltd. (長春輕軌冀東混凝土有限公司)	Changchun	Manufacture and sales of commercial concrete, etc.	10,000	–	49	Equity method
Baogang Jidong Cement Co., Ltd. (包鋼冀東水泥有限公司)	Baotou	Manufacture and sale of micropowder from metallurgical slag	250,000	–	49	Equity method
Jidong Cement Fufeng Transportation Co., Ltd. (冀東水泥扶風運輸有限責任公司)	Baoji	Automobile transportation, etc.	16,000	–	23.75	Equity method
Jilin Changjitu Investment Co., Ltd. (吉林省長吉圖投資有限公司)	Jilin	Service industry, etc.	500,000	–	30	Equity method
Tangshan Hangdao Marine Heavy Industry Co., Ltd. (唐山航島海洋重工有限公司)	Tangshan	Research and development of offshore platform technology, etc.	150,000	–	30	Equity method
Beijing XinYuan Concrete Co., Ltd. (北京新源混凝土有限公司)	Beijing	Manufacture and sale of concrete, etc.	20,000	–	65	Equity method
Xianyang Jidong High New Concrete Co., Ltd. (咸陽冀東高新混凝土有限公司)	Xianyang	Manufacture and sale of concrete, etc.	25,000	–	60	Equity method
Liquan Qinling Cement Co., Ltd. (禮泉秦嶺水泥有限公司)	Xianyang	Manufacture and sale of general cement, etc.	41,591	–	37.69	Equity method
Shaanxi Yan'an Qinling Cement Grinding Co., Ltd. (陝西延安秦嶺水泥粉磨有限公司)	Yan'an	Manufacture, wholesale and retail of cement, etc.	14,000	–	60	Equity method
Shaanxi Qinling Cement Group Special Cement Co., Ltd. (陝西秦嶺水泥集團特種水泥有限責任公司)	Tongchuan	Development, manufacture and sale of special cement, etc.	14,550	–	79.04	Equity method
Fuxin Jidong Xianghe Concrete Co., Ltd. (阜新冀東祥合混凝土有限公司)	Fuxin	Manufacture and sale of commercial concrete	14,000	–	70	Equity method
Tangshan Fengrun First Transportation Co., Ltd. (唐山市豐潤區第一運輸公司)	Tangshan	Transportation services etc.	4,503	–	17.38	Equity method

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For the year ended 31 December 2017

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. 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:

	2017	2016
Joint ventures		
Total carrying amount of investments	1,533,998,796.99	1,448,991,687.72
Total amount calculated based on shareholding		
Net profit	203,420,253.95	44,603,548.04
Total comprehensive income	<u>212,232,235.44</u>	<u>44,603,548.04</u>
Associates		
Total carrying amount of investments	640,940,460.52	784,659,287.04
Total amount calculated based on shareholding		
Net (loss)/profit	(14,688,123.63)	64,296,961.72
Total comprehensive income	<u>(14,688,123.63)</u>	<u>64,296,961.72</u>

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:

2017

Financial assets	Financial assets held for trading at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	–	17,903,847,144.72	–
Financial assets held for trading at fair value through profit or loss	46,226,108.99	–	–
Bills receivable	–	8,181,663,835.79	–
Accounts receivable	–	7,686,182,058.93	–
Interests receivable	–	1,284,128.69	–
Dividends receivable	–	10,071,936.52	–
Other receivables	–	5,561,478,811.78	–
Available-for-sale financial assets	–	–	2,897,887,864.39
Long-term receivables	–	<u>485,377,872.64</u>	–
	<u>46,226,108.99</u>	<u>39,829,905,789.07</u>	<u>2,897,887,864.39</u>

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For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

2016

Financial assets	Financial assets held for trading at fair value through profit		Available-for-sale financial assets
	or loss	Loans and receivables	
Cash and bank balances	–	28,010,211,147.53	–
Financial assets held for trading at fair value through profit or loss	615,807,328.90	–	–
Bills receivable	–	3,857,028,994.07	–
Accounts receivable	–	8,889,912,604.49	–
Interests receivable	–	11,652,789.72	–
Dividends receivable	–	3,071,700.00	–
Other receivables	–	5,373,694,010.13	–
Available-for-sale financial assets	–	–	2,498,348,403.92
Long-term receivables	–	207,709,788.90	–
	615,807,328.90	46,353,281,034.84	2,498,348,403.92

Financial liabilities	2017	2016
	Other financial liabilities	Other financial liabilities
Short-term loans	34,375,200,000.00	32,027,734,141.83
Bills payable	1,457,987,393.20	2,313,321,400.81
Accounts payable	15,747,091,122.08	12,311,643,681.22
Interests payable	858,108,769.82	799,032,866.63
Dividends payable	190,801,504.66	202,581,371.25
Other payables	7,644,284,496.46	5,643,088,423.00
Non-current liabilities due within one year	11,491,439,775.59	6,897,420,505.71
Long-term loans	25,671,030,000.00	18,087,685,000.00
Bonds payable	18,154,840,828.51	21,279,396,543.45
Short-term financing bonds	2,769,698,081.12	3,000,000,000.00
Long-term payables – financial leasing portion	920,769,354.18	3,740,891,436.82
	119,281,251,325.62	106,302,795,370.72

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For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets

Financial assets transferred but not yet fully derecognised

As at 31 December 2017, the Group endorsed bank acceptance bills and commercial acceptance bills with a carrying amount of RMB3,407,019,211.02 and RMB344,693,510.81 respectively (31 December 2016: RMB1,442,696,807.64 and RMB216,490,750.67) to its suppliers for settlement of accounts payable, and discounted bank acceptance bills and commercial acceptance bills with a carrying amount of RMB4,250,000.00 and RMB1,050,000.00 respectively (31 December 2016: bank acceptance bills of RMB3,000,000.00) to the banks. 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 loans associated therewith in full. After the endorsement or discount, the Group no longer reserves the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third parties. As at 31 December 2017, the carrying amount of accounts payable settled or short-term loans secured by the Group through these financial assets amounted to RMB3,751,712,721.83 and RMB5,300,000.00 respectively (31 December 2016: RMB1,659,187,558.31 and RMB3,000,000.00).

Transferred financial assets fully derecognised but with continuing involvement

As at 31 December 2017, the carrying amount of bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks by the Group was RMB3,547,596,983.95 (31 December 2016: RMB1,711,849,070.99). As at 31 December 2017, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("**Continuing Involvement**") if the 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 (carrying amounts). The maximum exposure to loss from the 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 2017, no gains or losses were recognised on their dates of transfer by the Group. 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

For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks

The Group's principal financial instruments comprise bank borrowings, short-term financing bonds 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. The Group's risk management policies in this regard are summarised below:

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who request 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, accounts receivable, interests receivable, dividends receivable, 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. Contingencies.

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. 4 and 7 for quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables.

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For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

As at 31 December 2017 and 31 December 2016, the analysis of maturity of financial assets not considered to be impaired is set out as follows:

31 December 2017

	Neither past due		Past due		
	Total	nor impaired	Within 3 months	3 to 6 months	Over 6 months
Cash and bank balances	17,903,847,144.72	17,903,847,144.72	-	-	-
Accounts receivable	5,879,193,538.15	4,511,028,640.45	576,749,599.19	243,267,139.97	548,148,158.54
Other receivables	4,872,113,220.30	4,872,113,220.30	-	-	-
Bills receivable	8,181,663,835.79	8,181,663,835.79	-	-	-
Interests receivable	1,284,128.69	1,284,128.69	-	-	-
Dividends receivable	10,071,936.52	10,071,936.52	-	-	-
Available-for-sale financial assets	2,897,887,864.39	2,897,887,864.39	-	-	-
Long-term receivables	485,377,872.64	485,377,872.64	-	-	-

31 December 2016

	Neither past due		Past due		
	Total	nor impaired	Within 3 months	3 to 6 months	Over 6 months
Cash and bank balances	28,010,211,147.53	28,010,211,147.53	-	-	-
Accounts receivable	7,091,095,418.69	5,633,948,741.33	882,858,163.57	368,316,127.89	205,972,385.90
Other receivables	4,635,789,082.18	4,635,789,082.18	-	-	-
Bills receivable	3,857,028,994.07	3,857,028,994.07	-	-	-
Interests receivable	11,652,789.72	11,652,789.72	-	-	-
Dividends receivable	3,071,700.00	3,071,700.00	-	-	-
Available-for-sale financial assets	2,498,348,403.92	2,498,348,403.92	-	-	-
Long-term receivables	207,709,788.90	207,709,788.90	-	-	-

As at 31 December 2017, 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 2017, the accounts receivable that were past due but not impaired related to a large number of independent customers that have a good track record with the Group. Based on the 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.

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For the year ended 31 December 2017

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 various financing means, such as bank borrowings, financial leasing, bonds payable and short-term financing bonds payable. In addition, the Group also raised capital by way of non-public issuance, 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 financing requirements, the Group's bank credit facilities granted by various domestic banks amounted to RMB144.7 billion as at 31 December 2017, of which approximately RMB82.3 billion remained unused.

