



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

## A large, stylized graphic for the 2013 Annual Report. The year '2013' is rendered in large, red, 3D-style characters with a striped pattern. Below it, the words 'ANNUAL REPORT' are written in a bold, white, sans-serif font, slanted upwards. The background is a vibrant red with white lines and a dotted pattern.



**BBMG**



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# FINANCIAL HIGHLIGHTS

	2018	2017	Change	
Operating revenue (RMB'000)	<b>83,116,733</b>	63,678,331	19,438,402	30.5%
Gross profit margin from principal business (%)	<b>26.7</b>	24.8		Increase by 1.9 percentage point
Net profit attributable to the shareholders of the parent company (RMB'000)	<b>3,260,449</b>	2,836,665	423,784	14.9%
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)	<b>2,878,749</b>	2,451,252	427,497	17.4%
Basic EPS (RMB)	<b>0.31</b>	0.27	0.04	14.8%
Final dividend per share (RMB)	<b>0.055</b>	0.048	0.007	14.6%
Cash and bank balances (RMB'000)	<b>18,774,468</b>	17,903,847	870,621	4.9%
Total assets (RMB'000)	<b>268,276,092</b>	232,207,482	36,068,610	15.5%
Equity attributable to the shareholders of the parent company (RMB'000)	<b>57,665,471</b>	51,162,848	6,502,623	12.7%
Net profit margin (%)	<b>5.15</b>	4.63		Increase by 0.52 percentage point
Return on total assets (%)	<b>1.22</b>	1.22		Remain flat
Total debt to equity ratio (%)	<b>70.5</b>	69.9		Increase by 0.6 percentage point



# CORPORATE INFORMATION

<b>Chinese name of the Company</b>	北京金隅集團股份有限公司
<b>English name of the Company</b>	BBMG Corporation*
<b>Headquarters</b>	Tower D, Global Trade Center No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
<b>Registered office and principal place of business in the PRC</b>	No. 36, North Third Ring East Road Dongcheng District, Beijing, the PRC
<b>Principal place of business in Hong Kong</b>	Room 405, Kai Wong Commercial Building, 222 Queen's Road Central, Hong Kong
<b>Website of the Company</b>	<a href="http://www.bbm.com.cn/listco">www.bbm.com.cn/listco</a>
<b>Legal representative</b>	Jiang Deyi
<b>President of the Company</b>	Zeng Jin (resigned on 26 December 2018)
<b>The Board of Directors</b>	
<i>Executive Directors</i>	Jiang Deyi ( <i>Chairman</i> ) Wu Dong Zheng Baojin Zeng Jin (resigned on 26 December 2018)
<i>Non-executive Directors</i>	Guo Yanming Xue Chunlei (appointed on 16 October 2018) Yu Zhongfu (resigned on 16 October 2018)
<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*

Pei Ying (*Chairman*)  
Wang Zhicheng  
Yu Kaijun  
Zhang Guoliang  
Zhuang Zhenguo  
Jiang Yu  
Song Lifeng

**Committees***Audit Committee*

Tian Lihui (*Chairman*)  
Wang Guangjin  
Tang Jun  
Ngai Wai Fung  
Guo Yanming  
Xue Chunlei

*Remuneration and**Nomination Committee*

Wang Guangjin (*Chairman*)  
Wu Dong  
Tian Lihui  
Tang Jun  
Ngai Wai Fung

*Strategic Committee*

Jiang Deyi (*Chairman*)  
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**

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

**Independent Auditor**

Ernst & Young Hua Ming LLP  
Certified Public Accountants

**Legal Advisers**

Withers  
*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

The Company is the third largest cement industrial group in the PRC with strong scale advantage and market dominance within the region, and is the leader of low-carbon, green, and environmentally-friendly development, energy saving and emission reduction, and circular economy in the cement industry in the PRC. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic region, 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. With cement as its core product, the Company extends to related products and services through an internal synergetic mechanism. Currently, the production capacity of ready-mixed concrete amounted to approximately 65.0 million cubic meters while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 38.5 million tonnes and

## CORPORATE PROFILE



approximately 0.34 million tonnes respectively. Its annual capacity for disposal of hazardous waste and various solid wastes exceeded 1.3 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,800.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

## 2. Modern building materials and commerce and logistics segment

The Company is the leader in building materials industry in the PRC and one of the largest suppliers of green, environmentally-friendly, and energy-saving building materials in the Pan Bohai region. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics. After acquiring the controlling interests in Tianjin Building Materials Group (Holding) Co., Ltd. ("**Tianjin Building Materials**") in 2018, it further consolidated its leading position in the building materials industry in the Pan Bohai Economic Rim. 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, BBMG star stone wool and BBMG mortar 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.



## CORPORATE PROFILE

### 3. Property development segment

The Company is one of the top property developers in Beijing in terms of overall strength with an annual area commencing construction of 8 million sq.m.. The Company has made its presence in 15 cities including Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, Nanjing, Chengdu, Hefei and Haikou and developed more than 130 property projects with a total gross floor area of approximately 30 million sq.m., developing a nationwide business presence “from Beijing to three major economic rims, namely Beijing, Tianjin and Hebei, Yangtze River Delta and Chengdu-Chongqing region”, with a comprehensive development strength covering property projects of multiple categories. As a large state-owned enterprise under Beijing municipality, the Company has been in the leading position in construction of affordable housing in Beijing for years with a total gross floor area of more than 7 million sq.m. of planned and completed affordable housing, providing over 70,000 housing units. Based on continuous consolidation of core business strengths, the Company is making efforts on nurturing new segment formats and seeking coordinated development with Beijing, Tianjin and Hebei based on the functions of non-capital cities and is actively committed to the development and use of urban mineral resources. The Company has successfully established its presence in various sectors such as featured towns, industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.

### 4. Property investment and management segment

The Company is the largest investor and manager of investment properties in Beijing holding approximately 1.35 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which 0.72 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.0 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin.

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 has further enhanced a more solid and concrete foundation and continues to provide 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 is 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 president of the Company since 28 April 2009 (resigned as the president 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.

**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.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**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.

**Xue Chunlei**, born in May 1971, has been appointed a non-executive director of the Company since 16 October 2018. Xue Chunlei graduated from Beijing Economics Institute in July 1994 majoring in economics. He holds a university degree. Currently, Xue Chunlei is the general manager of the Equity Interests Management Department of the Beijing State-owned Capital Operation and Management Center. Xue Chunlei served as intern, staff member, staff member of deputy officer and staff member of officer of the General Office of Commerce Commission of People's Government of Beijing Municipality; staff member of officer in the Office of State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Party Committee Office); and staff member of officer in the division of enterprise reform under the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality from July 1994 to November 2007. Xue Chunlei served as deputy investigation and research officer in the division of enterprise reform of State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality from December 2007 to May 2009. Xue Chunlei is an Economist.

**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](http://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:

<b>Company name</b>	<b>Securities market</b>	<b>Stock code</b>	<b>Position held</b>	<b>Appointment date</b>
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
Health and Happiness (H & H) 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
Beijing Capital Grand Limited	Hong Kong Stock Exchange	1329	Independent non-executive director	December 2013
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.

**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 president of the Company on 5 August 2016. Zeng Jin resigned as an executive director and president of the Company on 26 December 2018 due to his work re-designation. 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

**Yu Zhongfu**, born in November 1970, has been appointed a non-executive director of the Company between 15 December 2017 and 16 October 2018. 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).

### Supervisors

**Pei Ying**, born in January 1960 and was appointed the supervisor of the Company since 16 October 2018. Pei Ying graduated from Financial Accounting profession of Beijing Finance and Trade Institute. He holds a bachelor's degree of Economics. Pei Ying is a senior auditor. Pei Ying held the positions of the deputy director of Beijing Municipal Audit Bureau, deputy head and head of Legal Section, director of audit research institute, director of the Principal's General Office of Auditing Institute (審計千校), director of Audit Department for Economic Responsibilities and head of the branch of Audit Bureau for Economic Responsibilities from August 1983 to April 2012. Since May 2012 Pei Ying has served as the dedicated supervisor at deputy director-level and the director of the fifth office of Beijing Municipal State-owned Enterprises Supervisory Board, where he was responsible for overseeing the implementation of supervision and inspection works on over 10 enterprises including BAIC (北汽), Beijing Capital Agribusiness (首農), Wangfujing Dongan (王府井東安), Beijing Urban Construction (北京城建) and the Company etc.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Wang Zhicheng**, born in July 1962, has been appointed as a supervisor of the Company since 15 August 2017 and 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.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Zhang Guoliang**, born in January 1963, has been appointed as a supervisor of the Company since 27 June 2017 and 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.

**Zhuang Zhenguo**, born in July 1963, has been appointed as a supervisor of the Company since 27 June 2017 and 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.

**Ms. Jiang Yu**, born in February 1977 and was appointed the supervisor of the Company since 16 October 2018. Ms. Jiang Yu holds university degree (Bachelor of Economics degree and Master of Accounting degree). Ms. Jiang Yu graduated from Accounting profession of Faculty of Accountancy of Harbin University of Commerce and had studied as a part-time postgraduate at Faculty of Accountancy of Central University of Finance and Economics. Ms. Jiang Yu is an assistant to the head of Asset Management Department of the Company. Since August 2002, Ms. Jiang Yu has served as staff of Beijing Furniture Company, assistant to finance manager, finance assistant manager (office of acting manager), finance manager, staff of financial management department of BBMG Assets, staff and assistant to head of asset management department of the Company.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Song Lifeng**, born in August 1974 and was appointed the supervisor of the Company since 16 October 2018. Ms. Song Lifeng holds a bachelor's degree (Bachelor of Economics). Ms. Song Lifeng graduated from Financial Accounting profession of Northeast Forestry University. Ms. Song Lifeng is an assistant to the head of the audit department of the Company. Since August 1999, Ms. Song Lifeng has served as a staff of Beijing Oakland Building Waterproofing Materials Co., Ltd. (京奧克蘭建築防水材料有限公司), finance manager of Beijing Carlisle Waterproofing Materials Co., Ltd. (北京卡萊爾防水材料有限公司), staff and assistant to the head of the Audit and Supervision Department of the Company.

**Ms. Xu Feng**, born in March 1958, has been appointed as the chairman of the supervisory committee from 15 August 2017 to 16 October 2018 and currently serves as the chairman of the bureau-level supervisory committee of Beijing Municipal State-owned Enterprises Supervisory Board. Ms. 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. Ms. 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). Ms. Xu Feng holds a bachelor's degree and a senior engineer in China.

**Zhang Qicheng**, born in June 1966, has been appointed as a supervisor of the Company from 28 June 2017 to 16 October 2018. Zhang Qicheng 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.



## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**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 despatcher 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.

**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.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**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 been as the secretary of the communist party committee, chairman and general manager of BBMG New Building Materials Industrialization Group Limited (北京金陽新型建材產業化集團有限公司) since August 2018. 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.

**Chen Guogao**, born in October 1968. Mr. Chen has served as deputy general manager of the Company since September 2015 and as the chairman of BBMG Finance Co., Ltd. since January 2018. 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.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**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 has served as the secretary of the communist party committee and the vice chairman of Tianjin Building Materials Group Co., Ltd. (天津建材集團有限責任公司) since June 2018. 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.

**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.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Zhang Dengfeng**, born in September 1971, has been the general counsel of the Company since June 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.

**Ms. Hu Juan**, born in February 1970, has been a supervisor of the Company from 27 November 2015 to 16 October 2018. Ms. Hu Juan has been the manager of the finance and capital department of the Company from October 2007 to January 2019. Since January 2019, Ms. Hu Juan has been appointed as assistant to the president of the Company, chairman of BBMG Finance Lease Co., Ltd. and the director of the operation and information management department (運營與信息化管理部) of the Company. Ms. Hu Juan 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.

# CHAIRMAN'S STATEMENT



Jiang Deyi  
Chairman



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am pleased to present to you the annual results of the Company for the twelve months ended 31 December 2018 (the "**Reporting Period**"), and the operating results of the Company during the said period for your review.

### Review

In 2018, faced with a complex and ever-changing external environment and the heavy tasks of reform and development, BBMG adhered to the general work principle of seeking progress while maintaining stability, upheld the new development philosophy, and made constant efforts in improving the operation quality and economic benefits to achieve significant growth in main economic indicators. During the year, the Company successfully participated in the mixed-ownership reform of Tianjin Building Materials Group (Holding) Co., Ltd. and obtained its controlling interests, thereby achieving synergetic development of the building material business in the Beijing, Tianjin and Hebei and reinforcing strategic resource reserve required for development. The asset restructuring plan of BBMG and Tangshan Jidong Cement Co., Ltd. was unconditionally approved by China Securities Regulatory Commission, which further clarified the internal property rights and management relations, providing a solid foundation for the high-quality development of the Company and the cement business. Pursuing the strategy of "highlighting principal businesses and strengthening specialized businesses" and based on the principle of "flat, professional, regional and digital" management,

## CHAIRMAN'S STATEMENT

the Group has established a system where responsibilities and powers are more unified to further increase management and control efficiency. During the Reporting Period, the operating revenue was RMB83,116.7 million on a cumulative basis, representing a year-on-year increase of 30.5%; net profit attributable to the shareholders of the parent company amounted to RMB3,260.4 million, representing a year-on-year increase of 14.9%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.31, representing a year-on-year increase of 14.8%.

### Prospects

The year 2019 marks the 70th anniversary of founding of the People's Republic of China ("the PRC"). It is a critical year for comprehensively building a moderately prosperous society and achieving the first Centenary Goal, and the 10th anniversary of BBMG's listing. In the coming year, the global economy will continue to experience risks and uncertainties. The PRC's economy will experience alarming changes in an otherwise stable economic environment and face considerable downward pressure. However, the generally stable and positive momentum will not change fundamentally. The economy is in and will remain in an important period of strategic opportunities for a long time. The Company will continue to make core basic industries stronger, better and larger to ensure that the Company as a whole develops in a high-quality manner. In respect of the **cement and ready-mixed concrete segment**, the Company will seize the rare strategic opportunities in the industry and the growth in profitability of the Company to accelerate the absorption of the consolidating and restructuring benefits, fulfill the requirements for the management and control reform of the Company, and make intensified efforts to carry out essential work based on our strategic position of "building a world-class cement industry group which is modern, professional and large in scale", so as to comprehensively enhance operation management and control and continuously strengthen our core competitiveness. Meanwhile, giving full play to the guiding and exemplary effect of our role as the "leading company" in the industry, the Company will take the initiative to set industry rules and the market order, thereby continuously strengthening our industry influence and control over the market to drive the high-quality development of the industry as a whole. In respect of the **modern building materials and commerce and logistics segment**, the Company will enhance its core businesses and promote technological innovation to provide high-quality, green and energy-saving new building material products that are marketable and meet customers' needs. We will leverage our technological advantages and manufacturing supply chain resources to create a product integration and combination system with unique characteristics, with an aim to explore a new model of holistic and industrialized development. In respect of the **property development segment**, the Company will further improve its abilities in policy research and prediction and in seizing opportunities, and will demonstrate strong capability, high efficiency,

## CHAIRMAN'S STATEMENT

and high profitability in project development and operation. In addition to improving our market-oriented operation capabilities, we must integrate our resources in line with the local policies of the regions where the Group operates to achieve coordinated and synergetic development of the segment. As for the **property investment and management segment**, the Company will sort out existing resources and systematically plan the classification, disposal and use of resources. For advantageous resources that meet the development requirements of the capital, we will accelerate their transformation and upgrade to attract high-quality customers or high-end businesses. We will continue to improve the professional level of property management, implement differentiated management based on property types, and optimize the cost performance of property services, so as to form positive interaction with the property development segment.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our shareholders for their long-standing support for the Company's development, and thank the Board and the Supervisory Board for their diligence and all employees of the Company for their hard work. In the coming year, the Company will endeavor to give back to the shareholders and the society, and build a bright future with shareholders!

**Jiang Deyi**

*Chairman of the Board*

Beijing, the PRC

28 March 2019

# MANAGEMENT DISCUSSION & ANALYSIS





**BBMG**



**2013**

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**Summary of Financial Information**

	<b>2018</b>	2017	Change
	<b>RMB'000</b>	<i>RMB'000</i>	
Operating revenue	<b>83,116,733</b>	63,678,331	30.5%
Operating revenue from principal business	<b>82,397,425</b>	62,646,084	31.5%
Gross profit from principal business	<b>22,003,719</b>	15,533,508	41.7%
Gross profit margin from principal business	<b>26.7%</b>	24.8%	an increase of 1.9 percentage point
Net profit attributable to the shareholders of the parent company	<b>3,260,449</b>	2,836,665	14.9%
Basic earnings per share attributable to the shareholders of the parent company	<b>RMB0.31</b>	RMB0.27	14.8%
Cash and banks balances	<b>18,774,468</b>	17,903,847	4.9%
Current assets	<b>169,157,938</b>	143,589,262	17.8%
Current liabilities	<b>129,202,330</b>	110,434,361	17.0%
Net current assets	<b>39,955,608</b>	33,154,901	20.5%
Non-current assets	<b>99,118,153</b>	88,618,220	11.8%
Non-current liabilities	<b>59,859,259</b>	51,855,311	15.4%
Total assets	<b>268,276,092</b>	232,207,482	15.5%
Equity attributable to the shareholders of the parent company	<b>57,665,471</b>	51,162,848	12.7%
Debt ratio (total liabilities to total assets) (%)	<b>70.5</b>	69.9	an increase of 0.6 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****1. Cement and ready-mixed concrete business:**

The Company is the third largest cement industrial group in China with strong scale advantage and market dominance within the region, and is the leader of low-carbon, green, and environmentally-friendly development, energy saving and emission reduction, and circular economy in the cement industry in China. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic region,

## MANAGEMENT DISCUSSION &amp; 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. With cement as its core product, the Company extends to related products and services through an internal synergetic mechanism. Currently, the production capacity of ready-mixed concrete amounted to approximately 65.0 million cubic meters 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. Its annual capacity for disposal of hazardous waste and various solid wastes exceeded 1.3 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,800.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

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

The Company is the leader in building materials industry in China and one of the largest suppliers of green, environmentally-friendly, and energy-saving building materials in Pan Bohai region. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics. After acquiring the controlling interests in Tianjin Building Materials Group in 2018, it further consolidated its leading position in the building materials industry in Pan Bohai Economic Rim. 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, BBMG star stone wool and BBMG mortar 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.



## MANAGEMENT DISCUSSION & ANALYSIS

### **3. *Property development business:***

The Company is one of the top property developers in Beijing in terms of overall strength with an annual area commencing construction of 8.0 million sq.m.. The Company has made its presence in 15 cities including Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, Nanjing, Chengdu, Hefei and Haikou and developed more than 130 property projects with a total gross floor area of approximately 30.0 million sq.m., developing a nationwide business presence “from Beijing to three major economic rims, namely Beijing, Tianjin and Hebei, Yangtze River Delta and Chengdu-Chongqing region”, with a comprehensive development strength covering property projects of multiple categories. As a large state-owned enterprise under Beijing municipality, the Company has been in the leading position in construction of affordable housing in Beijing for years with a total gross floor area of more than 7 million sq.m. of planned and completed affordable housing, providing over 70,000 housing units. Based on continuous consolidation of core business strengths, the Company is making efforts on nurturing new segment formats and seeking coordinated development with Beijing, Tianjin and Hebei based on the functions of non-capital cities and is actively committed to the development and use of urban mineral resources. The Company has successfully established its presence in various sectors such as featured towns, industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.

### **4. *Property investment and management business:***

The Company is the largest investor and manager of investment properties in Beijing holding approximately 1.35 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which 0.72 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.0 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

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

In 2018, fixed-asset investments in the PRC (excluding agricultural households) reached RMB63,563.6 billion, representing a year-on-year growth of 5.9%, and a drop of 1.3 percentage points in growth rate compared with 2017. Among these investments, investment in infrastructure (excluding electricity, heat, gas and water production and supply) increased by 3.8%, representing a significantly lower growth rate, while investment in real estate hovered at 9.5%. On the other hand, driven by associations and large enterprises, the effects of industry self-discipline improved significantly, contracting supply contracted and driving low inventory in most regions, thereby easing the imbalance between supply and demand. According to the 2018 Statistical Communique on the National Economic and Social Development of the People's Republic of China published by the National Bureau of Statistics, the national cement production was 2.21 billion tonnes, representing a year-on-year decrease of 5.3%. In respect of price, cement prices remained at a high level throughout 2018. In the first three quarters, the overall price was stable at high levels, mostly between RMB400-430/tonne. In the fourth quarter, the price began to take off, with the national average price reaching RMB464/tonne in December. As a result of the continued high cement prices in 2018, the profit of the cement industry hit an all-time high in 2018.

**2. Property Development Industry**

In 2018, the regulation of the real estate market with policies entered a new stage, continuing to suppress irrational demand on the one hand, and focusing on adjusting the medium and long-term supply structure on the other hand. The intensity of regulation remained unwavering. The local governments in a number of cities took primary responsibilities and issued a flurry of policies to step up the intensity of regulation. With the continuous tightening of regulation and control policies on the real estate market, steady development of the long-term mechanism and the strengthening of financial supervision, the scale of new homes in cities under intensified regulation continued to shrink against the backdrop of stringent regulatory policies such as restrictions on purchases and loans, and restrictions on prices of pre-sales.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

According to the data of the National Bureau of Statistics, in 2018, the investment in real estate development in the PRC stood at RMB12,026.4 billion, representing an increase of 9.5% over the previous year, among which, investment in residential properties was RMB8,519.2 billion, up by 13.4%, representing a increase of 4 percentage points over last year. Investment in residential properties accounted for 70.8% of aggregate investment in real estate development. The construction sites for corporate use of real estate developers stood at 8,223.00 million sq.m., representing an increase of 5.2% over last year, among which, 5,699.87 million sq.m. were area of construction sites for residential properties, representing an increase of 6.3% over last year. The area of nearly started construction of real estate was 2,093.42 million sq.m., increasing by 17.2% over last year. The area of completed real estate stood at 935.50 million sq.m., decreasing by 7.8%. Of this, area of completed residential properties was 660.16 million sq.m., decreasing by 8.1% over last year. In 2018, land area acquired by real estate developers was 291.42 million sq.m., increasing by 14.2% over last year. Area of sold commodity housing was 1,716.54 million sq.m., increasing by 1.3% over last year. Area of sold residential properties, office and properties for commercial operation increased by 2.2%, decreased by 8.3% and decreased by 6.8% respectively over last year. Sales of commodity housing amounted to RMB14,997.3 billion, increasing by 12.2% over last year. Of this, sales of residential properties, office and properties for commercial operation increased by 14.7%, decreased by 2.6% and increased by 0.7% respectively over last year. At the end of 2018, area of commodity housing for sales was 524.14 million sq.m., representing a decrease of 65.1 million square meters as compared with the end of last year.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## Summary of Business Information

	2018	2017	Change
<b>1. Cement and Ready-mixed Concrete Segment</b>			
Sales volume:			
Cement (in thousand tonnes)	<b>107,051</b>	102,603	4.3%
Concrete (in thousand cubic meters)	<b>16,036</b>	14,728	8.9%
<b>2. Modern Building Materials and Commerce and Logistics Segment</b>			
Sales volume:			
Stone wool boards (in thousand tonnes)	<b>57.3</b>	40.8	40.4%
<b>3. Property Development Segment</b>			
Booked GFA (in thousand sq.m.)	<b>1,009.3</b>	948.6	6.4%
Presales (sales) GFA (in thousand sq.m.)	<b>1,114.1</b>	1,377.6	-19.1%
<b>4. Property Investment and Management Segment</b>			
Total GFA of investment properties (in thousand sq.m.)	<b>1,352.4</b>	716.2	88.8%

In 2018, faced with the complex and ever-changing external environment and the arduous and burdensome reform and development tasks, BBMG adhered to the general work guideline of making progress while maintaining stability and the new development philosophy, making continuous efforts to improve management quality and economic benefits to achieve substantial growth in the main economic indicators. We achieved improvement both in corporate management and production management, taking the Company's overall development to a new level and into a new stage.

During the Reporting Period, the Company recorded an operating revenue of RMB83,116.7 million, of which operating revenue from its principal business amounted to RMB82,397.4 million, representing a year-on-year increase of 31.5%; total profit amounted to RMB6,444.6 million, representing a year-on-year increase of 58.9%; net profit amounted to RMB4,281.4 million, representing a year-on-year increase of 45.1%; and net profit attributable to the shareholders of the parent company amounted to RMB3,260.4 million, representing a year-on-year increase of 14.9%.

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. Cement and Ready-mixed Concrete Segment

Based on its strategic position of “building a world-class cement industry group which is modern, professional and large in scale”, the Company enhanced its marketing, strengthened its management and control, improved its business, and strove for excellence to achieve soaring increase in profitability and leap-frog growth in economic benefits, fully demonstrating the effect of the strategic restructuring. The Company deepened strategic marketing, predicted market trends and dynamically adjusted marketing strategies to firmly take the lead in the market. We implemented our strategies precisely in line with local conditions based on the regional production capacity layout and market positioning. Within individual regions, we integrated production and sales, and among the regions, we coordinated and collaborated, treating the entire country as a “single play field” to take full advantage of our competitive advantage as a large enterprise. The Company strengthened industry synergy, leveraged restructuring advantages, led industry self-discipline, regulated industry order, and improved the balance between supply and demand. The Company optimized operation management and control and implemented monthly assessment of key operational indicators to effectively control all aspects of production and operation. The Company implemented the “Excellence Cultivation” plan to develop a group of “leading” enterprises in the industry. The Company strengthened the control over mine resources and completed the renewal of mining rights or exploration rights for a number of enterprises.

In respect of the concrete business, we focused on reform, reduced receivables, and strengthened management, centring on the core objective of “achieving profit at the operational level” to achieve the initial results of ending losses. Based on the management model of “centralized control and management, centralized marketing, and centralized procurement”, the Company strengthened control and management and achieved improvement in contract performance rate, settlement rate, and spread between purchase and sales prices. The Company implemented a “zero receivables” strategy to increase the percentage of projects with prepayments. The risk prevention and control system has been initially established and the risks of marketing and accounts receivable were reduced.

The cement and ready-mixed concrete segment recorded an operating revenue from its principal business of RMB39,119.9 million during the Reporting Period, representing a year-on-year increase of 25.9%. Gross profit from its principal business amounted to RMB11,755.2 million, representing a year-on-year increase of 38.7%. The consolidated sales volume of cement and clinker reached 107.05 million tonnes, representing a year-on-year increase of 4.3%, among which cement sales volume amounted to 94.43 million tonnes and clinker sales volume amounted to 12.62 million tonnes, and the aggregate gross profit margin for cement and clinker was 36.0%, representing a year-on-year increase of 5.6 percentage points. Sales volume of concrete totalled 16.0 million cubic meters, representing a year-on-year increase of 8.8%, while the gross profit margin for concrete was 10.5%, representing a year-on-year increase of 2.3 percentage points.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## 2. Modern Building Materials and Commerce and Logistics Segment

The Company optimized and adjusted the management and control model, consolidated existing businesses, developed new business, showcased industrial characteristics and achieved quality and efficiency enhancement. Enterprises in the modern building materials and commerce and logistics segment improved their profitability, market competitiveness and industry status. In accordance with the requirements of “ensuring quality, quantity and timeliness”, the Company completed the supply of building materials for the first phase of the sub-centre administrative office area, which was well received by the Beijing Municipal Sub-centre Construction Office and the participating construction entities. The Company provided a host of green, energy-saving and environmentally-friendly building materials and premium services for Beijing New Airport, Winter Olympic Games venues, Xiong’an New Area Citizen Service Centre, and the conference hall of Shanghai Cooperation Organization Summit in Qingdao.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB19,813.0 million, representing a year-on-year increase of 52.0%, while the gross profit from its principal business amounted to RMB1,216.3 million, representing a year-on-year increase of 11.0%.

## 3. Property Development Segment

Centring on the furtherance of reform on the management system and mechanism, we focused on building a professional team to continuously improve the efficiency of project operation, thereby building a preliminary professional management and control platform. We adhere to the unified allocation of human resources, unified standards of compensation system for urban companies, unified financing management and fund transfer, unified management and control project expansion, unified tendering and procurement platform, and unified standards of the measurement and calculation system to initially form a system and mechanism with well-defined powers and responsibilities, strong control, and orderly operation. In 2018, the front nodes of the real estate projects were significantly advanced, achieving the goal of available for sales within 12 months after land acquisition. In response to the pressure from market regulation, we pro-actively adjusted our strategies to strive for favorable prices and accelerate the return of funds.

In 2018, the Company successfully acquired 13 parcels of land, adding approximately 1.4 million sq.m. to its land reserve and providing strong support to the sustainable development of the property development segment.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## Major Land Reserve Acquired by the Group in 2018

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 (Year-Month-Day)	Percentage of interest
1	Plot GX2017-16(071)(B2 mus) in Zhonghe Street, Chengdu High-Tech Industrial Development Zone	Chengdu High-Tech Industrial Development Zone	Residential (R2)	54,999	109,998	1,430.00	Auction	2018-03-21	100%
2	Plot at Shuiji Technical School, Jidong Cement	Tangshan City	Commercial and financial land	12,600	18,900	41.41	Auction	2018-04-10	100%
3	Plot GX03-02-16, Ningbo High-Tech Zone	Ningbo High-Tech Zone	Residential (R2)	43,404	100,871	1,980.00	Listing	2018-04-25	100%
4	Plot JY18-18, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	36,711	58,738	318.88	Auction	2018-06-05	100%
5	Plot JY18-19, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	52,179	83,486	453.50	Auction	2018-06-05	100%
6	Plot JY18-20, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	52,539	84,062	449.06	Auction	2018-06-05	100%
7	Plot JY18-21, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	48,324	77,318	426.87	Auction	2018-06-05	100%
8	Plot E-02-2, Caofeidian New City, Tangshan	Caofeidian, Tangshan	Residential (R2)	69,071	103,607	94.49	Auction	2018-08-03	100%
9	Plot 1-B, Dairy Cattle Farm, 2018G37, Jiangpu Street, Pukou District, Nanjing	Pukou District, Nanjing	Residential (R2)	44,575	71,320	1,080.00	Open auction	2018-08-22	100%
10	Plot 2018-149 Jindonglijin (listing), Jinzhong Street, Dongli District, Tianjin	Dongli District, Tianjin	Commercial, residential and land for service facilities	190,129	372,773	2,910.00	Listing	2018-08-22	100%
11	(S1802) Plot at the south of Feihe Road and east of Tongling Road, Baohe District, Hefei	Baohe District, Hefei	Residential and land for service facilities	96,602	175,800	1,596.80	Auction	2018-08-30	100%
12	Plot X89R1 at Hexi District of Beijing Economic-Technological Development Area	Beijing Economic-Technological Development Area	Residential (R2)	38,121	95,303	3,320.00	Listing	2018-10-19	100%
13	Plot 22-01 and 22-04 at Xuhang Town, Jiading District, Shanghai	Jiading District, Shanghai	Residential (R2)	40,331	72,596	1,161.53	Listing	2018-12-14	100%
Total				779,585	1,424,772	15,262.54			



## MANAGEMENT DISCUSSION &amp; ANALYSIS

**The table of land reserve of the Group as at 31 December 2018**

No.	Project Name	Geographical Location	Land Reserve Area (thousand sq.m.)	Percentage of the Group's interest
<b>I</b>	<b>Commodity Housing</b>			
1	Chongqing-Xinduhui	Chayuan, Nan'an District, Chongqing	2,123.3	100.00%
2	Tianjin-Jingzhong Donglijin(Gua) (金鐘東麗金(掛))2018-149	Jinzhong Highway, Dongli District	447.4	100.00%
3	Hefei-Dachengjun	Baohe District, Hefei	446.0	100.00%
4	Chongqing-Nanshanjun	Nanshan, Nan'an District, Chongqing	409.8	100.00%
5	Qingdao-Jimo JY18-(18-21)	Jimo City, Qingdao	303.6	100.00%
6	Haikou-Yanguangjun	Street 17, Changbin, West Coast, Haikou	295.6	100.00%
7	Nanjing – Dairy Farm G07	No. 1 Plot at a dairy cattle farm, Pukou District, Nanjing	265.8	100.00%
8	Hefei-Nanqi Garden	Shushan District, Hefei	247.0	100.00%
9	Beijing – Beiqijia CP07-0203-0007	Beiqijia Town, Changping District	236.9	50.99%
10	Beijing-Shangchengjun	Beiqijia Town, Changping District	225.7	100.00%
11	Chongqing-Times Midtown	Chayuan, Nan'an District, Chongqing	215.6	100.00%
12	Tianjin-Plot at the Airport	Airport Economic Zone, Tianjin	213.0	95.02%
13	Hefei-S1802	Tongling Road, Baohe District, Hefei	204.3	100.00%
14	Hangzhou-Metro Forest (都會森林)	Jingfangsanbao, Jianggan District, Hangzhou	188.5	50.98%
15	Nanjing-Plot G20 at Jiulonghu	Jiangning District, Nanjing	171.6	69.99%
16	Tangshan-Plot C-01 at district of Qixin	Lubei District, Tangshan	143.6	100.00%
17	Chengdu-Gaoxin District GX2016-16 (071)	Gaoxin District, Chengdu	143.0	100.00%
18	Shanghai-Dachengmingting (大成名庭)	Juyuan New District, Jiading District, Shanghai	136.7	100.00%
19	Beijing-Yizhuang X89-R1	Hexi District, Beijing Economic and Technological Development Area	135.8	100.00%
20	Chengdu-Xindu XD2017-04	Xindu District, Chengdu	126.8	100.00%
21	Ningbo-Gaoxin District GX03-02-16	Gaoxin District, Ningbo	124.0	100.00%
22	Tangshan-Caofeidian New City E-02-2	Caofeidian New City	122.5	100.00%
23	Chengdu-Gaoxin District GX2017-16(071)	Gaoxin District, Chengdu	116.1	100.00%
24	Ningbo- Plot GX03-02-15 at Gaoxin District	Gaoxin District, Ningbo	115.3	100.00%
25	Beijing-Yizhuang X90	Yizhuang, Beijing	93.6	100.00%
26	Nanjing-Dairy Farm 2018G37-1-B	Jiangpu Street, Pukou District, Nanjing	92.6	100.00%
27	Tangshan – Jin'anhongbao	Lubei District, Tangshan, Hebei	88.5	55.03%
28	Chengdu-Dachengjun	Xihanggang Street, Shuangliu County, Chengdu	86.3	100.00%
29	Ningbo-Gaoxin DistrictGX03-01-07	Gaoxin District, Ningbo	84.4	100.00%

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**The table of land reserve of the Group as at 31 December 2018***(continued)*

No.	Project Name	Geographical Location	Land Reserve Area (thousand sq.m.)	Percentage of the Group's interest
30	Chengde-Jinyufu	Yingshou Yingzi Mine Area, Chengde	83.3	100.00%
31	Shanghai- Jiading District 22-01, 22-04	Xuxing Town Jiading District, Shanghai	82.8	100.00%
32	Chengdu-Shangxifu	Pidu District, Chengdu	80.9	100.00%
33	Tangshan – Jinyu Lefu	Lubei District, Tangshan, Hebei	74.0	80.00%
34	Qingdao-Hefu	Shibei District, Qingdao	70.0	100.00%
35	Tianjin-Jinyu Yuecheng	Zhangguizhuang, Dongli District, Tianjin	38.4	100.00%
36	Ningbo-Yao River lock	Wenjiao Street, Jiangbei District, Ningbo	38.3	100.00%
37	Tangshan-Qixin1889	Lubei District, Tangshan, Hebei	34.2	54.97%
38	Chengdu-Longxijun	Wuhou District, Chengdu	25.5	100.00%
39	Inner Mongolia-Global Financial Center	Center Sai'an District, Hohhot	24.8	100.00%
40	Beijing-Xishan Jia No. 1	Changxindian, Fengtai District, Beijing	24.3	69.96%
41	Haikou-Xixili	Haidian Island, Haikou	24.1	100.00%
42	Tangshan-Shuiji Technical School, Jidong Cement Group	North of Galaxy Road (銀河路), the First and Bus Galaxy Road Last Stations of Station	18.9	100.00%
43	Beijing-Tang+	Changyang Town, Fangshan District, Beijing	18.6	100.00%
44	Inner Mongolia-Jinyu Elegancy City	West of Zhonghai, Inner Mongolia	17.9	100.00%
45	Ma'anshan-Jiashanshu	Huashan District, Ma'anshan	16.8	100.00%
46	Beijing-Treasures Mansion House	Tiancunshan, Haidian District, Beijing	16.7	100.00%
47	Beijing- Commodity Housing at Houshayu	Houshayu Village, Houshayu Town, Shunyi District, Beijing	15.0	100.00%
48	Others	–	54.1	100.00%
Subtotal			8,361.9	
<b>II</b>	<b>Affordable Housing</b>			
49	Beijing-Jinlinjiayuan(金林嘉苑)	Yancun Town, Fangshan District, Beijing	208.4	100.00%
50	Beijing-Chaoyang Xincheng D Group	Dongba, Chaoyang District, Beijing	97.6	100.00%
51	Beijing-Jincheng Garden	Houshayu Village, Houshayu Town, Shunyi District, Beijing	42.9	100.00%
52	Beijing-Jin'gang Jiayuan	Tianzhu Town, Shunyi District	38.8	94.85%
Subtotal			387.8	
Total			8,749.7	

## MANAGEMENT DISCUSSION &amp; ANALYSIS

During the Reporting Period, the property development segment recorded revenue from its principal business of RMB22,146.4 million, representing a year-on-year increase of 37.7%, and the gross profit from its principal business was RMB7,038.6 million, representing a year-on-year increase of 71.2%. The booked GFA was 1,009,310 sq.m. for the year, representing a year-on-year increase of 6.4%, among which booked GFA of commodity housing amounted to 865,700 sq.m., representing a year-on-year decrease of 8.2%, while booked GFA of affordable housing amounted to 143,600 sq.m., representing a year-on-year increase of 2,254.1%. The aggregated contracted sales area of the Company was 1,114,050 sq.m., representing a year-on-year decrease of 19.1%, among which contracted sales area of commodity housing amounted to 1,009,420 sq.m., representing a year-on-year decrease of 1.7%, and contracted sales area of affordable housing amounted to 104,630 sq.m., representing a year-on-year decrease of 70.2%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 8,749,700 sq.m.

#### 4. Property Investment and Management Segment

The Company centred on Beijing's functional positioning to charter innovative development path. In respect of office building projects, the Company has intensified marketing efforts, implemented new service systems and leasing strategies to continuously increase rent levels, achieving an occupancy rate of 90.8%. In respect of commercial projects, the operating income grew steadily with an occupancy rate of 99.8%; the first commercial management output project, Lecheng Shopping Centre, successfully completed the business solicitation. Sheraton Hotel achieved record occupancy rate and average room rates. BBMG Intelligent Manufacturing Workshop focused on high-end, premium, and advanced industries and brought in high-quality customers including Chinese Academy of Sciences and Baidu. The occupancy rate of Phase I of BBMG High-Tech Industrial Park was 90% on average during the Reporting Period.

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB4,233.4 million, representing a year-on-year increase of 27.7%, and gross profit from its principal business was RMB2,414.2 million, representing a year-on-year increase of 22.2%. As at the end of the Reporting Period, the Company held approximately 1,350,000 sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin, with a consolidated average occupancy rate of approximately 88% and a consolidated average rental unit price of approximately RMB4.9/sq.m./day. The high-end investment properties held in core areas in Beijing totaled 0.72 million sq.m., with a consolidated average occupancy rate of reaching approximately 93% and a consolidated average rental unit price of approximately RMB8.7/sq.m./day.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

### Rental Operations of the Major Investment Properties of the Group as at 31 December 2018

Property Name	Location	Gross area (thousand sq.m.)	Fair value (RMB million)	Rental unit price (RMB/sq.m./day)	Average occupancy rate (Note 1)	Unit fair value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	108.0	3,233.9	11.5	89%	29,943
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	141.0	3,411.4	8.8	93%	24,194
Phase 3 of Global Trade Center	North Third Ring Road, Beijing	57.0	1,216.7	8.4	91%	21,346
Tengda Plaza	West Second Ring Road, Beijing	68.0	1,763.5	10.1	93%	25,934
Jin Yu Building	West Second Ring Road, Beijing	41.0	1,166.2	10.6	86%	28,444
Jianda Building/Building Materials Trading Tower	East Second Ring Road, Beijing	43.0	1,243.1	5.7	97%	28,909
Dacheng Building	East Second Ring Road, Beijing	41.0	1,132.8	11.5	93%	27,629
Pan Bohai Jin'an Plaza	Hexi District, Tianjin	302.0	2,436.7	2.3	98%	8,069
Subtotal		801.0	15,604.3			19,481
Other properties	Beijing Municipality	551.4	5,723.0			10,380
Total		1,352.4	21,327.3	4.9	88%	15,770

Note 1: The rental unit price in the table above includes the property management fee of RMB1/sq.m./day.

Note 2: 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 &amp; 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	39,119.9	27,364.7	30.0	25.9	21.1	Increase of 2.8 percentage points
Modern Building Materials and Commerce and Logistics	19,813.0	18,596.6	6.1	52.0	55.8	Decrease of 2.3 percentage points
Property Development	22,146.4	15,107.9	31.8	37.7	26.2	Increase of 6.2 percentage points
Property Investment and Management	4,233.4	1,819.3	57.0	27.7	35.8	Decrease of 2.6 percentage points
Eliminations	<u>(2,915.3)</u>	<u>(2,494.7)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>82,397.4</u>	<u>60,393.8</u>	<u>26.7</u>	<u>31.5</u>	<u>28.2</u>	Increase of 1.9 percentage point

## MANAGEMENT DISCUSSION & ANALYSIS

### 2. Investment properties measured at fair value

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 such as Beijing and Tianjin where the property markets are relatively active. The Group is able to obtain market price and other related information of properties of the same category or similar nature. It is practicable for the Group to adopt the fair value model for subsequent measurement of the investment properties.