The table below summarises the maturity analysis of financial liabilities based on the undiscounted contractual cash flows:

As at 31 December 2017

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Accounts payable	15,747,091,122.08	-	-	-	15,747,091,122.08
Interests payable	858,108,769.82	-	-	-	858,108,769.82
Dividends payable	190,801,504.66	-	-	-	190,801,504.66
Other payables	7,644,284,496.46	-	-	-	7,644,284,496.46
Bills payable	1,457,987,393.20	-	-	-	1,457,987,393.20
Long-term payables	710,941,503.78	642,102,218.16	283,096,579.82	-	1,636,140,301.76
Bank borrowings	38,680,625,634.95	6,360,351,562.47	14,709,665,638.79	7,889,711,129.92	67,640,353,966.13
Bonds payable	10,200,740,000.00	11,099,940,000.00	7,600,550,000.00	1,374,900,000.00	30,276,130,000.00
	<u>75,490,580,424.95</u>	<u>18,102,393,780.63</u>	<u>22,593,312,218.61</u>	<u>9,264,611,129.92</u>	<u>125,450,897,554.11</u>

Notes to Financial Statements

For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk (continued)

As at 31 December 2016

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Accounts payable	12,311,643,681.22	–	–	–	12,311,643,681.22
Interests payable	799,032,866.63	–	–	–	799,032,866.63
Dividends payable	202,581,371.25	–	–	–	202,581,371.25
Other payables	5,643,088,423.00	–	–	–	5,643,088,423.00
Bills payable	2,313,321,400.81	–	–	–	2,313,321,400.81
Long-term payables	945,370,562.73	1,264,057,249.88	2,476,834,186.89	–	4,686,261,999.50
Bank borrowings	35,381,410,748.86	4,652,212,014.49	8,893,517,877.08	10,910,694,926.58	59,837,835,567.01
Bonds payable	8,746,430,465.75	11,179,881,609.59	11,224,948,000.00	837,873,972.60	31,989,134,047.94
	<u>66,342,879,520.25</u>	<u>17,096,150,873.96</u>	<u>22,595,300,063.97</u>	<u>11,748,568,899.18</u>	<u>117,782,899,357.36</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 by maintaining an appropriate mix of fixed- and floating-rate debts.

The table below demonstrates the sensitivity analysis of interest rate risk that reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

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For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

2017

	Increase/ (decrease) in basis point	Increase/(decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	1% increase in interest rate	(23,561,224.47)	–	(23,561,224.47)

2016

	Increase/ (decrease) in basis point	Increase/(decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	1% increase in interest rate	(12,607,229.13)	–	(12,607,229.13)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk mainly arises from certain financial assets and financial liabilities held by the Group that are principally denominated in USD, HKD, EUR, JPY, ZAR and ZMK.

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For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Foreign exchange risk (continued)

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of RMB against USD, HKD, EUR, JPY, ZAR and ZMK, with all other variables held constant, with respect to the impact on net profit or loss and net other comprehensive income after tax.

2017

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
USD appreciation against RMB	1%	950,756.10	–	950,756.10
HKD appreciation against RMB	1%	21,278.34	3,378,186.94	3,399,465.28
EUR appreciation against RMB	1%	41,271.45	–	41,271.45
JPY appreciation against RMB	1%	10,534.87	–	10,534.87
MNT appreciation against RMB	1%	25,236.18	–	25,236.18
ZAR appreciation against RMB	1%	2,051,371.74	–	2,051,371.74

2016

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
USD appreciation against RMB	1%	104,781.92	–	104,781.92
HKD appreciation against RMB	1%	10,582.59	2,989,429.77	3,000,012.36
EUR appreciation against RMB	1%	1,577.99	–	1,577.99
JPY appreciation against RMB	1%	182,539.10	–	182,539.10
ZAR appreciation against RMB	1%	3,285,123.32	–	3,285,123.32
ZMK appreciation against RMB	1%	400.78	–	400.78

Notes to Financial Statements

For the year ended 31 December 2017

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Price risk of equity instrument investment

Price risk of equity instrument investment is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to price risk of equity instrument investment arising from individual equity instrument investment classified as held-for-trading equity instrument investment (Note V. 2) and available-for-sale equity instrument investment (Note V. 10) as at 31 December 2017. The Group's listed equity instrument investments are listed on the stock exchange in Shanghai and Shenzhen and are measured at quoted market prices at the balance sheet date.

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 adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. During 2017 and 2016, there was no change in the capital management objectives, policies or procedures.

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the sum of adjusted capital and net debts. Net debts represent bank borrowings, bonds payable and short-term financing bonds, net of cash and bank balances while capital refers to equity capital. The Group's leverage ratios as at the balance sheet dates are set out as follows:

	31 December 2017	31 December 2016
Bank borrowings	62,448,267,997.00	51,672,286,743.83
Bonds payable	26,529,470,736.64	25,674,578,884.46
Short-term financing bonds	2,769,698,081.12	3,000,000,000.00
	91,747,436,814.76	80,346,865,628.29
Less: Cash and bank balances	(17,903,847,144.72)	(28,010,211,147.53)
Net debts	73,843,589,670.04	52,336,654,480.76
Owners' equity	69,917,809,918.02	62,909,510,786.60
Leverage ratio	105.61%	83.19%

Notes to Financial Statements

For the year ended 31 December 2017

IX. DISCLOSURE OF FAIR VALUE

1. Assets measured at fair value

Hierarchies of fair value

	Fair value as at 31 December 2017			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuously measured at fair value:				
Financial assets at fair value through profit or loss	46,226,108.99	–	–	46,226,108.99
Available-for-sale financial assets	1,506,972,400.00	572,786,903.04	811,431,110.39	2,891,190,413.43
Commercial properties	–	492,000,000.00	14,948,453,467.02	15,440,453,467.02

	Fair value as at 31 December 2016			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuously measured at fair value:				
Financial assets at fair value through profit or loss	615,807,328.90	–	–	615,807,328.90
Available-for-sale financial assets	593,398,552.96	–	–	593,398,552.96
Commercial properties	–	492,000,000.00	14,484,628,345.79	14,976,628,345.79

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 net leased income is capitalised 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.

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 conditions of the property, etc.

Notes to Financial Statements

For the year ended 31 December 2017

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Assets and Liabilities disclosed at fair value

Set out below are the carrying amount and fair value of each category of financial instruments of the Group other than short-term 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	
	2017	2016	2017	2016
Financial assets				
Long-term receivables	485,377,872.64	207,709,788.90	485,377,872.64	207,709,788.90
Financial liabilities				
Long-term loans	25,671,030,000.00	18,087,685,000.00	25,671,030,000.00	18,087,685,000.00
Bonds payable	18,154,840,828.51	21,279,396,543.45	18,154,840,828.51	21,279,396,543.45
Long-term payables	920,769,354.18	3,740,891,436.82	920,769,354.18	3,740,891,436.82
	44,746,640,182.69	43,107,972,980.27	44,746,640,182.69	43,107,972,980.27

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bills receivable, accounts receivable, interests receivable, dividends receivable, other receivables, short-term loans, short-term financing bonds 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 residual term of these instruments.

The Group's finance team is led by the manager of the finance and capital department, 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 values 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

For the year ended 31 December 2017

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Assets and Liabilities disclosed at 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 loans, bonds payable and long-term payables 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 2017, the Group's exposure to non-performance risk associated with the long-term loans, bonds payable and long-term payables is assessed as insignificant.

3. Valuation of fair value

The following table sets forth the changes in Level 3 fair value of the investment properties of the Group in 2017:

	Commercial properties
Value as at 1 January 2017	14,484,628,345.79
Disposal of investment properties	(62,526,015.74)
Transfer of self-occupied properties into investment properties	12,467,043.03
Changes in fair value	<u>513,884,093.94</u>
Value as at 31 December 2017	<u>14,948,453,467.02</u>

In 2017, there was no change between different fair value levels of investment properties of the Group.

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For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Business nature	Registered capital RMB'000	Over the Company	
				Proportion of shareholding (%)	Proportion of votes (%)
BSCOMC	Beijing	Investment and investment management, assets management, as well as the organization of the restructuring or merger of assets of enterprises	35,000,000	44.93	44.93

As at 31 December 2017, BSCOMC is the parent company of the Company, and the State-Owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality is the ultimate controlling party of the Company.

2. Subsidiaries

For details on the subsidiaries, please refer to Note VII. 1. Interests in the subsidiaries.

3. Joint ventures and associates

For details on the joint ventures and associates, please refer to Note VII. 3.