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

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

Key assumptions and major uncertain factors adopted by the Group for the estimation of the fair value of the investment properties of the Group mainly include: assuming the investment properties are traded in the open market and will continue to be used for their existing purposes; there will be no significant changes in the macro-economic policies of the PRC and the social and economic environment, tax policies, credit 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.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group decreased by approximately RMB5.0 million year-on-year to RMB508.9 million, accounting for 7.9% 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 RMB2,915.7 million, representing an increase of RMB308.4 million or 11.8% year-on-year. Such increase was mainly due to the year-on-year increase in employee remuneration, transportation expenses, and agency intermediary fee during the Reporting Period.
- (2) Administrative expenses were RMB7,155.5 million, representing an increase of RMB1,009.4 million or 16.4% year-on-year. Such increase was mainly due to the year-on-year increase of maintenance expenses, employee remuneration, intermediary service fee, and losses from suspension of production during the Reporting Period.
- (3) Finance costs were RMB3,047.5 million, representing an increase of RMB371.9 million or 13.9% year-on-year. Such increase was mainly due to the increase in the size of financing during the Reporting Period.

### 4. Cash flows

During the Reporting Period, a net increase of RMB606.0 million in cash and cash equivalents was recognized in consolidated financial statements of the Company. Such increase was the net result of (i) the net cash outflow generated from operating activities of RMB5,042.6 million, representing the year-on-year decrease in outflow of RMB6,811.9 million year-on-year, which was attributable to the year-on-year decrease in the expenditures on land reserve of property development segment of the Company; (ii) the net cash outflow generated from investment activities of RMB8,383.9 million, representing an increase in outflow of RMB7,684.3 million year-on-year, which was mainly attributable to the acquisition of Tianjin Building Materials Group (Holding) Co., Ltd. ("**Tianjin Building Materials**") during the Reporting Period; (iii) the net cash inflow generated from financing activities of RMB14,079.9 million, an increase in inflow of RMB6,751.9 million year-on-year, while the increase in the net cash flow was mainly attributable to the increase in the size of financing during the Reporting Period; and (iv) the exchange realignment of RMB47.4 million.



## MANAGEMENT DISCUSSION & ANALYSIS

### Core Competence Analysis

The Company has been a pioneer in environmental protection, energy conservation, emission reduction and recyclable economy. It has the third largest cement production capacity in the PRC and is a top-tier building materials maker in the PRC and a leader in green building materials industry in Bohai Economic Rim. The Company is also one of the top 100 real estate developers in the PRC. During the Reporting Period, the Group has a nationwide presence with a particular focus in Beijing, Tianjin, Hebei Province, Yangtze River Delta and Chengdu-Chongqing Economic Region. The Company is capable of developing various types of real estate projects, and is one of the largest holders and managers of investment properties in Beijing. It ranked No.188 among the PRC's top 500 companies and outperformed most peers in terms of scale, economic benefits and core competitiveness. The Company's core business segments have experienced strong growth and synergetic development by extending its principal businesses to more than 23 provinces, cities and regions in the PRC as well as many overseas cities. 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 asset restructuring plan between BBMG and Jidong Group was approved by CSRC in April 2018. Going forward, BBMG Jidong Cement will become the only cement business platform of the Company. Such restructuring has streamlined the Company's internal management structure and will promote quality development of the Group's businesses. In May 2018, the Company acquired a controlling stake in Tianjin Building Materials Group. Such acquisition will strengthen the Company's presence, enable the synergetic development of businesses in Beijing, Tianjin and Hebei Province, and enhance the resources required for further business development.

The core competitiveness of the Company is detailed as follows:

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**1 Competitive Edge in the Industrial Chain:**

The Company has developed a unique vertically integrated core industrial chain. Through various restructuring and M&As, the Company has grown into a large state-owned industrial group that is listed on both A-share and H-share markets, and has core operating activities in manufacture, trade and services of green building materials, real estate development and operation, and property management. On the back of its advantages in manufacturing of building materials and related equipment, the Company expanded into the area of real estate development. The strong demand from real estate development projects has boosted the Company's green building materials businesses and other related businesses such as architectural designing, decoration and property management services. On the other hand, our strong brand, technical advantages and expertise in green building materials manufacturing, property operation and property management services translated into higher quality, better brand image and stronger sales of our real estate development projects. Moreover, our green building materials business has amassed various resources and advantages in the process of "going abroad". Such resources and advantages have helped our real estate business optimize the business layout, explore and pioneer market of the target regions. Our different business segments support and promote the development of each other with significant synergistic effect and overwhelming advantages as a whole. Competitive design scale centralizing on the industrial chain, coordination among and integration of different segments have been cumulating.

**2 Competitive Edge in Technology Innovation:**

The Company made RMB1.3 billion investment in technology R&D in 2018, covering 28 major science and technology projects in 7 areas including wastes treatment, green building materials, green manufacturing, among others. The Company's subsidiaries have undertaken 8 government-sponsored scientific research projects, and have achieved the milestones as required by the government. The outcome of our projects under the government-funded 863 Program has all been accepted. We also developed new green technologies and products that meet the government's requirements concerning high-grade, precision and advanced industrial products. These efforts strengthened our core competency and solidified our leadership position in technology.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

In 2018, the Company recorded RMB4.22 billion revenue from sales of new products. Our ultra-low energy consumption building technology has been used in the PRC's first role model of small energy-efficient flat, and achieved over 92% savings in energy. The Company also built the PRC's first role model cement production line that can simultaneously process 300 tonnes of domestic wastes and 200 tonnes of municipal sludge per day, which marks a breakthrough in urban waste treatment at cement kilns.

In 2018, the Company obtained 247 national patents (of which 33 were invention patents), and played a leading role in formulating 25 national, industrial and local standards. The JLMS-54.4 Vertical Cement Roller Mill developed by Tangshan Jidong Equipment and Engineering Co., Ltd. was awarded the Third Prize for Technological Advancement in Hebei Province. The Preparation Technology and Industrial Production Methods for Phosphogypsum – Modified Calcium Sulfate Whisker developed by BBMG Central Academy was awarded the First Technological Prize by Sichuan Department of Environmental Protection. The Applied and Commercialized Technology for Preparing and Adjusting Performance of Dry-Mixed Mortar that was developed by BBMG Academia Sinica and BBMG Mortar Co., Ltd. was awarded the First Technological Prize by China Building Materials Federation. The Research and Application of Recycling Technology for Fly Ash from Burning of Domestic Wastes developed by BBMG Academia Sinica and Beijing BBMG Liushui Environmental Protection Technology Co., Ltd. ("**BBMG Liushui Environmental Protection**") was awarded the First Technological Prize by China Association of Circular Economy. Zhanhuang BBMG Cement Co., Ltd. ("**Zanhuang Cement**") and other four companies were recognized as High-Tech Companies. Hebei BBMG Dingxin Cement Co., Ltd. was recognized as a Role Model for Technological Innovation in Hebei Province. Xingtai BBMG Yongning Cement Co., Ltd. ("**Xingtai Yongning**") was awarded the title of Hebei provincial hazardous waste processing technology research center. The wearproof and plastic products of Tongda Refractory Technology Co., Ltd. were awarded certificates for new technology and new products in Beijing. These accolades reflected the Company's growing technological impact.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**3 Competitive Edge in Sustainable Development of Green Operations:**

The Company has fully leveraged its industrial advantages to serve Beijing's cause of building "four centers". It has helped Beijing government cleanse the urban environment. Moreover, the Company has accelerated its pace towards transformation and upgrading and embarking on a sustainable path for green development. In 2018, the second phase of the fly ash disposal project in BBMG Liushui Environmental Protection was commissioned, and reached full capacity. Zanhuang Cement's self-developed facilities for domestic waste treatment reached the designed capacity of treating 300 tonnes of wastes. Tianjin Zhenxing Cement Co., Ltd.'s facilities for treating polluted soil of cement kiln treated 1,500 tonnes of polluted soil per day, which marked a breakthrough in polluted soil treatment technology at cement kiln. The hazardous waste treatment projects of Laishui Jidong Cement, Jilin BBMG Jidong Environmental Protection Technology Co., Ltd. and Chengde BBMG Cement Co., Ltd. were given official approvals. The sludge treatment project of Jidong Cement Luan County Co., Ltd. and hazardous waste treatment project of XingtaiYongning were completed. As at the end of the Reporting Period, 22 subsidiaries of the Company are equipped with waste treatment facilities in operation, including 11 companies with hazardous waste treatment facilities (with a total annual treatment capacity of 455,000 tonnes), and 11 companies with domestic, sludge and other ordinary solid waste treatment facilities (with a total annual treatment capacity of 850,000 tonnes). In 2018, the Company treated 277,000 tonnes of hazardous wastes, 220,000 tonnes of sludge, 131,000 tonnes of domestic wastes and 320,000 tonnes of polluted soil, an increase of 112%, 369%, 269% and 487% year-on-year, marking a substantial increase in the capacity of hazardous waste disposal.

In 2018, the Company invested RMB1.14 billion in environmental protection and pollution treatment, and carried out special projects to rectify wrong practices that damage environment and endanger safety. 800 wrong practices were rectified. The Company also amended and promulgated Rules governing Environmental Protection, Environmental Standardization Assessment System and Tentative Rules governing the Hazardous Waste Treatment in Cement Kiln. The Company instilled the concept of ecological civilization into its employees' mindset, promoted building of environmental standards and insisted on low-carbon, green and sustainable development. By doing this, the Company made full use of and generated maximum economic benefits from its resources, and contributed to urban development, environmental safety and social harmony.

## MANAGEMENT DISCUSSION & ANALYSIS

In 2018, Tangshan Jidong Qixin Cement Co., Ltd. continued to treat the pollution in its mines based on the green mine construction plan, and was granted the title of “Province-Level Green Mine” by Hebei Province. Xingtai Yongning was granted the title of “Role Model in Labor Competition” by Xingtai Federation of Trade Unions for its “Pioneering Activity in Air Pollution Treatment and Contribution to Green Development”. Jidong Heidelberg (Fufeng) Cement Co., Ltd., Jidong Heidelberg (Jingyang) Cement Co., Ltd. and Zanhuan Cement were granted the title of “Green Factory”. In 2018, 31 subsidiaries of the Company carried out clean production assessment, and all companies are progressing to meet requirements of the assessment. As at the date of this report, 13 companies, including Linli Jidong Cement Co., Ltd. have passed the assessment. When generating satisfactory economic benefits, the Company is also building a good image and taking responsibilities as a state-owned company.

### **4 Competitive Edge in Industry-Finance Integration:**

The capital market is facing many uncertainties due to strengthened financial regulation and the deleveraging process. The funding costs remained high. To better promote its principal businesses, the Company has further promoted its cooperation with financial institutions, innovated the financing management model and explored the new financing channels. In 2018, BBMG Corporation maintained its AAA credit rating, which ensured the Company's access to financing at bond market. BBMG Finance Co., Ltd. (“**BBMG Finance**”) and BBMG Finance Lease Co., Ltd. (“**BBMG Finance Lease**”) have constructed a platform to boost the Company's efficiency in capital use, widen the Company's financing channels and prevent capital risks. The platform enables organic industry-finance integration, and lays sound foundation for the Company's healthy and sustainable development.

In 2018, the external financing of the Company recorded a net increase of RMB23.1 billion, among which: The Company registered RMB5 billion corporate bond credit line in Shanghai Stock Exchange and issued RMB3 billion corporate bond; the Company raised its credit line at Ping An Asset Management Co., Ltd. to RMB15 billion, and borrowed another RMB1.8 billion from Ping An Asset Management Co., Ltd., the Company issued RMB22 billion debt financing instruments (including RMB3 billion corporate bond); the Company commenced its asset securitization business and raised RMB2.42 billion; the Company borrowed another RMB2.1 billion long-term loan for property operation; BBMG Finance Lease lent RMB1.55 billion to the Company. 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.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## 5 Competitive Edge in Corporate Culture and Branding:

The core value of BBMG's corporate culture is based on the pragmatic working culture of "work with aspiration, competence, efficiency, success and prudence", the human spirits of "eight specials", the development philosophy of "integration, communion, mutual benefit and prosperity", and the corporate spirits of "three emphasis and one endeavor". BBMG has continuously expedited the reform, driven its business through innovation and managed its business in an innovative way, thereby achieving quality growth. The culture of BBMG is built based on experiences of numerous BBMG's employees. It aims to help employees realize their dreams, and is the driving force and cornerstone of BBMG's business. "BBMG" has been consecutively honored as a well-known trademark in Beijing and ranked 67th on the list of the 2018 (15th) 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.

## Discussion and Analysis on Future Development

### (1) Industry Pattern and Trend

#### **1 Domestic and overseas environments remain complex and challenging, and economy faces downward pressure.**

In terms of international environment, the global economic situation is complicated and geopolitical risks remain high. In 2019, the external environment is unbalanced and troubled by many uncertainties. In particular, the global economic growth and international trade growth have shown signs of slowing down. Trade frictions and policy uncertainties continue to pose significant risks. Economies around the world are exposed to amplified vulnerability against the backdrop of uncertainties. The downside risks to global economic growth have increased, but overall, the economic recovery is still continuing.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

In terms of the domestic environment, the economic development is facing complex changes in international environment and internal conditions. The longstanding structural problems in the PRC remain prominent. The hidden risks are exposed. The economic performance is stable but is subject to concerns. First and foremost, the Sino-US economy and trade friction remains the greatest uncertainty threatening the export condition, and may weaken the marginal driving effects of international demands. Its impacts on the PRC's division of labour in the global industrial chain and the expectations and confidence of some enterprises cannot be ignored. Moreover, domestic demands are expected to decline. With the traditional pillar industries such as real estate and automobiles entering the adjustment period, the new driving forces are still weaker than the traditional pillar industries despite the accelerated pace of replacing old growth drivers with new ones. Affected slower income growth, rising household debt burden, and declining willingness to spend on consumer durables, the overall consumption growth is relatively sluggish.

On the whole, the risks and challenges brought about by the changes in the long-term and short-term, internal and external factors have increased significantly in the PRC, and the endogenous growth momentum needs to be further enhanced. However, given the many favourable factors for the PRC's economy to maintain steady development in the future, the economic growth has tremendous potential and resilience. The supply-side structural reform has been further advanced, the reform and opening up has been pushed further, the emerging industries are flourishing, the employment situation is stable, domestic demands increasingly fuel economic growth, and the effects of macroeconomic policies are gradually manifesting. The economic growth rate is expected to remain in a stable range for the year.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**2 *Building materials industry fares well and the real estate market comes under pressure.***

The structural reform of the supply front was further advanced in the building materials industry in 2018. The efforts to cut overcapacity continued to bear fruits, and generated even more economic benefits. The industrial structure was gradually optimized, and the building materials industry generally fared well. However, the overcapacity problem in cement and sheet glass industries are yet to be solved. Lots of factories were just suspended and they may resume production at any time. The structural contradiction at the supply front remains the principal contradiction.

Building materials industry's total output increased moderately. In 2018, the added value of the building materials industry increased 4.3% year-on-year, with production volume of main products continuing to grow. Cement output declined 5.3% year-on-year to 2.21 billion tonnes. Output of commercial concrete increased 12.4% year-on-year. Building materials prices climbed steadily. Average price of building materials increased 10.5% year-on-year in 2018, recording growth for the second consecutive year. The industry's profitability further improved. In 2018, the above-scale companies in the building materials industry recorded a total revenue of RMB4.8 trillion, representing an increase of 15% year-on-year, and total profits increased 43% year-on-year to RMB431.7 billion. The cement sector recorded a total revenue of RMB882.3 billion, representing an increase of 25% year-on-year, and total profit increased 114% to RMB154.6 billion. Fixed asset investment in the cement industry continued to grow, which was mainly driven by technological upgrade and environmental protection projects. Very few new production capacities were built. The building materials industry underwent gradual structural optimization. Large building materials companies continued with their acquisition and restructuring activities, which increased the industry concentration. The top 10 cement companies (groups) accounted for 64% of total clinker capacities in the PRC, representing an increase of 12 percentage points from 2015.



## MANAGEMENT DISCUSSION & ANALYSIS

The real estate market will come under pressure in 2019. Real estate companies will continue to face complicated real estate policies. The glut in third and fourth-tier cities is expected to be worsened by the adjustment in shanty town renovation policies and increases supplies. In general, we expect the real estate sales growth to slow down and prices to stabilize in 2019, while growth in newly started constructions and real estate investments will be moderate or low. As for the demand, the property cooling measures will weigh on residential property sales, but we expect the downside is limited as the PRC is still in the process of urbanization. Real estate companies will put brakes on their investments due to the lower sales and slower cash inflow from property sales. On the other hand, the massive land sales acquired by real estate companies during the past two years will ensure that newly started constructions and real estate investment will continue to grow.

In general, we will continue to face lots of external instabilities and uncertainties, and the domestic economy will face a growing downward pressure. However, 2019 will be the 70th anniversary of the PRC, and the central government will roll out a series of stimulus measures and beef up implementation of the “six stabilization” policies. The RMB2 trillion tax cut and other policies of optimizing the business environment will drive quality development of the PRC’s manufacturing industries and help create a strong domestic market. As the regional strategic development has entered the construction stage, raised debt limits of local governments fuel infrastructure construction and improve weak links, and new technologies for infrastructure construction represented by artificial intelligence and industrial internet are launched to facility the transition from old to new drivers, the economy is expected to generally remain stable.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**(2) The Company's Development Strategy**

We will further promote the structural reform of the supply front, and facilitate the synergetic development of Beijing, Tianjin and Hebei Province. In addition, we will further reform ourselves and innovate, optimize our management and enhance our operating quality and efficiency. We will strive to create values, focus on our main businesses, be pragmatic, transform ourselves, and seek further business development. We will pursue quality growth and value maximization, and strive to build BBMG into a world-renowned and leading building materials group in the PRC. We will work hard to become a world-class company with long-lasting successes.

Promoting quality growth will be a priority of BBMG at the late stage of the "13th Five-Year Plan" and in the more distant future. We will focus on building the new industrial system, management system and momentum system that drive future quality growth. We will also facilitate the synergetic development of Beijing, Tianjin and Hebei Province, and further strengthen our talent pool and company culture, thereby realizing quality growth of BBMG.

Development Strategy for the Company's businesses in 2019:

The cement business upholds the strategic positioning of "building a world-class cement group which is modern, professional and large in scale". It will seize the strategic opportunities and leverage its strong profits to accelerate the synergy creation from its M&A and restructurings and enhance its operation and management. It will promote synergetic development of mining, aggregates and additive businesses, and strengthen its core competency. As the industry leader, it will set as an example for other cement companies and promote quality growth of the whole industry. The concrete business will accelerate its paces in solving its problems and properly dispose of the nonperforming assets. It shall transform its businesses and overcome shortfalls to become a strong modern company.

The modern building materials business shall strengthen its basic management and core businesses, beef up technological innovation, enhance its value-added services, and provide eco-friendly and energy-efficient new building materials that can well meet customers' needs. It shall integrate resources to build a characteristic product portfolio and explore new business model for commercialization. The equipment manufacturing business shall precisely position itself and provide solid support to building materials and metallurgy businesses, thereby becoming a self-sustaining segment. The trade business shall always prioritize risk control and further improve its risk control mechanism. It shall expand businesses and lending after thorough study and keep risks under control.

## MANAGEMENT DISCUSSION & ANALYSIS

The property development business shall enhance its ability of studying, forecasting and reacting to real estate policies, as well as actively seizing good development opportunities. It needs to strengthen its efficiency and performance in foraying into new cities, developing and operating projects, and generating high returns. It shall actively adapt to real estate policies of local markets, make full use of its land resources and realize synergetic development.

Property investment and management business will be given more priority. We will categorize our existing resources and map out different management plans for different properties. The property investment and management arm will target high-end customers and merchants, boost its expertise and services, and create synergies with the property development business.

### **(3) Business Plan**

2019 will be an important year for the Company in the implementation of the “13th Five-Year Plan”. The year will also be the 10th anniversary of the Company’s IPO. The Board of the Company will adhere to the keynote of making progress while maintaining stability, seize important strategic opportunities, stick to the new development concept, persist with reform and innovation, solidify our confidence, drive business through innovation and ensure fulfillment of our annual goals. We will work hard to boost our core businesses, and achieve quality business development.

### **(4) Possible risks**

#### **1 Risks in Policies**

The development of cement and property sectors is directly subject to macroeconomic development and macroeconomic control policies. The Sino-US trade tension will also impact on the Company’s businesses. The overcapacity issue in the cement industry remains unsolved. Staggering production will continue, and regulators will step up efforts in implementing other environmental protection policies. Cement companies will continue to actively respond to the structural reform of the supply front, enhance quality and efficiency, and strive for high quality business development. Property curb will remain tight, and more new policies will be introduced. The government’s curb on property industry is reaching the harshest level ever. Meanwhile, the PRC’s economy remains stable but is also undergoing changes. The external environment is complicated and challenging, and we are facing more economic uncertainties.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

Solution: The Company will enhance the interpretation, analysis and judgment of the national macroeconomic policies, and actively respond to national policies. The Company will also pay close attention to the US trade policies toward the PRC, and make adjustments in its importation and exportation accordingly. The Company will make use of market trends, raise the awareness in opportunity identification, synergy among industry segments and development, and incrementally enhance the abilities in institutional innovation, system innovation, technology innovation and management innovation. Leveraging fully on the advantages in scale, region and brand, the Company will sharpen its core competence, promote quality business development minimize the risks brought by macroeconomic policies.

**2 Risks in Capital Operation**

The capital market is facing many uncertainties due to strengthened financial regulation and the deleveraging. The funding costs remained high. As a result, businesses are having more difficulties in obtaining loans and face higher liquidity risks. 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, improve the efficiency in the use of capital, and promote its cooperation with financial institutions. It will also innovate our financing channels and explore new financing channels with a view to ensuring the safety and stability of the capital chain of the Company. Leveraging the advantages of BBMG Finance and BBMG Finance Lease, cash flow of the Company will be secured as a whole.

## MANAGEMENT DISCUSSION & ANALYSIS

### **3 Risks in Market Competition**

The Company conducted a strategic restructuring of Jidong Group successfully, which has further improved the order of the regional market where the cement segment of the Company operates. However, there is an excess of capacity in the industry as a whole. Many factories were just suspended and they may resume production at any time, causing impact on the market. Moreover, there is an imbalance in regional development. The market conditions in Northern China are better than that in Southern China, and the gap is widening. Companies in Northeast China and Inner Mongolia are still losing money or barely break even. Staggering production will encourage unfair competition in the market and impede self-discipline in the industry.

Solution: The Company will actively adapt to industry and market environment. It will seize the strategic opportunities to create more values, accelerate the absorption of restructuring results and enhance its operation and management. The Company will also optimize its presence in the cement industry, increase its share in regional markets, accelerate its transformation and upgrade, step up efforts in technological R&D and innovation, lower its costs and enhance its competitiveness in the market. As the industry leader, it will set example for other cement companies and help set the right market orders and industry rules, thereby enhancing its influence in the market and promoting quality growth of the whole industry.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**Liquidity and Financial Resources**

As at 31 December 2018, the Group's total assets amounted to RMB268,276.1 million, representing an increase of 15.5% from the beginning of the Reporting Period, of which liabilities amounted to RMB189,061.6 million, minority interests amounted to RMB21,549.0 million and total equity attributable to the shareholders of the parent company amounted to RMB57,665.5 million. Total equity attributable to shareholders amounted to RMB79,214.5 million, representing an increase of 13.3% from the beginning of the Reporting Period. As at 31 December 2018, the Group's net current assets were RMB39,955.6 million, representing an increase of RMB6,800.7 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2018 was 70.5%, representing an increase of 0.6 percentage point from the beginning of the Reporting Period.

As at 31 December 2018, the Group's cash and bank balances amounted to RMB18,774.5 million, an increase of RMB870.6 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, perpetual bonds, corporate bonds, medium-term notes, private bonds and banking facilities provided by its principal bankers in the PRC. As at 31 December 2018, the Group's interest-bearing bank borrowings amounted to RMB79,852.3 million (as at 31 December 2017: RMB62,448.3 million) and bore fixed interest rates. Of these borrowings, approximately RMB49,346.2 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB12,569.0 million from the beginning of the Reporting Period. Approximately RMB30,506.1 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB4,835.0 million from the beginning of the Reporting Period. The Group's interest-bearing bank borrowings were all denominated in RMB.

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 RMB158,900 million and drew down borrowings of RMB80,300 million in the PRC. The remaining credit facilities was RMB78,600 million. During the Reporting Period, the Company has paid the principals and interests of borrowings in a timely manner. The Company has sufficient capital for its operations. As at 31 December 2018, the Group had no future plans for material investments or capital assets.

According to relevant Board resolutions and resolutions of the general meeting, if it is predicted that the interest and principal of the bonds cannot be repaid on time when due or if the interest and principal of the bonds cannot be repaid at the end of the period, the Company shall at least adopt the following measures:

## MANAGEMENT DISCUSSION & ANALYSIS

1. No profits shall be distributed to the shareholders;
2. Significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed;
3. Salary and bonus of Directors and senior management shall be reduced or suspended;
4. The main responsible person in relation to the Company's bonds shall not be transferred.

As at the end of the Reporting Period, the Company has strictly complied with and fulfilled the above undertakings.

### Special Report on the Deposit and the Actual Use of Proceeds for 2018

The use and management of the proceeds from the 2014 and 2015 Non-Public Issuance of A Shares are as follows:

#### I. Basic information about the proceeds

##### (I) 2014 Non-Public Issuance

Pursuant to the resolution of the extraordinary general meeting of the Company held on 30 October 2013, and as approved under the Approval on the Non-Public Issuance of Shares of BBMG Corporation (關於核准北京金隅股份有限公司非公開發行股票的批復) (Zheng Jian Xu Ke [2014] No. 312) issued by China Securities Regulatory Commission ("CSRC"), the Company issued 500,903,224 RMB ordinary shares in a non-public issuance in March 2014 with a nominal value of RMB1 per share and an issue price of RMB5.58 per share. The total proceeds were RMB2,795,039,989.92 and the actual net proceeds after deducting issuance expenses of RMB20,304,100.00 were RMB2,774,735,889.92. The issuance was verified by the Capital Verification Report (An Yong Hua Ming (2014) Yan Zi No. 60667053\_A02) issued by Ernst & Young Hua Ming LLP. On 24 March 2014, the above proceeds of RMB2,779,239,989.92 were remitted into the designated account for proceeds opened with the approval of the Board of the Company.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**(II) 2015 Non-Public Issuance**

Pursuant to the resolution of the extraordinary general meeting of the Company held on 27 May 2015, and as approved under the Approval on the Non-Public Issuance of Shares of BBMG Corporation (關於核准北京金隅股份有限公司非公開發行股票的批復) (Zheng Jian Xu Ke [2015] No. 2336) issued by CSRC, the Company issued 554,245,283 RMB ordinary shares in a non-public issuance of shares in November 2015 with a nominal value of RMB1 per share and an issue price of RMB8.48 per share. The total proceeds were RMB4,699,999,999.84 and the net proceeds after deducting issuance expenses of RMB62,124,960.00 were RMB4,637,875,039.84. The issuance was verified by the Capital Verification Report (An Yong Hua Ming (2015) Yan Zi No. 60667053\_A02) issued by Ernst & Young Hua Ming LLP. On 30 November 2015, the above proceeds of RMB4,641,499,999.84 (including unpaid intermediary fee of RMB3,624,960.00) were remitted into the designated account for proceeds opened with the approval of the Board of the Company.

**(III) Basic information about the use and balance of the proceeds**

As at 31 December 2018, the Company has used RMB7,392,834,161.96 of the proceeds (including RMB4,516,174,950.95 of the proceeds actually used for the projects, RMB600,000,000.00 of the proceeds used to permanently replenish the working capital, RMB2,256,288,600.00 of proceeds with changed use, and intermediary fee, bank charges, and other fees paid), and obtained interest earned from deposits of RMB8,524,434.13. The balance of the proceeds was RMB36,430,261.93 (including unpaid intermediary fee of RMB3,624,960.00).



## MANAGEMENT DISCUSSION & ANALYSIS

### II. Management of the proceeds

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 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 System for Management 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 System for Management 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 wholly-owned 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 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 2018, 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.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

As of 31 December 2018, 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	34,326.14
2	Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch	0200203319020196563	The Company	31,271,491.83
3	Industrial and Commercial Bank of China Limited, Shijingshan Branch	0200013419200040504	Beijing Aerated Concrete Co., Ltd.	3,119,957.83
4	China Construction Bank Corporation, Dachang Sub-branch	13001707748050506500	BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	0.00
5	Industrial and Commercial Bank of China, Beijing Anzhen Branch	0200064819024649727	Beijing BBMG Tiantan Furniture Co., Ltd.	0.00
6	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000048	BBMG GEM Real Estate Development Co., Ltd.	0.00
7	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000047	BBMG GEM Real Estate Development Co., Ltd.	0.00
8	Agricultural Bank of China Limited, Tianjin Yong'an Road Branch	02280101040015072	Jinyu Ligang (Tianjin) Property Development Co., Ltd.	0.00
9	Agricultural Bank of China Limited, Nanjing Xinglong Street Branch	10109201040009981	BBMG Nanjing Real Estate Development Co., Ltd.	2,004,486.13
Total				36,430,261.93

Note: The savings balance in the aforesaid designated accounts for proceeds are current savings, which includes savings interest income of RMB8,524,434.13.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**III. Actual use of the proceeds**

The Company strictly followed the System for Management of Proceeds when using the proceeds. The details of the actual use of proceeds in proceeds-financed projects were set out in the "Breakdown of Use of Proceeds from A Shares In 2018" attached hereto.

**VI. Prepayment of the proceeds for investment projects and replacement of proceeds**

The Company did not have any prepayment of proceeds for investment projects and replacement of the proceeds in 2018.

**V. Use of idle proceeds for temporary replenishment of working capital**

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 (《上海證券交易所上市公司募集資金管理規定》) issued by the Shanghai Stock Exchange and 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.

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 of the Company, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital. The above 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 of the Company considered and approved the use. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 18 March 2016, the monies had been returned in full to the designated account for proceeds.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

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 of the Company, the Company agreed to use up to RMB2,650 million from the idle proceeds as temporary replenishment of working capital. The above 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, upon expiry of which the monies shall be returned to the designated account for proceeds. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 25 October 2016, the monies had been returned in full to the designated account for proceeds.

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 of the Company, 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 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, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 22 March 2017, the monies had been returned in full to the designated account for proceeds.

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 of the Company, the Company agreed to use up to RMB1,800 million from the temporarily 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. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 24 October 2017, the monies had been returned in full to the designated account for proceeds.

## MANAGEMENT DISCUSSION & ANALYSIS

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the sixteenth meeting of the fourth session of the Board of the Company, 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. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 26 March 2018, the monies had been returned in full to the designated account for proceeds.

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 of the Company, the Company agreed to use RMB1,500 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. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 26 October 2018, the monies had been returned in full to the designated account for proceeds.

In the announcements, the Company undertook that the use of certain 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.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**VI. Change of the proceeds-financed projects**

In the first half of 2018, certain proceeds-financed projects of the Company were closed. The Company applied the remaining proceeds to permanently replenish the working capital, and the use of such proceeds has changed, the details of which are as follows:

The “resolution for closing of certain proceeds-financed projects and application of the remaining balance of the proceeds to permanently replenish the working capital” was considered and passed at the thirtieth meeting of the fourth session of the Board and the eighteenth meeting of the fourth session of the Supervisory Board convened on 29 March 2018, and the 2017 annual general meeting convened on 24 May 2018 by the Company. Given the construction of certain proceeds-financed projects from the 2015 Non-Public Issuance of the Company, namely “Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project”, “Chaoyang District, Dongba Dandian secondary residential and primary school project” and “BBMG Zhongbei Town residential project”, has been completed, in order to maximize the effectiveness of the proceeds, improve the efficiency of the use of funds, enhance the financial position of the Company, reduce its financial expenses and short-term debt service pressure and improve its profitability, the Company utilized the balance of the proceeds from the completed fund-raising investment projects of RMB1,361.0827 million in aggregate to permanently replenish its working capital. The Company has made an announcement within 2 days upon conclusion of the Board meeting.

Save as stated above, the Company had no other changes of the proceeds-financed projects in 2018.

## MANAGEMENT DISCUSSION & ANALYSIS

### **VII. Problems in the use and disclosure of proceeds**

The Company has promptly, truly, accurately and fully disclosed the relevant information without any non-compliance in management of proceeds.

### **VIII. Assurance from the auditor on the deposit and use of proceeds for 2018**

Ernst & Young Hua Ming LLP is of the view that: the deposit and actual use of proceeds by the Company are, in all material aspects, in accordance with the Guidelines for the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Use of Proceeds (CSRC Announcement [2012] No. 44) and the Measures for the Management of Proceeds of Listed Companies on the Shanghai Stock Exchange issued by the Shanghai Stock Exchange, and in all material aspects reflect the deposit and actual use of proceeds by the Company in 2018.

### **IX. Review opinions of the sponsor**

Upon review, the sponsor First Capital Investment Banking Co., Ltd. is of the view that: in 2018, the Company strictly implemented the rules of designated saving accounts for proceeds, effectively enforced the Tri-Party Supervisory Agreement, and promptly performed relevant information disclosure obligations; the actual use of proceeds was consistent with that disclosed by the Company; there was no essential change in the use of proceeds and damage to shareholders' interests; and there was no non-compliance in the use of proceeds.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## Breakdown of Use of Proceeds from A Shares In 2018

Unit: RMB'0'000

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 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 (Note 8)	Achieve the intended results or not	Significant changes in project feasibility	Reason for failure to reach the scheduled progress	Total proceeds	
														749,594.00	391,692.29
		Charges in use of total proceeds	Total accumulated proceeds used for investment												
		225,529.85	737,246.37												
		30%													
Engineering project of 881MG International Logistics Park (北京金華豐國際物流工程項目) (Note 1)		97,953.00	97,953.00	97,953.00	18,346.34	95,593.58	(2,359.42)	97.59%	Completed	3,187.10	-	No	-		
Production line project with an annual production capacity of 1.8 million pieces of furniture capital (年產180萬件傢俬生產線項目) (Note 2)	Replacement of working capital	181,151.00	90,000.00	90,000.00	127.54	90,000.00	-	100.00%	Completed	64,678.44	-	No	-		
Chaoyang District Chaoyang North Road (former Sze Building Materials Product Factory) project (朝陽區朝陽北路原星島建築材料製品廠801-802、803號地二層住宅、中小學合資、住宅用地項目) (Note 3)	Replacement of working capital	90,000.00	46,014.42	46,014.42	499.00	46,014.42	-	100.00%	Completed	331,270.01	-	No	-		
801-802 and 803 secondary residential, secondary and primary school and nursery project (朝陽區朝陽北路原星島建築材料製品廠801-802、803號地二層住宅、中小學合資、住宅用地項目) (Note 3)	Replacement of working capital	37,773.08	37,773.08	37,773.08	-	37,773.08	-	100.00%	-	-	-	No	-		
Chaoyang District Dongta Daxidan secondary residential and primary school project (朝陽區東塔大दान二層住宅、小學用地項目) (Note 4)	Replacement of working capital	170,000.00	75,665.90	75,665.90	70.00	75,665.90	-	100.00%	Completed	640,532.83	-	No	-		
881MG Zhongbei Town residential project (金華豐北鎮住宅項目) (Note 5)	Replacement of working capital	50,000.00	45,997.91	45,997.91	4,801.57	45,997.91	-	100.00%	Completed	214,074.11	-	No	-		
Nanjing City Jiang District Kingjiong Street North A2 project (南京市江蘇區龍崗街北鎮A2項目) (Note 6)		100,000.00	100,000.00	100,000.00	14,693.84	98,344.70	(1,655.30)	98.34%	Expected to be completed in April 2019	644,279.46	-	No	-		
Sub-total		889,594.00	881,261.09	681,261.09	381,692.29	671,246.37	(4,014.72)	99.41%		1,888,041.95					
Replacement of working capital (Note 7)		60,000.00	60,000.00	60,000.00	-	60,000.00	-	100.00%		-					
Total		749,594.00	741,261.09	741,261.09	381,692.29	737,246.37	(4,014.72)	99.46%		1,888,041.95					



## MANAGEMENT DISCUSSION &amp; ANALYSIS

- Note 1: Phase 1 of the engineering project of BBMG International Logistics Park has been completed, phase 2 and phase 3 have been basically completed. 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 an 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 2018, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB23.5942 million in total.
- Note 2: Production line project with an annual production capacity of 0.8 million pieces of furniture has been completed. 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 special report, 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 BBMG Corporation.
- 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 completed. 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. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB377.7308 million to permanently replenish the working capital.
- Note 4: Chaoyang District, Dongba Dandian secondary residential and primary school project has been completed. 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. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB943.3310 million to permanently replenish the working capital.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

Note 5: BBMG Zhongbei Town residential project has been completed. 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. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB40.0209 million to permanently replenish the working capital.

Note 6: Nanjing City Jianye District Xinglong Street North A2 project is expected to be completed in April 2019. As of 31 December 2018, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB16.5530 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.

### Discloseable Transactions During the Reporting Period

(1) Reference is made to the announcements of the Company dated 31 May 2016, 29 June 2016, 6 July 2016 and 4 August 2016 (the "**Original Proposal Announcements**"), the announcements of the Company dated 28 December 2017 and 7 February 2018 (the "**Adjusted Proposal Announcements**") 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 Development Group and Jidong Cement. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Original Proposal Announcements, Adjusted Proposal Announcements and 2016 Circular.

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; and (ii) the Framework Agreement in relation to the establishment of the joint venture company (the "**JV Company**").

## MANAGEMENT DISCUSSION &amp; ANALYSIS

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 Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (“**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, 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 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. The transfer under the Equity Transfer Agreements was completed in June 2018, upon which the shareholding percentage of the Company in BBMG Mangrove increased from 51% to 100%.

For details of the above mentioned agreements and discloseable transactions entered into during the Reporting Period, please refer to the Adjusted Proposal Announcements.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

Since the adjusted proposal (the “**Adjusted Proposal**”) mentioned in the Adjusted Proposal Announcements, 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 Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) has confirmed that the Company may proceed with the Adjusted Proposal. At the 2018 first extraordinary general meeting held on 29 March 2018 (“**2018 First Extraordinary General Meeting**”), the two ordinary resolutions on the establishment of the JV Company and the matters in relation to the Performance Compensation Agreement were duly passed by the Shareholders. For details of the Adjusted Proposal as confirmed by the Hong Kong Stock Exchange and the poll results of the 2018 First Extraordinary General Meeting, please refer to the Company’s announcements dated 28 March 2018 and 29 March 2018.

On 27 April 2018, Jidong Cement has received a notice from China Securities Regulatory Commission that subsequent to the review taken at the 21st working meeting of the Merger and Reorganization Committee held on 27 April 2018, the material assets restructuring through contribution by Jidong Cement for the formation of the JV Company has been approved unconditionally.

On 10 May 2018, the Company received the “Decision on No Prohibition in Relation to the Antimonopoly Inspection of the Concentration of Undertakings” (經營者集中反壟斷審查不予禁止審查決定書) (Fan Long Duan Shen Cha Han [2018] No.2) (反壟斷審查函[2018]第2號) dated 4 May 2018 issued by the Anti-monopoly Bureau under the State Administration for Market Regulation, which, upon inspections, determined to lift the prohibition on the case of formation of the JV Company by the Company and Jidong Cement and to approve its implementation from the same date. The Adjusted Proposal passed the anti-monopoly inspection accordingly.

On 31 May 2018, Jidong Cement received the “Reply as the Approval on the Substantial Asset Restructure of Tangshan Jidong Cement Co., Ltd” (關於核准唐山冀東水泥股份有限公司重大資產重組的批覆) (Zheng Jian Xu Ke [2018] No.887) (證監許可[2018]887號) from the China Securities Regulatory Commission, which granted approval for the Adjusted Proposal. All the decision making processes in respect of the Adjusted Proposal have been performed and completed. The necessary relevant approvals or authorizations have all been obtained. There is no outstanding decision making processes or pending approvals or authorizations.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

On 1 June 2018, the JV Company obtained the business license issued by the Tangshan Administrative Examination and Approval Bureau (Fengrun District). The Company holds 47.09% equity interests of the JV Company and Jidong Cement holds 52.91% equity interests of the JV Company.

On 21 June 2018, Tangshan Jidong Cement Co., Ltd. (Tangshan Branch) and Tangshan Jidong Cement Co., Ltd. (Marketing Branch) have completed the change of industrial and commercial registration. Jidong Cement has completed the contributions to the JV Company in form of the assets of branch companies.

On 26 July 2018, the equity interests in 10 companies including BBMG Cement Trading Co., Ltd. held by the Company and the equity interests in 20 companies including Jidong Cement Luan County Co., Ltd. held by Jidong Cement were fully transferred to the JV Company. For details about the above equity transfer, please refer to the Company's announcement dated 26 July 2018.

- (2) After completion of a tender process conducted through Tianjin Property Rights Exchange, on 4 May 2018, the Company and Tianjin Jincheng State-owned Capital Investment and Management Company Limited\* ("**Tianjin Jincheng**"), entered into the Equity Transaction Agreement. Pursuant to the Equity Transaction Agreement, the Company has agreed to acquire, and Tianjin Jincheng has agreed to sell, 55% equity interests in Tianjin Building Materials Group (Holding) Co., Ltd. ("**Tianjin Building Materials**") (a wholly-owned subsidiary of Tianjin Jincheng) at a total consideration of RMB4,018 million. Upon completion of the transactions contemplated under the Equity Transaction Agreement on 22 May 2018, Tianjin Building Materials became a non-wholly owned subsidiary of the Company and its financial statements was consolidated into the financial statements of the Group. For details of the Equity Transaction Agreement and the reasons for and benefits of entering into the Equity Transaction Agreement, please refer to the announcement of the Company dated 4 May 2018.
- (3) On 9 January 2019, the Company entered into the asset acquisition agreement (the "**Asset Acquisition Agreement**"), the JV Company registered capital increase agreement (the "**JV Company Registered Capital Increase Agreement**") and the termination agreement (the "**2019 Termination Agreement**") to terminate the equity entrustment agreement dated 28 December 2017 entered into between the Company and Jidong Cement.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

In order to resolve the issues of competing business between the Company and Jidong Cement, pursuant to the Asset Acquisition Agreement, the Company has agreed to sell and Jidong Cement has agreed to purchase, the entire equity interests in each of the target companies (the “**Target Companies**”) (the equity interests of which will be transferred from the Company to Jidong Cement pursuant to the Asset Acquisition Agreement). The consideration under the Asset Acquisition Agreement of RMB1,536,867,900 has been based on the valuation result of the equity interests of the Target Companies as determined by an independent valuer using 31 July 2018 as the valuation date in which the valuation has been approved by the State-owned Assets Supervision and Administration Commission (the “**SASAC**”).

In order to resolve the issues of competing business between the Company and Jidong Cement, the Company and Jidong Cement has agreed to contribute to the increase in the registered capital of the JV Company in an amount of RMB1 billion in accordance with their respective shareholding in the JV Company.

The Company will contribute by way of injecting seven injected companies (the “**Seven Injected Companies**”) whereas Jidong Cement will contribute by way of injecting five injected companies (the “**Five Injected Companies**”) together with a cash payment of RMB2,481,749,700. The contribution of the Company and Jidong Cement has been based on the valuation result of the equity interests of the Seven Injected Companies and the Five Injected Companies as determined by an independent valuer using 31 July 2018 as the valuation date in which the valuation has been approved by the SASAC. The cash payment of Jidong Cement in the amount of RMB2,481,749,700 represents the shortfall between the valuation of the Five Injected Companies and the total amount payable by Jidong Cement by reference to its 52.91% shareholding in the JV Company.

Pursuant to the 2019 Termination Agreement, The Company and Jidong Cement have agreed to terminate the equity entrustment agreement dated 28 December 2017 entered into between the Company and Jidong Cement. The Company has further agreed to pay Jidong Cement an entrustment fee calculated on a pro rata basis with reference to RMB5,000,000 as the annual entrustment fee.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

The Asset Acquisition Agreement, the JV Company registered capital increase agreement and the 2019 Termination Agreement (collectively, the “**2019 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. The 2019 Agreements further resolve the issue of competing business between the Company and Jidong Cement. The 2019 Agreements further provide an opportunity for the Company to continue to cooperate with Jidong Cement on various aspects and will be a win-win situation to both the Company and Jidong Cement. The transactions under the 2019 Agreements are not expected to have any material adverse effect on the Company’s operating results. The value of contribution to the increase in registered capital of the JV Company by the Company and Jidong Cement under the JV Company Registered Capital Increase Agreement and the consideration payable by Jidong Cement to the Company under the Asset Acquisition Agreement were determined based on arm’s length negotiations between the parties and based on the valuation results of the respective equity interests of the Target Companies and Injected Companies as at 31 July 2018 by independent valuer(s) in which all such valuations have been approved by SASAC.

Upon completion of the 2019 Agreements on 25 March 2019, the Target Companies shall cease to be directly owned subsidiaries of the Company. The Injected Companies became indirectly owned subsidiaries of the Company.

For details of the 2019 Agreements, please refer to the announcements of the Company dated 9 January 2019 and 25 March 2019.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**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 JV Company and the acquisition of all the minority interests of BBMG Mangrove 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.

**Pledge of Assets**

As at 31 December 2018, certain of the Group’s inventories, accounts receivable, fixed assets, investment properties, land use rights, equity interest and bills receivable amounting to RMB45,891.8 million in aggregate (as at 31 December 2017: RMB26,024.0 million) were pledged to secure short-term and long-term loans of the Group, which accounted for approximately 17.1% of the total assets of the Group (as at 31 December 2017: 11.2%).



## MANAGEMENT DISCUSSION &amp; ANALYSIS

## Contingencies

		As at 31 December 2018	Unit: RMB As at 31 December 2017
Provision of guarantee on mortgage to third parties	Note 1	<b>6,447,501,029.54</b>	12,052,621,076.05
Provision of guarantee on loans and others to third parties	Note 2	<b>2,630,000,000.00</b>	4,824,000,000.00
		<b>9,077,501,029.54</b>	16,876,621,076.05

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 2018, Jidong Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB1,020,000,000.00 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). The guarantee will expire on 21 May 2029. Tianjin Building Materials Group (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司), a subsidiary of the Group, provided guarantees on the borrowings of RMB390,000,000.00 for Tianjin Yishang Group Co., Ltd. (天津一商集團有限公司), the borrowings of RMB1,200,000,000.00 for Datong Coal Mine Group Co., Ltd. (大同煤礦集團有限責任公司), and borrowings of RMB20,000,000.00 for Tianjin Jianrun Steel Trading Co., Ltd. (天津建潤鋼鐵貿易有限公司). These guarantees will expire in October 2019, on 13 December 2019 and 12 March 2019, respectively.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**Commitments**

	<b>As at 31 December 2018</b>	Unit: RMB As at 31 December 2017
Contracted but not provided for:		
Capital commitments	<b>128,498,574.97</b>	240,456,042.76
Property development contracts	<b>16,240,929,685.55</b>	6,402,057,932.69
	<b>16,369,428,260.52</b>	6,642,513,975.45

The significant commitments made by the Group as at 31 December 2017 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 2019 Agreements entered into with Jidong Cement on 9 January 2019.

**Employees and Remuneration Policy**

As at 31 December 2018, the Group had 52,498 employees in total (as at 31 December 2017: 52,321 employees). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB6,194.7 million (for the year ended 31 December 2017: RMB5,502.4 million), representing an increase of approximately 12.6%.

## MANAGEMENT DISCUSSION & ANALYSIS

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 fair remuneration system with market competitiveness 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 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 the main forms set out as follows:

Operations and management staff (including senior management of parent company and subsidiaries) receive salaries mainly on an annual basis. The Company raised the proportion of performance-based pay in the total annual remuneration, as well as implemented deferred payment for certain performance-based rewards 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 has 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 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.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

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 provided allowances for working under high temperature and allowances for heating expenses in a timely manner, and gave comprehensive protection for its staff in respect of their legal rights and interests.

### 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 and training in safety production, covering a total of 14,150 people.

### The statistics of the profession composition of the employees (as at 31 December 2018)

Employee profession	Number of employees
Production personnel	27,823
Sales personnel	4,199
Technical personnel	11,024
Financial personnel	1,874
Administrative personnel	6,299
Other personnel	1,279
Total	52,498

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**The statistics of the education level of the employees (as at 31 December 2018)**

<b>Education level</b>	<b>Number of employees</b>
Postgraduate or higher	1,364
Undergraduate	11,679
Tertiary college graduate	11,622
Secondary vocational school graduates or lower qualifications	27,833
Total	52,498

**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 2018. 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 350 to 367. 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 2018 and the state of affairs of the Group at that date are set out in the financial statements on pages 152 to 153 and 149 to 151 of this Annual Report.

No interim dividend had been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.055 per share (totaling approximately RMB587,277,000) for the year ended 31 December 2018 to the shareholders on or before 15 July 2019 subject to the approval of the shareholders of the Company at the forthcoming 2018 annual general meeting ("**2018 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 26 to 80 and "Report of the Directors" on pages 81 to 96 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. 15 and V. 16 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 40.

### **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 432 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 short-term financing bonds and bonds payable as at 31 December 2018 are set out in Notes V. 24, 25, 33 and 34 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB3,607,912,380.20, details of which were set out in Note V. 53 to the financial statements.

## REPORT OF THE DIRECTORS

Pursuant to the special resolution considered and approved at the 2016 annual general meeting of the Company held on 17 May 2017, the Company issued (i) 2018 first tranche of medium-term notes of BBMG Corporation on 22 January 2018, totaling RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.85%; (ii) the first tranche of debt financing plan for 2018 (“**18 BBMG ZR001**”) on 27 February 2018, with a term of 2+3 years and a coupon rate of 5.80%. Its interest commencement date was 27 February 2018 and the expiry date will be 27 February 2023. Its actual listing amount totaled RMB500,000,000; (iii) the second tranche of debt financing plan for 2018 (“**18 BBMG ZR0**”) on 25 June 2018, with a term of 3 years and a coupon rate of 6.30%. Its expiry date will be 25 June 2021, its actual listing amount totaled RMB2,500,000,000 and its listing price was 6.30%.

Pursuant to the special resolution considered and approved at the second extraordinary general meeting for 2017 of the Company held on 15 December 2017, the Company issued (i) first tranche of corporate bonds (type one) for 2018 on 13 July 2018 with total amount of RMB1,500,000,000, a term of 5 years and a coupon rate of 4.7%, with the issuer’s option to adjust the coupon rate and the investors’ option to sell back the bonds at the end of the third year; first tranche of corporate bonds (type two) for 2018 on 13 July 2018 with total amount of RMB1,500,000,000, a term of 7 years and a coupon rate of 5.00%, with the issuer’s option to adjust the coupon rate and the investors’ option to sell back the bonds at the end of the fifth year.

Pursuant to the special resolution considered and approved at the 2016 annual general meeting of the Company held on 17 May 2017, the Company issued the third tranche of medium-term notes for 2018 on 9 August 2018 with total amount of RMB2,500,000,000, a term of 5 years and a coupon rate of 4.70%. The interest commencement date was 13 August 2018.

Pursuant to the special resolution considered and approved at the 2016 annual general meeting of the Company held on 17 May 2017, the Company issued (i) the first tranche of ultrashort financing bonds for 2018 on 29 January 2018 for a term of 180 days. The interest commencement date was 29 January 2018 and the actual amount issued totaled RMB2,000,000,000 with a coupon rate of 5.30%; (ii) the second tranche of ultrashort financing bonds for 2018 on 5 March 2018 for a term of 180 days. The interest commencement date was 5 March 2018 and the actual amount issued totaled RMB2,000,000,000 with a coupon rate of 5.13%; (iii) the third tranche of ultrashort financing bonds for 2018 on 20 April 2018 for a term of 270 days. The interest commencement date was 23 April 2018 and the actual amount issued totaled RMB1,500,000,000 with a coupon rate of 4.59%; (iv) the fourth tranche of ultrashort financing bonds for 2018 from 16 July 2018 to 17 July 2018 for a term of 270 days. The interest commencement date was 18 July 2018 and the actual amount issued totaled RMB2,000,000,000 with a coupon rate of 4.39%. (v) the fifth tranche of ultrashort financing bonds for 2018 on 15 November 2018 for a term of 210 days. The interest commencement date was 16 November 2018 and the actual amount issued totaled RMB1,000,000,000 with a coupon rate of 4.39%; and (vi) the fifth tranche of ultrashort financing bonds for 2018 on 10 December 2018 for a term of 197 days. The interest commencement date was 11 December 2018 and the actual amount issued totaled RMB2,000,000,000 with a coupon rate of 3.59%.



## REPORT OF THE DIRECTORS

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.

### **Permitted Indemnity Provision**

Pursuant to the Articles of Association of the Company, all Directors, Supervisors, president 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, president 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. 40 to the financial statements.

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

### **Reserves**

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in Notes V. 42, 43, 44, 45, 46, and 47 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 2018, an amount of approximately RMB12,686,531,408.25 standing to the credit of the Company's reserve account is available for distribution, of which approximately RMB587,277,413 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*)

Wu Dong

Zheng Baojin

Zeng Jin (resigned on 26 December 2018)

*Non-executive Directors:*

Guo Yanming

Xue Chunlei (appointed on 16 October 2018)

Yu Zhongfu (resigned on 16 October 2018)

*Independent non-executive Directors:*

Wang Guangjin

Tian Lihui

Tang Jun

Ngai Wai Fung

*Supervisors:*

Pei Ying (appointed on 16 October 2018)

Wang Zhicheng

Yu Kaijun

Zhang Guoliang

Zhuang Zhenguo

Jiang Yu (appointed on 16 October 2018)

Song Lifeng (appointed on 16 October 2018)

Xu Feng (resigned on 16 October 2018)

Hu Juan (resigned on 16 October 2018)

Zhang Qicheng (resigned on 16 October 2018)

## REPORT OF THE DIRECTORS

The terms of office of the Directors and Supervisors of the current fifth session of the Board and supervisory board of the Company (“**Supervisory Board**”) commenced from the respective dates of appointment (that is, on the date of the 2018 Second EGM) and will expire on the date of the 2020 AGM. Upon the expiry of the term of appointment at the 2020 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 9 to 21 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. 22 and V. 36 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 representing the controlling shareholder will not receive any separate remuneration; and (ii) 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 2018, 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 2018, 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 RMB984,505.00 (for the year ended 31 December 2017: RMB8,155,715.50).

### **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 (including enterprises and individuals) investing in the A shares of the Company (the “**A Shares**”) listed on the Shanghai Stock Exchange through The Stock Exchange of Hong Kong Limited (the “**Hong Kong 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 tax residency 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 of the Company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authorities, the paid amount in excess of the tax payable based on the tax rate under such tax treaty will be refunded to those enterprises and individuals by the competent tax authorities.

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.

**Profit Distribution for Investors of Southbound Trading**

For investors (including enterprises and individuals) investing in the H Shares listed on Hong Kong Stock Exchange through the Shanghai 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) to be signed 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 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 individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the companies 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 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 companies 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 payable 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.

### **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 2018, 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 2018, 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 Jingguofa Equity Investment Fund (Limited Partnership)) (Note 2)	Interest of corporation controlled by the substantial shareholder	43,115,900	0.52	0.40
	State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1)	Held by controlled corporation	4,840,473,472	58.05	45.33
H Shares	Ouyang Jieliang	Direct beneficial owner	214,351,000	9.17	2.01
H Shares	Prime Capital Management Company Limited	Investment manager	167,306,755	7.15	1.57
H Shares	FMR LLC	Interest of corporation controlled by the substantial shareholder	117,642,624	5.03	1.10

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 43,115,900 A Shares of the Company through its 83.4262% direct equity interest in Beijing Jingguorui State-owned Assets Reform and Development Fund (Limited Partnership)\* (北京京國瑞國企改革發展基金(有限合夥)) and 93.32% indirect equity interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership)\* (北京京國發股權投資基金(有限合夥)), which is directly held by Jingguorui State-owned Assets Reform and Development Fund (Limited Partnership)\* (北京京國瑞國企改革發展基金(有限合夥)).

## REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2018, 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**

During 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 2018 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 2018 AGM.

On behalf of the Board

**Jiang Deyi**

*Chairman*

Beijing, the PRC

28 March 2019

# REPORT OF THE SUPERVISORY BOARD

In 2018, 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 2018.

## I. Meetings of the Supervisory Board in 2018

During the Reporting Period, the Supervisory Board held 7 meetings in total. Details are set out as follows:

### (I) The seventeenth meeting of the fourth session of the Supervisory Board

The seventeenth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 7 February 2018. 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 regarding the profit compensation 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.
3. The resolution on confirming the audit report and evaluation report involved in the contribution to establish the joint venture

## REPORT OF THE SUPERVISORY BOARD

**(II) The eighteenth meeting of the fourth session of the Supervisory Board**

The eighteenth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 29 March 2018. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the annual report and its summary and the annual results announcement of the Company for 2017
2. The resolution for considering the audited accounts of the Company for 2017
3. The resolution for considering the preliminary profit distribution of the Company for 2017
4. The resolution for considering the corporate social responsibility report of the Company for 2017
5. The resolution for considering the "Special Report on the Deposit and the Actual Use of Proceeds" of the Company
6. The resolution on the completion of some of the proceeds-funded investment projects of the Company and the use of remaining proceeds to permanently replenish the working capital
7. The resolution for considering the work report of the Supervisory Board for 2017

**(III) The nineteenth meeting of the fourth session of the Supervisory Board**

The nineteenth meeting of the fourth session of the Supervisory Board was convened by way of communication voting on 25 April 2018 to consider and approve the resolution for considering the first quarterly report of the Company for 2017 and the resolution for considering the changes to accounting policies.

## REPORT OF THE SUPERVISORY BOARD

**(IV) The twentieth meeting of the fourth session of the Supervisory Board**

The twentieth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 28 June 2018. All seven eligible Supervisors attended the meeting. The meeting considered and approved the resolution for acquiring equity interests in certain subsidiaries of BBMG Assets Management Co., Ltd. by the Company and connected transactions.

**(V) The twenty-first meeting of the fourth session of the Supervisory Board**

The twenty-first meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 29 August 2018. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the interim report, summary and the interim results announcement of the Company for 2018
2. The resolution for considering the “Interim Special Report on the Deposit and the Actual Use of Proceeds for 2018” of the Company
3. The resolution on the general election of the Supervisory Board of the Company
4. The resolution on the remuneration of the Supervisors of the Company
5. The resolution on the amendments to the Articles of Association of the Company

**(VI) The first meeting of the fifth session of the Supervisory Board**

The first meeting of the fifth session of the Supervisory Board was convened on-site in Beijing on 16 October 2018. 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

**(VII) The second meeting of the fifth session of the Supervisory Board**

The second meeting of the fifth session of the Supervisory Board was convened by way of communication voting on 29 October 2018. The meeting considered and passed the resolution for considering the third quarterly report of the Company for 2018.

**II. Attendance of Members of the Supervisory Board at General Meetings and their In-attendance at Board Meetings in 2018**

During the Reporting Period, members of the Supervisory Board attended three shareholders' general meetings of the Company, and were in attendance at 14 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.

**III. Opinion of the Supervisory Board on Certain Issues of the Company for the Year 2018**

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.

## REPORT OF THE SUPERVISORY BOARD

**(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 2018. 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.

**(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 2017, Preliminary Profit Distribution Plan for 2017, the financial accounting reports included in the regular reports (定期報告) in 2017 and the first quarterly report, interim report and third quarterly report for 2018, 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 2018 and 2018. 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.

## REPORT OF THE SUPERVISORY BOARD

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

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

### **(V) Opinion on connected transactions of the Company**

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

### **(VI) Opinion on corporate social responsibility report**

During the Reporting Period, the Supervisory Board reviewed the Company's corporate social responsibility report for 2017, 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.

## **IV. Work Plan of the Supervisory Board for 2019**

In 2019, 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.

## REPORT OF THE SUPERVISORY BOARD

**(I) Duly discharging duties under the laws and regulations**

In 2019, the Supervisory Board will exercise supervision over standardized operations and the performance of duties by the Directors and the senior management of the Company in strict compliance with the Company Law, the Articles of Association and relevant requirements. Firstly, it will procure the Company to further improve its corporate governance structure and governance practices according to the requirements of the modern enterprise systems. Secondly, it will continue to strengthen its supervisory functions by attending the general meetings and the Board meetings under the laws to keep informed of the Company's major decisions and the legitimacy of decision-making processes to better protect the rights and interests of the shareholders of the Company. Thirdly, it will implement the Rules of Procedures of the Supervisory Board and convene meetings of the Supervisory Board on a regular basis.

**(II) Strengthening supervision and inspections to avoid operational risks**

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

**(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.**

**Pei Ying**

*Supervisory Board*

Beijing, the PRC

28 March 2019

# 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**

The Company's 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.bbmng.com.cn/listco](http://www.bbmng.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 2018 and 28 March 2019)
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 2018 and 28 March 2019)
Stock code	601992.SH

## INVESTOR RELATIONS REPORT

2	Financial Calendar	
	2017 annual results announcement	published on 29 March 2018
	2018 first quarterly results announcement	published on 25 April 2018
	2018 interim results announcement	published on 29 August 2018
	2018 third quarterly results announcement	published on 29 October 2018
	2018 annual results announcement	published on 28 March 2019
	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
	Closure of register of H shares members for attending the 2018 AGM	from 16 April 2019 to 15 May 2019
	2018 AGM	15 May 2019
	Financial year end	31 December
3	Dividends	
	2017 final dividend	RMB0.048 per share
	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
	Proposed 2018 final dividend	RMB0.055 per share
	Closure of register of H shares members for 2018 final dividend	from 24 May 2019 to 29 May 2019
	2018 H shares final dividend payment date	15 July 2019

For any queries, please contact:

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# **CORPORATE** GOVERNANCE REPORT





**BBMG**



**2013**

## CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2018.

### **1. Commitment to Corporate Governance**

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

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

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

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

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

### Composition

As at the end of the Reporting Period, the Board comprised three 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
Wu Dong	Member of the Remuneration and Nomination Committee
Zheng Baojin	Member of the Strategic Committee
Zeng Jin	Member of the Strategic Committee (resigned on 26 December 2018)



## CORPORATE GOVERNANCE REPORT

***Non-executive Directors:***

Guo Yanming      Member of the Audit Committee

Xue Chunlei      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 balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. As of the date of this report, the Board currently comprises three executive Directors, two non-executive Directors and four independent non-executive Directors. It has a strong independence element in its composition.

As the term of the fourth session of the Board has expired in 2018, a general election should be held in accordance with the Articles of Association. Certain Directors were elected or re-elected by the shareholders of the Company (“**Shareholders**”) to constitute the fifth session of the Board at the 2018 Second EGM. The term of the fifth session of the Board commenced from the conclusion of the 2018 Second EGM and will be expiring on the date of the annual general meeting of the Company for the year of 2020.

The Directors offered for re-election at the 2018 Second EGM are Mr. Jiang Deyi, Mr. Zeng Jin, Mr. Wu Dong, Mr. Zheng Baojin, Mr. Wang Guangjin, Mr. Tian Lihui, Mr. Tang Jun and Mr. Ngai Wai Fung. The non-executive Director being nominated for election at the 2018 Second EGM is Mr. Xue Chunlei. Mr. Guo Yanming fulfilled the relevant requirements to be elected democratically by the staff and workers of the Company as a Director and is therefore not subject to election at the 2018 Second EGM.

As Mr. Yu Zhongfu did not offer himself for re-election at the 2018 Second EGM upon the expiration of his term of office, Mr. Yu Zhongfu has retired as a non-executive Director on 16 October 2018.

## CORPORATE GOVERNANCE REPORT

On conclusion of the 2018 Second EGM, the fifth session of the Board is composed of executive directors of Mr. Jiang Deyi, Mr. Zeng Jin, Mr. Wu Dong, Mr. Zheng Baojin, non-executive Directors of Mr. Guo Yanming and Mr. Xue Chunlei and independent non-executive Directors of Mr. Wang Guangjin, Mr. Tian Lihui, Mr. Tang Jun and Mr. Ngai Wai Fung.

On 26 December 2018, the Board received a resignation letter from Mr. Zeng as being the executive Director, president and a member of the Strategic Committee of the Company with effect from 26 December 2018 because of his work re-designation.

The biographical details of each Director are disclosed on pages 9 to 14 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.

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 arrangements to insure against possible legal actions that the Directors and senior management may be involved in. The Board reviews the insurance arrangement annually.



## CORPORATE GOVERNANCE REPORT

The independent non-executive Directors advise the Company on strategic and significant matters. The Board considers that each independent non-executive Director brings his/her 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.

### **The Chairman and the Chief Executive Officer**

For the year ended 31 December 2018, 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.

## CORPORATE GOVERNANCE REPORT

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 president, 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 fourth session of the Board and Supervisory Board of the Company has expired during the Reporting Period. On the 2018 Second EGM, the fifth session of the Board and Supervisory Board of the Company were formed and the respective terms of office of the Directors and Supervisors of the fifth session has commenced from the respective dates of appointment (that is, on the date of the 2018 Second EGM) and will expire on the date of the 2020 AGM. Upon the expiry of the terms of appointment at the 2020 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 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

## CORPORATE GOVERNANCE REPORT

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 was reasonable and practicable in the circumstances. During the Reporting Period, the Board also convened the 2017 AGM, the 2018 First EGM and the 2018 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	Board meetings	Number of attendance/ Number of meetings entitled to attend		
		2017 AGM	2018 First EGM	2018 Second EGM
<i>Executive Directors</i>				
Jiang Deyi (Chairman)	14/14	1/1	1/1	1/1
Wu Dong	14/14	1/1	1/1	1/1
Zheng Baojin	14/14	1/1	1/1	1/1
Zeng Jin (resigned on 26 December 2018)	14/14	1/1	1/1	1/1
<i>Non-executive Directors</i>				
Guo Yanming	14/14	1/1	1/1	1/1
Xue Chunlei (appointed on 16 October 2018)	4/4	0/0	0/0	0/0
Yu Zhongfu (resigned on 16 October 2018)	10/10	1/1	1/1	1/1
<i>Independent non-executive Directors</i>				
Wang Guangjin	14/14	1/1	1/1	1/1
Tian Lihui	14/14	1/1	1/1	1/1
Tang Jun	14/14	1/1	1/1	1/1
Ngai Wai Fung	14/14	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
Wu Dong	A + B + C
Zheng Baojin	A + B + C
Zeng Jin (resigned on 26 December 2018)	A + B + C
<i>Non-executive Directors</i>	
Guo Yanming	A + C
Xue Chunlei (appointed on 16 October 2018)	A + C
Yu Zhongfu (resigned on 16 October 2018)	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.

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.

## CORPORATE GOVERNANCE REPORT

### **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 2018, 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, Xue Chunlei and Yu Zhongfu (resigned on 16 October 2018).

The major functions and roles of the Audit Committee are:

- To review the financial statements of the Company;
- To consider and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- To review and opine on the connected transactions and continuing connected transactions of the Group;
- To review the accounting policies adopted by the Group and their implementation;
- To oversee the engagement of external auditors and their independence;
- To review and monitor the effectiveness of the internal audit and risk management function;

## CORPORATE GOVERNANCE REPORT

- 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;
- 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:

<b>Name of Directors</b>	<b>Number of attendance/ Number of meetings entitled to attend</b>
<i>Independent non-executive Directors</i>	
Tian Lihui (Chairman of the Audit Committee)	4/4
Wang Guangjin	4/4
Tang Jun	4/4
Ngai Wai Fung	4/4
<i>Non-executive Directors</i>	
Guo Yanming	4/4
Xue Chunlei (appointed on 16 October 2018)	1/1
Yu Zhongfu (resigned on 16 October 2018)	3/3



## 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 2017;
- review of the accounting policies of the Group adopted during the Report Period;
- the proposed appointment of Ernst & Young Hua Ming LLP as the Company's independent auditor for the year ended 31 December 2018;
- review of the 2018 interim report and interim results announcement;
- review of the 2018 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 2018;
- review of changes of accounting policy;
- review of the proposal on the election of directors and formation of the fifth session of the Board and the appointment of senior management; and
- review of the related transactions, external guarantee and occupied fund 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 27 March 2019.

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; (vi) to examine nominations for Directors and senior management and to make recommendations to the Board for appointments; and (vii) to review the implementation of the policy on diversity of the Board. 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 2018, 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 2017 performance-based remuneration plan for the Company's senior management and 2017 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;
- d. The review of the proposals of selecting directors and establishing the fifth session of the Board and appointing senior management;
- e. 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:

<b>Name of Directors</b>	<b>Number of attendance/ Number of meetings entitled to attend</b>
<i>Executive Directors</i>	
Wu Dong	4/4
<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 18 to 21 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 2018, the Strategic Committee consisted of six members, two of whom are executive Directors, namely Jiang Deyi 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 two meetings with an attendance rate of 100% to consider investment and financing plan of the Company and make comments and advise on the development planning strategy of the Company according to the environment and status of the industry and market where our Company are operating.

**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 2018.

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 2018, 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.

## CORPORATE GOVERNANCE REPORT

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.

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 140 to 148 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訊使用人管理制度) and Securities Dealing Code for Management (管理層證券交守則) 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 2018, 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 president, the deputy general manager, the deputy general manager assistant, the board secretary and the company secretary as the members of the senior management.

For the year ended 31 December 2018, remuneration paid to the members of the senior management other than the Executive Directors was as follows:

	<b>2018</b> RMB	2017 RMB
Total remuneration	<b>7,550,475</b>	7,872,596

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

	<b>2018</b>	2017
RMB0-1,000,000	<b>8</b>	11
RMB1,000,001-1,500,000	<b>2</b>	2
	<b>10</b>	13

## 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 2018 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 2018 is summarised as follows:

<b>Ernst &amp; Young Hua Ming LLP</b>	<b>RMB</b>
Annual results auditing services	5,200,000
Review of 2018 interim results	3,750,000
Other non-annual audit or review services	—
<b>Total</b>	<b>8,950,000</b>

## 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 107 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 140 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

In order to further improve the corporate governance structure of the Company and further strengthen the protection of the interests of small and medium investors, the Company proposed to make amendments (the **"2018 First Proposed Amendments"**) to the articles of association of the Company (the **"Articles of Association"**) in accordance with the relevant requirements of Beijing Administration for Industry and Commerce and the suggestions according to the requirement of the Recommendation Letter of China Securities Investor Services Center regarding Small and Medium Shareholders (《中證中小投資服務中小股東建議函》). The 2018 First Proposed Amendments were all passed at the 2017 annual general meeting held on 24 May 2018. For details of the 2018 First Proposed Amendments, please refer to the announcement of the Company dated 29 March 2018.

Pursuant to the requirements of the relevant laws, administrative regulations and listing rules of the place where the Company is listed, and according to the actual circumstances of the Company, the Company proposed to make amendments to the Articles of Association mainly by adding contents in relation to the "incorporation of party development in the Articles of Association" to the Articles of Association and inserting scope of business and optimizing the provisions for accumulative voting mechanism (the **"2018 Second Proposed Amendments"**). The 2018 Second Proposed Amendments were all passed at the 2018 second extraordinary general meeting (the **"2018 Second EGM"**) held on 16 October 2018. For details of the 2018 Second Proposed Amendments, please refer to the announcement of the Company dated 29 August 2018.

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

## CORPORATE GOVERNANCE REPORT

**10. Dividend Policy****(I) The basic principles of dividend distribution policy of the Company are:**

- (1) Taking into full account of the investor return, the dividend distributed to the shareholders in the past three years shall be no less than 30% of the average annual distributable profit attributable to shareholders of the listed company realized in the past three years, as recorded in the consolidated financial statements;
- (2) The Company shall maintain continuity and stability of the dividend distribution policy, and give proper consideration to long-term interests of the Company, the interests of all shareholders as a whole and sustainable development of the Company;
- (3) The Company will give priority to cash dividend.

**(II) The detailed policies of profit distribution are set out below:**

- (1) The form of distribution: The Company may distribute dividends in cash, in shares, or in a combination of both cash and shares. When the conditions are satisfied, the Company may declare interim dividends.
- (2) Conditions and proportion of cash dividend distribution:

Subject to special circumstances, the Company shall distribute cash dividend when the Company makes profit in the year and the accumulated undistributed profit shall be a positive figure. In principle, the accumulated dividend distributed by the Company in cash in the past three years shall be no less than 30% of the average annual distributable profits realized in the past three years (average annual distributable profits refer to such average annual profits that attributable to shareholders of the listed company realized in the past three years, as recorded in the consolidated financial statements).

Special circumstances refer to material investments or cash expenditures (excluding fund-raising projects) made by the Company. Material investments or cash expenditures refer to those matters that need review and approval of shareholders' general meeting pursuant to the relevant laws and regulations and requirements of these Articles of Associations.

## CORPORATE GOVERNANCE REPORT

## (3) Differentiated cash dividend distribution policies:

When carrying out cash dividend distribution, the board of directors of the Company shall take into comprehensive consideration of such factors as the characteristics of the industries the Company operate in and the business lifecycle of the Company, its own business model, profitability level, as well as whether it has any substantial capital expenditure arrangement, and structure differentiated cash dividend distribution policies applicable to the following situations in accordance with the procedures specified in the Articles of Association:

- (i) Where the Company is in a maturity phase with no substantial capital expenditure, the cash dividend distributed shall not be less than 80% of the total profits distributed when carrying out profit distribution;
- (ii) Where the Company is in a maturity phase with substantial capital expenditure, the cash dividend distributed shall not be less than 40% of the total profits distributed when carrying out profit distribution;
- (iii) Where the Company is in a growth phase with substantial capital expenditure, the cash dividend distributed shall not be less than 20% of the total profits distributed when carrying out profit distribution; where the phase of the business lifecycle of the Company is difficult to define and where Company has substantial capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions.

## (4) Conditions of dividend distribution in shares:

When the Company is in good condition and the board of directors considers that the share price and share capital size do not match, and to distribute dividends in shares is in the interests of the shareholders as a whole, the board of directors may, provides that the conditions of cash dividend distribution stated in Clause (2) above are satisfied, propose to distribute dividends in shares.

## CORPORATE GOVERNANCE REPORT

In distributing dividend in shares, the Company shall focus on capital expansion and performance growth, taking into account of such reasonable factors as the business growth and dilution of net asset value per share.

### **(III) Review and approval procedure for profit distribution proposal:**

- (1) The profit distribution proposal shall be proposed by the management and submitted to the board of directors for review and approval, and independent directors shall express definite opinions in this regard. The board of directors shall record a resolution and submit to the shareholders' general meeting for review and approval.
- (2) The board of directors shall fully consider the profit distribution proposal pursuant to the provisions of the Articles of Association, having taken into full account of the Company's ability to operate on an ongoing basis, and the capital required for ensuring ordinary production, operation and business development as well as reasonable returns to investors. In deliberating and decision-making of the profit distribution proposal, the board of directors shall communicate and exchange ideas with independent directors and minority shareholders through multiple channels and take full account of the views of independent directors and the demands of minority shareholders.
- (3) Independent directors may solicit opinions from minority shareholders, put forth dividends distribution proposals and directly submitted to the board of directors for review and approval.
- (4) The profit distribution proposal shall be submitted to the supervisory board for review and approval and shall be approved by the supervisory board.
- (5) If the Company decides not to distribute cash dividend due to special circumstances stipulated in Article 211, the board of directors shall provide a special explanation on matters relating to the detailed reasons, the exact purpose of the retained proceeds and estimated return on investment. After the independent directors express opinion, the special explanation shall be submitted to the shareholders' general meeting for review and approval, and disclosed on the media designated by the Company.

## CORPORATE GOVERNANCE REPORT

**(IV) Implementation of profit distribution:**

Subsequent to the passing of the resolution in respect of the profit distribution plan by the shareholders' general meeting, the board of directors of the Company shall complete the distribution of dividends (or shares) within two months from the date of the shareholders' general meeting.

Dividends and other distributions declared by the Company to holders of domestic shares shall be declared and denominated in renminbi, and paid in renminbi. Dividends and other distributions declared by the Company to holders of foreign shares shall be declared and denominated in renminbi, and paid in foreign currency. The exchange rate shall be based on the average middle exchange rate of the relevant foreign currency against renminbi announced by the People's Bank of China over the five working days preceding the date on which such dividends or other distribution are declared. Foreign currencies payable by the Company to holders of foreign shares shall be obtained pursuant to relevant State regulations on the administration of foreign exchange.

**(V) Adjustment of profit distribution policies:**

In case of war, natural disasters and other force majeure, or the changes in external operating environment which significantly affect the Company's production and operation, or significant changes in the Company's own operation status, the Company may adjust its profit distribution policies.

When the Company needs to adjust its profit distribution policies, the board of directors shall carry out a special topic discussion to discuss in details and explain the reasons of adjustment. After being reviewed and approved by the independent directors, a written report shall be submitted to the shareholders' general meeting, the passing of which should be by way of a special resolution. The Company shall provide an internet voting for the shareholders when the adjustment of profit distribution policies is in review and discussion.

On behalf of the Board

**Jiang Deyi**

*Chairman*

Beijing, the PRC

28 March 2019



# AUDITORS' REPORT



# Auditors' Report

Ernst & Young Hua Ming (2019) Shen Zi No. 60667053\_A01  
BBMG Corporation

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 2018, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for 2018 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 2018 and the consolidated and company's operating results and cash flows for 2018 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><b>Impairment of goodwill</b></p> <p>As at 31 December 2018, the carrying value of goodwill in the consolidated financial statements amounted to RMB2.74 billion, among which, the impairment provision made for goodwill amounted to RMB63 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 value of the goodwill valued.</p> <p>Please refer to Note III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES 20. Impairment of assets and 35. Significant accounting judgments and estimates and Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 19. 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, 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)*

### III. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p><b>Fair value of investment properties</b></p> <p>As at 31 December 2018, the carrying value of the investment properties in the consolidated and the Company's financial statements amounted to RMB21.327 billion and RMB10.488 billion, respectively. The investment properties were subsequently measured using fair value model.</p> <p>The management of BBMG Corporation engages a third-party valuer with relevant qualifications to perform the valuation of the fair value of investment properties once a year. Income method and market price method were adopted in the valuation. 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 15. Investment properties, 34. Fair value measurement and 35. Significant accounting judgments and estimates, and Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 15. Investment properties and 58. Gains and losses from changes in fair value, Note X. DISCLOSURE OF FAIR VALUE and Note XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS 3. Investment properties.</p>	<p>Our audit procedures mainly included assessment of the objectivity, independence and competence of the 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, such as, lease term, current average rentals, anticipated rentals in the future, occupancy rates, lease area and discount rates, with the support from our real estate internal valuation specialists, comparing and analysing them with current lease contract and historical real conditions. 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:

##### Provision for bad debt of accounts receivable

As of 31 December 2018, the carrying amount of bills receivable and accounts receivable in the consolidated financial statements was RMB18.666 billion, of which the original value of bills receivable was RMB11.292 billion with expected credit loss of RMB66 million, the original value of accounts receivable was RMB9.864 billion with expected credit loss of RMB2.424 billion, original value of other receivables was RMB11.593 billion with expected credit loss of RMB1.651 billion.

BBMG Corporation applied the revised Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments from 1 January 2018. BBMG Corporation uses the expected credit loss model to make provision for bad debts of accounts receivable based on the historical default rate and adjusted for forward-looking factors such as the macro economy and industrial environment. In assessing expected credit losses, the management is required to make significant judgments and estimates taking into account all reasonable and supportive information, including historical repayment data, industry conditions and forward-looking information. Moreover, as the amount of provision for bad debt of accounts receivable has a greater impact on the financial statements, we identified provision for bad debt of accounts receivable as a key audit matter.

Our audit procedures mainly include understanding and evaluating the internal control related to the assessment and provision for bad debt of accounts receivable and performing control tests; evaluating the rationality of the expected credit loss model and inputs (including forward-looking information) used in assessing the provision for bad debts by discussing and reviewing historical data with the management; testing the ageing of accounts receivable and reviewing the calculation of provision for bad debt based on the expected credit loss model; for major accounts receivable with a significant increase in credit risk, discussing and reviewing the estimates of their recoverable amount with the management; corroborating the reasonableness of the expected credit losses of the accounts receivable by analyzing the ageing of accounts receivable and customer credit, taking into consideration the confirmation procedure and subsequent recovery of the amounts; and reviewing related disclosures regarding provision for bad debts.

## Auditors' Report *(continued)*

### III. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p><b>Provision for bad debt of accounts receivable</b></p> <p>Please refer to Note III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES 9. Financial instruments, 35. Significant accounting judgments and estimates, and 36. Change in accounting policies, Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 4. Bills receivable and accounts receivable, 6. Other receivables, and 55. Credit impairment losses, and Note VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS 3. Financial instruments risks.</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.
- (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.