4. Other related parties

Names of other related parties	Relationship with related parties
BBMG Assets Company	Having common key management personnel with the Company Party School of the Communist Party of China Beijing
Building Materials Group Corporation Committee	Subsidiary of BBMG Assets Company
Beijing Xisha Assets Management Co., Ltd.	Subsidiary of BBMG Assets Company
Handan Hanni Building Materials Co., Ltd.	Subsidiary of BBMG Assets Company
Beijing Dacheng Real Estate Development Co., Ltd.	Subsidiary of BBMG Assets Company
Beijing Longfengshan Sands and Stone Factory	Subsidiary of BBMG Assets Company
Beijing Jinyu Scien-tech School	Subsidiary of BBMG Assets Company
Beijing Guanghua Woodworking Factory	Subsidiary of BBMG Assets Company
BBMG Properties Limited	Subsidiary of BBMG Assets Company
Beijing Jianmao Property Management Co., Ltd.	Subsidiary of BBMG Assets Company
Beijing Doors and Windows Co., Ltd.	Subsidiary of BBMG Assets Company
BBMG Sports Culture Co., Ltd.	Subsidiary of BBMG Assets Company
Mamba Cement Company (Pty) Ltd (RF)	Subsidiary of a joint venture

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties

(1) Transactions concerning goods and services with related parties

	Type of goods or services	2017	2016
Purchase of goods and receipt of services from related parties			
Transactions with joint ventures and associates			
Anshan Jidong Cement Co., Ltd.	Purchase of raw materials	30,622,709.33	7,381,942.31
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	Purchase of raw materials	10,890,730.01	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	Purchase of raw materials	6,832,455.42	105,128.21
Baogang Jidong Cement Co., Ltd.	Purchase of goods	6,735,559.61	2,154,775.35
Zehnder (China) Indoor Climate Co., Ltd.	Purchase of raw materials	7,034,267.67	1,164,384.12
Beijing Sinobaide Technology Co., Ltd.	Purchase of raw materials	6,352,974.43	6,395,194.26
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Purchase of raw materials	2,776,867.34	–
Jidong Cement Fufeng Transportation Co., Ltd.	Purchase of raw materials	553,741.65	–
Jidong Cement Fufeng Transportation Co., Ltd.	Receipt of services	–	17,300.97
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Purchase of raw materials	547,800.00	–
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Purchase of raw materials	519,535.22	64,102.56
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Receipt of services	81,215.98	252,098.70
STAR-USG Building Materials Co., Ltd.	Purchase of raw materials	–	3,031,749.15
		72,947,856.66	20,566,675.63
Transactions with other related parties			
Beijing Longfengshan Sands and Stone Factory	Receipt of mining services	51,064.50	1,427,366.37
Beijing Dacheng Real Estate Development Co., Ltd.	Purchase of raw materials	17,905.00	42,519.00
Beijing Jinyu Scien-tech School	Receipt of training services	528.30	19,900.00
Beijing Dacheng Real Estate Development Co., Ltd.	Receipt of technical services	–	279,963.66
Beijing BBMG Assets Management Co., Ltd.	Receipt of services	135,000.00	–
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Receipt of training services	–	6,330.00
		204,497.80	1,776,079.03

Notes to Financial Statements

For the year ended 31 December 2017

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	2017	2016
Sale of goods and rendering of services to related parties			
BBMG Assets Company	Rendering of property services	996,400.00	1,617,494.34
Transactions with joint ventures and associates			
Baogang Jidong Cement Co., Ltd.	Sale of goods and rendering of services	81,162,997.78	17,840,948.91
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Sale of goods and rendering of services	65,849,668.37	40,306,462.41
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Sale of goods and rendering of services	58,628,379.58	33,911,847.00
Changchun Light Rail Jidong Concrete Co., Ltd.	Sale of goods and rendering of services	37,578,107.24	13,331,397.58
Anshan Jidong Cement Co., Ltd.	Sale of goods and rendering of services	52,819,974.33	3,476,886.05
Cross Point Trading 274 (Pty) Ltd (RF)	Rendering of services	36,021,033.58	–
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	16,575,653.07	17,067,651.17
Jidong Cement Fufeng Transportation Co., Ltd.	Sale of goods and rendering of services	6,742,379.11	2,805,517.56
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	Sale of goods and rendering of services	6,048,818.29	–
STAR-USG Building Materials Co., Ltd.	Sale of goods	2,318,496.21	1,926,184.58
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Sale of goods and rendering of services	1,646,573.86	–
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	788,608.03	516,931.00
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	Sale of goods and rendering of services	853,629.24	1,800,234.57
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Rendering of services	585,537.00	–
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	427,350.42	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	Sale of goods and rendering of services	267,124.63	2,492,615.71
Beijing XinYuan Concrete Co., Ltd.	Sale of goods	57,092.76	–
		368,371,423.50	135,476,676.54

Notes to Financial Statements

For the year ended 31 December 2017

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	2017	2016
Sale of goods and rendering of services to related parties			
<i>(continued)</i>			
Transactions with other related parties			
BBMG Assets Company	Rendering of property services	996,400.00	1,617,494.34
Beijing Xisha Assets Management Co., Ltd.	Rendering of engineering services	1,258,648.64	-
Beijing Xisha Assets Management Co., Ltd.	Sale of properties	-	90,000.00
Handan Hanni Building Materials Co., Ltd.	Sale of goods	371,460.20	340,079.03
Beijing Guanghua Woodworking Factory	Rendering of quality inspection services	-	200,000.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Sale of goods	-	102,222.22
Beijing Jinyu Scien-tech School	Rendering of services	-	71,760.00
Beijing Dacheng Real Estate Development Co., Ltd.	Sale of goods	-	1,691,137.60
Beijing Dacheng Real Estate Development Co., Ltd.	Rendering of property services	530,332.58	-
BBMG Properties Limited	Rendering of engineering services	-	-
Beijing Jianmao Property Management Co., Ltd.	Rendering of engineering services	-	142,687.15
Beijing Doors and Windows Co., Ltd.	Rendering of decoration services	-	158,128.68
		2,160,441.42	2,796,014.68

Purchase/sale of goods and receipt/rendering of services from/to related parties by the Group are negotiated and determined based on market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Financial Statements

For the year ended 31 December 2017

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	2017 Leasing income	2016 Leasing income
STAR-USG Building Materials Co., Ltd.	Building	11,438,270.00	9,203,955.64
Beijing Sinobaide Technology Co., Ltd.	Building	1,483,025.05	1,366,354.12
OCV Reinforcements (Beijing) Co., Ltd.	Plant	23,809.52	994,315.23
Beijing Dacheng Real Estate Development Co., Ltd.	Building	4,547,981.24	4,775,380.32
BBMG Assets Company	Building	–	629,400.00
		17,493,085.81	16,969,405.31

As lessee

Name of the lessor	Category of leased assets	2017 Leasing expenses	2016 Leasing expenses
Beijing Xisha Assets Management Co., Ltd.	Premise	1,583,229.00	1,683,580.00
Anshan Jidong Cement Co., Ltd.		854,700.85	–
Beijing Dacheng Real Estate Development Co., Ltd.	Building	328,000.00	–
Beijing Longfengshan Sands and Stone Factory	Building	394,500.73	–
Beijing Doors and Windows Co., Ltd.		363,175.00	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.		–	102,564.11
		3,523,605.58	1,786,144.11

The rentals from the assets leased out to or leased from related parties by the Group are negotiated and determined by making reference to market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Financial Statements

For the year ended 31 December 2017

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 provided to related parties

2017

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement Co., Ltd.	20,000,000.00	11 July 2017	17 July 2018	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	14,000,000.00	30 November 2017	15 November 2018	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	18,000,000.00	16 November 2017	15 November 2018	No
		<u>52,000,000.00</u>			

As at 31 December 2017, Jidong Cement, a subsidiary of the Group, provided joint obligation guarantees in respect of borrowings for Anshan Jidong Cement Co., Ltd. at nil consideration, with total amount guaranteed of RMB52,000,000.00.

2016

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement Co., Ltd.	18,000,000.00	2 March 2016	2 March 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	1,050,000.00	28 October 2016	19 January 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	20,000,000.00	11 July 2016	10 July 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	14,000,000.00	28 October 2016	27 October 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	8,400,000.00	28 July 2016	28 January 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	6,600,000.00	30 August 2016	28 February 2017	No
		<u>68,050,000.00</u>			

As at 31 December 2016, Jidong Cement, a subsidiary of the Group, provided joint obligation guarantees in respect of borrowings, bank guarantees and bank acceptance bills for Anshan Jidong Cement Co., Ltd. at nil consideration, with total amount guaranteed of RMB68,050,000.00.

In 2017 and 2016, the Group did not receive guarantees in respect of borrowings from related parties.

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) *Lending to/borrowing from related parties*

Borrowings

2017

	Amount of lending/ borrowing	Commencement date	Maturity date
BBMG Assets Company	50,000,000.00	30 November 2017	25 November 2018
BBMG Assets Company	81,000,000.00	25 January 2017	24 January 2018
BSCOMC	60,000,000.00	27 May 2017	27 May 2018
BSCOMC	20,550,000.00	25 August 2017	25 August 2018

2016

	Amount of lending/ borrowing	Commencement date	Maturity date
BBMG Group	50,000,000.00	7 December 2016	25 November 2017

Note: Through financial institutions, the Group obtained entrusted loans of RMB131,000,000.00 from BBMG Assets Company and entrusted loans of RMB80,550,000.00 from BSCOMC in 2017, which were used for liquidity purposes. As at 31 December 2017, the balance of such loans amounted to RMB211,550,000.00 (the balance as at 31 December 2016: RMB50,000,000.00). The interest rate of the above loans was 4.35% and 3.48% respectively. During the year, the total interest expenses recognised for the loans were RMB7,021,422.00 (2016: RMB78,541.67).

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) Lending to/borrowing from related parties *(continued)*

Lending:

During the year, Baogang Jidong Cement Co., Ltd. secured lending of RMB60,000,000.00 from the Group at interest rate of 4.75% per annum. As at 31 December 2017, the outstanding lending amounted to RMB60,000,000.00.

During the year, Mamba Cement Company (PTY) Ltd (RF) secured lending of RMB16,862,451.29 from the Group at interest rate of 10.25-10.50% per annum. As at 31 December 2017, the outstanding lending amounted to RMB58,405,742.80.