## Auditors' Report *(continued)*

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

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 matters 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:* **Meng Dong** (Engagement Partner)

*Chinese Certified Public Accountant:* **Yang Liu**

Beijing, the PRC

28 March 2019

# Audited Consolidated Balance Sheet

As at 31 December 2018  
RMB

	Note V	31 December 2018	31 December 2017
<b>Assets</b>			
Current assets			
Cash and bank balances	1	18,774,468,260.66	17,903,847,144.72
Financial assets held for trading	2	1,034,558,112.73	–
Financial assets at fair value through profit or loss	3	–	46,226,108.99
Bills receivable and accounts receivable	4	18,665,867,265.35	15,867,845,894.72
Prepayments	5	2,008,371,750.64	1,792,354,290.47
Other receivables	6	9,941,619,578.19	5,890,424,799.29
Inventories	7	114,912,793,681.36	98,649,716,753.63
Assets held for sale	8	109,534,153.31	–
Other current assets	9	3,710,725,422.82	3,438,847,412.19
Total current assets		169,157,938,225.06	143,589,262,404.01
Non-current assets			
Available-for-sale financial assets	10	–	2,897,887,864.39
Long-term receivables	11	802,351,921.55	485,377,872.64
Long-term equity investments	12	3,036,757,009.85	2,174,939,257.51
Other equity instruments investment	13	396,187,115.71	–
Other non-current financial assets	14	214,980,000.00	–
Investment properties	15	21,327,245,245.17	15,440,453,467.02
Fixed assets	16	44,692,772,001.56	45,895,321,483.24
Construction in progress	17	2,929,675,428.99	2,981,062,425.11
Intangible assets	18	16,691,754,296.12	10,857,085,997.78
Goodwill	19	2,740,287,649.80	2,740,287,649.80
Long-term deferred expenditures	20	1,242,705,854.17	1,134,362,027.11
Deferred income tax assets	21	3,454,590,218.09	2,952,009,690.68
Other non-current assets	22	1,588,846,733.06	1,059,431,952.41
Total non-current assets		99,118,153,474.07	88,618,219,687.69
Total assets		268,276,091,699.13	232,207,482,091.70

The accompanying notes form an integral part of these financial statements

**Audited Consolidated Balance Sheet** *(continued)*

As at 31 December 2018

RMB

	Note V	31 December 2018	31 December 2017
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Short-term loans	24	<b>39,880,392,209.57</b>	34,375,200,000.00
Bills payable and accounts payable	25	<b>20,438,365,203.63</b>	17,205,078,515.28
Receipts in advance	26	<b>317,903,204.75</b>	27,340,492,780.84
Contract liabilities	27	<b>23,715,168,353.77</b>	–
Wages payable	28	<b>393,840,303.30</b>	365,587,130.76
Tax payable	29	<b>2,527,195,602.24</b>	1,769,260,167.61
Other payables	30	<b>8,352,595,483.33</b>	9,075,247,809.85
Liabilities held for sale	8	<b>40,291,356.83</b>	–
Non-current liabilities due within one year	31	<b>18,543,864,543.14</b>	11,491,439,775.59
Short-term financing bonds	34	<b>6,500,000,000.00</b>	2,769,698,081.12
Other current liabilities	32	<b>8,492,714,136.95</b>	6,042,357,010.03
Total current liabilities		<b>129,202,330,397.51</b>	110,434,361,271.08
Non-current liabilities			
Long-term loans	33	<b>30,506,054,265.70</b>	25,671,030,000.00
Bonds payable	34	<b>20,231,089,289.70</b>	18,154,840,828.51
Long-term payables	35	<b>315,856,652.08</b>	920,769,354.18
Long-term wages payable	36	<b>674,179,502.11</b>	654,032,290.50
Accrued liabilities	37	<b>606,650,918.54</b>	464,935,400.17
Deferred income	38	<b>888,404,866.72</b>	855,519,940.14
Deferred income tax liabilities	21	<b>5,960,849,194.26</b>	4,473,726,257.58
Other non-current liabilities	39	<b>676,174,065.29</b>	660,456,831.52
Total non-current liabilities		<b>59,859,258,754.40</b>	51,855,310,902.60
Total liabilities		<b>189,061,589,151.91</b>	162,289,672,173.68

The accompanying notes form an integral part of these financial statements

# Audited Consolidated Balance Sheet *(continued)*

As at 31 December 2018  
RMB

	Note V	31 December 2018	31 December 2017
<b>Liabilities and shareholders' equity</b>			
Shareholders' equity			
Share capital	40	<b>10,677,771,134.00</b>	10,677,771,134.00
Other equity instruments	41	<b>14,962,000,000.00</b>	9,972,000,000.00
<i>Including: Perpetual bonds</i>		<b>14,962,000,000.00</b>	9,972,000,000.00
Capital reserve	42	<b>5,273,970,842.54</b>	5,820,202,037.98
Other comprehensive income	43	<b>206,951,321.03</b>	254,210,159.32
Specific reserve	44	<b>20,124,124.94</b>	12,989,928.59
Surplus reserve	45	<b>1,537,434,040.24</b>	1,368,019,010.35
General risk reserve	46	<b>340,792,201.29</b>	299,478,851.25
Retained earnings	47	<b>24,646,427,835.84</b>	22,758,176,658.95
Equity attributable to the shareholders of the parent company		<b>57,665,471,499.88</b>	51,162,847,780.44
Minority interests		<b>21,549,031,047.34</b>	18,754,962,137.58
Total shareholders' equity		<b>79,214,502,547.22</b>	69,917,809,918.02
Liabilities and Total liabilities and shareholders' equity		<b>268,276,091,699.13</b>	232,207,482,091.70

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**

# Audited Consolidated Income Statement

For the year ended 31 December 2018  
RMB

	Note V	2018	2017
<b>Operating revenue</b>	48	<b>83,116,733,092.15</b>	63,678,330,931.54
Less: Operating costs	48	<b>60,720,721,116.68</b>	47,635,012,016.74
Tax and surcharges	49	<b>3,151,475,912.48</b>	1,840,188,001.03
Selling expenses	50	<b>2,915,690,243.38</b>	2,607,289,133.93
Administrative expenses	51	<b>7,155,497,049.68</b>	6,146,129,273.18
Research and development expenses	52	<b>154,340,576.16</b>	79,494,788.80
Finance costs	53	<b>3,047,478,342.17</b>	2,675,587,642.88
Including: Interest expenses		<b>6,676,289,245.63</b>	4,592,817,700.50
Interest income		<b>269,724,243.63</b>	268,266,762.81
Asset impairment losses	54	<b>827,770,147.15</b>	535,024,339.55
Credit impairment losses	55	<b>377,815,478.90</b>	–
Add: Other gains	56	<b>769,376,627.47</b>	689,837,617.01
Investment gains	57	<b>629,155,191.67</b>	336,837,296.54
Including: Share of investment gains of associates and joint ventures		<b>371,432,235.92</b>	188,732,130.32
Gains from changes in fair value	58	<b>476,516,247.71</b>	721,380,105.57
(Losses)/gains on disposal of assets	59	<b>(72,270,242.82)</b>	65,845,881.95
Operating profit		<b>6,568,722,049.58</b>	3,973,506,636.50
Add: Non-operating revenue	60	<b>391,860,471.10</b>	500,608,948.73
Less: Non-operating expenses	61	<b>515,947,776.94</b>	416,971,876.24
Total profit		<b>6,444,634,743.74</b>	4,057,143,708.99
Less: Income tax expenses	63	<b>2,163,209,508.92</b>	1,106,794,986.53
Net profit		<b>4,281,425,234.82</b>	2,950,348,722.46
Classified by operating continuity			
Net profit from continuing operations		<b>4,281,425,234.82</b>	2,950,348,722.46
Net profit from discontinued operations		–	–
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		<b>3,260,449,276.97</b>	2,836,664,933.59
Minority interests		<b>1,020,975,957.85</b>	113,683,788.87

The accompanying notes form an integral part of these financial statements

# Audited Consolidated Income Statement *(continued)*

For the year ended 31 December 2018  
RMB

	Note V	2018	2017
Net other comprehensive income after tax		<b>(183,560,942.69)</b>	23,693,091.52
Net other comprehensive income after tax attributable to shareholders of the parent company	43	<b>(47,258,838.29)</b>	22,370,457.67
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		<b>(16,710,741.00)</b>	41,897,925.00
Changes in fair value of other equity instruments		<b>(29,595,877.63)</b>	–
Other comprehensive income to be reclassified into profit or loss			
Exchange differences on translation of financial statements prepared in foreign currency		<b>3,184,011.90</b>	(9,930,872.94)
Changes in fair value of available-for-sale financial assets		–	(2,550,691.68)
Other comprehensive income that may be reclassified to profit or loss under equity method		<b>(4,136,231.56)</b>	3,148,459.03
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from selfoccupied properties or inventories and measured with the fair value model		–	(10,194,361.74)
Net other comprehensive income after deducting impact of income tax		<b>(47,258,838.29)</b>	22,370,457.67
Net other comprehensive income after tax attributable to minority shareholders	43	<b>(136,302,104.40)</b>	1,322,633.85
Total comprehensive income		<b>4,097,864,292.13</b>	2,974,041,813.98
Including:			
<i>Total comprehensive income attributable to shareholders of the parent company</i>		<b>3,213,190,438.68</b>	2,859,035,391.26
<i>Total comprehensive income attributable to minority shareholders</i>		<b>884,673,853.45</b>	115,006,422.72
Earnings per share	64		
Basic earnings per share (RMB/share)		<b>0.31</b>	0.27
Diluted earnings per share (RMB/share)		<b>0.31</b>	0.27

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**

## Audited Consolidated Statement of Changes in Equity

For the year ended 31 December 2018  
RMB

	Equity attributable to shareholders of the parent company										Total equity
	Share capital	Perpetual bonds	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Minority interests	
I. Balance at the end of last year	10,677,771,134.00	9,972,000,000.00	5,820,202,037.98	254,210,159.32	12,989,928.59	1,368,019,010.35	299,478,851.25	22,758,176,658.95	51,162,847,780.44	18,754,962,137.58	69,917,809,918.02
Add: Effect of change in accounting policy	-	-	-	-	-	-	-	(21,093,927.93)	(21,093,927.93)	41,192,600.82	20,998,672.89
II. Balance at the beginning of the year	10,677,771,134.00	9,972,000,000.00	5,820,202,037.98	254,210,159.32	12,989,928.59	1,368,019,010.35	299,478,851.25	22,737,082,731.02	51,141,753,852.51	18,796,154,738.40	69,937,908,590.91
III. Movements during the year	-	-	-	(47,258,838.23)	-	-	-	3,260,449,276.97	3,213,190,438.68	884,673,853.45	4,097,864,292.13
(1) Total comprehensive income	-	-	-	(47,258,838.23)	-	-	-	3,260,449,276.97	3,213,190,438.68	884,673,853.45	4,097,864,292.13
(2) Capital contribution and reduction from shareholders	-	-	(546,231,193.44)	-	-	-	-	-	(546,231,193.44)	(2,696,538,267.41)	(3,242,769,462.85)
1. Equity transactions that do not affect control	-	-	(546,231,193.44)	-	-	-	-	-	(546,231,193.44)	(2,696,538,267.41)	(3,242,769,462.85)
2. Business combination not under common control (Note V. 1)	-	-	-	-	-	-	-	-	-	3,792,927,772.55	3,792,927,772.55
3. New capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	1,130,521,351.28	1,130,521,351.28
4. Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(11,711,187.21)	(11,711,187.21)
5. Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	78,929,284.49	78,929,284.49
6. Issuance of perpetual bonds (Note V. 41)	-	4,990,000,000.00	-	-	-	-	-	-	4,990,000,000.00	(18,000,000.00)	4,972,000,000.00

# Audited Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2018  
RMB

	Equity attributable to shareholders of the parent company								Total equity		
	Share capital	Perpetual bonds	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings		Subtotal	Minority interests
(3) Profit distribution											
1. Appropriation of surplus reserve	-	-	-	-	-	169,415,028.89	-	(169,415,028.89)	-	-	-
2. Dividend to shareholders	-	-	-	-	-	-	-	(512,533,014.44)	(512,533,014.44)	(266,039,603.34)	(778,572,617.78)
3. Interest on perpetual bonds	-	-	-	-	-	-	-	(627,842,777.78)	(627,842,777.78)	(164,005,479.45)	(791,848,257.23)
4. General risk reserve	-	-	-	-	-	-	41,313,350.04	(41,313,350.04)	-	-	-
(4) Specific reserve											
1. Appropriated during the year	-	-	-	-	36,144,729.80	-	-	-	36,144,729.80	150,785,622.46	186,930,352.26
2. Paid during the year	-	-	-	-	(29,010,533.45)	-	-	-	(29,010,533.45)	(128,667,037.88)	(157,677,571.33)
IV. Balance at the end of the year	10,677,771,134.00	14,962,000,000.00	5,273,970,842.54	206,951,321.03	20,124,124.94	1,537,434,040.24	340,792,201.29	24,646,427,835.84	57,665,471,499.88	21,549,031,047.34	79,214,502,547.22

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**



**Audited Consolidated Statement of Changes in Equity** *(continued)*For the year ended 31 December 2018  
RMB

	Equity attributable to shareholders of the parent company										Total equity	
	Share capital	Perpetual bonds	Other equity instruments	Including:	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General reserve	Retained earnings		Subtotal
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	20,980,120,619.08	44,200,488,652.10	18,709,022,134.50	62,909,510,786.60	
II. Movements during the year												
(1) Total comprehensive income	-	-	-	22,370,457.67	-	-	-	2,836,664,933.59	2,859,035,391.26	115,006,422.72	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)	(42,338,831.13)	12,338,831.13	(30,000,000.00)	
4. Issuance of perpetual bonds (Note V. 41)	-	4,990,000,000.00	-	-	-	-	-	4,990,000,000.00	4,990,000,000.00	-	4,990,000,000.00	
(3) Profit distribution												
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)	(9,106,956.15)	(500,284,428.31)	
3. Appropriation of general risk reserve	-	-	-	-	-	-	121,439,655.26	(121,439,655.26)	-	-	-	
4. Interest on perpetual bonds	-	-	-	-	-	-	-	(354,839,444.46)	(354,839,444.46)	(174,000,000.00)	(528,839,444.46)	

# Audited Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2018  
RMB

	Equity attributable to shareholders of the parent company										
	State capital	Perpetual bonds including: Other equity instruments	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Minority interests	Total equity
(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	2,542,101,593.32	12,989,928.59	1,388,019,010.35	299,418,851.75	22,758,716,658.95	51,162,847,780.44	18,754,962,137.58	69,917,809,918.02

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**

# Audited Consolidated Statement of Cash Flows

For the year ended 31 December 2018  
RMB

	Note V	2018	2017
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		<b>78,884,194,184.31</b>	68,649,893,234.45
Refunds of taxes		<b>614,481,052.19</b>	549,750,971.46
Net decrease in deposits placed with the Central Bank		<b>240,623,493.00</b>	211,808,285.97
Cash received from other operating activities	65	<b>2,198,491,002.57</b>	3,578,259,161.99
Subtotal of cash inflows from operating activities		<b>81,937,789,732.07</b>	72,989,711,653.87
Cash paid for goods and services		<b>64,516,736,553.03</b>	68,459,366,904.42
Cash paid to and on behalf of employees		<b>6,204,450,133.36</b>	5,536,903,839.33
Cash paid for all types of taxes		<b>7,895,064,928.23</b>	5,746,555,185.68
Cash paid for other operating activities	65	<b>8,364,171,769.61</b>	5,101,409,504.44
Subtotal of cash outflows from operating activities		<b>86,980,423,384.23</b>	84,844,235,433.87
Net cash flows from operating activities	66(1)	<b>(5,042,633,652.16)</b>	(11,854,523,780.00)
II. Cash flows from investing activities			
Cash received from redemption of investments		<b>35,300,000.00</b>	700,626,245.46
Cash received from return on investments		<b>322,173,828.79</b>	240,302,718.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>165,910,207.57</b>	499,584,709.98
Net cash received from disposal of subsidiaries and other operating units	66(2)	–	634,885,099.31
Cash received from other investing activities	65	<b>11,399,540,800.00</b>	7,768,780,036.37
Subtotal of cash inflows from investing activities		<b>11,922,924,836.36</b>	9,844,178,809.97
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>2,453,133,683.27</b>	1,882,247,811.92
Cash paid for investments		<b>357,559,442.20</b>	262,238,427.23
Net cash paid for acquisition of subsidiaries and other operating units	66(2)	<b>4,086,508,618.89</b>	210,840,422.98
Net cash from disposal of subsidiaries and other operating units	66(2)	<b>162,027,574.99</b>	–
Cash paid for other investing activities	65	<b>13,247,625,108.34</b>	8,188,441,146.73
Subtotal of cash outflows from investing activities		<b>20,306,854,427.69</b>	10,543,767,808.86
Net cash flows from investing activities		<b>(8,383,929,591.33)</b>	(699,588,998.89)

The accompanying notes form an integral part of these financial statements

# Audited Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 December 2018  
RMB

	Note V	2018	2017
III. Cash flows from financing activities			
Cash received from capital contributions		953,000,000.00	104,125,000.00
<i>Including: Cash received by subsidiaries from minority interests</i>		<i>953,000,000.00</i>	<i>104,125,000.00</i>
Cash received from borrowings		60,869,051,120.80	46,198,270,202.00
Cash received from issuance of bonds		21,000,000,000.00	16,765,620,000.00
Cash received from issuance of perpetual bonds		7,972,000,000.00	4,990,000,000.00
Cash received from other financing activities	65	–	357,259,000.00
Subtotal of cash inflows from financing activities		<u>90,794,051,120.80</u>	<u>68,415,274,202.00</u>
Cash paid for repayment of borrowings		47,745,084,999.87	35,422,288,948.83
Cash paid for distribution of dividends or profits or for interest expenses		7,103,371,950.68	5,417,425,700.43
<i>Including: Dividends and profits paid by subsidiaries to minority interests</i>		<i>63,344,075.89</i>	<i>141,664,501.06</i>
Cash paid for redemption of bonds		15,146,985,581.12	16,142,305,000.00
Cash paid for redemption of perpetual bonds		3,000,000,000.00	–
Cash paid for other financing activities	65	<u>3,718,664,213.30</u>	<u>4,105,222,066.76</u>
Subtotal of cash outflows from financing activities		<u>76,714,106,744.97</u>	<u>61,087,241,716.02</u>
Net cash flows from financing activities		<u>14,079,944,375.83</u>	<u>7,328,032,485.98</u>
IV. Effect of changes in exchange rate on cash and cash equivalents		<u>(47,420,627.99)</u>	<u>29,384,560.62</u>
V. Net increase/(decrease) in cash and cash equivalents		605,960,504.35	(5,196,695,732.29)
Add: Cash and cash equivalents at the beginning of the year		<u>12,914,086,803.47</u>	<u>18,110,782,535.76</u>
VI. Cash and cash equivalents at the end of the year	66(3)	<u>13,520,047,307.82</u>	<u>12,914,086,803.47</u>

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**

# Audited Balance Sheet of the Parent Company

As at 31 December 2018  
RMB

	Note XV	31 December 2018	31 December 2017
<b>Assets</b>			
Current assets			
Cash and bank balances		<b>6,490,366,382.70</b>	6,259,648,184.09
Bills receivable and accounts receivable		–	124,246.15
Prepayments		<b>13,098,540.40</b>	–
Other receivables	1	<b>66,901,797,608.27</b>	56,424,801,069.16
Other current assets		<b>2,241,084.31</b>	7,511,032.83
Total current assets		<b>73,407,503,615.68</b>	62,692,084,532.23
Non-current assets			
Available-for-sale financial assets		–	200,000.00
Other equity instruments investment		<b>200,000.00</b>	–
Long-term equity investments	2	<b>46,569,735,251.07</b>	34,720,818,298.28
Investment properties	3	<b>10,487,725,592.87</b>	10,164,795,183.02
Fixed assets		<b>1,162,385,959.60</b>	1,230,783,437.66
Intangible asset		<b>368,789,672.92</b>	414,752,345.13
Deferred income tax assets		<b>266,341,821.16</b>	168,663,517.96
Total non-current assets		<b>58,855,178,297.62</b>	46,700,012,782.05
Total assets		<b>132,262,681,913.30</b>	109,392,097,314.28

The accompanying notes form an integral part of these financial statements

# Audited Balance Sheet of the Parent Company *(continued)*

As at 31 December 2018  
RMB

	31 December 2018	31 December 2017
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Short-term loans	24,931,850,000.00	20,841,550,000.00
Bills payable and accounts payable	7,262,384.48	25,462,384.48
Receipts in advance	143,686,136.43	118,748,027.30
Wages payable	14,420,033.15	14,420,033.15
Tax payable	82,674,779.38	54,341,168.83
Other payables	4,398,166,645.39	5,628,096,164.22
Short-term financing bonds payable	6,500,000,000.00	2,000,000,000.00
Non-current liabilities due within one year	<u>8,769,671,412.11</u>	<u>7,500,000,000.00</u>
Total current liabilities	<u>44,847,731,390.94</u>	<u>36,182,617,777.98</u>
Non-current liabilities		
Long-term loans	19,767,370,000.00	13,724,470,000.00
Bonds payable	18,518,190,202.83	15,956,825,637.00
Long-term wages payable	363,676,960.00	363,073,483.46
Deferred income tax liabilities	<u>2,162,277,161.43</u>	<u>2,081,544,558.97</u>
Total non-current liabilities	<u>40,811,514,324.26</u>	<u>32,125,913,679.43</u>
Total liabilities	<u>85,659,245,715.20</u>	<u>68,308,531,457.41</u>
Shareholders' equity		
Share capital	10,677,771,134.00	10,677,771,134.00
Other equity instruments	14,962,000,000.00	9,972,000,000.00
Including: Perpetual bonds	14,962,000,000.00	9,972,000,000.00
Capital reserve	6,674,854,902.82	6,674,854,902.82
Other comprehensive income	64,844,712.79	82,198,530.79
Surplus reserve	1,537,434,040.24	1,368,019,010.35
Retained earnings	<u>12,686,531,408.25</u>	<u>12,308,722,278.91</u>
Total shareholders' equity	<u>46,603,436,198.10</u>	<u>41,083,565,856.87</u>
Total liabilities and shareholders' equity	<u>132,262,681,913.30</u>	<u>109,392,097,314.28</u>

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**

# Audited Income Statement of the Parent Company

For the year ended 31 December 2018  
RMB

	Note XV	2018	2017
<b>Operating revenue</b>	4	<b>1,011,040,615.04</b>	948,865,757.08
Less: Operating costs	4	<b>77,845,297.90</b>	82,881,213.23
Tax and surcharges		<b>135,509,278.53</b>	128,808,392.47
Selling expenses		<b>69,667,290.91</b>	55,929,611.51
Administrative expenses		<b>235,825,862.29</b>	141,615,679.83
Finance costs		<b>978,306,340.52</b>	888,152,373.75
Including: Interest expenses		<b>3,529,876,920.09</b>	2,662,786,553.10
Interest income		<b>2,629,924,876.38</b>	1,807,316,166.24
Asset impairment losses		–	4,136,519.52
Credit impairment losses		<b>(5,671,315.87)</b>	–
Add: Investment gains	5	<b>1,834,836,894.22</b>	745,297,998.49
Including: Share of investment gains/(losses) of associates and joint ventures		<b>33,134,518.98</b>	(7,981,402.21)
Losses on disposal of assets		<b>(39,602,527.20)</b>	–
Gains from changes in fair value		<b>322,930,409.85</b>	268,870,887.26
Operating profit		<b>1,637,722,637.63</b>	661,510,852.52
Add: Non-operating revenue		<b>41,667,110.79</b>	326,482,973.06
Less: Non-operating expenses		<b>1,701.07</b>	21,826,257.66
Total profit		<b>1,679,388,047.35</b>	966,167,567.92
Less: Income tax expenses		<b>(14,762,251.58)</b>	54,644,349.55
Net profit		<b>1,694,150,298.93</b>	911,523,218.37
Classified by operation continuity			
Net profit from continuing operations		<b>1,694,150,298.93</b>	911,523,218.37
Net profit from discontinued operations		–	–
Net other comprehensive income after tax			
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		<b>(17,353,818.00)</b>	32,800,309.00
Total comprehensive income		<b>1,676,796,480.93</b>	944,323,527.37

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**

## Audited Statement of Changes in Shareholders' Equity of The Parent Company

For the year ended 31 December 2018  
RMB

	Other equity instruments						Total' equity
	Share capital	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	
I Balance at the end of the previous 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
Add: Change in accounting policy	-	-	-	-	-	(6,550,347.48)	(6,550,347.48)
II Opening balance of the year	<u>10,677,771,134.00</u>	<u>9,972,000,000.00</u>	<u>6,674,854,902.82</u>	<u>82,198,530.79</u>	<u>1,368,019,010.35</u>	<u>12,302,171,931.43</u>	<u>41,077,015,509.39</u>
III Movements during the year							
(1) Total comprehensive income	-	-	-	(17,353,818.00)	-	1,694,150,298.93	1,676,796,480.93
(2) Capital contribution and reduction 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	-	-	-	-	169,415,029.89	(169,415,029.89)	-
2. Dividend to Shareholders	-	-	-	-	-	(512,533,014.44)	(512,533,014.44)
3. Interest on perpetual bonds	-	-	-	-	-	(627,842,777.78)	(627,842,777.78)
IV Balance at the end of the year	<u>10,677,771,134.00</u>	<u>14,962,000,000.00</u>	<u>6,674,854,902.82</u>	<u>64,844,712.79</u>	<u>1,537,434,040.24</u>	<u>12,686,531,408.25</u>	<u>46,603,436,198.10</u>

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:  
**Jiang Deyi**

Chief accountant:  
**Chen Guogao**

Head of the accounting department:  
**Zhu Yan**



**Audited Statement of Changes in Shareholders' Equity of The Parent Company** (continued)

For the year ended 31 December 2017

RMB

	Share capital	Other equity instrument		Other comprehensive income	Surplus reserve	Retained earnings	Total equity
		Perpetual bonds	Capital reserve				
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 reserve	-	-	-	-	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 accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:

**Jiang Deyi**

Chief accountant:

**Chen Guogao**

Head of the accounting department:

**Zhu Yan**

# Audited Statement of Cash Flows of the Parent Company

For the year ended 31 December 2018  
RMB

	Note XV	2018	2017
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		1,139,750,322.49	1,104,865,202.09
Cash received from other operating activities	6	<u>64,390,969,460.61</u>	<u>67,382,983,102.26</u>
Subtotal of cash inflows from operating activities		<u>65,530,719,783.10</u>	<u>68,487,848,304.35</u>
Cash paid for goods and services		22,562,520.11	26,992,950.94
Cash paid to and on behalf of employees		69,291,106.71	72,200,391.51
Cash paid for all types of taxes		194,096,446.04	176,128,964.04
Cash paid for other operating activities	6	<u>77,229,242,914.49</u>	<u>83,725,321,901.23</u>
Subtotal of cash outflows from operating activities		<u>77,515,192,987.35</u>	<u>84,000,644,207.72</u>
Net cash flows from operating activities	7(1)	<u>(11,984,473,204.25)</u>	<u>(15,512,795,903.37)</u>
II. Cash flows from investing activities			
Cash received from return on investments		3,128,147,410.10	1,418,143,362.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<u>1,010.00</u>	<u>94,175.00</u>
Subtotal of cash inflows from investing activities		<u>3,128,148,420.10</u>	<u>1,418,237,537.00</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		10,234,720.00	9,487,643.16
Cash paid for investments		<u>11,000,301,880.42</u>	<u>1,078,623,525.40</u>
Subtotal of cash outflows from investing activities		<u>11,010,536,600.42</u>	<u>1,088,111,168.56</u>
Net cash flows from investing activities		<u>(7,882,388,180.32)</u>	<u>330,126,368.44</u>

The accompanying notes form an integral part of these financial statements

## Audited Statement of Cash Flows of the Parent Company *(continued)*

For the year ended 31 December 2018  
RMB

	Note XV	<b>2018</b>	2017
III. Cash flows from financing activities			
Cash received from borrowings		<b>38,161,850,000.00</b>	27,738,050,000.00
Cash received from issuance of bonds		<b>21,000,000,000.00</b>	15,500,000,000.00
Cash received from issuance of perpetual bonds		<b><u>4,990,000,000.00</u></b>	<u>4,990,000,000.00</u>
Subtotal of cash inflows from financing activities		<b><u>64,151,850,000.00</u></b>	<u>48,228,050,000.00</u>
Cash paid for repayment of borrowings		<b>27,198,650,000.00</b>	19,503,630,000.00
Cash paid for distribution of dividends or profits or for interest expenses		<b>4,350,825,671.07</b>	3,237,583,974.04
Cash paid for redemption of bonds		<b><u>12,500,000,000.00</u></b>	<u>11,000,000,000.00</u>
Subtotal of cash outflows from financing activities		<b><u>44,049,475,671.07</u></b>	<u>33,741,213,974.04</u>
Net cash flows from financing activities		<b><u>20,102,374,328.93</u></b>	<u>14,486,836,025.96</u>
IV. Effect of changes in exchange rate on cash and cash equivalents		<b><u>(5,081,964.53)</u></b>	<u>1,191,702.66</u>
V. Net increase/(decrease) in cash and cash equivalents		<b>230,430,979.83</b>	(694,641,806.31)
Add: Cash and cash equivalents at the beginning of the year		<b><u>6,209,927,405.16</u></b>	<u>6,904,569,211.47</u>
VI Cash and cash equivalents at the end of the year	7(2)	<b><u>6,440,358,384.99</u></b>	<u>6,209,927,405.16</u>

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal representative:

**Jiang Deyi**

Chief accountant:

**Chen Guogao**

Head of the accounting department:

**Zhu Yan**

# Notes to Financial Statements

For the year ended 31 December 2018  
RMB

## I. BASIC INFORMATION

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, after which, 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 28 March 2019. 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. Please refer to note VI for changes of the year.

## 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 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. The prices of disposal groups held for sale shall be the lower of the book value and the net amount of fair value less disposal expenses. If the assets are impaired, corresponding provisions for impairment shall be provided according to relevant provisions.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### **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 depreciation 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 2018 and their financial performance and cash flows for 2018.

#### **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**

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 *(continued)*

For the year ended 31 December 2018  
RMB

### 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.

For a business combination not under common control achieved in stages, the long-term equity investments 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 long-term equity investments 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. For the other equity instruments investment of the acquired party held before the acquisition date, change in fair value of the equity instrument accrued in other comprehensive income before the acquisition date is transferred to retained earnings.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

#### **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. 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.

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.

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.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

#### 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.

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.



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

#### **9. Financial instruments (applicable from 1 January 2018)**

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.

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.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

#### 9. Financial instruments (applicable from 1 January 2018) *(continued)*

##### *Classification and measurement of financial assets*

The financial assets of the Group are classified in the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets at fair value through profit or loss, financial assets carried at amortised cost, financial assets at fair value through other comprehensive income. Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or bills receivable arising from sales of goods or provision of services do not include significant financing components or does not consider financing components not exceeding one year, they shall be initially recognised at the transaction price.

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:

##### *Debt instruments investment at amortised cost*

Financial assets are classified as financial assets measured at amortised cost if the financial assets meet the following conditions: the objective of the Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets requires that the cash flows giving rise on specified dates represent payments of principal and interest on the principal amount outstanding. For such financial assets, the effective interest method is used for recognizing interest income. The gains or losses arising from derecognition, amendment or impairment are recognized in profit or loss for the current period. Such financial assets mainly include cash and bank balances, accounts receivable and bills receivable, other receivables, debt investments and long-term receivables. The debt investments and long-term receivables with maturity within 1 year since the balance sheet date and long-term receivables are presented as non-current assets due within one year; debt investments with original maturity date within 1 year are presented as other current assets.

##### *Debt instruments investment at fair value through other comprehensive income*

Financial assets are classified as financial assets at fair value through other comprehensive income if the financial assets meet the following conditions: the financial assets are held within a business model whose the objective is achieved by collect contractual cash flows and selling; the contractual terms of the financial assets requires that the cash flows giving rise on specified dates represent payments of principal and interest on the principal amount outstanding. For such financial assets, the effective interest method is used for recognizing interest income. Changes in fair value are included in other comprehensive income except for interest income, impairment loss, and exchange differences which are recognised as profit or loss for the current period. On derecognition of financial assets, gains and losses accumulated in other comprehensive income are reclassified to profit or loss for the current period. Such financial assets are presented as other debt investments. Other debt investments maturing within one year of the balance sheet date are presented as non-current assets due within one year. Other debt investments with original maturity date within 1 year are presented as other current assets.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

#### 9. Financial instruments (applicable from 1 January 2018) *(continued)*

##### ***Classification and measurement of financial liabilities*** *(continued)*

###### *Equity instruments investment at fair value through other comprehensive income*

The Group irrevocably elects to designate its certain equity instrument investments not held for trading as financial assets at fair value through other comprehensive income, and only recognise dividends (except for dividend income clearly recovered as part of the investment cost) in profit or loss for the current period. Subsequent changes in fair values are included in other comprehensive income, and no provision for impairment is required. On derecognition of financial assets, gains and losses previously accumulated in other comprehensive income are reclassified to retained earnings. Such financial assets are presented as other equity investments.

A financial asset held for trading shall meet one of the following conditions: (i) the financial asset is obtained for the purpose of sale or repurchasing 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 adopts the short-term profit-taking model; (iii) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument or a financial guarantee contract.

###### *Financial assets at fair value through profit or loss*

Except for the above-mentioned financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Group has classified the remaining financial assets as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss. Such financial assets are presented as financial asset held for trading, and those with maturity exceeding one year from the balance sheet date and expected to be held for over one year are presented as other non-current financial asset.

##### ***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.

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

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

#### 9. Financial instruments (applicable from 1 January 2018) *(continued)*

##### **Classification and measurement of financial liabilities** *(continued)*

###### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) 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: the financial liability is assumed for the purpose of sale or repurchasing in the near term; 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 adopts the short-term profit-taking model; the financial liability is a derivative, except for a derivative that is designated as an effective hedging instrument or a financial guarantee contract. Financial liability held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, where all changes in fair value 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.

##### **Impairment of financial assets**

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets measured at amortised cost, debt instruments investments at fair value through other comprehensive income, lease receivables, contract assets, and financial guarantee contract and recognizes the loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depleted purchased by the Group or of the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

For lease receivables, amount receivables and contractual assets, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

#### **9. Financial instruments (applicable from 1 January 2018)** *(continued)*

##### ***Impairment of financial assets*** *(continued)*

In addition to the financial assets and financial guarantee contract mentioned above that use the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition, it is at the first stage, and the Group measures the loss provision based on the amount of expected credit loss equivalent to the next 12 months and calculates interest income based on book balance and effective interest rate; if the credit risk has increased significantly since the initial recognition but credit loss has not occurred, it is at the second stage, and the Group measures loss provision based on the amount of expected credit losses equivalent to the entire duration of the life and calculates interest income based on book balance and effective interest rate; if credit loss has occurred since initial recognition, it is at the third stage, and the Group measures loss provision based on the amount of expected credit losses equivalent to the entire duration of the life and calculates interest income based on amortized cost and effective interest rate. For financial instruments that only have low credit risk at the balance sheet date, the Group assumes that their credit risks have not increased significantly since initial recognition.

The Group assesses expected credit loss of financial instruments individually and in group. After considering the credit risk characteristics of difference customers, the Group assesses the expected credit loss of financial instruments measured at amortized cost based on age combinations.

In assessing expected credit loss, the Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Please refer to Note VIII. 3. for the Group's criteria for determining significant increase in credit risk, definition of financial assets that have been credit-impaired, and assumption for measurement of expected credit loss.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

##### ***Offset 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.

## Notes to Financial Statements *(continued)*

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

#### 9. Financial instruments (applicable from 1 January 2018) *(continued)*

##### ***Financial guarantee contract***

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value on initial recognition. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at FVTPL are measured at the higher of the amount of the provision for the expected credit loss determined at the balance sheet date and the amount initially recognised less cumulative amortisation recognised in accordance with the principles of revenue recognition.

##### ***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: if the Group has not retained control, it derecognises the financial asset and recognises any resulting assets or liabilities; 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 recognised 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. Financial instruments (applicable for 2017 only)

The accounting policies for financial instrument adopted by the Group in 2017 are consistent with the accounting policies for financial instrument implemented since 1 January 2018, except for the classification and measurement of financial assets and the impairment of financial assets as described below:

## Notes to Financial Statements *(continued)*

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

#### **10. Financial instruments (applicable for 2017 only)** *(continued)*

##### ***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: the financial asset is obtained for the purpose of disposal in the near term; 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; 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. The Group carries subsequent measurement for such financial assets at fair value and all realized and unrealized profit or loss recognised in the profit or loss for the current period. Dividend income or interest income related to financial assets at fair value through profit or loss is credited to profit or loss for the current period.

##### *Held-to-maturity investments*

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

## Notes to Financial Statements *(continued)*

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

#### 10. Financial instruments (applicable for 2017 only) *(continued)*

##### ***Classification and measurement of financial assets*** *(continued)*

###### *Available-for-sale financial assets*

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

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

##### ***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.

###### *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.



## Notes to Financial Statements *(continued)*

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

#### **10. Financial instruments (applicable for 2017 only)** *(continued)*

##### ***Impairment of financial assets*** *(continued)*

###### *Financial assets carried at amortised cost* *(continued)*

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

If, subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery can be 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.

###### *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.

## Notes to Financial Statements *(continued)*

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

#### 10. Financial instruments (applicable for 2017 only) *(continued)*

##### ***Impairment of financial assets*** *(continued)*

##### *Available-for-sale financial assets* *(continued)*

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.

#### 11. Receivables (applicable for 2017 only)

The recognition criteria and methods for the provision for bad debts of accounts receivable in year 2017 are as follows:

##### **(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 *(continued)*

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

#### 11. Receivables (applicable for 2017 only) *(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 (inclusive of 1 years)	–	–
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 *(continued)*

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

#### 12. Inventories

Inventories include raw materials, work in progress, finished goods, goods in stock, turnover materials, contract performance cost, 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 *(continued)*

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

#### **13. Non-current assets or disposal groups held for sale**

A non-current asset or disposal group is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuous use. Noncurrent assets or disposal groups are classified as held for sale only when the following conditions are satisfied: according to the practice of disposing this type of assets or disposal groups in similar transactions, the non-current asset or disposal group is available for immediate sale in its present condition; the sale will likely occur as the enterprise has made a resolution in respect of a disposal plan and obtained a firm purchase commitment, and the sale is expected to be completed within one year (and approval has been obtained by the enterprise where approval of the sale is required from relevant competent authorities or regulatory bodies in accordance with relevant regulations). If sale of any investment in a subsidiary will result in the loss of control over the respective subsidiary, whether or not any part of the equity investments is retained after the sale, the investment in subsidiary is classified as held for sale in the respective financial statements, and all assets and liabilities of the subsidiary shall be classified as held for sale in the consolidated financial statements.

For a non-current asset or disposal group classified as held for sale (other than financial assets, deferred income tax assets, investment properties measured at fair value and assets formed by employee benefits), its carrying amount is written down to its fair value less costs to sell if its carrying amount is higher than its fair value less costs to sell. The reduced amount is recognised as asset impairment loss and charged to current profit or loss, with provision made for the impairment of the held-for-sale assets. No depreciation or amortisation is provided for a non-current asset in the non-current assets or disposal groups held for sale.

## Notes to Financial Statements *(continued)*

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

#### 14. 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 other equity instruments investments 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 retained earnings 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 *(continued)*

For the year ended 31 December 2018  
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### **III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES** *(continued)*

#### **14. 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.

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.

## Notes to Financial Statements *(continued)*

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

#### 14. Long-term equity investments *(continued)*

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.

#### 15. 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 and Tianjin 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.



## Notes to Financial Statements *(continued)*

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

#### 15. Investment properties *(continued)*

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

The Group has engaged a valuer with relevant qualifications to make valuation on the fair value of the investment properties of the Group using the income method and market method. 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.

#### 16. 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	20-40 years	5%	2.38-4.75%
Machinery and equipment	15 years	5%	6.33%
Transportation equipment	6-10 years	5%	9.50-15.83%
Other equipment	5 years	5%	19.00%

## Notes to Financial Statements *(continued)*

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

#### 16. 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.

#### 17. 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.

#### 18. 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 *(continued)*

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

#### **18. 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 or any investment income.
- (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.

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

#### 19. 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, mining rights, trademarks and software use rights.

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.

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 *(continued)*

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

#### **20. 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.

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.

## Notes to Financial Statements *(continued)*

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

#### 21. 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.

#### 22. 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.

##### ***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.

## Notes to Financial Statements *(continued)*

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

#### 22. Employee benefits *(continued)*

##### ***Post-employment benefits (the defined benefit plan) (continued)***

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 plan by the discount rate. The Group recognises changes in net liabilities of the defined benefit plan 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.

#### 23. Accrued liabilities

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 an accrued liability 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.

Accrued liabilities 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 accrued liabilities 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.

## Notes to Financial Statements *(continued)*

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

#### 24. Other equity instruments

Perpetual bonds issued by the Group are classified as equity instrument if there is no expiration date or if the Group has the right to extend for unlimited number of times, to defer the payment of the coupon interest on the perpetual bonds, or has no contractual obligation to pay cash or other financial assets after the expiration thereof.

For financial instruments classified as equity instruments (such as perpetual bonds), its issue, 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.

#### 25. Revenue (applicable from 1 January 2018)

When the Group has fulfilled its performance obligations of the contract, the revenue is recognized when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

##### ***Sales contracts of goods***

Sales contracts of goods between the Group and its customers generally include the performance obligation of transferred goods only. Generally, upon taking account of all the following factors, namely, receipt of the current payment rights of goods, transfer of major risks and rewards in relation to the ownership of goods, transfer of the legal ownership of goods, transfer of physical assets of goods and receipt of delivery of such goods by the customers, the Group recognises this as revenue when control of goods have been transferred to the buyer.

Revenue from the sales of completed properties is recognised when the 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. According to the contract, the instalments of sold properties and proceeds from pre-sale collected prior to the revenue recognition will be presented in the contractual liabilities or other non-current liabilities under the balance sheet based on liquidity.

##### ***Construction Contracts***

Construction contracts between the Group and its customers generally include performance obligations in relation to civil installation, maintenance, etc. As the customer can control the products under construction in the course of the Group's performance, the Group considers such revenue as performance obligations fulfilled during a specific period and recognises the revenue based on the progress of performance, unless the progress of performance cannot be reasonably determined. The Group determined the progress of performance in relation to the provision of services using input method. Where progress of performance cannot be reasonably determined, the Group determined its revenue based on the incurred amount of costs to the extent that they are expected to be compensated, until the progress of performance is able to be determined reasonably.



## Notes to Financial Statements *(continued)*

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

#### **25. Revenue (applicable from 1 January 2018)** *(continued)*

##### ***Contracts for provision of services***

Contracts for provision of services between the Group and its customers generally include performance obligations in relation to decoration and design, property management, etc. As the customers will receive and consume economic benefits arising from the fulfilment of performance obligations as stipulated in the contracts by the Group. During the contract period, the Group is entitled to receive revenue from the performance completed to date. The Group considers such revenue as performance obligations fulfilled during a specific period and recognises the revenue based on the progress of performance, unless the progress of performance cannot be reasonably determined. The Group determined the progress of performance in relation to the provision of services using input method. Where progress of performance cannot be reasonably determined, the Group determined its revenue based on the incurred amount of costs to the extent that they are expected to be compensated, until the progress of performance is able to be determined reasonably.

##### ***Significant financing component***

For the existence of significant financing components in the contract, the Group determines the transaction price based on the amount payable by cash when assuming that the client takes the control of the goods, and uses the discount rate of the nominal amount of the contract consideration to the discounted price of the goods sold. The difference between the determined transaction price and the consideration amount of the contractual commitment is amortized using the effective interest method during the contract period.

Where the interval between the customer's taking control of the goods and the customer's payment for goods is expected to be less than one year, the Group did not consider the significant financing components existing in the contract.

##### ***Warranty obligations***

The Group provides quality assurance for the goods sold pursuant to contractual agreement and laws and regulations. The Group performs accounting treatments in accordance with Note III. 23 with a view to providing guarantee to the customers that the goods sold meet the established quality standards. In addition to providing guarantee to the customers that the goods sold meet the established quality standards, providing the customers with a separate quality assurance for services is regarded as a separate performance obligation by the Group. Based on the relative proportion of the individual selling prices of providing quality assurance for goods and services, part of the transaction price is allocated to quality assurance of services and revenue is recognized when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantee to the customers that the goods sold meet the established quality standards; the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

## Notes to Financial Statements *(continued)*

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

#### 25. Revenue (applicable from 1 January 2018) *(continued)*

##### ***Variable consideration***

There exist arrangements under certain business contracts between the Group and its customers where the amount of settlement is calculated in the manner as agreed in the contract upon completion of the projects, which results in a variable consideration. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated and recognized revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.

##### ***Main responsible person/agent***

Upon receiving commodities held for trading or taking control over other assets from third parties, the Group is entitled to solely determine the price of goods held for trading when transferring such goods to the customers. As such, the Group would be able to control such goods before it transfers the goods held for trading to its customers. Therefore, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable. Otherwise, the Group is an agent and recognizes the revenue according to the amount of the commission or handling fee expected to receive. The amount shall be netted according to the total amount received or receivable, after deducting the price payable to other related parties, or determined according to the established commission amount or proportion thereof.