Interest income from lending:

	2017	2016
STAR-USG Building Materials Co., Ltd. (Note 1)	15,045,245.28	–
Baogang Jidong Cement Co., Ltd.	2,940,175.48	763,269.07
Cross Point Trading 274 (Pty) Ltd (RF)	19,531,605.12	4,254,086.86
Mamba Cement Company (Pty) Ltd (RF)	5,306,715.23	817,682.59
	42,823,741.11	5,835,038.52

Interest expenses from borrowing:

	2017	2016
BBMG Assets Company	5,502,750.00	78,541.67
BSCOMC	1,518,672.00	–
	7,021,422.00	78,541.67

(Note 1) As at 31 December 2017, the outstanding lending secured by STAR-USG Building Materials Co., Ltd. from the Group amounted to RMB104,188,940.00.

The Company is of the view that the above related party transactions did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

(5) Remuneration for key management personnel

	2017	2016
Remuneration for key management personnel	4,946,088.44	4,404,916.48

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties

	2017	2016
Accounts receivable:		
Due from associates		
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	16,649,655.47	17,170,320.32
Baogang Jidong Cement Co., Ltd.	38,294,359.59	45,358,102.49
Changchun Light Rail Jidong Concrete Co., Ltd.	10,519,974.72	–
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	4,230,282.84	–
Beijing XinYuan Concrete Co., Ltd.	1,135,261.95	–
Xianyang Jidong High-New Concrete Co., Ltd.	647,830.88	–
OCV Reinforcements (Beijing) Co., Ltd.	267,305.25	–
Zehnder (China) Indoor Climate Co., Ltd.	14,174.35	19,276.00
Jidong Cement Fufeng Transportation Co., Ltd.	83,422.39	272,460.61
	71,842,267.44	62,820,159.42
Due from joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	11,707,659.30	14,081,518.51
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	9,608,647.86	8,651,727.95
Anshan Jidong Cement Co., Ltd.	7,794,268.86	12,823,896.24
STAR-USG Building Materials Co., Ltd.	800,000.00	14,435,910.86
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	40,000.00	174,000.00
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	9,837.50	7,562.50
	29,960,413.52	50,174,616.06
Due from other related company		
Beijing Dacheng Real Estate Development Co., Ltd.	2,795,241.54	–
	106,993,872.43	112,994,775.48

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

	2017	2016
Prepayments:		
Prepayments to an associate		
Zehnder (China) Indoor Climate Co., Ltd.	2,573,018.09	812,595.93
Prepayments to joint ventures		
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	356,581.00	25,769.20
Anshan Jidong Cement Co., Ltd.	124,011.88	–
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	260.00	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	–	921,400.00
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	22,379.40	573.70
	503,232.28	947,742.90
Prepayments to other related parties		
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	–	500.00
Beijing Xisha Assets Management Co., Ltd.	408,564.19	–
	408,564.19	500.00
	3,484,814.56	1,760,838.83

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

	2017	2016
Other receivables:		
BBMG Assets Company	31,120,364.02	–
Due from associates		
Baogang Jidong Cement Co., Ltd.	60,087,083.30	62,171,874.19
Changchun Light Rail Jidong Concrete Co., Ltd.	199,296.93	1,253,715.93
Zehnder (China) Indoor Climate Co., Ltd.	9,500.00	9,500.00
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	411,368,593.38	1,191,784,692.71
Xianyang Jidong High-New Concrete Co., Ltd.	8,454,767.42	8,426,729.96
Beijing XinYuan Concrete Co., Ltd.	100,073,596.04	99,627,485.15
Tangshan Fengrun First Transportation Company	1,000,000.00	–
Fuxin Jidong Xianghe Concrete Co., Ltd.	84,136,725.56	83,902,562.67
Beijing Sinobaide Technology Co., Ltd.	–	276,970.62
	665,329,562.63	1,447,453,531.23
Due from joint ventures		
STAR-USG Building Materials Co., Ltd.	104,280,703.00	104,906,070.07
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	82,288.83	–
	104,362,991.83	104,906,070.07
	800,812,918.48	1,360,402,823.52

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

	2017	2016
Bills receivable:		
Due from joint ventures		
Changchun Light Rail Jidong Concrete Co., Ltd.	13,000,000.00	9,000,000.00
Baogang Jidong Cement Co., Ltd.	5,863,167.55	9,670,734.17
Jidong Cement Fufeng Transportation Co., Ltd.	1,200,000.00	2,500,000.00
	<u>29,690,167.55</u>	<u>29,211,976.23</u>
Due from associates		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	6,000,000.00	3,871,242.06
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	3,627,000.00	4,170,000.00
Anshan Jidong Cement Co., Ltd.	3,030,000.00	–
	<u>32,720,167.55</u>	<u>29,211,976.23</u>
Interests receivable:		
Due from a joint venture		
STAR-USG Building Materials Co., Ltd.	1,284,128.69	6,716,763.51

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

	2017	2016
Dividends receivable:		
Due from associates		
Changchun Light Rail Jidong Concrete Co., Ltd.	7,000,236.52	–
Beijing Gaoqiang Concrete Co., Ltd.	3,071,700.00	3,071,700.00
	10,071,236.52	3,071,700.00
Long-term receivables:		
Due from joint ventures		
Cross Point Trading 274 (Pty) Ltd (RF)	197,947,984.00	168,014,773.79
Mamba Cement Company (Pty) Ltd (RF)	58,405,742.80	34,945,015.11
	256,353,726.80	202,959,788.90
Accounts payable:		
Due to associates		
Baogang Jidong Cement Co., Ltd.	3,082,949.15	586,218.22
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	1,159,486.68	2,521,263.00
Zehnder (China) Indoor Climate Co., Ltd.	96,207.23	95,000.00
Jidong Cement Fufeng Transportation Co., Ltd.	40,908.16	86,190.94
Beijing Sinobaide Technology Co., Ltd.	–	2,780,056.12
	4,379,551.22	6,068,728.28

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

	2017	2016
Accounts payable: <i>(continued)</i>		
Due to joint ventures		
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	4,110,467.79	2,021,171.25
Anshan Jidong Cement Co., Ltd.	1,000,000.00	14,938,189.48
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	709,781.15	1,354,152.87
STAR-USG Building Materials Co., Ltd.	748,656.41	1,172,042.95
	6,568,905.35	19,485,556.55
Due to other related parties		
Beijing Jinyu Scien-tech School	18,200.00	1,400.00
Beijing Dacheng Real Estate Development Co., Ltd.	60,000.00	-
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	12,500.00	-
	90,700.00	1,400.00
	11,039,156.57	25,555,684.83

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

	2017	2016
Receipts in advance:		
Advances from associates		
Beijing Gaoqiang Concrete Co., Ltd.	4,710.00	183,192.20
OCV Reinforcements (Beijing) Co., Ltd.	2,520.00	2,520.00
Baogang Jidong Cement Co., Ltd.	–	2,880,459.52
Changchun Light Rail Jidong Concrete Co., Ltd.	–	398,097.28
	7,230.00	3,464,269.00
Advances from joint ventures		
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	88,500.00	24,821.08
Anshan Jidong Cement Co., Ltd.	30,000.00	–
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	–	4,255,990.11
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	112,972.26	738,795.10
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	–	165,500.00
	231,472.26	5,185,106.29
Advances from other related party		
Beijing Longfengshan Sands and Stone Factory	149,098.29	1,400.00
	387,800.55	8,650,775.29

Notes to Financial Statements

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

	2017	2016
Other payables:		
BBMG Assets Company	–	45,704,295.16
Due to associates		
OCV Reinforcements (Beijing) Co., Ltd.	159,200.00	159,200.00
Tangshan Conch Profiles Co., Ltd.	4,704.76	1,080.05
Baogang Jidong Cement Co., Ltd.	630,000.00	630,000.00
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	527,000.00	527,000.00
Beijing XinYuan Concrete Co., Ltd.	2,200.25	–
Xianyang Jidong High-New Concrete Co., Ltd.	282.12	–
	1,323,387.13	1,317,280.05
Due to joint ventures		
STAR-USG Building Materials Co., Ltd.	19,436.46	5,203.08
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	37,890.47	48,972.57
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	–	85,280.02
Anshan Jidong Cement Co., Ltd.	39.00	–
	57,365.93	139,455.67
	1,380,753.06	47,161,030.88
Short-term loans:		
BBMG Assets Company	131,000,000.00	50,000,000.00
BSCOMC	80,550,000.00	–
	211,550,000.00	50,000,000.00

Except for the balances of due from STAR-USG Building Materials Co., Ltd. in other receivables and due from Cross Point Trading 274 (Pty) Ltd (RF) and due from Mamba Cement Company (Pty) Ltd (RF) in long-term receivables, other amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

Notes to Financial Statements

For the year ended 31 December 2017

XI. CONTINGENCIES

	Notes	2017	2016
Provision of guarantee on housing mortgage to third parties	Note 1	12,052,621,076.05	11,567,845,119.91
Provision of guarantee on loans and others to third parties	Note 2	4,824,000,000.00	4,644,000,000.00
		16,876,621,076.05	16,211,845,119.91

Note 1: 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 guarantee obligations will be released upon obtaining building ownership certificates and completion of formalities of housing mortgage by the home buyers. The management is of the opinion that in the event of default in payments, the net realizable value of the relevant properties is still 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.

Note 2: In 2017, Jidong Group, a subsidiary of the Group, provided guarantees on the borrowings of RMB2,450,000,000.00 and the borrowings of RMB2,374,000,000.00 for Tangshan Nanhu Eco-City Development and Construction Investment Co., Ltd. (唐山市南湖生態城開發建設投資有限責任公司) and Tangshan Construction Investment Co., Ltd. (唐山建設投資有限責任公司), respectively. The guarantees will expire on 21 May 2029 and 20 April 2018, respectively.

In addition, Jidong Cement, a subsidiary of the Company, collaborated with downstream customers and banks to operate the future delivery rights financing business, pursuant to which, the enterprises (including concrete enterprises and others) will pay a certain proportion of guarantee fund to the bank for the issuance of bank acceptance bills with a term of not more than 6 months as settlement of cost of goods of Jidong Cement. In the event that the enterprises (including concrete enterprises and others) fail to pay up in full the remaining balance of guarantee fund when the bills fall due, the bank has the right to require Jidong Cement to refund the corresponding portion of cost of goods. As at the balance sheet date of Jidong Cement, the contingent liabilities of the business commitment totaled RMB20,400,000.00.

Please refer to Note X. 5 for details of the guarantees provided to related parties by the Group.

XII. COMMITMENTS

		2017	2016
Contracted but not provided for Capital commitments		240,456,042.76	542,376,549.90
Property development contracts		6,402,057,932.69	11,085,389,938.29
		6,642,513,975.45	11,627,766,488.19

Notes to Financial Statements

For the year ended 31 December 2017

XIII. EVENTS AFTER BALANCE SHEET DATE

As at the date of approval of the financial statements, the Group did not have events after the balance sheet date required to be disclosed.

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 leases are as follows:

	2017	2016
Within 1 year (inclusive of 1 year)	918,809,697.80	852,488,252.07
1 to 2 years (inclusive of 2 years)	592,538,424.84	516,034,658.55
2 to 3 years (inclusive of 3 years)	338,785,501.91	260,942,415.80
Over 3 years	349,308,798.60	395,169,720.73
	<u>2,199,442,423.15</u>	<u>2,024,635,047.15</u>

Please refer to Note V. 13 and 14 for details of investment properties and fixed assets leased under operating leases.

As lessee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable leases are as follows:

	2017	2016
Within 1 year (inclusive of 1 year)	88,068,180.04	47,641,809.93
1 to 2 years (inclusive of 2 years)	57,032,898.02	27,487,427.62
2 to 3 years (inclusive of 3 years)	52,859,340.92	23,589,485.32
Over 3 years	320,933,092.44	120,893,049.64
	<u>518,893,511.42</u>	<u>219,611,772.51</u>

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has four reportable 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;
- (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.

The 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, the indicator is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the headquarters as these 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 transactions with third parties.

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS (continued)**2. Segment reporting** (continued)

2017

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/Liabilities/Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	28,960,330,461.88	14,921,162,158.63	16,163,520,138.61	3,633,318,172.42	-	-	63,678,330,931.54
Revenue from inter-segment transactions	2,530,719,008.29	258,772,457.05	-	210,487,993.80	-	(2,999,979,459.14)	-
	31,491,049,470.17	15,179,934,615.68	16,163,520,138.61	3,843,806,166.22	-	(2,999,979,459.14)	63,678,330,931.54
Gains/(losses) on investment in joint ventures and associates	198,686,654.60	(5,934,613.03)	1,861.94	(4,021,773.19)	-	-	188,732,130.32
Losses from impairment of assets	308,673,492.20	68,694,515.13	12,262,784.54	145,393,547.68	-	-	535,024,339.55
Depreciation and amortisation	3,742,859,665.01	144,043,150.24	68,403,473.56	319,727,459.38	10,249,414.70	-	4,285,283,162.89
Total profits/(losses)	1,028,121,249.82	(22,468,487.35)	1,686,445,546.34	2,858,020,732.02	(1,029,768,053.60)	(463,207,278.24)	4,057,143,708.99
Income tax expense	394,643,879.73	23,027,402.61	415,053,592.11	647,313,945.04	(257,442,013.40)	(115,801,819.56)	1,106,794,986.53
Total assets	82,843,342,233.04	11,412,616,717.32	111,783,957,010.86	59,891,492,481.98	1,696,827,136.68	(35,420,753,488.18)	232,207,482,091.70
Total liabilities	53,862,201,289.69	7,329,085,418.67	98,459,852,618.77	21,054,295,769.25	19,423,351,973.64	(37,839,114,896.34)	162,289,672,173.68
Other disclosure							
Long-term equity investment in joint ventures and associates	1,739,696,385.53	203,678,337.47	4,991,835.01	226,572,699.50	-	-	2,174,939,257.51
Increase in other non-current assets (excluding long-term equity investments)	3,054,251,210.69	685,890,418.34	136,804,842.40	571,188,240.45	-	-	4,448,134,711.88

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS (continued)

2. Segment reporting (continued)

2016

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/ Liabilities/Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	14,705,759,944.32	11,095,398,403.12	18,588,395,723.41	3,349,218,656.11	-	-	47,738,772,726.96
Revenue from inter-segment transactions	946,783,142.67	212,718,293.58	-	293,832,921.27	-	(1,453,334,357.52)	-
	15,652,543,086.99	11,308,116,696.70	18,588,395,723.41	3,643,051,577.38	-	(1,453,334,357.52)	47,738,772,726.96
Gains/(losses) on investment in joint ventures and associates	53,234,045.81	59,434,758.78	(74,591.85)	(3,693,702.97)	-	-	108,900,509.77
Losses from impairment of assets	240,831,159.97	82,217,653.08	54,236,941.96	37,697,898.39	-	-	414,983,653.40
Depreciation and amortisation	1,829,992,267.01	117,345,858.90	36,051,207.22	168,107,607.34	25,333,873.28	-	2,176,830,813.75
Total profits/(losses)	134,335,111.92	(76,608,993.77)	2,804,742,928.60	1,541,778,080.15	(925,471,634.07)	197,755,980.69	3,676,531,473.52
Income tax expense	43,581,480.34	(35,646,449.65)	796,117,518.69	364,060,076.27	(231,367,908.52)	49,438,995.17	986,183,712.30
Total assets	84,607,076,651.95	10,970,298,654.19	82,995,068,773.37	42,667,148,795.67	2,162,814,877.17	(15,005,290,876.62)	208,397,116,875.73
Total liabilities	54,731,925,320.13	6,988,635,513.84	69,956,801,672.73	16,138,839,076.17	17,338,719,991.29	(19,667,315,485.03)	145,487,606,089.13
Other disclosure							
Long-term equity investment in joint ventures and associates	1,693,192,254.83	310,759,943.36	4,989,973.07	224,708,803.51	-	-	2,233,650,974.77
Increase in other non-current assets (excluding long-term equity investments)	38,445,163,519.21	846,435,426.09	39,037,415.98	3,081,229,777.41	-	-	42,411,866,138.69

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

Other information

Information on products and labour services

Operating revenue by product/service is set out in Note V. 49.

Geographic information

Operating revenue

	2017	2016
PRC	63,357,180,074.63	47,458,011,672.36
Singapore	136,001,645.17	193,372,366.17
South Africa	2,301,764.59	39,103,474.03
United States	3,677,722.20	13,025,400.00
India	36,334,628.86	11,755,126.80
Korea	12,058,379.10	922,936.83
Japan	130,144,301.36	12,752.56
Other countries or regions	632,415.63	22,568,998.21
	63,678,330,931.54	47,738,772,726.96

Revenues from external transactions are attributable to the geographic locations where the customers are located.

Major non-current assets of the Group are located in the PRC.

Information about major customers

In 2017, none of the sales income arising from any single customer of the Group exceeds 10% (2016: Nil) of the Group's revenues.

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Supplemental information to the balance sheet

	2017	2016
Net current assets (consolidated)		
Current assets	143,589,262,404.01	119,478,725,399.42
Less: current liabilities	110,434,361,271.08	94,964,189,744.13
Net current assets	33,154,901,132.93	24,514,535,655.29
Total assets less current liabilities (consolidated)		
Total assets	232,207,482,091.70	208,397,116,875.73
Less: current liabilities	110,434,361,271.08	94,964,189,744.13
Total assets less current liabilities	121,773,120,820.62	113,432,927,131.60
Net current assets (the Company)		
Current assets	62,692,084,532.23	43,222,755,710.75
Less: current liabilities	36,181,900,544.21	26,406,750,171.50
Net current assets	26,510,183,988.02	16,816,005,539.25
Total assets less current liabilities (the Company)		
Total assets	109,392,097,314.28	89,338,616,897.51
Less: current liabilities	36,181,900,544.21	26,406,750,171.50
Total assets less current liabilities	73,210,196,770.07	62,931,866,726.01

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 and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	2017	2016
Fees	650,000.00	650,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	1,045,379.08	1,125,623.56
Performance related bonuses	2,279,164.21	1,438,280.00
Pension scheme contributions	197,611.92	239,985.36
	4,172,155.21	3,453,888.92

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS (continued)

4. Directors' and Supervisors' Remuneration (continued)

(1) Independent non-executive directors

The fees paid to independent non-executive directors for the year are as follows:

	2017	2016
Mr. Wang Guangjin	150,000.00	150,000.00
Mr. Tian Lihui	150,000.00	150,000.00
Mr. Tang Jun	150,000.00	150,000.00
Mr. Ngai Wai Fung	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 (2016: Nil).