#### 26. Revenue (applicable for 2017 only)

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 *(continued)*

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

#### **26. Revenue (applicable for 2017 only)** *(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.

#### **27. Contract assets and contract liabilities (applicable from 1 January 2018)**

The Group presented contract assets or contract liabilities on the balance sheet based on the correlation between the performance of obligations and customer payments.

##### ***Contract assets***

Group presents the unconditional (only the passage of time is required) right to receive consideration from customers as accounts receivable, and presents the right (subject to other factors other than the passage of time) to receive considerations from customers for the goods that have been transferred to the customers as contract assets.

Details of the Group's determination method and accounting treatment of contract assets are set forth in Note III. 9.

## Notes to Financial Statements *(continued)*

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

#### 27. Contract assets and contract liabilities (applicable from 1 January 2018) *(continued)*

##### **Contract liabilities**

The Group presents the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer as contract liabilities, such as the amount received by the enterprise before the promised goods are transfer to the customers.

The Group offsets contract assets against contract liabilities under the same contract s and presents the net amount.

The Group's assets related to contractual costs include costs incurred to secure a contract and costs incurred in performing a contract, which are presented in inventory, other current assets and other non-current assets, respectively, based on their liquidity.

The Group recognises as the additional costs incurred to secure a contract as an asset if it expects to recover the costs, unless the amortization period of the asset is less than one year.

If the costs incurred in performing a contract are not within the scope of inventories, fixed assets, intangible assets or other relevant standards, the Group recognises the costs incurred in performing a contract as an asset if those costs meet all of the following criteria:

- (1) the costs relate directly to an existing contract or to an anticipated contract, including direct labour, direct materials, production overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only by the reason of the contract;
- (2) costs generate resources of the corporate that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

Assets related to contract costs are amortised on a basis that is consistent with the recognition of the revenue to which the assets relate and recognised in profit or loss for the current period.

## Notes to Financial Statements *(continued)*

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

#### 27. Contract assets and contract liabilities (applicable from 1 January 2018) *(continued)*

##### **Contract liabilities** *(continued)*

The Group makes impairment provisions and recognises an impairment loss on asset to the extent that the carrying amount of an asset related to contract costs exceeds:

- (1) The remaining amount of consideration that the corporation expects to receive in exchange for the goods to which the assets relates; less
- (2) the estimated costs to be incurred for the exchange of the related goods.

The Group shall make a reversal of the provision for asset impairment previously made and recognise it in profit or loss for the current period when the impairment conditions have changed resulting in the difference between (1) and (2) aforementioned higher than the carrying amount of the asset. However, the carrying amount of the asset upon reversal shall not exceed the carrying amount that would have been determined on the date of reversal if no impairment provisions had been made previously.

#### 29. 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.

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related cost expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or offset against relevant costs over the periods in which the related costs expenses for losses are recognised; and (b) if the grant is a compensation for related cost expenses or losses already incurred, it is immediately recognized in profit or loss or offset against relevant cost for the current period.

A government grant related to an asset shall be offset against the carrying amount of relevant assets or 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, provided that a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period. 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.

## Notes to Financial Statements *(continued)*

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

#### 30. 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.
- (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.

## Notes to Financial Statements *(continued)*

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

#### **30. Income tax** *(continued)*

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.

#### **31. 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 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 operation 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.

## Notes to Financial Statements *(continued)*

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

#### 31. Leases *(continued)*

##### *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.

##### *In the case of being the lessor of a finance lease*

An asset leased under a finance lease is recognised at the sum of the minimum lease payment receivables and initial direct cost as at the effective date of lease as the finance lease receivables and unguaranteed residual value is recorded at the same time. The difference between the sum of minimum lease payment receivables, initial direct cost and the unguaranteed residual value and the sum of their present value are accounted for as unrealised finance income which are recognised using the effective interest rate method during periods over the lease term. Contingent rental income is credited to profit or loss in the current period in which it actually arises.

#### 32. Distribution of profit

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

#### 33. 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.

#### 34. Fair value measurement

The Group measures its investment properties other equity instruments investments 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.



## Notes to Financial Statements *(continued)*

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

#### **34. Fair value measurement** *(continued)*

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.

#### **35. 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.

## Notes to Financial Statements *(continued)*

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

#### 35. Significant accounting judgments and estimates *(continued)*

##### *Judgments (continued)*

##### *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.

##### *Consolidation Scope – the Group holds half or less of the voting rights of the investee*

The Group considers that it controls Tangshan Jidong Cement Co., Ltd. and Tangshan Jidong Equipment & Engineering Co., Ltd. even though it owns less than half of the voting rights. This is because the Group is the single largest shareholder of the above two companies, directly or indirectly holding 37% and 30% of the shares in aggregate, respectively. Other shares of the above two companies are widely held by many other shareholders. Since the date of acquisition, no other shareholders have collectively exercised their voting rights or have more votes than the Group.

##### *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 *(continued)*

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

#### **35. Significant accounting judgments and estimates** *(continued)*

##### ***Judgments*** *(continued)*

###### *Classification of perpetual bonds*

As described in Note V. 41, the Group issued perpetual bonds of RMB1 billion, RMB4 billion, RMB5 billion and RMB5 billion in 2015, 2016, 2017 and 2018, respectively. Pursuant to the relevant prospectuses of the medium-term notes, upon comprehensive consideration by the management of the Group that the perpetual bonds have no maturity dates or the Group has the right to extend for unlimited number of times upon the maturity thereof, and has the right to deferred the payment of coupon interests on the perpetual bonds, and that the Group has no contractual obligations to pay cash or other financial assets nor to exchange financial assets or financial liabilities under potential adverse condition with the holders of the perpetual bonds, the Group classifies the perpetual bonds 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.

###### *Impairment of financial instruments*

The Group uses expected credit losses model to conduct assessment on the impairment of financial instruments. The application of expected credit losses model requires significant judgement and estimation and takes into account all reasonable and reliable information, including forward-looking information. When making such judgement and estimation, the Group predicts the expected changes in credit risk of the obligor based on its historical data of repayment together with factors such as economic policy, macroeconomic indicators and industry risk.

###### *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.

## Notes to Financial Statements *(continued)*

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

#### 35. 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.

##### *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.

##### *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 and amount of open market transactions are considered and assumptions that are mainly based on market conditions existing at the balance sheet date are adopted.

## Notes to Financial Statements *(continued)*

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

#### 35. Significant accounting judgments and estimates *(continued)*

##### *Uncertainty of estimation (continued)*

###### *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.

###### *Provision for decline in value of inventory*

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

###### *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.

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates

##### *Change in Accounting Policy*

In 2017, the Ministry of Finance announced the revised "Accounting Standard for Business Enterprises No.14 – Revenue" (the "**New Revenue Standard**"), "Accounting Standard for Business Enterprises No.22 – Recognition and measurement for financial instruments", "Accounting Standard for Business Enterprises No.23 – Transfer of financial assets", "Accounting Standard for Business Enterprises No.24 – Hedging" and "Accounting Standard for Business Enterprises No.37 – Presentation of financial instruments" (the "**New Financial Instruments Standard**"). The Group began to implement the accounting treatment according to the newly revised standards above from 1 January 2018. According to the transitional requirements, the information for the comparable period will not be adjusted and profit not distributed as at the beginning of the Reporting Period or other comprehensive income will be retrospectively adjusted based on the difference between the implementation of the new standards on the first day and the current standards.

##### *The New Revenue Standard*

The New Revenue Standard establishes a new model for recognizing the revenue generated from contracts with customers. The amount of revenue should reflect the amount that the entity is expected to receive due to the transfer of such goods and services to the customer. At the same time, the New Revenue Standard also regulates the judgments and estimates for matters such as cost of contract, performance obligation, variable consideration, as well as principal-versus-agent. The Group only adjusted the cumulative impact of contracts that have not been completed on 1 January 2018. For changes to contracts that occurred on or before 1 January 2018, the Group adopted a simplified treatment method to identify the performance obligations that have been and have not been fulfilled, determine the transaction price, and allocate the transaction price between fulfilled and outstanding performance obligations for all contracts based on the final arrangement of contract changes.

Based on the review made for the performed sales contract as at 31 December 2017, the Group is of the opinion that the practicable expedience approach has no significant impact on the financial statements of the company. It is because the revenue recognised upon the transfer of risks and rewards is synchronized with the performance of the obligations in sales contract and a sale contract of the Group generally involves only one performance obligation.

The impact of implementing the New Revenue Standard by the Group is as follows:

For contracts with the time interval between payments from customers and ownership transfer of promised goods or services more than a year, the transaction prices of the contracts are adjusted due to the impact on inclusion of significant financing component.

Where the incremental costs incurred from obtaining contracts are expected to be recoverable, they will be capitalised as the costs of contracts, and amortised upon recognition of the income from relevant contracts. However, for contracts with the amortisation term of assets not more than a year, the incremental costs could be included in the profit or loss for the current period when they are incurred. Incremental costs mean the costs (such as sales commission) that will not be incurred if an enterprise fails to obtain a contract.

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### *Change in Accounting Policy (continued)*

##### *The New Revenue Standard (continued)*

For contracts with variable considerations, the enterprises shall, based on the expected values or the most likely amounts, determine the best estimate of the variable considerations. However, the transaction prices that include the variable considerations shall not exceed the amounts that are most unlikely to have significant reversal for accumulated recognised income when the relevant uncertainties are eliminated. In assessing whether it is most unlikely to have the significant reversal for the accumulated recognised income, the enterprises shall consider the possibility and its proportion of income reversal at the same time.

Below is the effect of the New Revenue Standard on the consolidated balance sheet of the Group on the date of initial adoption:

Consolidated Balance Sheet

As at 1 January 2018	Carrying amount	Assuming implementing the original standard	Impact on adopting the New Revenue Standard
Bills receivable and accounts receivable	15,065,293,755.04	15,867,845,894.72	(802,552,139.68)
Long-term receivables	1,186,951,841.33	485,377,872.64	701,573,968.69
Inventories	99,497,005,659.34	98,649,716,753.63	847,288,905.71
Other current assets	3,081,287,303.90	3,438,847,412.19	(357,560,108.29)
Deferred income tax assets	2,999,963,491.58	2,952,009,690.68	47,953,800.90
Receipts in advance	172,958,649.26	27,340,492,780.84	(27,167,534,131.58)
Contract liabilities	26,785,393,699.49	–	26,785,393,699.49
Other current liabilities	6,875,159,587.50	6,042,357,010.03	832,802,577.47
Deferred income tax liabilities	4,499,421,069.69	4,473,726,257.58	25,694,812.11
Accrued liabilities	492,059,836.37	464,935,400.17	27,124,436.20
Retained earnings	22,732,463,426.79	22,758,176,658.95	(25,713,232.16)
Minority interests	18,713,898,403.38	18,754,962,137.58	(41,063,734.20)

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### **Change in Accounting Policy** *(continued)*

##### *The New Revenue Standard (continued)*

Material impacts of the New Revenue Standard on the Group for the year are as follows:

##### Consolidated Balance Sheet

As at 31 December 2018	Carrying amount	Assuming implementing the original standard	Impact on adopting the New Revenue Standard
Bills receivable and accounts receivable	18,665,867,265.35	19,332,793,769.61	(666,926,504.26)
Long-term receivables	802,351,921.55	244,019,189.23	558,332,732.32
Inventories	114,912,793,681.36	114,018,067,624.53	894,726,056.83
Other current assets	3,710,725,422.82	3,981,647,233.45	(270,921,810.63)
Deferred income tax assets	3,454,590,218.09	3,426,487,813.46	28,102,404.63
Receipts in advance	317,903,204.75	24,214,728,757.79	(23,896,825,553.04)
Contract liabilities	23,715,168,353.77	–	23,715,168,353.77
Other current liabilities	8,492,714,136.95	7,697,764,315.98	794,949,820.97
Deferred income tax liabilities	5,960,849,194.26	5,945,063,408.77	15,785,785.49
Accrued liabilities	606,650,918.54	590,627,609.67	16,023,308.87
Retained earning	24,646,427,835.84	24,727,015,907.80	(80,588,071.96)
Minority interests	21,549,031,047.34	21,570,231,812.55	(21,200,765.21)

##### Consolidated Income Statement

For the year ended 31 December 2018	Carrying amount	Assuming implementing the original standard	Impact on adopting the New Revenue Standard
Operating revenue	83,116,733,092.15	82,076,026,788.94	1,040,706,303.21
Operating costs	60,720,721,116.68	59,765,095,336.58	955,625,780.10
Selling expenses	2,915,690,243.38	2,884,365,538.88	31,324,704.50
Finance costs	3,047,478,342.17	2,967,687,433.92	79,790,908.25
Income tax expenses	2,163,209,508.92	2,154,232,727.75	8,976,781.17

##### The Company

The New Revenue Standard had no material impact on the Company's financial statements on the date of initial adoption and for the year 2018.



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### **Change in Accounting Policy** *(continued)*

###### *The New Financial Instruments Standard*

The New Financial Instruments Standard changes the classification and measurement of financial assets and defines three categories for measurement: financial assets are measured at amortized cost; measured at fair value through other comprehensive income; measured at fair value through profit or loss of the current period. The above classification shall be made by the entity based on its consideration of its business model and the characteristics of contractual cash flows relating to the financial assets. Equity investments shall be measured at fair value through profit or loss of the current period. However, at initial recognition, the Company can elect to measure equity investments at fair value through other comprehensive income and the election is irrevocable (under this election, only dividends are recognized in profit or loss, and gains or losses on disposal are not transferred to profit and loss).

The New Financial Instruments Standard requires “**expected credit loss**” model for recognition and measurement of impairments in financial assets instead of “**objective evidence of impairment**” model. Expected credit loss model is applied in financial assets measured at amortized cost or fair value through other comprehensive income, loan commitments and financial guarantee contracts.

On the day of initial adoption, the comparison of financial assets that are classified and measured in accordance with the recognition and measurement standards for financial instruments before and after amendments is as follows:

The Group

As at 1 January 2018	Recognition and measurement standards for financial instruments before amendment		Recognition and measurement standards for financial instruments after amendment	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Bills receivables and accounts receivables	At amortised cost (loans and receivables)	15,065,293,755.04	At amortised cost	15,254,140,090.78
Long-term receivables	At amortised cost (loans and receivables)	1,186,951,841.33	At amortised cost	1,164,859,634.57
Other receivables	At amortised cost (loans and receivables)	5,890,424,799.29	At amortised cost	5,838,085,078.24
Equity investment	Measured at fair value through other comprehensive income (assets available for sale)	2,309,736,754.00	Measured at fair value through profit or loss (as per the requirements of the standard)	1,730,252,400.00
			Measured at fair value through other comprehensive income (designated)	579,484,354.00
Wealth management products	Measured at fair value through other comprehensive income (assets available for sale)	588,151,110.39	Measured at fair value through profit or loss (as per the requirements of the standard)	588,151,110.39

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### **Change in Accounting Policy** *(continued)*

*The New Financial Instruments Standard (continued)*

The Company

As at 1 January 2018	Recognition and measurement standards for financial instruments before amendment		Recognition and measurement standards for financial instruments after amendment	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Bills receivables and accounts receivables	At amortised cost (loans and receivables)	124,246.15	At amortised cost	124,246.15
Other receivables	At amortised cost (loans and receivables)	56,424,801,069.16	At amortised cost	56,416,067,272.52
Equity investment	Measured at fair value through other comprehensive income (assets available for sale)	200,000.00	Measured at fair value through other comprehensive income (designated)	200,000.00

On the day of initial implementation, the reconciliation between the impairment provision of original financial assets as at 31 December 2017 and the adjusted new impairment provision of financial assets classified and measured in accordance with the standards for financial instruments after amendment is as follows:

The Group

	Provision for loss made according to the original financial instruments standard	Reclassification	Remeasurement	Provision for loss made according to the New Financial Instruments Standard
Bills receivable and accounts receivable, long-term receivables	2,420,720,346.67	–	(166,754,128.98)	2,253,966,217.69
Other receivables	1,284,733,038.50	–	52,339,721.05	1,337,072,759.55
Total	3,705,453,385.17	–	(114,414,407.93)	3,591,038,977.24

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### **Change in Accounting Policy** *(continued)*

*The New Financial Instruments Standard (continued)*

The Company

	Provision for loss made according to the original financial instruments standard	Reclassification	Remeasurement	Provision for loss made according to the New Financial Instruments Standard
Bills receivable and accounts receivable, long-term receivables	11,405,333.00	–	–	11,405,333.00
Other receivables	18,111,381.45	–	8,733,796.64	26,845,178.09
Total	<u>29,516,714.45</u>	<u>–</u>	<u>8,733,796.64</u>	<u>38,250,511.09</u>

On the day of initial implementation, the reconciliation between the original carrying value of financial assets and the adjusted new carrying value of financial assets classified and measured in accordance with the recognition and measurement standards for financial instruments after amendment is as follows:

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### **Change in Accounting Policy** *(continued)*

*The New Financial Instruments Standard (continued)*

The Group

	Provision for loss made according to the original financial instruments standard 31 December 2017	Reclassification	Remeasurement	Provision for loss made according to the New Financial Instruments Standard 1 January 2018
Financial assets measured at amortised costs				
Bills receivable and accounts receivable				
Balance presented according to original financial instruments standard	15,065,293,755.04			
Remeasurement: provision for expected credit loss			166,754,128.98	
Reclassification: provision for the long-term portion of expected credit loss		22,092,206.76		
Balance presented according to New Financial Instruments Standard				15,254,140,090.78
Long-term receivables				
Balance presented according to original financial instruments standard	1,186,951,841.33			
Reclassification		(22,092,206.76)		
Balance presented according to New Financial Instruments Standard				1,164,859,634.57
Other receivables				
Balance presented according to original financial instruments standard	5,890,424,799.29			
Remeasurement: provision for expected credit loss			(52,339,721.05)	
Balance presented according to New Financial Instruments Standard				5,838,085,078.24
<b>Total financial assets measured at amortised costs</b>	<b>22,142,670,395.66</b>			<b>22,257,084,803.59</b>

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### *Change in Accounting Policy (continued)*

##### *The New Financial Instruments Standard (continued)*

	Provision for loss made according to the original financial instruments standard 31 December 2017	Reclassification	Remeasurement	Provision for loss made according to the New Financial Instruments Standard 1 January 2018
Available-for-sale financial assets				
Balance presented according to original financial instruments standard	2,897,887,864.39			
Less: Transfer to financial assets measured at fair value through other comprehensive income-equity instruments (New Financial Instruments Standard)		(579,484,354.00)		
Less: Transfer to financial assets measured at fair value through profit or loss (New Financial Instruments Standard)		(2,318,403,510.39)		
Balance presented according to New Financial Instruments Standard				-
Financial assets measured at fair value through other comprehensive income				
Investment in other equity instrument				
Balance presented according to original financial instruments standard	-			
Reclassification		579,484,354.00		
Balance presented according to New Financial Instruments Standard				579,484,354.00
Financial assets measured at fair value through profit or loss				
Balance presented according to original financial instruments standard	46,226,108.99			
Reclassification		2,318,403,510.39		
Balance presented according to New Financial Instruments Standard				2,364,629,619.38

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### *Change in Accounting Policy (continued)*

*The New Financial Instruments Standard (continued)*

The Company

	Provision for loss made according to the original financial instruments standard 31 December 2017	Reclassification	Remeasurement	Provision for loss made according to the New Financial Instruments Standard 1 January 2018
Financial assets measured at amortised costs				
Bills receivable and accounts receivable				
Balance presented according to original financial instruments standard	124,246.15			
Remeasurement: provision for expected credit loss			-	
Balance presented according to New Financial Instruments Standard				124,246.15
Other receivables				
Balance presented according to original financial instruments standard	56,424,801,069.16			
Remeasurement: provision for expected credit loss			(8,733,796.64)	
Balance presented according to New Financial Instruments Standard				56,416,067,272.52
<b>Total financial assets measured at amortised costs</b>	<b>56,424,925,315.31</b>			<b>56,416,191,518.67</b>
Available-for-sale financial assets				
Balance presented according to original financial instruments standard	200,000.00			
Less: Transfer to financial assets measured at fair value through other comprehensive income- equity instruments (New Financial Instruments Standard)		(200,000.00)		
Balance presented according to New Financial Instruments Standard				-
Financial assets measured at fair value through other comprehensive income				
Investment in other equity instrument				
Balance presented according to original financial instruments standard	-			
Reclassification		200,000.00		
Balance presented according to New Financial Instruments Standard				200,000.00

## Notes to Financial Statements *(continued)*

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

#### 36. Change in accounting policies and accounting estimates *(continued)*

##### **Change in Accounting Policy** *(continued)*

###### *Presentation of financial statement*

In accordance with the "Notice on the Revision of the Issuance of the Financial Statements of General Enterprises for the year 2018" (Accounting [2018] No. 15) (《關於修訂印發截至2018一般企業財務報表格式的通知》(財會[2018]15號)), except for the presentation changes of financial statements resulted from the implementation of the New Financial Instruments Standard and the New Revenue Standard mentioned above, the Group consolidated the "bills receivable" and "accounts receivables" to the newly added "bills receivable and accounts receivables" item, consolidated the "dividends receivable" and "interest receivable" to "other receivables", consolidated the "liquidation of fixed assets" to the "fixed assets" item, consolidated the "construction material" to the "construction in progress" item, consolidated the "bills payable" and "accounts payables" to the newly added "bills payable and accounts payables" item, consolidated the "specific payable" to the "long-term payables" item, and the "research and development expenses" item is split from the "administrative expenses" item in the income statement, the "interest expense" and "interest income" are split from the "financial expenses" item; the "change in the defined benefit plan carried forward to retained earnings" item was added to the statement of changes in equity and the Group restated the comparative period statement accordingly. This change in accounting policy has no impact on the merger and the Company's net profit and shareholders' equity.

### IV. TAXATION

#### (1) Major categories of taxes and respective tax rates

Value-added tax (VAT):	The Group's taxable revenue of the general taxpayer is calculated based on the corresponding tax rate, and the VTA is calculated based on the difference after deducting the input tax amount deductible for the current period; the goods sold by the Group is subject to output tax rate of 16% (17% prior to 1 May 2018). 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%. For financial leasing companies, VAT is levied based on the rental income at a simplified tax rate of 6%. For the sale of immovables of property developers, the VAT payable is determined by the output VAT calculated based on the taxable revenue from general taxpayers at the tax rate of 10% (11% prior to 1 May 2018), and those general taxpayers who are eligible under the Transition Policy may choose to be levied at the simplified rate of 5%. The rate of VAT for tourism and entertainment service, and food and beverage and accommodation service is 6%, and that for immovable leasing service is 11%.
City maintenance and construction tax:	It is levied at 7%, 5% and 1% of net VAT paid.
Education surcharge:	It is levied at 3% of net VAT paid.
Property tax:	It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10%-30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### IV. TAXATION *(continued)*

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

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:	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.
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 or price basis.
Corporate income tax:	Except for the corporate income tax of BBMG Hong Kong Limited and Jidong Development (HK) International Ltd levied at the rate of 16.5% based on the taxable profits and the income tax concessions entitled to by some of the enterprises comprising the Group as below, the Group's corporate income tax is levied at the tax rate of 25% based on the taxable profit.

#### (2) Tax preferences

##### 1. Corporate income tax

- (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 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 Hightech 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》).
- (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. (from 1 January 2014 to 31 December 2019) and Guangling BBMG Cement (1 January 2016 to 31 December 2021) enjoy the preferential corporate income tax policy of "three-year exemption and three-year 50% reduction".
- (3) Pursuant to the Notice on the Issues concerning the Taxation Policies for Deepening the Implementation of the Develop-the-West 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 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》), certain subsidiaries of the Company located in Western China meeting the criteria were subject to corporate income tax at rate of 15% after obtaining the approval from the competent tax authorities.



## Notes to Financial Statements *(continued)*

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### **IV. TAXATION** *(continued)*

#### **(2) Tax preferences** *(continued)*

##### **2. 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.
- (2) In accordance with the requirements of 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) with effect from 1 July 2015, a minor portion of products of BBMG Mortar Co., Ltd., being a subsidiary of the Group, meet the requirement of Comprehensive Utilization of Resources, enjoying 70% VAT refund upon collection.
- (3) In accordance with the requirements of 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.
- (4) In accordance with the requirements of the Notice on Preferential Policies on Value-Added Tax, Real Estate Tax and Urban Land Use Tax for Heat Supply Enterprises (Cai Shui [2016] No. 94), Beijing Jinhaiyan Property Management Co., Ltd. and BBMG Dacheng Property Management Co., Ltd., both being the Group’s subsidiaries, enjoy the VAT exemption for heating fee income obtained from supplying heat for resident individuals by heat supply enterprises from 1 January 2016 to the end of the heat supply period of 2018.
- (5) In accordance with the financial and tax documents, the products of Beijing Bio-Island Science and Technology Co., Ltd., a subsidiary of the Group, enjoys 50% (for industrial oil produced by waste mineral oil, such as lube base oil, gasoline and diesel) VAT refund upon collection preferential policy.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### IV. TAXATION *(continued)*

#### (2) Tax preferences *(continued)*

##### 2. Value-added tax (VAT) *(continued)*

- (6) 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.
- (7) In accordance with the requirements of the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products (《財政部國家稅務總局關於軟件產品增值稅政策的通知》) (Cai Shui [2011] No. 100), Tangshan Dunshi Information and Technology Co., Ltd. enjoys the preferential VAT policy of refund upon collection in respect of the actual tax burden exceeding 3% for the software it sells.
- (8) According to Item 2, Article 1 of Appendix 3 to the Notice of the Ministry of Finance and the State Administration of Taxation concerning the Overall Implementation of the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《財政部國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36), the elderly services provided by Beijing BBMG Aixun Binhe Elderly Services Co., Ltd. are exempted from VAT.

##### 3. Resource tax

In accordance with the Notice on Issues on Specific Policies on the Reform of Resource Tax (Cai Shui [2016] No. 54), Bo'ai BBMG Cement Co., Ltd. has adopted relevant requirements concerning the VAT exemption of co-existing minerals that for mining and selling of co-existing minerals by taxpayers, the sales amounts of main minerals and co-existing minerals products shall be handled separately in accounting and the resource tax for co-existing minerals shall be temporarily exempted in order to promote the comprehensive utilization of co-existing minerals.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

	2018	2017
Cash in stock	2,585,432.91	908,870.81
Bank deposits	16,455,156,910.94	16,157,596,409.79
Other monetary fund	1,328,911,455.04	516,903,909.35
Statutory deposit reserve placement with central bank by finance company	<u>987,814,461.77</u>	<u>1,228,437,954.77</u>
	<u><b>18,774,468,260.66</b></u>	<u><b>17,903,847,144.72</b></u>

Monetary fund with restrictions:

	2018	2017
Monetary fund for collateral:		
Statutory deposit reserve placement with central bank by finance company	987,814,461.77	1,228,437,954.77
Deposits for letter of credit	175,108,025.27	59,308,277.04
Quality/performance guarantees	273,062,584.16	117,009,520.57
Deposits for acceptance bills	<u>576,988,247.64</u>	<u>177,489,541.28</u>
Other monetary fund with restrictions:		
Restricted part of property pre-sale funds	2,926,411,562.08	3,245,141,712.81
Others	<u>315,036,071.92</u>	<u>162,373,334.78</u>
	<u><b>5,254,420,952.84</b></u>	<u><b>4,989,760,341.25</b></u>

As at 31 December 2018, the monetary fund with restrictions utilized by the Group included bank deposits of RMB2,983,786,522.27 (31 December 2017: RMB3,245,141,712.81), other monetary fund of RMB1,282,819,968.80 (31 December 2017: RMB516,180,673.67) and statutory deposit reserve placement with central bank by finance company of RMB987,814,461.77 (31 December 2017: RMB1,228,437,954.77).

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 1. Cash and bank balances *(continued)*

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 2018, the Group's monetary fund deposited overseas amounted to RMB153,505,172.77 (31 December 2017: RMB32,669,894.86).

#### 2. Financial assets held for trading

	2018	Gains recognised during the period
Wealth management product investment	1,000,708,555.99	28,330,896.14
Equity instrument investment	<u>33,849,556.74</u>	<u>722,568.00</u>
	<u>1,034,558,112.73</u>	<u>29,053,464.14</u>

As at 31 December 2018, wealth management products referred to monetary fund held by BBMG Finance Co., Ltd. Equity instrument investment referred to the tradable shares of listed companies held by Jidong Cement and Jidong Development Group Co., Ltd.

#### 3. Financial assets at fair value through profit or loss

	2017
Equity instrument investment	<u>46,226,108.99</u>

As at 31 December 2017, such equity instrument investment referred to the tradable shares of listed companies held by Jidong Cement, a subsidiary of the Group.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable

		2018	2017
Bills receivable	(1)	11,291,636,872.50	8,181,663,835.79
Accounts receivable	(2)	9,863,610,969.30	10,106,902,405.60
		<b>21,155,247,841.80</b>	18,288,566,241.39
Less: Provision for bad debts		2,489,380,576.45	2,420,720,346.67
		<b>18,665,867,265.35</b>	15,867,845,894.72

#### (1) Bills receivable

		2018	2017
Bank acceptance bills		10,019,577,739.84	6,902,433,880.50
Commercial acceptance bills		1,272,059,132.66	1,279,229,955.29
		<b>11,291,636,872.50</b>	8,181,663,835.79
Less: Provision for bad debts of bills receivable		65,855,058.00	-
		<b>11,225,781,814.50</b>	8,181,663,835.79

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

	2018		2017	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance bills	5,573,035,932.65	4,351,540,018.60	3,547,596,983.95	3,411,269,211.02
Commercial acceptance bills	-	935,730,669.33	-	345,743,510.81
	<b>5,573,035,932.65</b>	<b>5,287,270,687.93</b>	3,547,596,983.95	3,757,012,721.83

As at 31 December 2018, bills receivable of RMB129,872,209.57 (31 December 2017: RMB5,300,000.00) were used for discounting of short-term loan. For details of pledge of bills receivable, please refer to Note V. 67.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable *(continued)*

##### (1) *Bills receivable* *(continued)*

Transfer of bills receivable into accounts receivable due to default on the part of the drawer is as follows:

	2018	2017
Bank acceptance bills	<u>177,200,000.00</u>	—

The movements in provision for bad debts of accounts receivable for 2018 are as follows:

	2018
Bills receivable	
Provision for the year and closing balance	<u>65,855,058.00</u>

##### (2) *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 noninterest bearing.

An aging analysis of the accounts receivable based on the invoice date is as follows:

	2018	2017
Within 1 year (inclusive of 1 year)	5,875,572,619.57	5,594,236,704.72
1 to 2 years (inclusive of 2 years)	1,399,257,206.82	1,893,391,337.30
2 to 3 years (inclusive of 3 years)	831,428,398.76	998,531,700.06
3 to 4 years (inclusive of 4 years)	560,230,050.44	667,986,707.04
4 to 5 years (inclusive of 5 years)	376,422,298.49	387,965,394.02
Over 5 years	<u>820,700,395.22</u>	<u>564,790,562.46</u>
	9,863,610,969.30	10,106,902,405.60
Less: Provision for bad debts of accounts receivable	<u>2,423,525,518.45</u>	<u>2,420,720,346.67</u>
	<u>7,440,085,450.85</u>	<u>7,686,182,058.93</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable *(continued)*

##### (2) **Accounts Receivable** *(continued)*

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

	2018	2017
Balance of the previous year	2,420,720,346.67	2,250,876,050.03
Effect of change in accounting policy	<u>(188,846,335.74)</u>	–
Opening balance	2,231,874,010.93	2,250,876,050.03
Provision for the year	68,999,649.21	204,900,642.18
Transferred in upon acquisition of subsidiaries	168,686,325.27	42,894.45
Reversal for the year	(2,679,120.48)	(10,283,943.72)
Write-off for the year	(10,080,941.31)	(24,815,296.27)
Removed from upon disposal of subsidiaries	(33,171,288.40)	–
Transferred to held for sale	<u>(103,116.77)</u>	–
Closing balance	<u>2,423,525,518.45</u>	<u>2,420,720,346.67</u>

	2018			
	Gross carrying Amount	Proportion (%)	Provision for bad debts Amount	Proportion (%)
Subject to separate provision for bad debts	1,015,810,002.46	10.30	407,164,476.35	40.08
Provision for bad debts by credit risk characteristics group	<u>8,847,800,966.84</u>	<u>89.70</u>	<u>2,016,361,042.10</u>	<u>22.79</u>
	<u>9,863,610,969.30</u>	<u>100.00</u>	<u>2,423,525,518.45</u>	<u>24.57</u>

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable *(continued)*

##### (2) *Accounts Receivable (continued)*

The provision for bad debt of accounts receivable determined by the Group based on the aging analysis is as follows:

	2018		
	Gross carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year (inclusive of 1 year)	5,518,216,615.42	2.99	164,869,732.48
1 to 2 years (inclusive of 2 years)	1,194,692,247.09	17.83	212,977,907.44
2 to 3 years (inclusive of 3 years)	612,795,145.28	41.09	251,778,353.97
3 to 4 years (inclusive of 4 years)	392,856,638.23	65.54	257,494,727.39
4 to 5 years (inclusive of 5 years)	347,254,325.39	100.00	347,254,325.39
Over 5 years	781,985,995.43	100.00	781,985,995.43
	<b>8,847,800,966.84</b>		<b>2,016,361,042.10</b>



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable *(continued)*

##### (2) Trade Receivable *(continued)*

The provision for bad debt of accounts receivable determined by the Group based on the aging analysis is as follows *(continued)* :

	2017			
	Balance of carrying amount Amount	Proportion (%)	Provision for bad debts 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 *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable *(continued)*

##### (2) *Accounts Receivable (continued)*

As at 31 December 2018, accounts receivable which were subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons
Unit 1	80,213,849.30	65,909,613.14	82.17	Partly uncollectible
Unit 2	51,900,000.00	26,282,311.70	50.64	Partly uncollectible
Unit 3	21,400,499.00	21,400,499.00	100.00	All uncollectible
Unit 4	17,484,567.98	17,484,567.98	100.00	All uncollectible
Unit 5	15,357,312.83	15,357,312.83	100.00	All uncollectible
Other units	<u>829,453,773.35</u>	<u>260,730,171.70</u>	31.43	Partly uncollectible
	<b>1,015,810,002.46</b>	<b>407,164,476.35</b>		

As at 31 December 2017, accounts receivable which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of 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 6	17,538,494.30	762,924.50	4.35	Partly uncollectible
Unit 4	<u>17,484,567.98</u>	<u>17,484,567.98</u>	100.00	All uncollectible
	<b>165,916,230.92</b>	<b>95,292,154.85</b>		

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable *(continued)*

##### (2) Trade Receivable *(continued)*

As at 31 December 2018, 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 7	Payment for goods received	Individual identification	2,207,495.52	2,207,495.52
Unit 8	Payment for goods received	Individual identification	152,315.76	152,315.76
Unit 9	Payment for goods received	Individual identification	110,986.40	110,986.40
Unit 10	Payment for goods received	Individual identification	106,964.37	106,964.37
Unit 11	Payment for goods received	Individual identification	101,358.43	101,358.43
			<b>2,679,120.48</b>	<b>2,679,120.48</b>

As at 31 December 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 12	Payment for goods received	Aging analysis	6,171,287.23	6,171,287.23
Unit 13	Payment for goods received	Individual identification	2,576,860.17	2,576,860.17
Unit 14	Payment for goods received	Individual identification	1,509,870.50	1,509,870.50
Unit 15	Payment for goods received	Individual identification	25,925.82	25,925.82
			<b>10,283,943.72</b>	<b>10,283,943.72</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 4. Bills receivable and accounts receivable *(continued)*

##### (2) **Accounts Receivable** *(continued)*

As at 31 December 2018, the top 5 of the balance of accounts receivable were as follows:

	Balance	Proportion in total accounts receivable (%)	Provision for bad debts	Net amount
First	117,580,390.69	1.19	51,357,771.44	66,222,619.25
Second	80,213,849.30	0.81	65,909,613.14	14,304,236.16
Third	70,133,753.03	0.71	12,473,262.10	57,660,490.93
Fourth	67,230,768.53	0.68	–	67,230,768.53
Fifth	56,756,251.35	0.58	–	56,756,251.35
	<b>391,915,012.90</b>	<b>3.97</b>	<b>129,740,646.68</b>	<b>262,174,366.22</b>

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

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

In 2018, provision by the Group for bad debts amounted to RMB68,999,649.21 (2017: RMB204,900,642.18), and provision for bad debts reversed amounted to RMB2,679,120.48 (2017: RMB10,283,943.72). The actual amount of accounts receivable written-off was RMB10,080,941.31 (2017: RMB24,815,296.27).

For the transfer of bills receivable, please refer to Note VIII. 2.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 5. Prepayments

An aging analysis of prepayments is as follows:

	2018		2017	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year (inclusive of 1 year)	<b>1,897,051,101.24</b>	<b>92.94</b>	1,618,250,818.14	88.17
1 to 2 years (inclusive of 2 years)	<b>57,451,838.84</b>	<b>2.81</b>	113,738,152.85	6.20
2 to 3 years (inclusive of 3 years)	<b>22,897,375.59</b>	<b>1.12</b>	28,337,468.54	1.54
Over 3 years	<b>63,726,559.29</b>	<b>3.13</b>	75,134,002.97	4.09
	<b>2,041,126,874.96</b>	<b>100.00</b>	1,835,460,442.50	100.00
Less: Provision for bad debts of prepayments	<b>32,755,124.32</b>		43,106,152.03	
	<b>2,008,371,750.64</b>		1,792,354,290.47	

As at 31 December 2018, 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 16	Over 3 years	<b>6,145,541.26</b>	0.3%	Uncompleted

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 17	1-2 years and 2-3 years	<b>33,079,173.18</b>	1.80%	Uncompleted

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 5. Prepayments *(continued)*

As at 31 December 2018, the top 5 prepayments were as follows:

Name of unit receiving prepayments	Percentage of total	
	Amount	prepayments
First	285,696,672.96	14.00%
Second	136,827,130.20	6.70%
Third	75,023,601.76	3.68%
Fourth	57,126,246.08	2.80%
Fifth	41,000,000.00	2.01%
	<b>595,673,651.00</b>	<b>29.19%</b>

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

Name of unit receiving prepayments	Percentage of total	
	Amount	prepayments
First	262,039,244.70	14.28%
Second	98,603,195.88	5.37%
Third	83,482,264.44	4.55%
Fourth	33,079,173.18	1.80%
Fifth	29,569,354.27	1.61%
	<b>506,773,232.47</b>	<b>27.61%</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 6. Other receivables

	2018	2017
Interests receivable	1,301,741.00	1,284,128.69
Interests on borrowings	1,301,741.00	1,284,128.69
Dividends receivable	53,071,936.52	10,071,936.52
Dividends due from associates	11,071,936.52	10,071,936.52
Dividends due from other equity investment	42,000,000.00	–
Deposits	1,504,512,033.78	1,086,461,353.04
Current account with other entities	2,226,739,307.41	1,662,414,489.40
Disbursements previously made	496,332,654.05	583,408,537.02
Consideration receivable for equity transfer	981,951,645.48	1,231,866,805.24
Government grants receivable	37,385,615.66	56,592,224.11
Reserve fund	70,635,382.49	155,567,050.51
Amount due from associates	3,965,372,615.42	665,329,562.63
Amount due from Joint ventures	81,870,093.63	104,362,991.83
Due from other related parties	208,682,989.99	31,120,364.02
Other current account	1,965,241,445.29	1,586,678,394.78
	<b>11,593,097,460.72</b>	7,175,157,837.79
Less: Provision for bad debts of other receivables	<b>1,651,477,882.53</b>	1,284,733,038.50
	<b>9,941,619,578.19</b>	5,890,424,799.29

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 6. Other receivables *(continued)*

An aging analysis of other receivables is as follows:

	2018	2017
Within 1 year (inclusive of 1 year)	7,135,662,244.78	3,534,634,238.35
1 to 2 years (inclusive of 2 years)	645,336,788.23	1,240,188,321.88
2 to 3 years (inclusive of 3 years)	1,053,350,631.36	489,456,704.83
3 to 4 years (inclusive of 4 years)	401,621,124.08	419,793,430.29
4 to 5 years (inclusive of 5 years)	388,160,367.93	253,461,395.33
Over 5 years	<u>1,968,966,304.34</u>	<u>1,237,623,747.11</u>
	11,593,097,460.72	7,175,157,837.79
Less: Provision for bad debts of other receivable	<u>1,651,477,882.53</u>	<u>1,284,733,038.50</u>
	<u>9,941,619,578.19</u>	<u>5,890,424,799.29</u>

The movements in provision for bad debts of other receivables based on lifetime expected credit losses are as follows:

	2018	2017
Balance at the end of the previous year	1,284,733,038.50	1,315,581,001.81
Effect of change in accounting policy	<u>52,339,721.05</u>	-
Opening balance	1,337,072,759.55	1,315,581,001.81
Provision for the year	309,898,882.34	70,175,329.39
Transferred in upon acquisition of subsidiaries	108,880,957.94	60,000.00
Reversal for the year	(57,421,684.31)	(80,689,022.47)
Write-off for the year	(12,135,460.15)	(20,334,270.23)
Removed from upon disposal of subsidiaries	(34,817,518.84)	(60,000.00)
Transferred to held for sale	<u>(54.00)</u>	-
Closing balance	<u>1,651,477,882.53</u>	<u>1,284,733,038.50</u>



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 6. Other receivables *(continued)*

	2018			
	Balance of carrying amount Amount	Proportion (%)	Provision for bad debts Amount	Proportion (%)
Subject to separate provision for bad debts	10,232,972,596.16	88.27	659,658,638.54	6.45
Provision for bad debts by credit risk characteristics group	<u>1,360,124,864.56</u>	<u>11.73</u>	<u>991,819,243.99</u>	<u>72.92</u>
	<u>11,593,097,460.72</u>	<u>100.00</u>	<u>1,651,477,882.53</u>	<u>14.25</u>

	2018		
	Gross carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year (inclusive of 1 year)	249,054,561.58	1.00	2,490,004.27
1 to 2 years (inclusive of 2 years)	114,704,100.17	12.00	13,764,492.00
2 to 3 years (inclusive of 3 years)	28,140,686.31	44.00	12,381,901.97
3 to 4 years (inclusive of 4 years)	17,388,519.81	71.00	12,345,849.06
4 to 5 years (inclusive of 5 years)	116,132,634.09	100.00	116,132,634.09
Over 5 years	<u>834,704,362.60</u>	<u>100.00</u>	<u>834,704,362.60</u>
	<u>1,360,124,864.56</u>		<u>991,819,243.99</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 6. Other receivables *(continued)*

	Balance of carrying amount	2017		Percentage of provision (%)
		Proportion (%)	Provision for bad debts Amount	
Individually significant and subject to separate provision for bad debts	1,049,521,502.08	14.63	555,906,061.27	52.97
Provision for bad debts by aging group				
Within 1 year (inclusive of 1 year)	2,056,603,431.19	28.66	–	–
1 to 2 years (inclusive of 2 years)	176,255,657.72	2.46	52,876,577.32	30.00
2 to 3 years (inclusive of 3 years)	66,295,002.51	0.92	39,777,001.51	60.00
3 to 4 years (inclusive of 4 years)	41,323,846.77	0.58	35,123,721.12	85.00
4 to 5 years (inclusive of 5 years)	49,528,192.06	0.69	49,528,192.06	100.00
Over 5 years	464,503,537.95	6.47	464,503,537.95	100.00
	2,854,509,668.20	39.78	641,809,029.96	
Provision for bad debts by special credit characteristics group	3,140,411,904.03	43.77	–	–
Individually not significant but subject to separate provision for bad debts	130,714,763.48	1.82	87,017,947.27	66.57
	<u>7,175,157,837.79</u>	<u>100.00</u>	<u>1,284,733,038.50</u>	

In 2018, provision for bad debts amounted to RMB309,898,882.34 (2017: RMB70,175,329.39), and provision for bad debts reversed amounted to RMB57,421,684.31 (2017: RMB80,689,022.47). The actual amount of accounts receivable written-off was RMB12,135,460.15 (2017: RMB20,334,270.23).

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 6. Other receivables *(continued)*

As at 31 December 2018, other receivables subject to separate provision for bad debt are as follow:

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons
Unit 18	602,188,169.53	60,000,000.00	9.96	Partly uncollectible
Unit 19	193,800,000.00	135,660,000.00	70.00	Partly uncollectible
Unit 1	116,589,327.25	94,906,292.83	81.40	Partly uncollectible
Unit 20	64,728,343.22	16,864,338.32	26.05	Partly uncollectible
Unit 21	63,502,908.02	5,722,095.78	9.01	Partly uncollectible
Other units	9,192,163,848.14	346,505,911.61	3.77	Partly uncollectible
	<b>10,232,972,596.16</b>	<b>659,658,638.54</b>		

As at 31 December 2017, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of 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 22	126,964,897.64	36,569,230.67	28.80	Partly uncollectible
Unit 23	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	487,571,630.93	304,911,882.39	62.54	Partly uncollectible
	<b>1,049,521,502.08</b>	<b>555,906,061.27</b>		

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 6. Other receivables *(continued)*

As at 31 December 2018, 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 24	Amount recovered	Individual identification	62,430,509.03	51,191,902.00
Unit 23	Amount recovered	Individual identification	6,229,782.31	6,229,782.31
			<u>68,660,291.34</u>	<u>57,421,684.31</u>

As at 31 December 2018, 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
First	3,272,090,726.80	28.22	Amount due from associates	Within 1 year	–
Second	692,712,900.00	5.98	Prices of land resumption	Within 1 year	–
Third	677,256,689.33	5.84	Consideration receivable for equity transfer	Within 1 year	–
Fourth	602,188,169.53	5.19	General payables	Over 5 years	60,000,000.00
Fifth	446,399,977.65	3.85	Disbursements previously made	2-3 years	–
	<u>5,690,648,463.31</u>	<u>49.08</u>			<u>60,000,000.00</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 6. Other receivables *(continued)*

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
First	546,661,460.00	7.62	Consideration receivable for equity transfer	Within 1 year	–
Second	411,368,593.38	5.73	Disbursements previously made	1-2 years	–
Third	193,800,000.00	2.70	Consideration receivable for equity transfer	Over 5 years	116,280,000.00
Fourth	156,701,654.49	2.18	Disbursements previously made	Within 1 year, 1- 2 years	156,701,654.49
Fifth	134,248,050.00	1.87	Consideration receivable for equity transfer	Within 1 year, over 5 years	–
	<u>1,442,779,757.87</u>	<u>20.10</u>			<u>272,981,654.49</u>

As at 31 December 2018, government grants receivable were as follows:

	Description of government grants	Amount	Aging	Expected time of receipt
Local tax authorities	Refunds of VAT	<u>37,385,615.66</u>	Within 1 year	<u>2019</u>

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

	Description of government grants	Amount	Aging	Expected time of receipt
Local tax authorities	Refunds of VAT	<u>56,592,224.11</u>	Within 1 year	<u>2018</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 (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 7. Inventories

	2018		
	Gross carrying amount	Less: Provision for decline in value	Carrying value
Raw materials	2,042,210,001.97	111,744,448.57	1,930,465,553.40
Items in production	920,704,467.26	26,892,195.65	893,812,271.61
Finished goods	2,326,444,144.39	56,865,301.26	2,269,578,843.13
Turnover materials	20,916,607.52	81,472.31	20,835,135.21
Goods in stock	472,419,785.98	5,621,775.50	466,798,010.48
Contract performance cost	74,705,027.12	10,985,839.43	63,719,187.69
Development costs	96,699,933,733.25	7,169,850.12	96,692,763,883.13
Products under development	13,045,110,219.65	470,289,422.94	12,574,820,796.71
	<b>115,602,443,987.14</b>	<b>689,650,305.78</b>	<b>114,912,793,681.36</b>

  

	2017		
	Gross carrying amount	Less: 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
	<b>99,048,563,032.00</b>	<b>398,846,278.37</b>	<b>98,649,716,753.63</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 7. Inventories *(continued)*

The movements in provision for decline in value of inventories in 2018 are as follows:

	Opening balance	Provision/reversal for the year	Removed from upon disposal of subsidiaries	Write-off for the year	Closing balance
Raw materials	100,513,654.18	28,093,555.65	7,965,733.09	8,897,028.17	111,744,448.57
Items in production	46,209,849.70	233,296.54	–	19,550,950.59	26,892,195.65
Finished goods	53,935,822.09	17,599,979.79	–	14,670,500.62	56,865,301.26
Turnover materials	81,472.31	–	–	–	81,472.31
Goods in stock	395,486.62	5,226,288.88	–	–	5,621,775.50
Contract performance cost	–	10,985,839.43	–	–	10,985,839.43
Development costs	15,632,660.41	–	–	8,462,810.29	7,169,850.12
Products under development	182,077,333.06	314,037,742.90	–	25,825,653.02	470,289,422.94
	<b>398,846,278.37</b>	<b>376,176,703.19</b>	<b>7,965,733.09</b>	<b>77,406,942.69</b>	<b>689,650,305.78</b>

Changes of provision for decline in value of inventories in 2017 are as follow:

	Opening balance	Provision/reversal for the year	Transferred in upon acquisition of subsidiaries	Write-off for the year	Closing balance
Raw materials	73,982,451.78	37,317,696.64	956,633.12	11,743,127.36	100,513,654.18
Items in production	72,674,203.82	9,376,112.00	–	35,840,466.12	46,209,849.70
Finished goods	80,504,007.51	56,491,188.23	–	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	1,868,645.03	–	113,393,059.03	182,077,333.06
	<b>562,623,327.42</b>	<b>104,070,933.70</b>	<b>956,633.12</b>	<b>268,804,615.87</b>	<b>398,846,278.37</b>

In 2018, the balance of development costs included the capitalised borrowing costs of RMB5,093,549,898.63 (31 December 2017: RMB3,339,772,026.89). The capitalised borrowing costs amounted to RMB3,594,842,102.54 in aggregate in 2018 (2017: RMB1,770,839,492.12), and the rate of interest capitalisation was 4.76% (2017: 4.62%).

Details of pledge of inventories are set out in Note V. 67.

## Notes to Financial Statements (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 7. 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 2018	31 December 2017
Hangzhou – Jingfangsanbao Project	May 2017	May 2021	10,389,880,000.00	<b>8,743,536,427.89</b>	7,794,797,761.79
Tianjin – Airport Economic Zone	March 2018	August 2021	9,119,780,000.00	<b>6,664,978,005.55</b>	6,154,726,837.94
Nanjing – Plot G07 at Diary Farm	December 2016	May 2021	6,845,850,000.00	<b>5,990,562,745.69</b>	4,628,655,149.01
Ningbo – Plot 07#/15# at Gaoxin District	March 2018	March 2020	8,390,000,000.00	<b>5,964,438,756.85</b>	3,167,386,989.40
Hefei – Plot S1606 at Baohe District	May 2017	April 2020	7,832,880,000.00	<b>5,348,019,204.23</b>	4,929,122,998.74
Hefei – Nanqi Garden	March 2016	January 2019	7,010,664,201.05	<b>5,231,381,039.37</b>	4,306,226,481.23
Beijing – Penglai Project	May 2015	April 2019	6,816,300,000.00	<b>4,401,205,993.71</b>	4,003,618,006.44
Chongqing – Xinduhui Project	June 2018	November 2019	20,117,351,300.00	<b>4,378,123,441.04</b>	4,104,114,958.20
Nanjing – Plot G20 at Jiulonghu	July 2018	April 2020	5,051,370,000.00	<b>3,491,305,934.90</b>	3,327,162,601.40
Beijing – Yizhuang X89R1	August 2018	October 2021	3,243,940,000.00	<b>3,412,499,921.28</b>	2,460,000,000.00
Chengdu – Gaoxin Zhonghe Project	September 2018	April 2022	5,332,520,000.00	<b>3,195,329,600.12</b>	1,749,364,483.47
Tianjin – Jinzhong River Project (金鐘河項目)	April 2019	August 2021	59,795,588.00	<b>3,032,762,236.31</b>	–
Shanghai – Jiading Juyuan	December 2015	June 2019	5,500,000,000.00	<b>2,900,067,902.56</b>	2,837,522,654.41
Beijing – Yancun Project	November 2018	October 2020	4,060,920,000.00	<b>2,822,570,346.58</b>	2,540,000,000.00
Beijing – Houshayu Project	October 2016	December 2019	2,396,580,000.00	<b>2,816,343,488.75</b>	2,436,377,810.43
Beijing – Jinlinfu Project	August 2018	October 2020	3,491,040,000.00	<b>2,741,610,888.65</b>	–
Beijing – Konggang Project	March 2018	May 2020	2,830,000,000.00	<b>2,197,199,344.89</b>	2,029,763,499.51
Beijing – Incubator Technology Park (孵化器科技園)	March 2018	January 2022	1,487,320,000.00	<b>2,125,026,154.56</b>	10,847,675.30
Beijing – Fengtai Project	October 2015	January 2019	6,622,570,000.00	<b>2,063,048,125.58</b>	5,823,383,723.90
Qingdao – Jinyu Jimo	December 2018	April 2021	4,151,470,000.00	<b>1,780,696,051.54</b>	–
Hefei – Baohe S1802 (包河S1802)	February 2019	December 2019	2,915,103,395.91	<b>1,612,219,198.99</b>	–
Chongqing – Nanshanjun	December 2011	October 2019	4,374,991,427.00	<b>1,429,747,454.90</b>	1,210,348,479.32



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 7. 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 2018	31 December 2017
Anhui – Forklift Factory Project	May 2018	April 2020	2,189,770,007.66	<b>1,334,280,025.85</b>	1,232,566,564.78
Tangshan – Qixin 1889#	April 2014	September 2019	810,889,940.35	<b>1,183,989,575.09</b>	1,047,454,794.67
Beijing – Public Rental Apartments of Technology Park	June 2015	August 2019	1,377,090,000.00	<b>1,174,379,768.14</b>	490,869,688.93
Haikou – Yangguangjun	April 2016	September 2022	2,532,000,000.00	<b>1,165,702,075.03</b>	963,014,390.91
Qingdao – Qingdao Project	November 2015	January 2019	3,400,000,000.00	<b>1,147,415,341.38</b>	2,445,038,410.14
Chengdu – Xindu Dafeng Project	July 2018	September 2020	1,654,890,000.00	<b>918,621,386.00</b>	1,069,710,676.81
Chengdu – Wuhou Longxijun Project	July 2018	September 2020	1,808,840,000.00	<b>906,097,112.13</b>	766,475,980.57
Nanhu – Jin'anshiming	March 2018	January 2019	2,360,000,000.00	<b>695,957,474.97</b>	567,875,759.55
Tianjin – Qiaowanyuan Project	December 2016	June 2019	869,000,000.00	<b>695,270,534.16</b>	–
Tianjin – Yingshun Building	March 2018	June 2021	1,300,380,000.00	<b>688,711,570.57</b>	–
Inner Mongolia – Jinyu Global Finance Centre	July 2013	June 2019	1,200,000,000.00	<b>558,409,716.21</b>	700,733,359.79
Chengdu – Shangxifu	July 2018	September 2020	960,270,000.00	<b>542,648,247.52</b>	485,727,813.37
Tianjin – Haoyu Company Commercial Project	May 2017	January 2019	578,000,000.00	<b>524,914,898.11</b>	–
Ningbo – Plot at Yaojiang Chuanzha	March 2017	April 2019	840,000,000.00	<b>489,090,306.88</b>	324,695,337.29
Tangshan – Jinyu Lefu	March 2010	December 2019	2,787,561,938.91	<b>345,193,333.83</b>	597,804,216.27
Beijing – Plot at Western Xijiao Gravel Plant	November 2015	January 2019	2,648,303,200.00	<b>308,126,121.66</b>	1,662,886,919.26
Beijing – Phase II of Dandian	April 2014	January 2019	4,406,665,057.79	<b>286,842,480.32</b>	250,288,146.91
Beijing – Chaoyang New City	August 2013	January 2019	4,184,808,038.41	<b>190,312,929.80</b>	184,219,448.30
Tianjin – Jinyu Yuecheng	September 2010	March 2021	5,157,217,800.00	<b>107,428,549.20</b>	174,890,456.22
Beijing – Kanghuiyuan	February 2009	February 2020	1,923,699,963.82	<b>144,462,830.65</b>	135,492,986.07
Chengde – Chengde Project	May 2018	May 2020	554,248,200.00	<b>120,568,179.49</b>	61,529,109.20
Chongqing – Times Metro	October 2012	January 2019	4,036,912,780.00	<b>105,651,337.02</b>	978,005,735.37
Tangshan – Caofeidian E-02-2	June 2019	December 2020	662,291,054.60	<b>98,556,505.44</b>	–

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 7. 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 2018	31 December 2017
Hangzhou – Plot 2F	April 2016	September 2022	N/A	86,742,630.75	86,113,840.39
Beijing – Changyang Polytechnic University Land No.1	May 2013	June 2019	2,500,000,000.00	46,117,139.59	114,277,273.80
Tangshan – Laishui Dormitory	March 2009	June 2019	49,479,634.00	45,541,009.30	45,745,047.50
Hangzhou – Plot 2G	July 2016	December 2020	N/A	36,440,716.43	35,607,771.98
Beijing – Nankou Project	May 2016	January 2019	682,973,619.00	36,069,864.05	348,763,167.23
Beijing – Phase II of Xingpai	April 2014	January 2019	3,111,138,531.52	28,177,071.41	25,825,746.56
Beijing – Jinyu Vanke City	March 2008	N/A	4,011,000,000.00	24,578,918.96	24,578,918.96
Haikou – Xixili	April 2016	Completed	420,980,000.00	-	195,460,998.38
Hangzhou – Plot 2D	May 2013	Completed	644,267,397.16	-	459,930,827.80
Beijing – BBMG Hongshizuo (金隅紅石座)	March 2012	Completed	928,663,517.09	-	269,348,903.43
Nanjing – Plot A2 at Xinglong Street North	March 2014	Completed	4,540,170,000.00	-	1,921,318,371.09
Others				313,793,969.25	295,586,760.81
Total				96,692,763,883.13	81,475,257,532.83

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 7. Inventories *(continued)*

##### (2) Breakdown of property development products is as follows:

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Wangchuan Beiyuan	December 2018	–	4,254,485,517.04	2,682,750,457.64	1,571,735,059.40
Chongqing – Times Metro	March 2018	292,396,368.51	1,113,323,409.22	461,608,882.10	944,110,895.63
Qingdao – Qingdao Hefu	December 2018	–	2,075,547,561.96	1,253,486,898.36	822,060,663.60
Beijing – Jiapin MALL	September 2015	811,471,711.72	–	–	811,471,711.72
Beijing – Chaoyang New City	May 2016	766,739,866.05	–	1,717,354.76	765,022,511.29
Beijing – Treasures Mansion House	June 2018	–	1,115,420,742.25	396,247,815.72	719,172,926.53
Tangshan – Jinyu Lefu	March 2018	675,421,377.17	433,415,905.34	403,319,020.05	705,518,262.46
Shanghai – Jiading Juyuan	June 2018	317,743,217.19	1,662,499,390.52	1,277,684,311.17	702,558,296.54
Tangshan – Jin'an hongbao	December 2017	851,944,317.34	4,403,193.20	236,015,804.81	620,331,705.73
Chongqing – Nanshanjun	July 2017	727,854,932.86	–	154,731,029.02	573,123,903.84
Haikou – Xixili	October 2017	683,241,146.66	359,269,348.82	617,893,644.61	424,616,850.87
Beijing – Shangchengjun	December 2017	818,715,650.89	–	449,057,842.63	369,657,808.26
Inner Mongolia – Global Center	June 2017	167,533,330.37	247,635,453.01	142,926,062.29	272,242,721.09
Changyang Polytechnic University Land No.1	June 2017	257,157,055.74	107,905,223.16	114,142,622.45	250,919,656.45
Tianjin – Jinyu Yuecheng	October 2017	325,341,646.38	54,907,647.02	152,680,532.92	227,568,760.48
Chengdu – Longxijun	July 2017	461,336,099.24	–	241,546,817.22	219,789,282.02
Inner Mongolia – Jinyu Elegancy City	October 2015	229,805,023.03	–	33,475,306.73	196,329,716.30
Hangzhou – Guanlan Times	May 2018	367,083,031.74	618,821,865.11	821,770,903.27	164,133,993.58
Tangshan – Qixin 1889#	January 2016	238,829,891.16	–	85,447,618.98	153,382,272.18
Tianjin – Jinyu Mantang	June 2016	291,174,828.28	–	142,781,996.20	148,392,832.08
Ma' anshan – Jiashanshu	June 2016	198,824,059.57	–	53,251,849.12	145,572,210.45
Chengdu – Dachengjun	December 2014	156,019,318.39	–	13,941,016.38	142,078,302.01
Tianjin – Gediaoqi yuan (格调琦园)	September 2018	–	132,937,365.05	–	132,937,365.05
Beijing – Kanghuiyuan	September 2011	98,191,082.69	21,502,536.05	1,844,316.12	117,849,302.62
Beijing – Dacheng International	March 2018	30,603,408.75	82,887,772.99	–	113,491,181.74
Hangzhou – Jinyu Xuefu	November 2017	1,657,819,347.35	43,476,300.64	1,588,327,929.61	112,967,718.38

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 7. Inventories (continued)

##### (2) Breakdown of property development products is as follows: (continued)

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Dacheng Shidai	November 2010	73,881,317.53	–	–	73,881,317.53
Beijing – Wangheyuan	September 2018	–	450,646,516.67	377,886,196.96	72,760,319.71
Beijing – Jinyu Feili	November 2016	255,423,127.32	33,761,994.99	217,465,891.02	71,719,231.29
Beijing – Binheyuan	June 2014	70,671,572.44	–	2,268,681.66	68,402,890.78
Beijing – Tuqiao Phase III	August 2016	68,428,364.76	–	345,186.97	68,083,177.79
Beijing – Tuqiao Project	December 2016	75,415,921.37	–	11,811,482.21	63,604,439.16
Beijing – Guogongzhuang	December 2014	78,890,046.87	–	19,715,616.08	59,174,430.79
Beijing – Jinyu Town–House	October 2014	57,884,417.91	–	1,058,831.83	56,825,586.08
Tianjin – Rongxiyuan Project	May 2015	–	59,490,498.06	6,575,127.24	52,915,370.82
Beijing – Chang'an New City	December 2007	52,892,137.32	–	659,445.64	52,232,691.68
Nanjing– Zijinfu	May 2018	126,424,683.98	2,322,760,222.69	2,399,078,467.24	50,106,439.43
Beijing – Jiaheyuan	March 2018	7,138,522.71	304,315,290.72	266,725,310.85	44,728,502.58
Beijing – Huijingyuan	September 2017	51,458,740.72	–	10,914,906.57	40,543,834.15
Inner Mongolia – Jinyu Times City	June 2014	64,653,083.01	–	29,139,477.39	35,513,605.62
Hainan – Dacheng Business Apartments	February 2005	33,819,032.85	–	–	33,819,032.85
Beijing – Jinyu Lanwan	October 2016	34,494,759.95	–	2,058,280.14	32,436,479.81
Beijing – Wangyajiyuan (旺雅家園)	September 2018	–	213,646,171.23	181,857,051.57	31,789,119.66
Beijing – Huixingyuan	September 2016	22,470,146.73	8,635,284.88	1,648,846.17	29,456,585.44
Beijing – I Cube	February 2015	27,308,757.45	–	52,795.38	27,255,962.07
Tianjin – Liulanhuayuan Project Phase I	June 2010	–	22,789,662.87	1,007,807.00	21,781,855.87
Tangshan – Lixinjiayuan	September 2016	37,703,579.58	–	19,388,687.79	18,314,891.79
Hangzhou – Banshan Tianyuan	March 2016	469,121,788.16	–	457,611,877.05	11,509,911.11
Beijing – BBMG International	April 2005	72,644,672.32	–	66,102,834.23	6,541,838.09
Others		131,570,957.40	2,395,032.66	9,578,617.75	124,387,372.31
<b>Total</b>		<b>12,237,542,341.46</b>	<b>15,746,879,906.15</b>	<b>15,409,601,450.90</b>	<b>12,574,820,796.71</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 8. Assets/liabilities held for sale

In December 2017, the management of the Company decided to dispose of BBMG Material Industrial (Shanghai) Co., Ltd. and submitted the Tender Notice to CBEX. In February 2018, the Company entered into a legally binding transfer agreement and classified BBMG Material Industrial (Shanghai) Co., Ltd. as held-for-sale accordingly. As at 31 December 2018, the carrying values of assets and liabilities of BBMG Material Industrial (Shanghai) Co., Ltd. are as follows:

	2018
Cash and bank balances	26,732,674.59
Bills receivable and accounts receivable	28,491,529.71
Prepayments	21,126,200.00
Other receivables	282,926.00
Inventories	25,646,772.31
Other current assets	513,743.53
Fixed assets	597,069.91
Deferred income tax assets	6,143,237.26
	<hr/>
Assets held for sale	109,534,153.31
	<hr/>
Contract liabilities	37,277,074.00
Wages payable	1,036,323.19
Tax payable	260.02
Other payables	1,977,699.62
	<hr/>
Liabilities held for sale	40,291,356.83
	<hr/>

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 9. Other current assets

	2018	2017
Prepaid enterprise income tax	804,009,937.68	807,512,779.97
Prepaid land appreciation tax	645,876,093.44	807,877,261.43
Prepaid other tax	567,283,553.53	832,994,250.34
VAT recoverable	1,060,730,742.71	781,652,061.69
VAT certifiable	146,775,350.18	38,471,297.50
Prepaid expenses	27,445,016.73	18,928,639.83
Cost of obtaining a contract	71,454,731.13	–
Others	387,149,997.42	151,411,121.43
	<b>3,710,725,422.82</b>	<b>3,438,847,412.19</b>

#### 10. Available-for-sale financial assets (applicable for 2017 only)

		2017
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
Measured at cost	(3)	6,697,450.96
		<b>2,897,887,864.39</b>

- (1) As at 31 December 2017, the domestic non-listed equity investments held by the Group were measured at cost due to the lack of quoted prices in an active market.
- (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. 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.
- (3) 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).
- (4) As at 31 December 2017, the domestic non-listed equity investments held by the Group were measured at cost due to the lack of quoted prices in an active market.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 10. Available-for-sale financial assets (applicable for 2017 only) *(continued)*

2017

	Balance of 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	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	101,000.00	-	101,000.00	-	-	-	0.01	11,110.00
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd.	3,000,000.00	-	3,000,000.00	-	-	-	10.00	266,086.09
*Beijing Beizhuan Gas Station	648,297.22	-	648,297.22	291,047.22	-	291,047.22	62.50	-
*Beijing Xinjianxinyuan Farmer's Market Co., Ltd.	380,000.00	-	380,000.00	-	-	-	95.00	-
Beijing Tianyun Trading	75,000.00	-	75,000.00	-	-	-	15.00	-
Beijing Yadu Science and Technology Co., Ltd.	200,000.00	-	200,000.00	-	-	-	0.20	-
*Hainan Dihao Furniture Co., Ltd.	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.	3,267,700.00	-	3,267,700.00	3,267,700.00	-	3,267,700.00	27.14	-
Beijing Capital Engineering Co., Ltd.	100,000.00	-	100,000.00	100,000.00	-	100,000.00	0.34	-
Hebei ZCIY	500,000.00	-	500,000.00	-	-	-	16.00	-
Tangshan Productivity Promotion Center Co., Ltd.	194,200.96	-	194,200.96	-	-	-	16.67	-
Sinoma Hanjiang Cement Co., Ltd.	600,000.00	-	600,000.00	-	-	-	0.22	-
Xi'an High-Tech Industry Company	1,220,000.00	-	1,220,000.00	-	-	-	1.12	-
Shaanxi Yao County Cement Factory Properties Co., Ltd.	70,000.00	-	70,000.00	-	-	-	0.29	-
	<u>14,001,616.72</u>	<u>-</u>	<u>14,001,616.72</u>	<u>7,304,165.76</u>	<u>-</u>	<u>7,304,165.76</u>		<u>277,196.09</u>

\* 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 *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 11. Long-term receivables

	2018		
	Balance of carrying amount	Less: provision for impairment of long-term receivables	Carrying amount
Sales of goods by instalments	555,690,827.57	30,179,310.27	525,511,517.30
Loans to related parties	276,840,404.25	–	276,840,404.25
	<b>832,531,231.82</b>	<b>30,179,310.27</b>	<b>802,351,921.55</b>

  

	2017		
	Balance of carrying amount	Less: provision for impairment of long-term receivables	Carrying amount
Receipt of finance lease	229,024,145.84	–	229,024,145.84
Loans to related parties	256,353,726.80	–	256,353,726.80
	<b>485,377,872.64</b>	<b>–</b>	<b>485,377,872.64</b>

The time interval between payments from customers and committed ownership transfer of goods in certain contracts regarding the Group's concrete business was more than a year, the receivables of which was presented as long-term receivables after considering the significant financing component. The Group referred to bank loan interest rate during the same period and added a premium for certain risk as a discount rate while measuring the significant financing component. The discount rate was 5% for 2018.

Loans to related parties mainly referred to the borrowings and interest receivable provided to Cross Point Trading 274 (Pty) Ltd (RF) and Mamba Cement Company (Pty) Ltd (RF), joint ventures 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 be recovered before March 2044.

The movements in provision for bad debts of long-term receivables measured based on the lifetime expected credit loss are as follows:

	Lifetime expected credit loss
Opening balance (restated)	22,092,206.76
Transferred in upon acquisition of subsidiaries	14,924,409.37
Provision for the year	–
Reversal for the year	6,837,305.86
Closing balance	<b>30,179,310.27</b>



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 12. Long-term equity investments

2018

	Movements during the year						Carrying amount at the end of the year
	Opening balance	Obtained through business combination not under		Investment gain or loss under		Cash dividends declared	
		common control	Increase / (Decrease) in investment	equity method	Other movements of equity interests		
<b>Joint ventures</b>							
STAR-USG Building Materials Co., Ltd.	15,938,256.81	-	-	15,081,074.78	-	-	31,019,331.59
BBMG Landao Commercial Operation Management Co., Ltd.	3,727,572.61	-	-	112,920.41	-	(56,096.24)	3,784,396.78
BBMG TUS Technology Incubator Co., Ltd.	4,237,456.15	-	-	863,349.13	-	-	5,100,805.28
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	482,074,363.98	-	-	111,023,429.60	21,194.88	(84,192,500.00)	508,926,488.46
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	563,347,381.44	-	-	155,346,164.33	(11,907.58)	(87,500,000.00)	631,181,638.19
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	139,914,786.42	-	-	11,315,127.66	-	-	151,229,914.08
Anshan Jidong Cement Co., Ltd.	235,487,546.30	-	-	5,815,291.17	-	(15,000,000.00)	226,302,837.47
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	11,781,943.45	-	(11,781,744.22)	-	-	-	199.23
Cross Point Trading 274 (Pty) Ltd (RF)	77,489,489.83	-	-	48,704,927.29	(12,549,513.85)	-	113,644,903.27
Subtotal of joint ventures	1,533,998,796.99	-	(11,781,744.22)	348,262,284.37	(12,540,226.55)	(186,748,596.24)	1,671,190,514.35

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 12. Long-term equity investments (continued)

2018 (continued)

	Movements during the year						
	Opening balance	Obtained through business combination not under common control	Increase / (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	Carrying amount at the end of the year
		common control					
<b>Associates</b>							
Zehnder (China) Indoor Climate Co., Ltd.	95,352,921.83	-	-	5,817,725.51	-	-	101,170,647.34
OCV Reinforcements (Beijing) Co., Ltd.	59,574,366.74	-	-	4,851,605.41	-	-	64,425,972.15
Beijing Gaoqiang Concrete Co., Ltd.	23,774,703.48	-	-	(346,426.39)	-	(485,500.00)	22,942,777.09
Beijing Sinobaide Technology Co., Ltd.	11,897,320.50	-	-	3,128,753.75	-	(690,000.00)	14,336,074.25
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,239,040.84	-	-	125,683.11	-	-	16,364,723.95
Tangshan Conch Profiles Co., Ltd.	139,532,805.60	-	-	(463,425.11)	-	(2,400,000.00)	136,669,380.49
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,585,375.30	-	-	155,214.37	-	-	1,740,589.67
Baogang Jidong Cement Co., Ltd.	102,107,514.31	-	-	1,999,899.34	-	-	104,107,413.65
Jidong Cement Fufeng Transportation Co., Ltd.	6,479,080.36	-	-	248,012.93	-	-	6,727,093.29
Jilin Changjitu Investment Co., Ltd.	143,393,971.16	-	-	(2,864,807.23)	-	-	140,529,163.93
SINUI TRADING PTE LTD	4,676,430.77	-	-	51,263.33	-	-	4,727,694.10
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	4,991,835.01	-	-	(9,780.76)	-	-	4,982,054.25
Changchun Light Rail Jidong Concrete Co., Ltd.	31,335,094.62	-	-	1,853,448.60	-	-	33,188,543.22
Tianjin Gangbei Concrete Co., Ltd.	-	6,769,873.20	-	(3,636,387.30)	-	-	3,133,485.90
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	-	2,525,553.70	(497,902.06)	35,989.02	-	-	2,063,640.66

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 12. Long-term equity investments *(continued)*

2018 *(continued)*

	Movements during the year						Carrying amount at the end of the year
	Opening balance	Obtained through business combination not under	Increase / (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	Cash dividends declared	
		common control					
Tianjin Xingye Longxiang Construction Engineering Co., Ltd. (天津市興業龍祥 建設工程有限公司)	-	30,133,514.23	-	1,127,472.22	-	-	31,260,986.45
Tianjin SYP Glass Co., Ltd.	-	157,510,944.13	-	2,734,041.19	-	-	160,244,985.32
Tianjin Xinling Environmental Protection Engineering Co., Ltd.	-	3,229,810.16	-	287,400.59	-	-	3,517,210.75
Tianjin Binhai Jiantai Investment Co., Ltd.	-	163,655,516.51	(8,878,257.17)	3,887,168.48	-	-	158,664,427.82
Tianjin Huanbohai Rock Materials Trading Centre Co., Ltd.	-	12,877,730.75	-	(2,399,234.89)	-	(770,000.00)	9,708,495.86
Beijing Chenyu Real Estate Development Co., Ltd. (北京宸宇房 地產開發有限公司)	-	-	24,500,000.00	(1,607,629.40)	-	-	22,892,370.60
Toto Machinery (Beijing) Company Limited (東陶機器(北京)有限公司)	-	-	158,839,800.00	2,453,428.09	-	-	161,293,228.09
Jilin Cement (Group) Co., Ltd.	-	-	14,285,000.00	-	-	-	14,285,000.00
Beijing Toto Co., Ltd. (北京東陶有 限公司)	-	-	140,850,000.00	5,740,536.67	-	-	146,590,536.67
Subtotal of associates	640,940,460.52	376,702,942.68	329,098,640.77	23,169,951.53	-	(4,345,500.00)	1,365,566,495.50
Total	2,174,939,257.51	376,702,942.68	317,316,896.55	371,432,235.90	(12,540,226.55)	(191,094,096.24)	3,036,757,009.85

## Notes to Financial Statements (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 12. Long-term equity investments (continued)

2017

	Opening balance	Movements during the year			Carrying amount at the end of the year	
		Increase / (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests		Cash dividends declared
Joint ventures						
STAR-USG Building Materials Co., Ltd.	-	-	15,938,256.81	-	-	15,938,256.81
BBMG Landao Commercial Operation Management Co., Ltd.	3,725,369.48	-	62,329.30	-	(60,126.17)	3,727,572.61
BBMG TUS Technology Incubator Co., Ltd.	3,683,994.60	-	553,461.55	-	-	4,237,456.15
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	490,907,685.52	-	64,055,419.54	(723,741.08)	(72,165,000.00)	482,074,363.98
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	531,865,534.19	-	81,486,909.63	(5,062.38)	(50,000,000.00)	563,347,381.44
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	100,944,300.10	-	38,970,486.32	-	-	139,914,786.42
Anshan Jidong Cement Co., Ltd.	234,064,065.95	-	6,423,480.35	-	(5,000,000.00)	235,487,546.30
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	11,129,657.22	-	652,286.23	-	-	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
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

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 12. Long-term equity investments *(continued)*

2017 *(continued)*

	Opening balance	Movements during the year			Carrying amount at the end of the year
		Increase / (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	
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)
OCV Reinforcements (Beijing) Co., Ltd.	63,680,856.42	-	(4,106,489.68)	-	-
Beijing Gaoqiang Concrete Co., Ltd.	25,067,432.00	-	(1,038,728.52)	-	(254,000.00)
Beijing Sinobaide Technology Co., Ltd.	10,592,819.89	-	1,304,500.61	-	-
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,128,846.71	-	110,194.13	-	-
Tangshan Conch Profiles Co., Ltd.	143,126,171.52	-	406,634.08	-	(4,000,000.00)
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,502,187.19	-	83,188.11	-	-
Baogang Jidong Cement Co., Ltd.	97,818,593.99	-	4,288,920.32	-	-
Jidong Cement Fufeng Transportation Co., Ltd.	6,471,985.71	-	7,094.65	-	-
Jilin Changjitu Investment Co., Ltd.	148,817,651.91	-	(5,423,680.75)	-	-

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 12. Long-term equity investments (continued)

2017 (continued)

	Opening balance	Movements during the year			Carrying amount at the end of the year
		Increase / (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interests	
SINJI TRADING PTE LTD	5,081,441.23	-	(405,010.46)	-	4,676,430.77
Zhongfang Huanui (Tangshan) Real Estate Co., Ltd.	4,989,973.07	-	1,861.94	-	4,991,835.01
Changchun Light Rail Jidong Concrete Co., Ltd.	46,105,348.27	-	9,264,466.82	-	31,335,094.62
Subtotal of associates	784,659,287.05	(68,401,982.43)	(14,688,123.63)	-	640,940,460.52
Total	2,233,650,974.77	(68,401,982.43)	188,732,130.32	8,811,981.49	2,174,939,257.51

\* See details in Note VI. 1.

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

#### 13. Investment in other equity instruments (applicable for 2018 only)

2018

	Changes in fair value accumulated in other comprehensive income		Fair Value	Dividend income for the year Equity instruments held
	Cost			
Investments in listed companies	450,201,827.20	(91,125,189.12)	359,076,638.08	5,424,118.40
Other investments in non-listed companies	60,575,762.90	(23,465,285.27)	37,110,477.63	763,104.80
	510,777,590.10	(114,590,474.39)	396,187,115.71	6,187,223.20

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 14. Other non-current financial assets (applicable for 2018 only)

Financial assets at fair value through profit or loss	2018
Designated asset management of Huazheng Value No. 330	104,000,000.00
FTSE New Hope No. 1	110,980,000.00
	<u>214,980,000.00</u>

#### 15. Investment properties

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

2018	Buildings	Buildings in progress	Total
Opening balance	15,440,453,467.02	–	15,440,453,467.02
Business combination not under common control	3,554,207,226.43	–	3,554,207,226.43
Acquisition for the year	28,329,648.64	–	28,329,648.64
Transfer from construction in progress	477,299,602.19	–	477,299,602.19
Transfer from inventories	612,873,526.53	745,784,902.15	1,358,658,428.68
Disposal for the year	(40,636,747.74)	–	(40,636,747.74)
Changes in fair value	<u>508,933,619.95</u>	–	<u>508,933,619.95</u>
Closing balance	<u>20,581,460,343.02</u>	<u>745,784,902.15</u>	<u>21,327,245,245.17</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 15. Investment properties *(continued)*

2017	Buildings	Buildings in progress	Total
Opening balance	14,976,628,345.79	–	14,976,628,345.79
Disposal and retirement	(62,526,015.74)	–	(62,526,015.74)
Transfer of self-occupied properties into investment properties	12,467,043.03	–	12,467,043.03
Changes in fair value	<u>513,884,093.94</u>	<u>–</u>	<u>513,884,093.94</u>
Closing balance	<u>15,440,453,467.02</u>	<u>–</u>	<u>15,440,453,467.02</u>

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

The Group's investment properties were valued by an independent valuer with professional qualifications, using future earnings method and market-based approach on an open market and existing use basis.

As at the balance sheet date, the carrying value of investment properties without completing their procedures for the title certificates was RMB1,087,626,970.00. These investment properties were acquired through the business combination, 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 operation of the Group.

Details of pledge of investment properties are set out in Note V. 67.



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 16. Fixed assets

2018

	Buildings	Machinery and equipment	Transportation equipment	Other equipments	Total
<b>Cost</b>					
Opening balance	29,492,547,790.90	27,803,469,106.66	2,034,078,198.14	677,408,152.34	60,007,503,248.04
Addition	73,214,999.90	241,926,949.84	147,646,047.38	94,407,676.73	557,195,673.85
Transfer from construction in progress	1,220,088,160.33	846,464,681.67	700,008.53	12,502,430.43	2,079,755,280.96
Business combination not under common control	1,093,773,291.27	147,718,160.17	44,023,729.33	10,354,702.96	1,295,869,883.73
Disposal of subsidiaries	(312,241,697.85)	(220,194,966.18)	(30,495,167.85)	(3,247,393.30)	(566,179,225.18)
Classified as held for trading	-	-	(1,328,500.00)	(526,286.45)	(1,854,786.45)
Disposal or retirement	(292,694,797.81)	(251,974,848.79)	(377,215,038.19)	(40,938,662.72)	(962,823,347.51)
Other transfers (Note)	(560,553,423.81)	-	-	-	(560,553,423.81)
Closing balance	<u>30,714,134,322.93</u>	<u>28,567,409,083.37</u>	<u>1,817,409,277.34</u>	<u>749,960,619.99</u>	<u>61,848,913,303.63</u>
<b>Accumulated depreciation</b>					
Opening balance	4,825,210,669.20	7,513,672,795.22	869,043,773.49	473,499,551.88	13,681,426,789.79
Provision for the year	1,232,481,858.81	2,125,477,936.82	283,919,764.65	67,613,109.21	3,709,492,669.49
Disposal of subsidiaries	(114,640,721.89)	(139,130,927.58)	(24,948,530.80)	(2,736,908.54)	(281,457,088.81)
Classified as held for trading	-	-	(782,815.69)	(474,900.85)	(1,257,716.54)
Disposal or retirement	(103,137,024.81)	(168,110,312.71)	(297,817,482.38)	(31,028,577.79)	(600,093,397.69)
Other transfers (Note)	(78,517,351.94)	-	-	-	(78,517,351.94)
Closing balance	<u>5,761,397,429.37</u>	<u>9,331,909,491.75</u>	<u>829,414,709.27</u>	<u>506,872,273.91</u>	<u>16,429,593,904.30</u>
<b>Provision for impairment</b>					
Opening balance	152,820,438.85	254,443,957.54	22,167,534.24	1,323,044.38	430,754,975.01
Provision for the year	223,004,318.94	116,385,775.52	29,268,068.19	1,993,240.00	370,651,402.65
Disposal of subsidiaries	(19,289,273.83)	(6,120,940.15)	(858,321.92)	(26,052.85)	(26,294,588.75)
Disposal or retirement	(31,123,371.85)	(7,552,325.83)	(9,664,857.36)	(223,836.10)	(48,564,391.14)
Closing balance	<u>325,412,112.11</u>	<u>357,156,467.08</u>	<u>40,912,423.15</u>	<u>3,066,395.43</u>	<u>726,547,397.77</u>
<b>Carrying amount</b>					
At the end of the year	<u>24,627,324,781.45</u>	<u>18,878,343,124.54</u>	<u>947,082,144.92</u>	<u>240,021,950.65</u>	<u>44,692,772,001.56</u>
At the beginning 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>

Note: Other transfers for the year include the transfer of related fixed assets into construction in progress due to renovation and expansion and into inventory due to development of real estate projects

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 16. Fixed assets (continued)

2017

	Buildings	Machinery and equipment	Transportation equipment	Other equipment's	Total
<b>Cost</b>					
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>
<b>Accumulated depreciation</b>					
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>
<b>Provision for impairment</b>					
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>
<b>Carrying amount</b>					
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 *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 16. Fixed assets *(continued)*

The carrying amounts of the fixed assets under finance leases and sale and lease back are as follows:

	2018	2017
Buildings	42,548,739.12	49,826,439.11
Machinery and equipment	6,327,702,176.09	4,039,734,333.63
Transportation equipment	39,379,190.03	62,337,952.11
	<b>6,409,630,105.24</b>	<b>4,151,898,724.85</b>

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

	2018	2017
Buildings	111,936,150.15	21,889,223.73
Machinery and equipment	21,063,571.04	4,939,122.54
Transportation equipment	1,152,993.29	-
	<b>134,152,714.48</b>	<b>26,828,346.27</b>

As at the balance sheet date, the carrying amount for investment properties pending completion of the procedures for the title certificates amounted to RMB551,047,894.19. 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 operations of the Group.