(2) Executive directors, non-executive directors and supervisors

2017

	Salaries, allowances and benefits in kind				Performance related bonuses	Pension scheme contributions	Total remuneration
	Fees						
Executive directors							
Mr. Jiang Deyi*	-	-	-	-	-	-	-
Mr. Zeng Jin**	-	71,959.20	85,830.00	13,870.80	171,660.00		
Mr. Wu Dong	-	146,847.28	271,208.00	31,950.72	450,006.00		
Mr. Zang Feng***	-	25,849.04	144,760.00	2,550.96	173,160.00		
Mr. Zheng Baojin****	-	54,794.20	101,465.00	13,870.80	170,130.00		
	-	299,449.72	603,263.00	62,243.28	964,956.00		

* Mr. Jiang Deyi is the Chairman of the Company.

** Mr. Zeng Jin has served as an executive director of the Company since August 2017.

*** Mr. Zang Feng left his post in June 2017.

**** Mr. Zheng Baojin has served as an executive director of the Company since August 2017.

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

4. Directors' and Supervisors' Remuneration *(continued)*

(2) Executive directors, non-executive directors and supervisors *(continued)*

2017 *(continued)*

	Salaries, allowances and benefits		Performance related bonuses	Pension scheme contributions	Total remuneration
	Fees	in kind			
Non-executive directors					
Mr. Guo Yanming*	-	65,753.04	65,753.04	16,644.96	148,151.04
Mr. Yu Zhongfu**	-	-	-	-	-
	-	65,753.04	65,753.04	16,644.96	148,151.04
Supervisors					
Mr. Wang Xiaojun***	-	-	-	-	-
Ms. Li Bichi***	-	-	-	-	-
Ms. Xu Feng****	-	-	-	-	-
Mr. Wang Zhicheng****	-	-	-	-	-
Mr. Yu Kaijun	50,000.00	-	-	-	50,000.00
Ms. Hu Juan	-	178,049.28	442,632.00	31,950.72	652,632.00
Mr. Zhang Dengfeng*****	-	89,694.24	195,600.00	15,305.76	300,600.00
Mr. Zhang Yifeng*****	-	86,694.24	173,300.00	15,305.76	275,300.00
Mr. Wang Xin*****	-	78,596.16	226,560.00	10,203.84	315,360.00
Mr. Zhuang Zhenguo*****	-	80,055.04	231,962.64	16,644.96	328,662.64
Mr. Zhang Guoliang*****	-	84,032.32	175,643.52	12,667.68	272,343.52
Mr. Zhang Qicheng*****	-	83,055.04	164,450.01	16,644.96	264,150.01
	50,000.00	680,176.32	1,610,148.17	118,723.68	2,459,048.17
	50,000.00	1,045,379.08	2,279,164.21	197,611.92	3,572,155.21

* Mr. Guo Yanming has served as a non-executive director of the Company since June 2017.

** Mr. Yu Zhongfu has served as a non-executive director of the Company since December 2017.

*** Mr. Wang Xiaojun and Ms. Li Bichi left their posts in March 2017.

**** Ms. Xu Feng and Mr. Wang Zhicheng have served as supervisors of the Company since August 2017.

***** Mr. Zhang Dengfeng, Mr. Zhang Yifeng and Mr. Wang Xin left their posts in June 2017.

***** Mr. Zhuang Zhenguo, Mr. Zhang Guoliang and Mr. Zhang Qicheng have served as supervisors of the Company since June 2017.

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS (continued)

4. Directors' and Supervisors' Remuneration (continued)

(2) Executive directors, non-executive directors and supervisors (continued)

2016

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Deyi*	-	-	-	-	-
Mr. Wu Dong	-	120,734.16	55,000.00	29,265.84	205,000.00
Mr. Shi Xijun**	-	82,938.00	55,000.00	19,062.00	157,000.00
Mr. Zhang Jianli***	-	101,836.08	54,550.00	24,163.92	180,550.00
Mr. Li Weidong****	-	73,488.96	55,000.00	16,511.04	145,000.00
Mr. Zang Feng	-	120,734.16	55,000.00	29,265.84	205,000.00
Mr. Wang Shizhong*****	-	22,813.64	40,310.00	4,653.36	67,777.00
	-	522,545.00	314,860.00	122,922.00	960,327.00
Supervisors					
Mr. Wang Xiaojun	-	-	-	-	-
Ms. Li Bichi	-	-	-	-	-
Mr. Yu Kaijun	50,000.00	-	-	-	50,000.00
Ms. Hu Juan	-	151,694.16	334,800.00	29,265.84	515,760.00
Mr. Zhang Dengfeng	-	152,594.16	293,800.00	29,265.84	475,660.00
Mr. Zhang Yifeng	-	142,754.16	262,400.00	29,265.84	434,420.00
Mr. Wang Xin	-	156,036.08	232,420.00	29,265.84	417,721.92
	50,000.00	603,078.56	1,123,420.00	117,063.36	1,893,561.92
	50,000.00	1,125,623.56	1,438,280.00	239,985.36	2,853,888.92

* Mr. Jiang Deyi is the Chairman and General Manager (resigned as General Manager in August 2016) of the Company.

** Mr. Shi Xijun was an executive director of the Company from January to July 2016, and left his post in August 2016.

*** Mr. Zhang Jianli was an executive director of the Company from January to September 2016, and left his post in October 2016.

**** Mr. Li Weidong was an executive director of the Company from January to July 2016, and left his post in August 2016.

***** Mr. Wang Shizhong was an executive director of the Company in January 2016, and left his post in February 2016.

Notes to Financial Statements

For the year ended 31 December 2017

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

5. Five highest paid employees

During the year, five highest paid employees are all non-director employees (2016: five non-director employees), the remuneration details of whom are as follows:

	2017	2016
Salaries, allowances and benefits in kind	2,506,503.75	2,273,700.00
Performance related bonuses	2,787,245.70	1,993,366.00
Pension scheme contributions	87,600.05	137,850.48
	5,381,349.50	4,404,916.48

The remuneration distribution of the non-director highest paid employees was as follows:

Remuneration amount of employees	2017	2016
Hong Kong dollar 0 – 1,000,000	–	1
Hong Kong dollar 1,000,001 – 1,500,000	5	4
	5	5

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

An aging analysis of other receivables is as follows:

	2017	2016
Within 1 year (inclusive of 1 year)	53,626,886,548.51	33,325,425,032.73
1 to 2 years (inclusive of 2 years)	11,676,295.36	50,998,001.96
2 to 3 years (inclusive of 3 years)	50,998,001.96	256,734.52
3 to 4 years (inclusive of 4 years)	256,734.52	26,615,872.72
4 to 5 years (inclusive of 5 years)	26,615,872.72	30,379,950.00
	53,753,850,721.53	33,460,959,693.45
Less: Provision for bad debts of other receivables	18,111,381.45	35,455,644.74
	53,735,739,340.08	33,425,504,048.71

The movement in provision for bad debts of other receivables is as follows:

	Opening balance	Provision for the year	Write-off for the year	Closing balance
2017	35,455,644.74	2,902,519.77	(20,246,783.06)	18,111,381.45
2016	35,455,644.74	–	–	35,455,644.74

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

The movement in provision for bad debts of other receivables is as follows: (continued)

	2017				2016			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Amount	Proportion (%)	Amount	Percentage of provision (%)
Individually significant and subject to separate provision for bad debts	30,379,950.00	0.06	9,113,985.00	30.00	50,626,733.06	0.15	29,360,768.06	57.99
Provision for bad debts by group:								
Within 1 year (inclusive of 1 year)	873,379,665.07	1.62	-	-	4,176,306.68	0.01	-	-
	873,379,665.07	1.62	-	-	4,176,306.68	0.01	-	-
Special credit characteristics group	52,838,155,475.40	98.30	-	-	33,384,685,575.58	99.78	-	-
Individually not significant but subject to separate provision for bad debts	11,935,631.06	0.02	8,997,396.45	75.38	21,471,078.13	0.06	6,094,876.68	28.39
	53,753,850,721.53	100.00	18,111,381.45		33,460,959,693.45	100.00	35,455,644.74	

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

As at 31 December 2017, 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 (%)	Reason
First	<u>30,379,950.00</u>	<u>9,113,985.00</u>	30.00	Partly uncollectible

As at 31 December 2016, 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	<u>20,246,783.06</u>	<u>20,246,783.06</u>	100.00	Fully uncollectible
	<u>50,626,733.06</u>	<u>29,360,768.06</u>		

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

As at 31 December 2017, the top five of other receivables were as follows:

	Closing balance	Percentage of proportion	Nature	Aging	Closing balance of provision for bad debts
BBMG China Railway Noble (Hangzhou) Property Development Co., Ltd.	5,698,043,000.00	10.60	Amounts due from subsidiaries	Within 1 year	–
BBMG Jindian (Tianjin) Property Development Co., Ltd.	5,075,000,000.00	9.44	Amounts due from subsidiaries	Within 1 year	–
BBMG Jinghua Property Development Hefei Co., Ltd.	4,292,000,000.00	7.98	Amounts due from subsidiaries	Within 1 year	–
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	3,700,000,000.00	6.88	Amounts due from subsidiaries	Within 1 year	–
Beijing BBMG Property Development Group Co., Ltd. (北京金隅地產開發集團有限公司)	3,551,550,000.00	6.61	Amounts due from subsidiaries	Within 1 year	–
	22,316,593,000.00	41.51			