Details of pledge of fixed assets are set out in Note V. 67.

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 17. Construction in progress

	2018	2017
Construction in progress	<b>2,878,754,002.03</b>	2,871,490,458.74
Construction materials	<b>50,921,426.96</b>	109,571,966.37
	<b>2,929,675,428.99</b>	2,981,062,425.11

	31 December 2018			31 December 2017		
	Balance of carrying amount	Provision for impairment	Carrying amount	Balance of carrying amount	Provision for impairment	Carrying amount
BBMG Liushui Environmental Protection Technology						
– Improvement and expansion project of fly ash	-	-	-	34,986,805.15	-	34,986,805.15
– Construction waste resources optimization project	-	-	-	57,780,767.18	-	57,780,767.18
Zanhuang BBMG Cement						
– Collaborative project of the disposal of household garbage and sludge through cement kiln	-	-	-	44,926,265.56	-	44,926,265.56
Tianjin BBMG Concrete	-					
– Binhai creative investment office building	23,650,000.00	-	23,650,000.00	23,650,000.00	-	23,650,000.00
Zuoquan BBMG Cement						
– 1.5 million tonne per year limestone (for cement use) mine project	17,204,850.71	-	17,204,850.71	-	-	-
Beijing Chinefarge Cement						
– Chinefarge upgrading project	41,179,676.84	-	41,179,676.84	5,651,361.34	-	5,651,361.34
Beijing BBMG Tiantan Wood Technology						
– Xisanqi plant renovation	470,347,297.56	-	470,347,297.56	153,744,434.99	-	153,744,434.99
Dachang BBMG Tiantan Furniture						
– Construction of Dachang project	42,150,752.38	-	42,150,752.38	20,774,294.83	-	20,774,294.83

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. Construction in progress *(continued)*

	31 December 2018			31 December 2017		
	Balance of carrying amount	Provision for impairment	Carrying amount	Balance of carrying amount	Provision for impairment	Carrying amount
BBMG Tiantan (Tangshan) Wood Technology						
– BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	97,201,771.99	–	97,201,771.99	–	–	–
Beijing Aerated Concrete						
– Logistics park project	644,884,628.11	–	644,884,628.11	955,230,172.52	–	955,230,172.52
BBMG (Dachang) Modern Industrial Park						
– Tiantan Furniture project standard plant	25,226,379.16	–	25,226,379.16	25,195,976.26	–	25,195,976.26
BBMG Weiguan (Cangzhou)						
– Adhesive and poly-hydroxy-acid alkaline agent project	–	–	–	46,739,986.14	–	46,739,986.14
BBMG Star Insulation and Energy Conservation Technology (Tangshan)						
– Caofeidian Project	79,222,364.42	–	79,222,364.42	–	–	–
Badaling Hot Spring						
– Upgrading of resorts	78,399,632.59	–	78,399,632.59	1,264,150.93	–	1,264,150.93
– Upgrading real estates in 2018	20,443,907.01	–	20,443,907.01	–	–	–
Hongye Ecological						
– Jianjin Building decoration project	–	–	–	28,026,857.13	–	28,026,857.13
Jidong Development Group						
– Caofeidian industrial park	162,960,350.15	–	162,960,350.15	67,352,913.55	–	67,352,913.55
Tangshan Jidong Equipment						
– Construction project of heavy machinery hotworking center	41,247,964.46	–	41,247,964.46	–	–	–
Jidong Development Machinery and Equipment						
– Bid lot I (integrated warehouse, cafeteria, bathrooms, and heat exchange station, etc.)	25,198,916.61	–	25,198,916.61	25,028,382.32	–	25,028,382.32
– Deferred expenditures	73,543,672.66	–	73,543,672.66	39,280,497.78	–	39,280,497.78

## Notes to Financial Statements (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 17. Construction in progress (continued)

	31 December 2018			31 December 2017		
	Balance of carrying amount	Provision for impairment	Carrying amount	Balance of carrying amount	Provision for impairment	Carrying amount
- Dunshi machinery manufacturing project	14,057,435.08	-	14,057,435.08	14,057,435.08	-	14,057,435.08
- Ancillary equipment plant	45,800,221.56	-	45,800,221.56	163,959,664.38	-	163,959,664.38
- Hotworking plant	18,486,280.34	-	18,486,280.34	8,609,108.40	-	8,609,108.40
- Equipment under installation	96,382,505.77	-	96,382,505.77	98,554,523.11	-	98,554,523.11
- Heavy equipment plant	108,753,967.02	-	108,753,967.02	241,232,485.60	-	241,232,485.60
Huawai Wind Power						
- Caofeidian new wind power project	107,045,976.72	-	107,045,976.72	107,045,976.72	-	107,045,976.72
Cement museum						
- Museum project	12,261,711.99	-	12,261,711.99	804,718.62	-	804,718.62
Laishui Jinglai Building Materials						
- Construction project of a production line of 2.5 million tonnes dolomite	13,053,809.42	-	13,053,809.42	23,466,333.46	-	23,466,333.46
Jidong Development Jingyang Building Materials						
- Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	46,809,915.30	-	46,809,915.30	14,044,839.69	-	14,044,839.69
Yantai Jidong Runtai Building Materials						
- Production line project	11,002,763.41	-	11,002,763.41	10,437,308.14	-	10,437,308.14
Baotou Jidong Cement						
- Flux limestone crushing and screening project, phase II for Baotou company	-	-	-	15,614,377.59	-	15,614,377.59
Bo'ai BBMG Cement						
- Bo'ai Zhaihuoxiang limestone mine	14,097,169.75	-	14,097,169.75	14,097,169.75	-	14,097,169.75
Chengde Jidong Cement						
- Technological improvement project of mining	17,885,444.86	-	17,885,444.86	15,983,664.78	-	15,983,664.78
Construction materials	67,205,356.43	16,283,929.47	50,921,426.96	124,743,026.77	15,171,060.40	109,571,966.37
Others	616,431,961.49	86,177,325.33	530,254,636.16	648,552,980.81	34,602,993.07	613,949,987.74
Total	3,032,136,683.79	102,461,254.80	2,929,675,428.99	3,030,836,478.58	49,774,053.47	2,981,062,425.11

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. Construction in progress *(continued)*

Significant changes of construction in progress in 2018 are as below:

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases	Closing balance	Source of funding	Percentage of project investment in budget (%)
BBMG Liushui Environmental Protection Technology								
- Improvement and expansion project of fly ash	70,910	34,986,805.15	29,988,645.31	64,975,450.46	-	-	Self-financing and borrowing	91.63
- Capacity enhancement and optimization of treatment line of fly ash	22,960	11,777,217.29	-	11,777,217.29	-	-	Self-financing and borrowing	51.29
- Project concerning comprehensive utilization of fly ash	61,290	5,647,066.46	-	5,647,066.46	-	-	Self-financing and borrowing	9.21
- Construction waste resources optimization project	116,000	57,780,767.18	37,618,139.11	95,398,906.29	-	-	Self-financing and borrowing	82.24
Handan Shexian BBMG Cement								
- 2016J-1 0.92 million t/a relocation and technological improvement project of cement grinding station	99,620	-	4,388,341.77	4,388,341.77	-	-	Self-financing	4.41
Huahai Wind Power								
- Caofeidian new wind power project	230,000	107,045,976.72	-	-	-	107,045,976.72	Self-financing	46.54
Beijing Chinafarge Cement								
- Chinafarge upgrading project	41,180	5,651,361.34	35,528,315.50	-	-	41,179,676.84	Self-financing	100.00
BBMG Tiantan Wood Technology								
- Xisanqi plants renovation	400,000	153,744,434.99	317,437,346.36	-	834,483.79	470,347,297.56	Self-financing	117.59

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 17. Construction in progress (continued)

Significant changes of construction in progress in 2018 are as below:(continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases	Closing balance	Source of funding	Percentage of project investment in budget (%)
Dachang BBMG Tiantan Furniture – Construction of Dachang project	558,600	20,774,294.83	21,376,457.55	–	–	42,150,752.38	Self-financing and state appropriation	78.37
BBMG Tiantan (Tangshan) Wood Technology – BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	848,117	–	97,201,771.99	–	–	97,201,771.99	Self-financing and borrowing	11.46
Beijing Aerated Concrete – Logistics park project	1,367,600	955,230,172.52	130,935,691.20	–	441,281,235.61	644,884,628.11	Self-financing	47.15
BBMG (Dachang) Modern Industrial Park – Tiantan Furniture phase I with capacity of 0.8 million pieces of furniture at Lot 7# and 9#	197,707	37,670.62	21,300,450.00	21,338,120.62	–	–	Self-financing	10.79
BBMG Weiguan (Cangzhou) – Adhesive and poly-hydroxy-acid alkaline agent project	88,392	46,739,986.14	9,164,281.15	55,904,267.29	–	–	Self-financing	63.25
BBMG Star Insulation and Energy Conservation Technology – Caofeidian Project	170,000	–	79,222,364.42	–	–	79,222,364.42	Self-financing	46.60
Badaling Hot Spring – Upgrading of resorts	698,670	1,264,150.93	77,631,519.66	472,493.00	23,545.00	78,399,632.59	Self-financing	11.29
Jidong Development Group – Caofeidian industrial park	67,352	67,352,913.55	3,815,583.77	–	–	71,168,497.32	Self-financing and borrowing	105.67
Jidong Development Machinery and Equipment – Deferred expenditures	73,540	39,280,497.78	37,273,144.57	–	3,009,969.69	73,543,672.66	Self-financing	100
– Dunshi machinery manufacturing project	286,000	14,057,435.08	–	–	–	14,057,435.08	Self-financing and borrowing	4.92
– Ancillary equipment plant	136,006	163,959,664.38	18,034,183.44	136,193,626.26	–	45,800,221.56	Self-financing	133.81
– Equipment under installation	272,070	98,554,523.11	78,574,519.44	80,746,536.78	–	96,382,505.77	Self-financing	65.10
– Heavy equipment plant	276,328	241,232,485.60	34,536,629.60	167,015,148.18	–	108,753,967.02	Self-financing	99.80



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. Construction in progress *(continued)*

Significant changes of construction in progress in 2018 are as below: *(continued)*

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases	Closing balance	Source of funding	Percentage of project investment in budget (%)
Yan Dong Construction – Yuquan plate-making workshop	100,000	104,418.53	1,231,000.00	-	1,231,000.00	104,418.53	Self-financing	3.22
Laishui Jinglai Building Materials – Construction project of a production line of 2.5 million tonnes dolomite	120,073	23,466,333.46	6,351,725.09	16,764,249.13	-	13,053,809.42	Self-financing and borrowing	24.83
Jidong Development Jingyang Building Materials – Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	330,780	14,044,839.69	32,765,075.61	-	-	46,809,915.30	Self-financing	14.15
Yantai Jidong Runtai Building Materials – Production line project	238,098	10,437,308.14	580,946.26	15,490.99	-	11,002,763.41	Self-financing	85.75
Jidong Cement Heilongjiang – Cement production line using new drying process with clinker	1,670,000	53,164,479.34	111,038,301.08	164,202,780.42	-	0.00	Borrowing	73.05
Jidong Cement Huludao – Cement production line using new drying process with clinker	790,000	3,190,260.58	117,924.53	-	-	3,308,185.11	Self-financing	0.42
Jidong Cement Tongchuan – Conveyor belt project	55,000	28,893,452.21	-	-	-	28,893,452.21	Self-financing	52.53
Mizhi Jidong Cement – Project concerning cement production by comprehensive utilization using new dry process	487,831	5,926,650.40	4,601,876.01	10,528,526.41	-	-	Self-financing	2.16
Tang County Jidong Cement – Daily disposal of 500 tonne household garbage project	99,970	-	14,493,163.67	-	-	14,493,163.67	Borrowing	14.50
Yangquan Jidong Cement – Mining Phase II project	25,000	-	1,217,475.71	-	-	1,217,475.71	Self-financing	4.87
Yi County Xinhai Mining – Project concerning crushed stone production of 1.2 million cubic meters per annum	92,172	55,942,478.74	3,245,286.77	49,625,961.78	9,500,288.74	61,514.99	Borrowing	64.21

Note: Other decreases mainly represents Beijing Aerated Concrete Logistics park project transferred into investment properties and cost of stripping mines into long-term deferred expenditures.

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 17. Construction in progress (continued)

Significant changes of construction in progress in 2017 are as below:

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases	Closing balance	Source of funding	Percentage of project investment in budget (%)
Beijing Liushui 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
- 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	-	-	State appropriation, Self-financing	90.67
Zhangjiakou Jinyu Cement								
- Base for fly ash	734,000	250,545.12	-	250,545.12	-	-	Self-financing	0.03
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
Beijing Chinefarge Cement								
- Chinefarge upgrading project	5,651	-	5,651,361.34	-	-	5,651,361.34	Self-financing	100.00
BBMG Tiantan Wood Technology								
- Intelligent manufacturing workshop	281,400	-	139,236,575.77	-	-	139,236,575.77	Group funding	49.48

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. Construction in progress *(continued)*

Significant changes of construction in progress in 2017 are as below: *(continued)*

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases	Closing balance	Source of funding	Percentage of project investment in budget (%)
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	State appropriation, Self-financing	74.55
Beijing Aerated Concrete								
– Logistics park project	1,367,600	766,401,717.96	188,828,454.56	–	–	955,230,172.52	Self-financing	69.85
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 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
– 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
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								
– Caofeidian hotworking project	216,500	194,685,431.34	35,453,692.01	230,139,123.35	–	–	Self-financing and borrowing	106.30
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	24.83

## Notes to Financial Statements (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 17. Construction in progress (continued)

Significant changes of construction in progress in 2017 are as below: (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases	Closing balance	Source of funding	Percentage of project investment in budget (%)
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
– 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
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
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
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
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

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. 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:

2018

	Progress of works (%)	Accumulated amount of interest capitalized	Including: Interest capitalized for the year	Capitalization rate for the year (%)
BBMG Liushui Environmental Protection				
– Improvement and expansion project of fly ash	91.63	292,851.67	292,851.67	3.48
– Construction waste resources optimization	82.24	858,399.99	643,799.99	3.48
BBMG Tiantan (Tangshan) Wood				
– BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	11.46	4,920,105.35	4,920,105.35	4.54
Jidong Development Group				
– Caofeidian industrial park	2.90	22,561,618.77	3,598,856.01	5.18
Jidong Development Machinery and Equipment				
– Dunshi machinery manufacturing project	4.92	4,347,133.63	–	–
Laishui Jinglai Building Materials				
– Construction project of a production line of 2.5 million tonnes dolomite	24.83	2,346,909.29	–	–
Chengde BBMG Cement				
– Project concerning comprehensive utilisation of hazardous waste	86.96	747,936.58	131,055.83	4.35
Jilin BBMG Jidong Environmental Protection Technology				
– Project of intelligent delivery and transportation plaza in front of plant and roads nearby	103.87	6,208.93	5,966.67	4.49
– Project concerning a change of exploration right to mining right of Qincaigou mine	5.36	220,181.44	115,896.10	4.68
– Technological improvement project of construction of new raw coal shed	94.39	30,415.36	30,385.13	4.64
Tang County Jidong Cement				
– Daily disposal of 500 tonne household garbage project	14.50	239,733.34	239,733.34	3.48
Yi County Xinhai Mining				
– Project concerning crushed stone production of 1.2 million cubic meters per annum	64.21	6,046,059.11	615,464.27	4.61
		<b>42,617,553.46</b>	<b>10,594,114.36</b>	

Note: The amount of capitalized interests included in construction in progress for 2018 was RMB13,070,277.66 (2017: RMB86,331,737.21), among which, RMB153,278,506.52 (2017: RMB20,822,817.75) had been transferred to fixed assets.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. 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

	Progress of works (%)	Accumulated amount of interest capitalized	Including: 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 sludge in cement kiln	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
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	–	–
		<u>185,301,945.62</u>	<u>65,508,919.46</u>	

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. Construction in progress *(continued)*

Provision for impairment of construction in progress for 2018:

	Opening balance	Increase in the year	Decrease/write-off for the year	Closing balance
Hebei BBMG Dingxin				
– Project for the first branch	1,299,924.00	–	–	1,299,924.00
Jidong Group				
– Nanhu Yingbinguan	25,696,028.66	38,003,375.89	–	63,699,404.55
Jingyang Jinhui Building Materials				
– Technological improvement of production line	2,147,850.07	–	–	2,147,850.07
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
Jidong Cement Tongchuan				
– Conveyor belt project	3,978,739.01	2,422,302.52	–	6,401,041.53
Beijing BBMG Concrete				
– Dust fall project of batch bin and aggregate bin	–	1,051,000.00	–	1,051,000.00
BBMG Jidong (Tangshan) Concrete Environmental protection Technology				
– Project management software	–	10,026,653.85	–	10,026,653.85
– Construction project	–	71,000.00	–	71,000.00
Provision for impairment of construction in progress	<u>34,602,993.07</u>	<u>51,574,332.26</u>	<u>–</u>	<u>86,177,325.33</u>
Provision for impairment of construction materials	<u>15,171,060.40</u>	<u>4,572,915.08</u>	<u>3,460,046.01</u>	<u>16,283,929.47</u>
Total	<u>49,774,053.47</u>	<u>56,147,247.34</u>	<u>3,460,046.01</u>	<u>102,461,254.80</u>

Note: The reason for making provision for impairment for the projects above is their suspension.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 17. 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
Hebei BBMG Dingxin				
– Project for the first branch	1,299,924.00	–	–	1,299,924.00
Jidong Group				
– Nanhu Yingbinguan	–	25,696,028.66	–	25,696,028.66
Jingyang Jinhui Building Materials				
– Technological improvement of production line	2,147,850.07	–	–	2,147,850.07
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
Jidong Cement Tongchuan				
– Conveyor belt project	1,556,436.49	2,422,302.52	–	3,978,739.01
Provision for impairment of construction in progress	<u>6,484,661.89</u>	<u>28,118,331.18</u>	<u>–</u>	<u>34,602,993.07</u>
Provision for impairment of construction materials	<u>14,512,244.21</u>	<u>1,430,205.69</u>	<u>771,389.50</u>	<u>15,171,060.40</u>
Total	<u>20,996,906.10</u>	<u>29,548,536.87</u>	<u>771,389.50</u>	<u>49,774,053.47</u>

Note: The reason for making provision for impairment for the projects above is their suspension.



## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 18. Intangible assets

2018

	Computer					Total
	Land use rights	software licenses	Mining rights	Trademark rights	Others	
<b>Cost</b>						
Opening balance	9,126,604,942.70	167,093,919.84	2,806,043,512.90	83,414,700.00	197,289,497.90	12,380,446,573.34
Addition	451,779,026.19	38,707,748.91	43,504,959.79	-	3,968,563.90	537,960,298.79
Business combination not under common control	6,670,458,320.35	1,062,424.99	33,029,955.89	-	-	6,704,550,701.23
Disposal or retirement	780,992,413.64	3,975,375.20	10,337,536.49	-	6,630,952.73	801,936,278.06
Removed from upon disposal of subsidiaries	150,842,003.21	1,391,697.46	-	-	-	152,233,700.67
Closing balance	15,317,007,872.39	201,497,021.08	2,872,240,892.09	83,414,700.00	194,627,109.07	18,668,787,594.63
<b>Accumulated amortisation</b>						
Opening balance	970,003,171.86	63,873,740.72	355,658,391.06	-	46,865,377.82	1,436,400,681.46
Provision for the year	321,061,570.25	24,446,575.76	161,515,861.34	-	13,137,451.41	520,161,458.76
Disposal or retirement	37,677,785.10	2,279,415.69	4,024,846.95	-	3,222,826.84	47,204,874.58
Removed from upon disposal of subsidiaries	24,349,123.13	1,324,700.03	-	-	-	25,673,823.16
Closing balance	1,229,037,833.88	84,716,200.76	513,149,405.45	-	56,780,002.39	1,883,683,442.48
<b>Provision for impairment</b>						
Opening balance	6,235,685.06	-	67,943,968.48	5,000,000.00	7,780,240.56	86,959,894.10
Provision for the year	6,123,444.95	-	-	-	266,516.98	6,389,961.93
Closing balance	12,359,130.01	-	67,943,968.48	5,000,000.00	8,046,757.54	93,349,856.03
<b>Carrying amount</b>						
At the end of the year	14,075,610,908.50	116,780,820.32	2,291,147,518.16	78,414,700.00	129,800,349.14	16,691,754,296.12
At the beginning of the year	8,150,366,085.78	103,220,179.12	2,382,441,153.36	78,414,700.00	142,643,879.52	10,857,085,997.78

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 18. Intangible assets (continued)

2017

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
<b>Cost</b>						
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>
<b>Accumulated amortisation</b>						
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>
<b>Provision for impairment</b>						
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>
<b>Carrying amount</b>						
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 *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 18. 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:

	2018	2017
Less than 50 years	<b>14,117,123,752.98</b>	8,150,366,085.78

Details of pledge of intangible assets are set out in Note V.67.

As at 31 December 2018, the useful life of trademark rights with a carrying amount of RMB78,414,700.00 was indefinite (31 December 2017: RMB78,414,700.00). 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 2018, the carrying value of intangible assets of the Group pending completion of the procedures for title certificates amounted to RMB23,937,247.93. The management of the Company is of the view that there would not be any material adverse impact on the business operation of the Group from the aforementioned incomplete procedures for the title certificates.

#### 19. Goodwill

	2018	2017
Hebei BBMG Dingxin Cement Co., Ltd.	<b>189,815,999.91</b>	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	<b>3,967,009.95</b>	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	<b>26,884,752.28</b>	26,884,752.28
Beijing Taihang Prospect Environmental Protection Technology Co., Ltd.	<b>9,482,871.64</b>	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	<b>11,428,946.82</b>	11,428,946.82
Beijing Qianglian Cement Co., Ltd.	<b>2,742,710.29</b>	2,742,710.29
Tianjin BBMG Zhenxing Environmental Protection Technology Co., Ltd.	<b>10,931,009.96</b>	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	<b>56,276,121.38</b>	56,276,121.38
Jidong Cement Business	<b>2,013,854,242.93</b>	2,013,854,242.93
Jidong Equipment Business	<b>477,549,380.23</b>	477,549,380.23
	<b>2,802,933,045.39</b>	2,802,933,045.39
Less: Provision for impairment of goodwill	<b>62,645,395.59</b>	62,645,395.59
	<b>2,740,287,649.80</b>	2,740,287,649.80

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 19. Goodwill *(continued)*

Movements in provision for impairment of goodwill are as follows:

2018

	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 BBMG Zhenxing Environmental Protection Technology Co., Ltd.	10,931,009.96	–	–	10,931,009.96
Beijing Taihang Prospect Environmental Protection Technology Co., Ltd.	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
	<b>62,645,395.59</b>	<b>–</b>	<b>–</b>	<b>62,645,395.59</b>

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 BBMG Zhenxing Technology Co., Ltd.	10,931,009.96	–	–	10,931,009.96
Beijing Taihang Prospect Environmental Protection Technology Co., Ltd.	–	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
	<b>53,162,523.95</b>	<b>9,482,871.64</b>	<b>–</b>	<b>62,645,395.59</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 19. Goodwill *(continued)*

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

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 goodwill formed by the interest in the listed companies held by the Company was determined as the net amount of fair value of the assets group less costs to sell 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 2018.

The estimated future cash flows are based on the five-year financial budget approved by the management at a discount rate of 9% -10% (2017: 10% – 11%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%-3% (2017: 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.

#### 20. Long-term deferred expenditures

2018

	Opening balance	Increase in the year	Increase in business combination not under common control		Amortisation for the year	Other decreases	Provision for impairment in the year	Closing balance
Decoration	117,765,888.69	26,625,306.69	18,265,390.25		34,459,223.43	1,712,580.26	-	126,484,781.94
Leasehold improvement for fixed assets rented	20,425,942.92	29,008,922.82	524,044.30		13,104,276.70	1,082,857.03	-	35,771,776.31
Land lease prepayments	338,573,072.61	59,129,252.33	-		68,995,162.47	10,807,942.83	3,708,289.17	314,190,930.47
Cost of stripping mines	494,325,767.23	125,972,786.67	-		37,545,577.26	402,390.87	-	582,350,585.77
Others	163,271,355.66	60,537,786.13	17,125,247.33		47,379,947.25	9,646,662.19	-	183,907,779.68
	<u>1,134,362,027.11</u>	<u>301,274,054.64</u>	<u>35,914,681.88</u>		<u>201,484,187.11</u>	<u>23,652,433.18</u>	<u>3,708,289.17</u>	<u>1,242,705,854.17</u>

## Notes to Financial Statements (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 20. Long-term deferred expenditures (continued)

2017

	Opening balance	Increase in the year	Increase in business combination not under common control	Amortisation for the year	Other decreases	Provision for impairment in the year	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>-</u>	<u>1,134,362,027.11</u>

#### 21. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities not eliminated:

Deferred income tax assets	2018		2017	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred tax income assets
Provision for LAT	<b>3,600,808,425.84</b>	<b>900,202,106.46</b>	2,462,289,487.36	615,572,371.84
Deductible tax losses (Note)	<b>3,084,918,114.24</b>	<b>771,229,528.56</b>	2,743,348,954.68	685,837,238.67
Provision for impairment of assets	<b>2,529,193,292.44</b>	<b>632,298,323.11</b>	2,752,435,448.72	688,108,862.18
Difference in accounting and tax of revenue recognition	<b>57,197,038.40</b>	<b>14,299,259.60</b>	74,968,816.36	18,742,204.09
Accrual of property development cost	<b>2,865,103,566.52</b>	<b>716,275,891.63</b>	2,699,765,097.60	674,941,274.40
Unrealised profits and losses of internal transactions	<b>1,174,375,630.40</b>	<b>293,593,907.60</b>	771,760,173.12	192,940,043.28
Changes in fair value of other equity instruments	<b>91,125,189.12</b>	<b>22,781,297.28</b>	-	-
Others	<b>415,639,615.40</b>	<b>103,909,903.85</b>	303,470,784.88	75,867,696.22
	<u><b>13,818,360,872.36</b></u>	<u><b>3,454,590,218.09</b></u>	<u>11,808,038,762.72</u>	<u>2,952,009,690.68</u>

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.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 21. Deferred tax assets/liabilities *(continued)*

Deferred income tax liabilities	2018		2017	
	Taxable temporary differences	Deferred tax income liabilities	Taxable Temporary differences	Deferred tax income liabilities
Valuation gains of investment properties	9,060,700,276.36	2,265,175,069.09	8,490,049,138.20	2,122,512,284.55
Difference arising from accounting and tax of accumulated depreciation	1,347,120,989.20	336,780,247.30	1,635,739,937.60	408,934,984.40
Assessment increase/decrease in business combination	11,792,909,069.24	2,948,227,267.31	6,428,040,015.36	1,607,010,003.84
Loss on changes in fair value of other equity instrument/gains from changes in fair value of available-for-sale financial assets	95,393,661.76	23,848,415.44	36,689,309.96	9,172,327.49
Others	<u>1,547,272,780.48</u>	<u>386,818,195.12</u>	<u>1,304,386,629.20</u>	<u>326,096,657.30</u>
	<b><u>23,843,396,777.04</u></b>	<b><u>5,960,849,194.26</u></b>	<b><u>17,894,905,030.32</u></b>	<b><u>4,473,726,257.58</u></b>

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

	2018	2017
Deductible tax losses	9,190,368,879.44	7,137,027,656.13
Deductible temporary differences	<u>6,795,856,858.10</u>	<u>3,340,755,629.93</u>
	<b><u>15,986,225,737.54</u></b>	<b><u>10,477,783,286.06</u></b>

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 21. Deferred tax assets/liabilities *(continued)*

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

	2018	2017
2018	–	440,777,797.37
2019	<b>357,840,567.74</b>	107,555,461.59
2020	<b>479,440,001.64</b>	921,492,836.20
2021	<b>3,232,194,438.52</b>	3,625,822,913.21
2022	<b>1,816,596,001.37</b>	2,041,378,647.76
2023	<b>3,304,297,870.17</b>	–
	<b>9,190,368,879.44</b>	7,137,027,656.13

#### 22. Other non-current assets

	2018	2017
Repurchase (Note)	<b>462,387,504.78</b>	460,843,080.58
Prepayment for projects, equipment and plants	<b>892,886,084.54</b>	397,704,657.68
Prepayment for lands	<b>163,594,970.99</b>	136,326,054.15
Prepayment for exploration rights	<b>69,978,172.75</b>	64,558,160.00
	<b>1,588,846,733.06</b>	1,059,431,952.41

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 RMB462,387,504.78 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 (continued)

For the year ended 31 December 2018  
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## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 23. Provisions for impairment of assets

2018

	Increase in the year		Decrease in the year				Closing balance		
	Opening balance	Opening balance	Provision for the year	Business combination not under common control	Removed from upon disposal of subsidiaries	Reversal		Write-off	Transferred to held for sale
<b>Provision for bad debts:</b>	3,748,559,537.20	3,634,145,129.27	462,169,684.07	292,491,692.58	67,988,807.24	70,235,932.88	46,685,701.46	103,170.77	4,203,792,893.57
Including: Accounts receivable	2,420,720,346.67	2,231,874,010.93	68,999,649.21	168,686,325.27	33,171,288.40	2,679,120.48	10,080,941.31	103,116.77	2,423,525,518.45
Bills receivable	-	-	65,855,058.00	-	-	-	-	-	65,855,058.00
Other receivables	1,284,733,038.50	1,337,072,759.55	309,898,882.34	108,880,957.94	34,817,518.84	57,421,684.31	12,135,460.15	54.00	1,651,477,882.53
Prepayments	43,106,152.03	43,106,152.03	17,416,094.52	-	-	3,297,822.23	24,469,300.00	-	32,755,124.32
Long-term receivables	-	22,092,206.76	-	14,924,409.37	-	6,837,305.86	-	-	30,179,310.27
Provision for decline in value of inventories	398,846,278.37	398,846,278.37	378,784,862.54	-	7,965,733.09	2,608,159.35	77,406,942.69	-	689,650,305.78
Provision for impairment of fixed assets	430,754,975.01	430,754,975.01	370,651,402.65	-	26,294,588.75	-	48,564,391.14	-	726,547,397.77
Provision for impairment of construction materials	49,774,053.47	49,774,053.47	56,147,247.34	-	-	-	3,460,046.01	-	102,461,254.80
Provision for impairment of intangible assets	86,959,894.10	86,959,894.10	6,389,961.93	-	-	-	-	-	93,349,856.03
Provision for impairment of goodwill	62,645,395.59	62,645,395.59	-	-	-	-	-	-	62,645,395.59
Other non-current assets	2,754,674.63	2,754,674.63	-	-	-	-	2,754,674.63	-	-
Other current assets	-	-	578,270.60	-	-	-	-	-	578,270.60
Impairment of long-term prepaid expenses	-	-	3,708,289.17	-	-	-	-	-	3,708,289.17
	4,780,294,808.37	4,665,880,400.44	1,278,429,718.301	292,491,692.58	102,249,129.08	72,844,092.23	178,871,755.93	103,170.77	5,882,733,663.31

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. Provisions for impairment of assets (continued)

2017

	Decrease in the year						Closing balance
	Opening balance	Provision for the year	Transferred in upon acquisition of subsidiaries	Other transfers	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
Including: 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
	4,586,748,162.98	1,306,880,677.76	1,059,527.57	60,000.00	771,856,338.21	335,173,055.97	4,787,598,974.13

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 24. Short-term loans

	2018	2017
Guaranteed loans (Note 1)	1,900,000,000.00	1,840,000,000.00
Credit loans	36,942,270,000.00	32,029,900,000.00
Mortgaged loans (Note 2)	675,000,000.00	–
Pledged loans (Note 2)	363,122,209.57	505,300,000.00
	<b>39,880,392,209.57</b>	<b>34,375,200,000.00</b>

Note 1: As at 31 December 2018, among guaranteed loans, RMB50,000,000.00 were guaranteed by third parties, and the remaining were guaranteed by entities within the Group.

Note 2: Details and values of the collaterals for mortgaged loans of the Group as at 31 December 2018 are set out in note V.67.

As at 31 December 2018, the interest rates of the above loans were 3.48%-7.00% per annum (as at 31 December 2017: 3.30%-8.40%).

As at the balance sheet date, the Group had no outstanding loans that were due.

#### 25. Bills payable and accounts payable

	2018	2017
Bills payable	2,080,749,336.98	1,457,987,393.20
Bank acceptance bills	1,974,216,957.31	1,448,906,903.71
Commercial acceptance bills	106,532,379.67	9,080,489.49
Accounts payable	18,357,615,866.65	15,747,091,122.08
	<b>20,438,365,203.63</b>	<b>17,205,078,515.28</b>

As at the balance sheet date, the Group had no outstanding bills payable that were due and all bills payable by the Group would be due within 12 months.

Accounts payable are non-interest bearing and shall generally be paid within 30 to 360 days.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 25. Bills payable and accounts payable *(continued)*

An aging analysis of bills payable and accounts payable is as follows:

	2018	2017
Within 1 year (inclusive of 1 year)	16,924,429,785.81	14,872,129,418.17
1 to 2 years (inclusive of 2 years)	2,342,046,547.01	1,199,775,599.39
2 to 3 years (inclusive of 3 years)	426,530,426.20	551,774,237.03
Over 3 years	745,358,444.61	581,399,260.69
	<b>20,438,365,203.63</b>	<b>17,205,078,515.28</b>

As at 31 December 2018, 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
First	Third party	1,232,447,312.89	6.71	Unfinished
Second	Third party	140,101,944.50	0.76	Unfinished
Third	Third party	70,880,341.75	0.39	Unfinished
Fourth	Third party	42,782,627.16	0.23	Unfinished
Fifth	Third party	38,104,309.66	0.21	Unfinished

#### 26. Receipts in advance

	2018	2017
Advances on pre-sale of properties	–	24,734,998,222.71
Advances on sale of goods	–	1,887,290,435.52
Advances on rents and property fees	317,903,204.75	521,884,670.95
Advances on construction costs	–	196,319,451.66
	<b>317,903,204.75</b>	<b>27,340,492,780.84</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 27. Contract liabilities

	2018	2017 (Restated)
Advances on pre-sale of properties	21,150,513,544.32	24,722,600,323.03
Advances on sale of goods	1,988,020,988.13	1,874,088,832.31
Advances on construction costs	73,190,484.08	170,253,162.06
Advances on property fees	227,478,705.19	183,329,704.34
Other advances	275,964,632.05	229,435,977.70
	<b>23,715,168,353.77</b>	<b>27,179,707,999.44</b>

As at 31 December 2018, the contract liabilities to be transferred into revenue in the coming year amounted to RMB19,036,930,121.44.

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-sale	2018	2017
Hefei – Nanqi Garden	31 January 2019	64.60%	5,126,527,246.45	2,316,238,852.83
Beijing – Treasures Mansion House	30 June 2019	95.00%	3,585,450,834.92	4,321,497,528.03
Qingdao – Beizutuan	30 September 2019	68.00%	1,997,948,490.16	2,601,454,436.73
Beijing – Wangchuan Beiyuan	1 June 2019	70.00%	1,864,599,797.48	2,903,528,087.66
Shanghai – Juyuan	30 June 2019	91.05%	1,560,582,243.75	1,079,570,802.64
Beijing – Shunyi Jinchengyu Garden (順義金成裕雅苑)	31 March 2019	100.00%	1,556,626,345.02	1,011,789,930.79
Beijing – Jinyu Feili	30 June 2019	100.00%	912,695,456.61	540,002,112.06
Beijing – Jin'gang Jiayuan	31 October 2020	86.20%	868,907,071.47	–
Chongqing – Nanshanjun	1 December 2019	87.66%	447,651,641.66	97,682,723.32
Hangzhou – Metro Forest (都會森林)	31 May 2021	8.16%	363,433,975.45	–
Beijing – Shangchengjun	31 December 2019	76.60%	347,859,317.89	191,712,779.99
Inner Mongolia – Jinyu Global Finance Centre	1 March 2019	97.00%	320,328,438.48	101,265,577.34
Haikou – Xixili	30 January 2019	90.00%	220,313,135.15	600,822,926.93
Chongqing – Times Metro	31 March 2019	58.06%	213,794,794.35	485,123,133.84
Tangshan – Jinyu Lefu	1 December 2020	85.00%	159,132,282.90	121,020,904.64

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 27. Contract liabilities (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-sale	2018	2017
Tianjin – Qiaowanyuan	1 September 2019	15.88%	127,293,027.16	–
Tangshan – BBMG Xitang (金隅冀唐)	30 September 2019	61.97%	126,805,190.48	–
Tangshan – Jin'an hongbao	30 April 2020	64.25%	123,358,807.83	172,425,369.35
Beijing – Plot 1 of Changyang University of Science and Technology	30 June 2019	89.98%	118,020,331.47	170,849,036.59
Haikou – Yangguangjun	30 October 2019	7.00%	115,407,883.52	–
Hangzhou – Jinyu Xuefu	30 January 2019	93.00%	110,376,716.97	1,802,988,316.61
Chongqing – Xinduhui	31 December 2019	46.12%	108,112,292.81	–
Beijing – Dacheng Shidai Center(大成時代中心)	30 January 2019	100.00%	83,809,523.82	–
Hefei – Dacheng Xiyuan (大成西苑)	30 June 2020	0.35%	80,027,090.60	–
Tianjin – Jinyu Yuecheng	31 January 2019	99.00%	76,713,894.39	124,880,865.09
Beijing – Jincheng Ruiyayuan(金成瑞雅苑)	1 August 2020	68.00%	67,861,958.64	–
Hangzhou – Guanlan Times	30 January 2019	97.00%	66,594,259.32	722,561,084.31
Chengdu – Longxi Center (龍熙中心)	30 June 2020	7.02%	39,061,737.27	–
Ningbo – Ganjiang Shidai (甌江時代)	30 June 2019	100.00%	34,292,790.40	–
Ningbo – Shengjunhuating (晟郡華庭)	30 June 2020	31.51%	31,747,190.00	–
Tianjin – Jinyu Mantang	30 June 2019	100.00%	31,364,728.24	105,042,856.33
Beijing – Kanghuiyuan	1 December 2020	97.00%	19,707,906.20	14,635,071.44
Chengdu – Longxijun	31 December 2019	93.00%	19,018,808.58	50,815,771.07
Inner Mongolia – Jinyu Elegancy City	1 March 2019	92.00%	12,649,402.19	6,076,621.26
Beijing – Nankou housing with a price cap	30 January 2019	100.00%	9,565,735.08	417,274,952.15
Beijing – Jiaheyuan	30 January 2019	95.00%	8,785,567.13	187,995,252.32
Beijing – Chaoyang New City	1 June 2019	100.00%	8,614,218.49	117,255,299.53
Inner Mongolia – Jinyu Times City	1 March 2019	99.00%	7,643,916.00	21,959,479.82
Hangzhou – Banshan Project	30 January 2019	99.00%	6,535,087.58	305,135,036.56
Beijing – Nankou Affordable Housing	30 January 2019	95.00%	6,276,167.88	161,496,125.95
Nanjing – Zijingdieyuan (紫京疊院)	27 October 2019	0.34%	5,183,510.00	–
Nanjing – Jinyu Zijinfu	30 January 2019	96.00%	4,463,788.60	3,719,417,643.89
Beijing – Taiheyuan	30 January 2019	99.00%	2,078,381.49	54,705,558.29
Other			153,292,560.44	195,376,185.67
			<b>21,150,513,544.32</b>	<b>24,722,600,323.03</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 28. Wages payable

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	297,848,583.63	5,489,164,575.11	5,427,495,782.49	359,517,376.25
Post-employment benefits (defined contribution plan)	35,723,955.91	666,296,868.06	690,312,385.55	11,708,438.42
Termination benefits	32,014,591.22	77,241,862.72	86,641,965.31	22,614,488.63
	<b>365,587,130.76</b>	<b>6,232,703,305.89</b>	<b>6,204,450,133.35</b>	<b>393,840,303.30</b>

In the year, the amount transferred from Tianjin Building Materials Group (Holding) Co., Ltd. (business combination not under common control) into wages payable was RMB37,963,149.72.