As at 31 December 2016, the top five of other receivables were as follows:

	Closing balance	Percentage of proportion	Nature	Aging	Closing balance of provision for bad debts
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	2,950,000,000.00	8.82	Amounts due from subsidiaries	Within 1 year	–
BBMG Nanjing Real Estate Development Co., Ltd.	2,877,840,000.00	8.60	Amounts due from subsidiaries	Within 1 year	–
Shanghai BBMG Dacheng Property Development Co., Ltd.	2,480,000,000.00	7.41	Amounts due from subsidiaries	Within 1 year	–
Beijing BBMG Dacheng Property Development Co., Ltd.	2,385,782,800.50	7.13	Amounts due from subsidiaries	Within 1 year	–
BBMG GEM Real Estate Development Co., Ltd.	2,328,252,269.75	6.96	Amounts due from subsidiaries	Within 1 year	–
	13,021,875,070.25	38.92			

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

Other receivables included the amounts due from subsidiaries, joint ventures and associates, which are as follows:

	2017	2016
Amounts due from subsidiaries	52,753,176,863.68	33,305,999,626.71
Amounts due from joint ventures	104,188,940.00	104,188,940.00
Amounts due from associates	—	7,396,000.00
	52,857,365,803.68	33,417,584,566.71

Other receivables due from related companies are unsecured, and have no fixed terms of repayment other than amounts due from joint ventures.

2. Long-term equity investments

2017

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of share-holding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method:							
Beijing Liushui Environmental Protection Technology Co., Ltd.	690,005,052.96	690,005,052.96	—	690,005,052.96	100.00	100.00	—
Beijing BBMG Concrete Co., Ltd.	509,235,910.27	509,235,910.27	—	509,235,910.27	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	—
Hebei BBMG Dingxin Cement Co., Ltd.	1,471,400,000.00	1,471,400,000.00	—	1,471,400,000.00	100.00	100.00	—
Hebei Taihang Huaxin Building Materials Co. Ltd.	191,952,088.44	191,952,088.44	—	191,952,088.44	100.00	100.00	—
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	67,600,000.00	67,600,000.00	—	67,600,000.00	67.00	67.00	—
Baoding 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	94.00	94.00	—
Zanhuang BBMG Cement Co., Ltd.	700,000,000.00	700,000,000.00	—	700,000,000.00	100.00	100.00	—
Beijing BBMG Cement Trading Co., Ltd.	500,000,000.00	500,000,000.00	—	500,000,000.00	100.00	100.00	—
Beijing BBMG Cement Energy Saving Technology Co., Ltd.	35,000,000.00	35,000,000.00	—	35,000,000.00	100.00	100.00	—

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments (continued)

2017 (continued)

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Percentage of share- holding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method: (continued)							
Zhangjiakou Jinyu Cement Co., Ltd.	391,071,805.81	391,071,805.81	-	391,071,805.81	100.00	100.00	-
Tianjin Zhenxing Cement Co., Ltd.	422,950,236.38	422,950,236.38	-	422,950,236.38	62.00	62.00	-
Quyang Jinyu Cement Co., Ltd.	245,747,261.65	245,747,261.65	-	245,747,261.65	90.00	90.00	-
Tianjin BBMG Concrete Co., Ltd.	447,454,707.80	447,454,707.80	-	447,454,707.80	91.00	100.00	-
Siping BBMG Cement Co., Ltd.	156,000,000.00	156,000,000.00	-	156,000,000.00	52.00	52.00	-
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	202,047,000.00	202,047,000.00	-	202,047,000.00	97.00	97.00	-
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	86.00	86.00	-
Zhuolu Jinyu Cement Co., Ltd.	366,677,498.05	366,677,498.05	-	366,677,498.05	100.00	100.00	-
Handan Shexian BBMG Cement Co., Ltd.	181,678,700.00	181,678,700.00	-	181,678,700.00	91.00	91.00	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00	100.00	-
Lingchuan BBMG Cement Co., Ltd.	350,000,000.00	350,000,000.00	-	350,000,000.00	100.00	100.00	-
Beijing Jinyu Pinggu Cement Co., Ltd.	150,000,000.00	150,000,000.00	-	150,000,000.00	100.00	100.00	-
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95.00	95.00	-
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.	530,000,000.00	530,000,000.00	-	530,000,000.00	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	-
Chengde BBMG Cement Co., Ltd.	340,000,000.00	340,000,000.00	-	340,000,000.00	85.00	85.00	-
Bo'ai BBMG Cement Co., Ltd.	285,000,000.00	285,000,000.00	-	285,000,000.00	95.00	95.00	-
BBMG Mortar Co., Ltd.	95,000,000.00	95,000,000.00	-	95,000,000.00	100.00	100.00	-
Guangling Jinyu Cement Co., Ltd.	317,000,000.00	317,000,000.00	-	317,000,000.00	100.00	100.00	-
Handan Fengfeng BBMG Concrete Co., Ltd.	66,000,000.00	66,000,000.00	-	66,000,000.00	100.00	100.00	-
Handan Hanshan BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92.00	92.00	-
Handan BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92.00	92.00	-
Wei County BBMG Concrete Co., Ltd.	9,200,000.00	9,200,000.00	-	9,200,000.00	92.00	92.00	-
Xingtai BBMG Yongning Cement Co., Ltd.	245,668,600.00	245,668,600.00	-	245,668,600.00	60.00	60.00	-
Beijing BBMG Tiantan Furniture Co., Ltd.	649,305,960.36	464,305,960.36	185,000,000.00	649,305,960.36	97.26	97.00	-
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	92.00	92.00	-
Beijing Jinyu Energy-Saving Technology Co., Ltd.	402,450,576.31	402,450,576.31	-	402,450,576.31	100.00	100.00	-
Beijing Aerated Concrete Co., Ltd.	166,166,021.38	166,166,021.38	-	166,166,021.38	56.00	100.00	-
Beijing Jinyu Aerated Concrete Co., Ltd.	107,946,419.68	107,946,419.68	-	107,946,419.68	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	-
Beijing Building Materials Academy Co., Ltd.	194,167,784.68	194,167,784.68	-	194,167,784.68	100.00	100.00	-
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	64,098,826.55	-	64,098,826.55	100.00	100.00	-

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments (continued)

2017 (continued)

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Percentage of share-holding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method: (continued)							
Beijing Jiandu Design and Research Institute Co., Ltd.	59,864,057.89	9,405,299.48	50,458,758.41	59,864,057.89	100.00	100.00	-
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100.00	100.00	-
Beijing Alavus Energy Saving Components Co., Ltd.	-	29,980,669.86	(29,980,669.86)	-	82.00	82.00	-
Beijing BBMG Business and Trading Co., Ltd.	660,000,000.00	660,000,000.00	-	660,000,000.00	100.00	100.00	-
BBMG Material Industrial (Shanghai) Co., Ltd.	40,800,000.00	40,800,000.00	-	40,800,000.00	51.00	51.00	-
Beijing Dynea Chemical Industry Co., Ltd.	95,358,791.69	95,358,791.69	-	95,358,791.69	100.00	100.00	-
BBMG GEM Real Estate Development Co., Ltd.	3,065,138,411.45	3,065,138,411.45	-	3,065,138,411.45	100.00	100.00	169,479,058.27
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	100	74,000,000.00
BBMG Property Management Co., Ltd.	99,264,530.92	99,264,530.92	-	99,264,530.92	100	100	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	370,680,361.57	370,680,361.57	-	370,680,361.57	100	100	-
Beijing Jianji Assets Management Co., Ltd.	776,172,150.30	776,172,150.30	-	776,172,150.30	100	100	-
Beijing Jinhaiyan Assets Management Co., Ltd.	78,479,818.89	78,479,818.89	-	78,479,818.89	100	100	-
Beijing Jinhaiyan Property Management Co., Ltd.	14,333,292.75	14,333,292.75	-	14,333,292.75	100	100	-
BBMG Property Operation Management Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100	100	-
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	473,509,857.53	-	473,509,857.53	100	100	509,000,000.00
Beijing BBMG Dacheng Property Development Co., Ltd.	2,994,735,641.87	2,994,735,641.87	-	2,994,735,641.87	100	100	-
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100	100	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	152,788,777.09	152,788,777.09	-	152,788,777.09	100	100	-
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100	100	-
BBMG Dacheng Property Management Co., Ltd.	16,198,711.92	16,198,711.92	-	16,198,711.92	100	100	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	-	815,331,413.51	100	100	10,773,255.70
BBMG Hong Kong Limited	288,057,387.91	288,057,387.91	-	288,057,387.91	100	100	-
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	513,676,100.00	513,676,100.00	-	513,676,100.00	100	100	-
BBMG Finance Co., Ltd.	3,000,000,000.00	3,000,000,000.00	-	3,000,000,000.00	100	100	18,597,266.38
BBMG Finance Lease Co., Ltd.	393,876,000.00	393,876,000.00	-	393,876,000.00	60	60	-
Krono (Beijing) Woods Co., Ltd.	287,445,693.34	-	287,445,693.34	287,445,693.34	100	100	-
Jidong Development Group Co., Ltd.	5,225,000,000.00	5,225,000,000.00	-	5,225,000,000.00	55	55	-
Total under cost method	34,333,949,175.35	33,841,025,393.46	492,923,781.89	34,333,949,175.35			781,849,580.35

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Long-term equity investments (continued)

Equity method:

2017

	Change for the year							Carrying amount at the end of year	Provision for impairment at the end of year
	Opening balance	Increase in Investment	Investment income or loss under equity method	Other changes in equity	Cash dividend declared	Provision for impairment			
Joint ventures									
STAR-USG Building Materials Co., Ltd.	-	-	15,938,256.81	-	-	-	-	15,938,256.81	-
Associates									
Krono (Beijing) Woods Co., Ltd.	72,371,175.20	(68,401,982.43)	(3,969,192.77)	-	-	-	-	-	-
Zehnder (China) Indoor Climate Co., Ltd.	142,904,803.94	-	(15,211,882.11)	-	(32,340,000.00)	-	-	95,352,921.83	-
OCV Reinforcements (Beijing) Co., Ltd.	63,680,856.42	-	(4,106,489.68)	-	-	-	-	59,574,366.74	-
Beijing Gaoqiang Concrete Co., Ltd.	25,067,432.00	-	(1,038,728.52)	-	(254,000.00)	-	-	23,774,703.48	-
Tanshan Conch Profiles Co., Ltd.	195,822,240.00	-	406,634.07	-	(4,000,000.00)	-	-	192,228,874.07	-
Subtotal for associates	499,846,507.56	(68,401,982.43)	(23,919,659.01)	-	(36,594,000.00)	-	-	370,930,866.12	-
Total under equity method	499,846,507.56	(68,401,982.43)	(7,981,402.20)	-	(36,594,000.00)	-	-	386,869,122.93	-

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

3. Investment property

Measured subsequently through fair value model:

2017

	Buildings
Opening balance	9,895,924,295.76
Changes in fair value	<u>268,870,887.26</u>
Closing balance	<u>10,164,795,183.02</u>

2016

	Buildings
Opening balance	9,399,343,431.98
Changes in fair value	<u>496,580,863.78</u>
Closing balance	<u>9,895,924,295.76</u>

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 2017 and 31 December 2016, there was no investment property for which the procedures for obtaining title certificates were incomplete.

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

4. Operating revenue and cost

Operating revenue is as follows:

	2017	2016
Revenue from principal business	944,752,413.28	943,606,378.53
Revenue from other business	4,113,343.80	11,328,018.54
	948,865,757.08	954,934,397.07

Operating cost is as follows:

	2017	2016
Cost of principal business	82,881,213.23	99,209,108.56

Information by products is as follows:

	2017		2016	
	Revenue	Cost	Revenue	Cost
Rental income	944,752,413.28	82,881,213.23	943,606,378.53	99,209,108.56
Others	4,113,343.80	-	11,328,018.54	-
	948,865,757.08	82,881,213.23	954,934,397.07	99,209,108.56

Notes to Financial Statements

For the year ended 31 December 2017

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

5. Investment gains

	2017	2016
Gains from long-term equity investments under cost method	753,279,400.70	1,948,728,242.07
Gains from long-term equity investments under equity method	(7,981,402.21)	58,882,014.12
	745,297,998.49	2,007,610,256.19

6. Notes to items of statement of cash flows

	2017	2016
Cash received relating to other operating activities		
Cash received from superior units	21,026,500,000.00	19,243,271,124.72
Cash received from internal borrowings among subsidiaries	46,257,696,915.71	23,951,288,611.56
Interest income	98,786,186.55	78,063,224.69
	67,382,983,102.26	43,272,622,960.97
Cash paid relating to other operating activities		
Cash paid to subordinate units	21,226,792,159.40	19,990,588,706.35
Current accounts of subsidiaries	61,579,492,539.66	28,104,845,488.72
Expenses of the headquarters	919,037,202.17	169,947,883.35
	83,725,321,901.23	48,265,382,078.42

Notes to Financial Statements

For the year ended 31 December 2017

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:

	2017	2016
Net profit	911,523,218.37	2,235,807,188.42
Add: Reversal of provisions for assets impairment	4,136,519.52	(1,330,781.12)
Depreciation of fixed assets	104,645,531.00	68,395,137.77
Amortisation of intangible assets	13,685,246.25	13,480,925.40
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	(9,882.71)	235,051.56
Gains from changes in fair value	(268,870,887.26)	(496,580,863.78)
Finance expenses	2,661,594,850.44	1,996,485,575.75
Investment gains	(745,297,998.49)	(2,007,610,256.19)
Increase in deferred tax assets	(12,573,372.27)	(47,335,426.33)
Increase in deferred tax liabilities	67,217,721.83	124,145,215.94
Increase in operating receivables	(20,897,034,631.61)	(1,619,468,828.30)
Decrease in operating payables	2,648,187,781.56	(4,459,768,400.89)
Net cash flows used in operating activities	(15,512,795,903.37)	(4,193,545,461.77)

(2) Cash and cash equivalents

	2017	2016
Cash	6,209,927,405.16	6,904,569,211.47
Including: Bank deposits on demand	6,209,927,405.16	6,904,569,211.47
Closing balance of cash and cash equivalents	6,209,927,405.16	6,904,569,211.47

Supplementary Information

31 December 2017

1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS

	2017
Loss from disposal of non-current assets	(186,434,156.08)
Government grants recognised through profit or loss for the current period (excluding those closely related to the Company's ordinary business operations, in line with national policies and entitled continuously in accordance with certain standard based on a fixed amount or quantity)	560,116,793.67
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures being less than the fair value of the share of the identifiable net assets of the investee entitled at the time of acquisition	14,563,139.38
Profit and loss from debt restructuring	10,802,933.95
Profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gains from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business relating to the ordinary business operations of the Company	64,597,502.07
Reversal of provisions for impairment of receivables that are individually tested for impairment	90,972,966.19
Profit and loss from fair value change of investment properties measured subsequently through fair value model	513,884,093.94
Disposal of investment gains from subsidiaries	154,078,639.52
Other non-operating income and expenses other than the above items	(33,930,021.38)
Total non-recurring profit and loss	1,188,651,891.26
Impact of income tax	289,661,645.24
Impact of minority interests	152,430,927.10
	746,559,318.92

Supplementary Information

31 December 2017

1. **BREAKDOWN OF NON-RECURRING PROFIT AND LOSS** *(continued)*

Items included in the government grants recognised through profit or loss for the current period, but were not regarded as non-recurring profit or loss due to their close relation to the ordinary business operations of the Group, being in line with national policies and being entitled continuously in accordance with certain standard based on a fixed amount or quantity were as follows:

	2017	Reason for being recognised as recurring profit or loss
Refunds of VAT	480,707,517.88	Related to operations
Grants for heat supply	8,057,503.41	Related to operations

The Group recognised non-recurring profit and loss items in accordance with the requirement under Explanatory Announcement No. 1 on Information Disclosure for Companies Making Public Offering of Securities – Non-recurring Profit and Loss (CSRC Announcement [2008] No. 43).

Supplementary Information

31 December 2017

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2017

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6.26	0.27	0.27
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	4.22	0.20	0.20

2016

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6.69	0.25	0.25
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.36	0.20	0.20

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

	2017	2016	2015	2014	2013
	RMB' 000	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING REVENUE	63,678,331	47,738,773	40,925,341	41,241,474	44,789,759
NET PROFIT	2,950,349	2,690,348	1,951,068	2,708,973	3,243,158
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	2,836,665	2,686,654	2,017,454	2,422,722	3,215,183
DIVIDEND	512,533	491,177	160,167	239,232	373,202
DIVIDEND PER SHARE (Note)	RMB0.048	RMB0.046	RMB0.015	RMB0.025	RMB0.039
BASIC EARNINGS PER SHARE (Note)	RMB0.027	RMB0.25	RMB0.20	RMB0.26	RMB0.375

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2017	2016	2015	2014	2013
	RMB' 000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS	88,618,220	88,918,392	41,411,072	40,666,165	38,682,324
CURRENT ASSETS	143,589,262	119,478,725	89,335,633	75,018,806	60,157,226
TOTAL ASSETS	232,207,482	209,397,117	130,746,704	115,684,971	98,839,550
CURRENT LIABILITIES	110,434,361	94,964,190	65,186,574	59,513,656	52,059,973
NON-CURRENT LIABILITIES	51,855,311	50,523,416	23,378,256	19,923,927	16,754,264
TOTAL LIABILITIES	162,289,672	145,487,606	88,564,830	79,437,583	68,814,237
MINORITY INTERESTS	18,754,962	18,709,022	4,098,901	5,140,120	3,745,173
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	51,162,848	44,200,489	38,082,973	31,107,268	26,280,140
NET ASSETS VALUE PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (Note)	RMB4.790	RMB4.140	RMB3.567	RMB3.25	RMB3.065

Note: The figures of dividend per share, basic earnings per share and net assets value per share attributable to the shareholders of the parent company for 2013 to 2015 have been adjusted for the bonus issue in 2016.

BBMG



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