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
	<b>400,092,413.18</b>	<b>5,502,398,556.91</b>	<b>5,536,903,839.33</b>	<b>365,587,130.76</b>

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 28. Wages payable (continued)

Short-term remunerations are as bellow:

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	208,846,996.99	4,249,429,092.03	4,214,890,845.25	243,385,243.77
Staff welfare	–	354,815,366.20	354,061,258.47	754,107.73
Social insurance	9,235,934.89	412,032,567.30	411,390,313.05	9,878,189.14
Including:				
Medical insurance	7,649,678.21	350,066,149.78	349,358,600.24	8,357,227.75
Work injury insurance	1,175,668.47	40,823,255.02	41,053,720.35	945,203.14
Maternity insurance	410,588.21	21,143,162.50	20,977,992.46	575,758.25
Housing funds	7,694,117.71	378,532,199.32	354,509,440.52	31,716,876.51
Union fund and employee education fund	52,350,745.92	94,355,350.26	92,643,925.20	54,062,170.98
Others	19,720,788.12	–	–	19,720,788.12
	<b>297,848,583.63</b>	<b>5,489,164,575.11</b>	<b>5,427,495,782.49</b>	<b>359,517,376.25</b>

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
Including:				
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
	<b>349,055,936.48</b>	<b>4,877,968,336.66</b>	<b>4,929,175,689.51</b>	<b>297,848,583.63</b>

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



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 28. Wages payable *(continued)*

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

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	34,016,342.42	600,758,397.94	624,322,037.01	10,452,703.35
Corporate annuity	543,064.46	42,206,770.47	42,322,361.83	427,473.10
Unemployment insurance	1,164,549.03	23,331,699.65	23,667,986.71	828,261.97
	<b>35,723,955.91</b>	<b>666,296,868.06</b>	<b>690,312,385.55</b>	<b>11,708,438.42</b>

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
	<b>48,200,679.31</b>	<b>592,019,626.82</b>	<b>604,496,350.22</b>	<b>35,723,955.91</b>

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.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 29. Tax payable

	2018	2017
VAT	685,827,284.15	397,466,917.54
Corporate income tax	1,318,708,063.22	982,515,360.34
Individual income tax	28,999,879.59	24,725,077.76
City maintenance and construction tax	45,191,206.54	25,632,955.58
Resource tax	5,971,972.27	7,260,281.07
Land appreciation tax	201,215,665.93	181,605,784.99
Education surcharges	35,181,993.79	20,498,275.73
Urban and rural land use tax	40,193,955.11	25,169,007.14
Real estate tax	58,259,144.18	40,607,067.92
Deed tax and others	107,646,437.46	63,779,439.54
	<b>2,527,195,602.24</b>	<b>1,769,260,167.61</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 30. Other payables

	2018	2017
Interests payable	1,006,889,605.80	858,108,769.82
Interests on borrowings	157,169,868.60	136,525,059.42
Including: Interests on long-term borrowings	67,603,463.65	56,329,360.17
Interests on short-term borrowings	89,566,404.95	80,195,699.25
Interests of corporate bonds	849,719,737.20	721,583,710.40
Dividends payable	492,510,444.74	190,801,504.66
Dividends payable to minority shareholders	241,654,197.84	35,182,953.10
Other shareholders	16,770,600.00	21,531,161.89
Interest on perpetual bonds	234,085,646.90	134,087,389.67
Other payables	6,853,195,432.79	8,026,337,535.37
Amounts collected on behalf and temporary receipts	3,070,939,674.79	2,911,688,273.45
Deposits	1,844,161,323.40	1,549,719,228.45
Payables for land use right	155,493,125.23	2,056,379,654.91
Construction costs payable	179,760,984.68	179,517,391.27
Payables for relocation compensation	218,280,669.07	260,196,816.96
Freight and miscellaneous charges payable	140,929,864.42	178,953,768.60
Payables for acquisition of equity investments	22,927,800.00	49,782,791.64
Payables to related parties (Note X.6)	114,556,923.42	1,380,753.06
Utilities	43,331,819.10	65,110,139.65
Public maintenance fund payable	33,737,788.77	47,872,372.87
Current portion of net liabilities of defined benefit plan (Note V.36)	66,454,809.12	70,648,301.69
Others	962,620,650.79	655,088,042.82
	<b>8,352,595,483.33</b>	<b>9,075,247,809.85</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 30. Other payables *(continued)*

As at 31 December 2018, 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 25	Third party	300,033,343.80	3.59	Unsettled
Unit 26	Third party	198,977,241.24	2.38	Unsettled
Unit 27	Third party	139,676,032.10	1.67	Unsettled
Unit 28	Third party	100,998,232.27	1.21	Unsettled
Unit 29	Third party	49,699,214.40	0.60	Unsettled

#### 31. Non-current liabilities due within one year

	2018	2017
Long-term loans due within one year (Note V.33)	9,465,848,283.40	2,402,037,997.00
Bonds payable due within one year (Note V.34)	8,428,234,671.07	8,374,629,908.13
Long-term payables due within one year (Note V.35)	649,781,588.67	714,771,870.46
	<b>18,543,864,543.14</b>	<b>11,491,439,775.59</b>

#### 32. Other current liabilities

	2018	2017
Accrued expenses	7,697,764,315.99	6,042,357,010.03
Including: Accrued development costs	3,456,448,364.86	3,272,200,988.66
Provision for LAT	3,721,648,449.34	2,562,713,668.13
Accrued costs for treatment of solid wastes	164,902,810.56	127,089,285.59
Other accrued expenses	354,764,691.23	80,353,067.65
Tax to be written off	794,949,820.96	–
	<b>8,492,714,136.95</b>	<b>6,042,357,010.03</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 33. Long-term loans

	2018	2017
Mortgaged loans (Note 1)	12,388,040,000.00	6,704,237,997.00
Guaranteed loans (Note 2)	10,484,580,000.00	6,507,360,000.00
Credit loans	14,071,789,349.97	11,921,470,000.00
Pledged loans (Note 1)	3,027,493,199.13	2,940,000,000.00
Closing balance	39,971,902,549.10	28,073,067,997.00
Less: Long-term loans due within one year (Note V.31)	<u>9,465,848,283.40</u>	<u>2,402,037,997.00</u>
Non-current portion	<u>30,506,054,265.70</u>	<u>25,671,030,000.00</u>

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

	2018	2017
Within 1 year (inclusive of 1 year)	9,465,848,283.40	2,402,037,997.00
1 to 2 years (inclusive of 2 years)	12,078,352,584.27	5,347,800,000.00
2 to 3 years (inclusive of 3 years)	6,429,762,584.27	12,323,760,000.00
3 to 4 years (inclusive of 4 years)	708,952,247.19	680,000,000.00
4 to 5 years (inclusive of 5 years)	3,378,750,000.00	800,000,000.00
Over 5 years	<u>7,910,236,849.97</u>	<u>6,519,470,000.00</u>
	<u>39,971,902,549.10</u>	<u>28,073,067,997.00</u>

Note 1: As at 31 December 2018, details and value of collaterals corresponding to mortgaged and pledged loans of the Group are set out in note V. 67.

Note 2: As at the balance sheet date, the guaranteed loans of the Group were guaranteed by its subsidiaries.

As at 31 December 2018, the above loans bore interest rates of 1.2%-10.34% (31 December 2017: 1.2%- 10.34%) per annum.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 34. Short-term financing bonds and bonds payable

	2018	2017
Short-term financing bonds	<b>6,500,000,000.00</b>	2,769,698,081.12
Bonds payable:		
Corporate bonds	<b>20,159,323,960.77</b>	15,230,995,736.64
Medium-term notes	<b>8,000,000,000.00</b>	5,000,000,000.00
Private bonds	–	5,798,475,000.00
Debt financing plan	<b>500,000,000.00</b>	500,000,000.00
Closing balance	<b>28,659,323,960.77</b>	26,529,470,736.64
Less: Bonds payable due within one year (Note V. 31)	<b>8,428,234,671.07</b>	8,374,629,908.13
Non-current portion	<b>20,231,089,289.70</b>	18,154,840,828.51
	<b>2018</b>	2017
Analysis of maturity of bonds payable:		
Within 1 year (inclusive of 1 year)	<b>8,428,234,671.07</b>	8,374,629,908.13
1 to 2 years (inclusive of 2 years)	<b>500,000,000.00</b>	9,420,108,004.27
2 to 5 years (inclusive of 5 years)	<b>19,731,089,289.70</b>	8,734,732,824.24
	<b>28,659,323,960.77</b>	26,529,470,736.64

**Notes to Financial Statements** (continued)For the year ended 31 December 2018  
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)**34. Short-term financing bonds and bonds payable** (continued)

2018

	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
Bonds payable:											
Non-current portion:											
1) RMB1.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00	-	68,875,000.00	-	(1,500,000,000.00)	-	-
2) 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)	-
2) 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)	-
3) RMB2 billion private bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	2,000,000,000.00	-	11,000,000.00	-	(2,000,000,000.00)	-	-
3) RMB2.5 billion private bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	2,500,000,000.00	-	30,333,333.33	-	(2,500,000,000.00)	-	-
3) RMB500 million private bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	500,000,000.00	-	14,377,083.33	-	(500,000,000.00)	-	-
4) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	5 years	3,200,000,000.00	3,188,753,555.19	-	103,334,037.70	3,494,037.70	-	(3,192,247,592.89)	1,793,773,035.20
4) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	7 years	1,800,000,000.00	1,792,420,728.61	-	64,352,306.62	1,352,306.59	-	-	-
5) RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	38,911,200.00	-	2,457,000.00	52,800.00	-	(38,964,000.00)	-
6) RMB300 million private bonds	RMB300 million	4 May 2015	3 years	300,000,000.00	298,475,000.00	-	7,076,712.33	300,000.00	(298,775,000.00)	-	-
6) RMB500 million private bonds	RMB500 million	3 June 2015	3 years	500,000,000.00	500,000,000.00	-	14,101,369.75	575,000.00	(500,375,000.00)	-	-
7) RMB1.6 billion corporate bonds	RMB1.6 billion	30 August 2011	7 years	1,600,000,000.00	1,076,154,908.13	-	45,129,650.00	1,782,591.87	(1,077,937,500.00)	-	-
7) RMB900 million corporate bonds	RMB900 million	20 March 2012	8 years	900,000,000.00	415,400,880.64	-	23,363,181.00	1,416,442.06	-	-	416,817,322.70
8) RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	449,128,818.21	-	26,550,000.00	470,440.75	-	(449,599,258.96)	-
8) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	797,104,074.72	-	48,000,000.00	537,857.12	-	-	797,641,931.84

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 34. Short-term financing bonds and bonds payable (continued)

2018 (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
9) RMB3.5 billion corporate bonds	19 May 2017	5 years	3,500,000,000.00	3,487,864,532.24	-	184,536,129.22	2,556,129.22	-	-	3,490,400,661.46
9) RMB500 million corporate bonds	19 May 2017	7 years	500,000,000.00	498,955,688.05	-	27,144,188.74	244,188.74	-	-	498,439,876.79
10) RMB1.25 billion corporate bonds	13 July 2017	2 years	1,250,000,000.00	1,245,844,212.93	-	66,579,606.28	1,579,606.29	-	(1,247,423,819.22)	-
11) RMB1.75 billion corporate bonds	13 July 2017	3 years	1,750,000,000.00	1,743,746,919.98	-	94,006,375.33	1,256,375.32	-	-	1,745,003,295.30
12) RMB500 million short-term bonds	17 November 2017	2+3 years	500,000,000.00	500,000,000.00	-	27,500,000.00	-	-	-	500,000,000.00
13) RMB500 million corporate bonds	30 June 2017	3 years	500,000,000.00	497,470,217.94	-	29,900,000.00	969,614.39	-	-	498,439,832.33
14) RMB2 billion medium-term notes	22 January 2018	5 years	2,000,000,000.00	-	2,000,000,000.00	110,175,000.00	-	-	-	2,000,000,000.00
15) RMB500 million short-term bonds	27 February 2018	3+2 years	500,000,000.00	-	500,000,000.00	24,488,888.89	-	-	-	500,000,000.00
16) RMB2.5 billion short-term bonds	25 June 2018	3 years	2,500,000,000.00	-	2,500,000,000.00	81,375,000.00	-	-	-	2,500,000,000.00
17) RMB1.5 billion corporate bonds	13 July 2018	3+2 years	1,500,000,000.00	-	1,500,000,000.00	33,528,996.61	(4,642,823.90)	-	-	1,495,357,176.10
17) RMB1.5 billion corporate bonds	13 July 2018	5+2 years	1,500,000,000.00	-	1,500,000,000.00	35,500,478.49	(4,783,842.02)	-	-	1,495,216,157.98
18) RMB2.5 billion medium-term notes	9 August 2018	5 years	2,500,000,000.00	-	2,500,000,000.00	45,041,666.67	-	-	-	2,500,000,000.00
			38,850,000,000.00	26,529,470,736.64	10,500,000,000.00	1,405,226,004.29	7,140,724.13	(8,377,287,500.00)	(8,428,234,671.07)	20,251,089,289.70



**Notes to Financial Statements** *(continued)*For the year ended 31 December 2018  
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***34. Short-term financing bonds and bonds payable** *(continued)***2018** *(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
Short-term financing bonds:											
19)RMB1 billion short-term financing bonds	RMB1 billion	21 June 2017	270 days	1,000,000,000.00	799,698,081.12	-	-	-	(799,698,081.12)	-	-
20)RMB2 billion ultrashort financing bonds	RMB2 billion	28 September 2017	270 days	2,000,000,000.00	1,970,000,000.00	-	47,638,888.89	-	(1,970,000,000.00)	-	-
21)RMB2 billion ultrashort financing bonds	RMB2 billion	29 January 2018	180 days	2,000,000,000.00	-	2,000,000,000.00	44,755,555.56	-	(2,000,000,000.00)	-	-
22)RMB2 billion ultrashort financing bonds	RMB2 billion	5 March 2018	180 days	2,000,000,000.00	-	2,000,000,000.00	33,345,000.00	-	(2,000,000,000.00)	-	-
23)RMB1.5 billion ultrashort financing bonds	RMB1.5 billion	23 April 2018	270 days	1,500,000,000.00	-	1,500,000,000.00	13,005,000.00	-	-	-	1,500,000,000.00
24)RMB2 billion ultrashort financing bonds	RMB2 billion	17 July 2018	270 days	2,000,000,000.00	-	2,000,000,000.00	39,735,888.89	-	-	-	2,000,000,000.00
25)RMB1 billion ultrashort financing bonds	RMB1 billion	15 November 2018	210 days	1,000,000,000.00	-	1,000,000,000.00	4,550,000.00	-	-	-	1,000,000,000.00
26)RMB2 billion ultrashort financing bonds	RMB2 billion	10 December 2018	197 days	2,000,000,000.00	-	2,000,000,000.00	3,988,888.89	-	-	-	2,000,000,000.00
				<u>13,500,000,000.00</u>	<u>2,769,698,081.12</u>	<u>10,500,000,000.00</u>	<u>187,037,222.23</u>	<u>-</u>	<u>(6,769,698,081.12)</u>	<u>-</u>	<u>6,500,000,000.00</u>
				<u>52,350,000,000.00</u>	<u>29,299,168,817.76</u>	<u>21,000,000,000.00</u>	<u>1,592,263,226.52</u>	<u>7,140,724.13</u>	<u>(15,146,985,581.12)</u>	<u>(8,428,234,671.07)</u>	<u>26,751,089,289.70</u>

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 34. Short-term financing bonds and 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
Bonds payable:											
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)	-	-
1) 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)	-
2) 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
2) 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
3) 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)	-
3) 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)	-
3) 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)	-
4) 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
4) 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
9) 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)	-	-	3,487,864,532.24
9) 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
10) 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
11) 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	(6,253,080.02)	-	-	1,743,746,919.98
12) Debt financing plan	RMB500 million	17 November 2017	2 years	500,000,000.00	-	500,000,000.00	3,315,088.49	-	-	-	500,000,000.00

**Notes to Financial Statements** *(continued)*For the year ended 31 December 2018  
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***34. Short-term financing bonds and 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
5) 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
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)	-	-
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)	-	-
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)	-	-
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)	-	-
7) RMB1.6 billion corporate bonds	RMB1.6 billion	30 August 2011	7 years	1,600,000,000.00	1,073,589,155.24	-	67,694,475.00	2,565,752.89	-	(1,076,154,908.13)	-
7) RMB900 million corporate bonds	RMB900 million	20 March 2012	8 years	900,000,000.00	895,365,562.66	-	30,077,385.75	1,339,317.98	(481,305,000.00)	-	415,400,880.64
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)	-	-
8) 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
8) 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
6) RMB300 million private bonds	RMB300 million	4 May 2015	3 years	300,000,000.00	296,075,000.00	-	21,632,876.71	2,400,000.00	-	(298,475,000.00)	-
6) 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)	-
13) 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	1,96,852.18	(7,142,305,000.00)	(8,374,629,908.13)	18,154,840,828.51

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 34. Short-term financing bonds and 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
Short-term financing bonds:											
RMB3 billion ultrashort financing bonds	RMB3 billion	20 May 2016	266 days	3,000,000,000.00	3,000,000,000.00	-	11,633,333.33	-	(3,000,000,000.00)	-	-
RMB3 billion ultrashort 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)	-	-
RMB3 billion ultrashort financing bonds	RMB3 billion	14 March 2017	245 days	3,000,000,000.00	-	3,000,000,000.00	40,838,333.33	-	(3,000,000,000.00)	-	-
17) RMB1 billion Short-term financing bonds	RMB1 billion	21 June 2017	270 day	1,000,000,000.00	-	798,620,000.00	26,893,442.62	1,078,081.12	-	-	799,698,081.12
18) RMB2 billion ultrashort 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	133,384,972.29	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 *(continued)*

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### **V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS**

*(continued)*

#### **34. Short-term financing bonds and bonds payable *(continued)***

- 1) Pursuant to the document Zhong Shi Xie Zhu [2013] No. MTN279 issued by the National Association of Financial Market Institutional Investors (the “NAFMII”), the Company issued its first tranche of medium-term notes for 2013 on 14 October 2013, totalling RMB1,500,000,000 with a term of 5 years and a coupon rate of 5.8%.
- 2) Pursuant to the document Zhong Shi Xie Zhu [2014] No. MTN316 issued by the NAFMII, the Company issued its first tranche of medium-term notes for 2014 on 15 October 2014, totalling 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, totalling RMB1,500,000,000 with a term of 5 years and a coupon rate of 5.3%.
- 3) Pursuant to the document Zhong Shi Xie Zhu [2014] No. PPN570 issued by the NAFMII, the Company issued its first tranche of non-public placement debt financing instrument for 2015 on 5 February 2015, totalling RMB2,000,000,000 with a term of 3 years and a coupon rate of 5.50%; the Company issued its second tranche of non-public placement debt financing instrument for 2015 on 19 March 2015, totalling 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 non-public placement debt financing instrument for 2015 on 20 July 2015, totalling RMB500,000,000 with a term of 3 years and a coupon rate of 5.15%.
- 4) 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, totalling RMB3,200,000,000 with a term of 5 years and a coupon rate of 3.12%; and the Company issued its first tranche of corporate bonds (type two) for 2016 on 14 March 2016, totalling RMB1,800,000,000 with a term of 7 years and a coupon rate of 3.5%.
- 5) 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 (hereinafter referred to as “**12 Jidong Development Bond**”), totalling RMB800,000,000 with a term of 7 years and a coupon rate of 6.3%.
- 6) Pursuant to the approval document (Zhong Shi Xie Zhu [2015] No. PPN73) issued by the NAFMII, 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.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 34. Short-term financing bonds and bonds payable *(continued)*

- 7) 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, totalling 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 RMB416,817,322.70 (exclusive of interests) due on 20 March 2020.
- 8) 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 RMB1,250,000,000 to the public. 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.
- 9) Upon consideration and approval by the 4th meeting of the 4th session of the Board held on 23 March 2016 and the 2015 annual 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, totalling RMB3,500,000,000 with a term of 5 years and a coupon rate of 5.2%; and the Company issued its first tranche of corporate bonds (type two) for 2017 on 19 May 2017, totalling RMB500,000,000 with a term of 7 years and a coupon rate of 5.38%.
- 10) 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, totalling RMB1,250,000,000 with a term of 2 years. 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.

## Notes to Financial Statements *(continued)*

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### **V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS**

*(continued)*

#### **34. Short-term financing bonds and bonds payable *(continued)***

- 11) 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, totalling RMB1,750,000,000 with a term of 3 years. 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.
- 12) 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. The interest commencement date was 17 November 2017 and the expiry date will be in 2022. The actual listing amount totalled 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.
- 13) 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非公開發行非公開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, Jidong Cement issued the first tranche of corporate bonds by way of non-public issuance on 3 July 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 totalled RMB500,000,000. The bonds bear an interest rate of 5.98%.
- 14) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》(中市協注[2017]MTN512號)) issued by the NAFMII, the Company successfully issued the first tranche of medium term notes for 2018 of BBMG Corporation on 22 January 2018. The amount issued totalled RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.85%.
- 15) The Company successfully issued the first tranche of debt financing plan for 2018 named “**18BBMGZR001 (18京金隅ZR001)**” on 27 February 2018 for a term of 2+3 years. The interest commencement date was 27 February 2018 and expiry date will be 27 February 2023. The actual listing amount totalled RMB500,000,000 with a coupon rate of 5.80%.
- 16) The Company successfully issued the second tranche of debt financing plan for 2018 named “**18BBMGZR0 (18京金隅ZR0)**” on 25 June 2018 for a term of 3 years. The expiry date will be 25 June 2021. The actual listing amount totalled RMB2,500,000,000 and the listing price was 6.30% with a coupon rate of 6.30%.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 34. Short-term financing bonds and bonds payable *(continued)*

- 17) Pursuant to the document [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2018 on 13 July 2018, totalling RMB1,500,000,000 with a term of 5 years and a coupon rate of 4.7%. 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; and the Company issued its first tranche of corporate bonds (type two) for 2018 on 13 July 2018, totalling RMB1,500,000,000 with a term of 7 years and a coupon rate of 5.00%. The issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the fifth year.
- 18) Pursuant to the Notice of Acceptance of Registration issued by the NAFMII, the Company successfully issued the third tranche of medium term notes for 2018 on 9 August 2018. The interest commencement date was 13 August 2018 and the amount issued totalled RMB2,500,000,000 with a term of 5 years and a coupon rate of 4.70%.
- 19) 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 NAFMII, the Company successfully issued the third tranche of ultrashort 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 totalled RMB2,000,000,000 with a coupon rate of 4.90%. Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP[174] issued by the National Association of Financial Market Institutional Investors, it was agreed that Tangshan Jidong Cement Co., Ltd. issued its first tranche of ultrashort financing bonds for 2017 in open market on 21 June 2017, totalling RMB1,000,000,000 with a term of 270 days and a coupon rate of 5.1%. The maturity date is 18 March 2018.
- 20) 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 NAFMII, the Company successfully issued the third tranche of ultrashort financing bonds on 28 September 2017 for a term of 270 days. The interest commencement date was 29 September 2017 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.90%.
- 21) 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 NAFMII, the Company successfully issued the first tranche of ultra short financing bonds for 2018 on 29 January 2018 for a term of 180 days. The interest commencement date was 29 January 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 5.30%.



## Notes to Financial Statements *(continued)*

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### **V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS**

*(continued)*

#### **34. Short-term financing bonds and bonds payable *(continued)***

- 22) 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 NAFMII, the Company successfully issued the second tranche of super short term financing bonds for 2018 on 5 March 2018 for a term of 180 days. The interest commencement date was 5 March 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 5.13%.
- 23) 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 NAFMII, the Company successfully issued the third tranche of super short term financing bonds for 2018 on 20 April 2018 for a term of 270 days. The interest commencement date was 23 April 2018 and the actual amount issued totalled RMB1,500,000,000 with a coupon rate of 4.59%.
- 24) 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 NAFMII, the Company successfully issued the fourth tranche of super short term financing bonds for 2018 during 16 July 2018 to 17 July 2018 for a term of 270 days. The interest commencement date was 18 July 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.39%.
- 25) 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 NAFMII, the Company successfully issued the fifth tranche of super short term financing bonds for 2018 on 15 November 2018 for a term of 210 days. The interest commencement date was 16 November 2018 and the actual amount issued totalled RMB1,000,000,000 with a coupon rate of 4.39%.
- 26) 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 NAFMII, the Company successfully issued the sixth tranche of super short term financing bonds for 2018 on 10 December 2018 for a term of 197 days. The interest commencement date was 11 December 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.59%.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 35. Long-term payables

	2018	2017
Finance leases (Note 1)	915,808,652.67	1,595,973,841.56
Others (Note 2)	<u>49,829,588.08</u>	<u>39,567,383.08</u>
	965,638,240.75	1,635,541,224.64
Less: Long-term payables due within one year (Note V. 31)	<u>649,781,588.67</u>	<u>714,771,870.46</u>
Non-current portion	<u>315,856,652.08</u>	<u>920,769,354.18</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 35. Long-term payables *(continued)*

	2018	2017
Analysis of maturity of long-term payables		
Within 1 year (inclusive of 1 year)	649,781,588.67	714,771,870.46
1 to 2 years (inclusive of 2 years)	300,731,943.18	642,102,218.16
2 to 5 years (over 2 years and inclusive of 5 years)	15,124,708.90	278,667,136.02
	<b>965,638,240.75</b>	<b>1,635,541,224.64</b>

Note 1: Finance leases refer to the amount payable to a leasing company by certain subsidiaries of the Group for finance leasing of fixed assets, recognised based on the balance of the minimum lease payments for fixed assets leased after deducting unrecognized financing expenses. The term is from 2013 to 2023. As at 31 December 2018, the annual interest rate of these finance lease payments was 4.28% to 6.55% (31 December 2017: 4.28% to 6.55%), and the unrecognized finance lease payment was RMB51,929,528.91 (31 December 2017: RMB127,710,411.99).

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 2021.

#### 36. Long-term wages payable

	2018	2017
Net liabilities of defined benefit plan	674,179,502.11	654,032,290.50

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 2018 using the projected accumulated benefit units method.

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

	2018	2017
Discount rate (%)	3.25%-4.05%	4.00%-4.25%
Expected growth rate of future retiree benefit costs (%)	3.00%	2.50%

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 36. Long-term wages payable *(continued)*

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

2018

	Increase/(decrease) in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	Increase %		Decrease %	
Discount rate (%)	0.25	(9,166,366.00)	0.25	9,558,656.00
Expected growth rate of future retiree benefit costs (%)	0.50	17,636,527.00	0.50	(15,761,968.00)

2017

	Increase/(decrease) in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	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)

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.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 36. Long-term wages payable *(continued)*

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

	2018	2017
Net interest expenses charged to finance expenses	28,361,143.19	23,979,700.00
Charged to management expenses	14,819,000.00	37,958,656.33
	<b>43,180,143.19</b>	<b>61,938,356.33</b>

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

	2018	2017
Amount at the beginning of the year	724,680,592.19	795,812,425.46
Increase of business combination not under common control	34,066,000.00	–
Interest expenses for the year	28,361,143.19	23,979,700.00
Service costs for the year	14,819,000.00	37,958,656.33
Welfare benefits paid for the year	(76,542,915.15)	(80,126,564.60)
Actuarial gains recognised in other comprehensive income	15,250,491.00	(52,943,625.00)
Including: Actuarial changes arising from changes in demographic statistics assumptions	–	7,357,000.00
Actuarial changes arising from changes in financial assumptions	11,907,000.00	(13,392,000.00)
Actuarial gains on difference in experience	3,343,491.00	(46,908,625.00)
Amount at the end of the year	740,634,311.23	724,680,592.19
Including: Current portion of net liabilities of defined benefit plan (Note V. 30)	66,454,809.12	70,648,301.69
Non-current portion	674,179,502.11	654,032,290.50

## Notes to Financial Statements (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 36. Long-term wages payable (continued)

Expected future payments to the defined benefit plan:

	2018	2017
Within 1 year	66,454,809.12	70,648,301.69
2 to 5 years	219,063,593.57	256,299,613.67
6 to 10 years	210,390,904.05	217,260,376.80
Over 10 years	<u>677,848,827.10</u>	<u>596,287,934.57</u>
	<u><b>1,173,758,133.84</b></u>	<u><b>1,140,496,226.73</b></u>

#### 37. Accrued liabilities

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance	
Accrued concrete loss	30,214,465.69	19,604,225.50	2,836,577.77	46,982,113.42	Note 1
Restoration cost of mines	281,111,097.14	13,767,767.06	19,939,408.41	274,939,455.79	Note 2
Finance charges from sale and repurchase	152,922,000.00	61,492,200.00	–	214,414,200.00	Note 3
Others	<u>687,837.34</u>	<u>70,315,149.33</u>	<u>687,837.34</u>	<u>70,315,149.33</u>	Note 4
	<u><b>464,935,400.17</b></u>	<u><b>165,179,341.89</b></u>	<u><b>23,463,823.52</b></u>	<u><b>606,650,918.54</b></u>	

Note 1: Accrued concrete loss was recognized based on potential difference between concrete's warehouse-out amount and future settlement amount by the Group's subsidiaries engaged in the production of concrete.

Note 2: Accrued restoration cost was recognized based on the expenditure on restoration of mines required to be incurred in subsequent years by the Group's subsidiaries engaged in the production of cement.

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.

Note 4: Others include compensations and penalties of subsidiaries of the Group in pending litigations.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 38. Deferred income

Government grants	2018	2017
Opening balance	855,519,940.14	922,615,398.60
Increase in the year	89,745,143.93	42,426,314.79
Business combination not under common control	18,997,709.87	–
Decrease in the year	75,857,927.22	109,521,773.25
Closing balance	888,404,866.72	855,519,940.14

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

	2018	2017
Government grants related to assets		
Environmental protection projects	489,823,323.81	432,674,914.50
Cogeneration projects	30,462,876.59	28,159,631.79
Relocation compensation	230,630,906.09	260,443,532.70
Specific funds	47,903,030.56	49,745,454.76
Others	88,431,229.67	81,714,238.73
Government grants related to income		
Research and development funds	1,153,500.00	2,782,167.66
Closing balance	888,404,866.72	855,519,940.14

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 38. Deferred income *(continued)*

As at 31 December 2018, 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	173,235,980.36	-	4,729,243.14	168,506,737.22	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	156,915,120.74	-	15,375,917.64	141,539,203.10	Related to assets
Appropriation for mud project of Beijing Cement Plant	27,899,722.24	-	2,976,666.68	24,923,055.56	Related to assets
Relocation compensation for Jianji	49,745,454.76	-	1,842,424.20	47,903,030.56	Related to assets
Zanhuang -2,500 tonnes new cement clinker	7,245,777.74	-	730,666.68	6,515,111.06	Related to assets
Raw material storage tent of Zhenxing	8,736,000.00	-	672,000.00	8,064,000.00	Related to assets
Air pollution control project of Zanhuang	7,017,833.36	-	539,833.32	6,478,000.04	Related to assets
Heat supply renovation project of Liulihe	6,874,999.97	-	500,000.04	6,374,999.93	Related to assets
Tangshan Qixin Cement Industry	50,688,412.70	-	1,480,873.20	49,207,539.50	Related to assets
Grant of liushui construction garbage project	-	41,000,000.00	-	41,000,000.00	Related to assets
Zanhuang collaborative disposal of household garbage and sludge	-	15,930,000.00	442,500.00	15,487,500.00	Related to assets



## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 38. 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
Zanhuang -2,500 tonnes new cement	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	50,688,412.70	–	–	50,688,412.70	Related to assets

## Notes to Financial Statements (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 39. Other non-current liabilities

	2018	2017
Repurchase	660,456,831.52	660,456,831.52
Advance payment for rent	15,000,000.00	-
Others	717,233.77	-
	<u>676,174,065.29</u>	<u>660,456,831.52</u>

#### 40. Share capital

2018

	Increase/(decrease) in the year					
	Opening balance	Shares released			Subtotal	Closing balance
		Issue of new shares	from lock-up period	-		
I. Shares subject to lock-up restriction						
1. State-owned legal person shareholdings	188,679,244.00	-	(188,679,244.00)	(188,679,244.00)	-	-
2. Other domestic shareholdings	4,848,000.00	-	-	-	4,848,000.00	-
Total shares subject to lock-up restriction	<u>193,527,244.00</u>	<u>-</u>	<u>(188,679,244.00)</u>	<u>(188,679,244.00)</u>	<u>4,848,000.00</u>	<u>-</u>
II. Shares not subject to lock-up restriction						
1. RMB ordinary shares	8,145,479,020.00	-	188,679,244.00	188,679,244.00	8,334,158,264.00	8,334,158,264.00
2. Foreign listed shares	2,338,764,870.00	-	-	-	2,338,764,870.00	2,338,764,870.00
Total shares not subject to lock-up restriction	<u>10,484,243,890.00</u>	<u>-</u>	<u>188,679,244.00</u>	<u>188,679,244.00</u>	<u>10,672,923,134.00</u>	<u>10,672,923,134.00</u>
Total share capital	<u>10,677,771,134.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,677,771,134.00</u>	<u>10,677,771,134.00</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 40. Share capital *(continued)*

2017

	Opening balance	Increase/(decrease) in the year		Subtotal	Closing balance
		Issue of new shares	Shares released from lock-up period		
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	<u>1,195,573,692.00</u>	<u>-</u>	<u>(1,002,046,448.00)</u>	<u>(1,002,046,448.00)</u>	<u>193,527,244.00</u>
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	<u>2,338,764,870.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,338,764,870.00</u>
Total shares not subject to lock-up restriction	<u>9,482,197,442.00</u>	<u>-</u>	<u>1,002,046,448.00</u>	<u>1,002,046,448.00</u>	<u>10,484,243,890.00</u>
Total share capital	<u>10,677,771,134.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,677,771,134.00</u>

#### 41. Other equity instruments

Perpetual bonds	Issuance date	2018	2017
2015 First Tranche of Medium-term Notes	15 October 2015	990,000,000.00	990,000,000.00
2016 First Tranche of Medium-term Notes	2 September 2016	1,996,000,000.00	1,996,000,000.00
2016 Second Tranche of Medium-term Notes	6 September 2016	1,996,000,000.00	1,996,000,000.00
2017 First Tranche of Medium-term Notes	11 October 2017	2,495,000,000.00	2,495,000,000.00
2017 Second Tranche of Medium-term Notes	6 November 2017	2,495,000,000.00	2,495,000,000.00
2018 Second Tranche of Medium-term Notes	7 June 2018	1,996,000,000.00	-
2018 Fourth Tranche of Medium-term Notes	18 September 2018	1,497,000,000.00	-
2018 Fifth Tranche of Medium-term Notes	17 October 2018	1,497,000,000.00	-
		<u>14,962,000,000.00</u>	<u>9,972,000,000.00</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 41. Other equity instruments *(continued)*

According to the Prospectus, 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	<p>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:</p> <ol style="list-style-type: none"> <li>(1) distributing dividends to ordinary shareholders;</li> <li>(2) reducing the registered capital.</li> </ol>
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 third/fifth and each of the subsequent interest payment dates of the medium-term notes.
Interest rate determination	<ul style="list-style-type: none"> <li>— Medium-term notes carried fixed rate;</li> <li>— The coupon rate shall be reset every three/five years from the fourth/sixth year of interest calculation;</li> <li>— In the event that the issuer does not exercise its redemption right, starting from the fourth/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. Thereafter, the coupon interest rates is reset every 3/5 years to the benchmark interest rate for the current period plus the initial spread plus 300 basis points.</li> </ul>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 41. 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, 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.

The interest rate of medium-term notes of the Group was 4.50%~6.80%, and as at 31 December 2018, the interest accrued was RMB627,842,777.78 and interest payable to specific investors amounted to RMB517,850,000.00.

#### 42. Capital reserve

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	<u>5,820,202,037.98</u>	<u>–</u>	<u>546,231,195.44</u>	<u>5,273,970,842.54</u>

2017

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

For the reasons of movements in capital reserve, please see Note VII. 2.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 43. Other comprehensive income

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

2018

	31 December 2017	Increase / (decrease)	31 December 2018
Changes arising from re-measurement of defined benefit plans	70,072,510.00	(16,710,741.00)	<b>53,361,769.00</b>
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from selfoccupied properties or inventories and measured with the fair value model	176,722,075.98	–	<b>176,722,075.98</b>
Other comprehensive income that may be reclassified to profit or loss under equity method	3,127,570.81	(4,136,231.56)	<b>(1,008,660.75)</b>
Exchange differences on foreign currency translation	931,829.28	3,184,011.90	<b>4,115,841.18</b>
Changes in fair value of other equity instruments	3,356,173.25	(29,595,877.63)	<b>(26,239,704.38)</b>
	<u>254,210,159.32</u>	<u>(47,258,838.29)</u>	<u><b>206,951,321.03</b></u>

2017

	31 December 2016	Increase / (decrease)	31 December 2017
Changes arising from re-measurement of defined benefit plans	28,174,585.00	41,897,925.00	70,072,510.00
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from selfoccupied properties or inventories and measured with the fair value model	186,916,437.72	(10,194,361.74)	176,722,075.98
Other comprehensive income that may be reclassified to profit or loss under equity method	(20,888.22)	3,148,459.03	3,127,570.81
Exchange differences on foreign currency translation	10,862,702.22	(9,930,872.94)	931,829.28
Changes in fair value of available-for-sale financial assets	5,906,864.93	(2,550,691.68)	3,356,173.25
	<u>231,839,701.65</u>	<u>22,370,457.67</u>	<u>254,210,159.32</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 43. Other comprehensive income *(continued)*

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

2018

	Amount before tax	Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income	Less: Income tax	Attributable to parent company	Equity attributable to minority interests
Other comprehensive income that will not be reclassified into profit or loss					
Changes arising from re-measurement of defined benefit plans	(15,250,491.00)	-	-	(16,710,741.00)	1,460,250.00
Changes in fair value of other equity instruments	(219,690,220.81)	-	(53,514,101.97)	(29,595,877.63)	(136,580,241.21)
Other comprehensive income that will be reclassified to profit or loss					
Other comprehensive income that may be reclassified to profit or loss under equity method	(12,540,226.55)	-	-	(4,136,231.56)	(8,403,994.99)
Exchange differences on foreign currency translation	<u>10,405,893.70</u>	<u>-</u>	<u>-</u>	<u>3,184,011.90</u>	<u>7,221,881.80</u>
	<u>(237,075,044.66)</u>	<u>-</u>	<u>(53,514,101.97)</u>	<u>(47,258,838.29)</u>	<u>(136,302,104.40)</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 43. Other comprehensive income *(continued)*

Amount of other comprehensive income in the consolidated income statement for the period: *(continued)*

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	Attributable to parent company	Equity attributable to minority interests
Other comprehensive income that will not be reclassified into profit or loss					
Changes arising from re-measurement of defined benefit plans	52,943,625.00	-	-	41,897,925.00	11,045,700.00
Other comprehensive income that will be reclassified to profit or loss					
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from self-occupied properties or inventories and measured with the fair value model	-	13,592,482.32	(3,398,120.58)	(10,194,361.74)	-
Other comprehensive income that may be reclassified to profit or loss 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)
Changes in fair value of available-for-sale financial assets	(20,611,649.92)	-	(5,152,912.46)	(2,550,691.68)	(12,908,045.78)
	<u>28,734,540.80</u>	<u>13,592,482.32</u>	<u>(8,551,033.04)</u>	<u>22,370,457.67</u>	<u>1,322,633.85</u>



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 44. Specific reserve

2018

	Opening balance	Amount provided for the year	Amount paid during the year	Closing balance
Production safety cost	<u>12,989,928.59</u>	<u>36,144,729.80</u>	<u>29,010,533.45</u>	<u>20,124,124.94</u>

2017

	Opening balance	Amount 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>

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. 33 Production safety cost.

#### 45. Surplus reserve

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>1,368,019,010.35</u>	<u>169,415,029.89</u>	<u>–</u>	<u>1,537,434,040.24</u>

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>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 45. Surplus reserve *(continued)*

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.

#### 46. General risk reserve

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
General risk reserve	299,478,851.25	41,313,350.04	–	340,792,201.29

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

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.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 47. Retained earnings

	2018	2017
Retained earnings as at the end of the previous year	22,758,176,658.95	20,980,120,619.08
Add: changes in accounting policy	<u>(21,093,927.93)</u>	—
Net profit attributable to the shareholders of the parent company	3,260,449,276.97	2,836,664,933.59
Less: Cash dividends declared for ordinary shares (Note 1)	512,533,014.44	491,177,472.16
Less: Appropriation of surplus reserve (Note V. 45)	169,415,029.89	91,152,321.84
Less: Interest of perpetual bonds (Note V.41)	627,842,777.78	354,839,444.46
Less: Appropriation of general risk reserve (Note V. 46)	<u>41,313,350.04</u>	121,439,655.26
Retained earnings at the end of the year	<u>24,646,427,835.84</u>	<u>22,758,176,658.95</u>

Note 1: Upon the consideration and approval by the 2017 annual general meeting of the Company convened on 18 May 2018, profit distribution for the year 2017 was calculated based on 10,677,771,134 ordinary shares in issue as of 31 December 2017, with the distribution of a dividend of RMB0.48 per 10 shares (tax inclusive) in an aggregate amount of cash dividends of RMB512,533,014.43.

#### 48. Operating revenue and operating costs

	2018		2017	
	Revenue	Costs	Revenue	Costs
Principal operations	82,397,424,970.14	60,393,762,973.39	62,646,084,271.12	47,112,576,141.08
Other operations	<u>719,308,122.01</u>	<u>326,958,143.29</u>	<u>1,032,246,660.42</u>	<u>522,435,875.66</u>
	<u>83,116,733,092.15</u>	<u>60,720,721,116.68</u>	<u>63,678,330,931.54</u>	<u>47,635,012,016.74</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 48. Operating revenue and operating costs *(continued)*

Operating revenue are as follows:

	2018	2017
Sale of products	40,676,526,764.41	32,148,187,255.64
Bulk commodity trade	13,825,473,639.79	8,943,201,342.95
Sale of properties	22,141,838,086.29	16,151,135,156.01
Rental income	1,387,969,898.65	1,404,610,174.93
Including: Rental income from investment properties	1,177,306,391.53	1,187,090,427.20
Other rental income	210,663,507.12	217,519,747.73
Property management	909,195,410.74	857,584,626.14
Hotel management	500,524,216.84	418,399,427.21
Income from decoration	570,566,273.00	876,910,392.65
Disposal of solid waste	961,738,057.20	629,074,388.58
Revenue from services	267,058,173.16	180,797,908.00
Interest Income	268,591,210.60	391,766,281.69
Others	1,607,251,361.47	1,676,663,977.74
	<b>83,116,733,092.15</b>	<b>63,678,330,931.54</b>

#### ***Disaggregated operating revenue:***

For disclosures of major operation places, please see Note XIV. 2 Segment Report.

The reporting segments of the Group in 2018 are the following (excepting lease and interest income):

	Commodity (transferred at a point of time)	Service (transferred over time)	Total
Cement segment	35,992,430,016.15	961,738,057.20	36,954,168,073.35
Building materials and commerce and logistics segment	18,837,633,341.14	570,566,273.00	19,408,199,614.14
Property segment	22,240,207,534.48	–	22,240,207,534.48
Property investment and management segment	1,447,877,133.35	1,409,719,627.58	2,857,596,760.93
	<b>78,518,148,025.12</b>	<b>2,942,023,957.78</b>	<b>81,460,171,982.90</b>

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 49. Tax and surcharges

	2018	2017
City maintenance and construction tax	239,954,470.02	192,029,242.96
Education surcharges	199,286,243.78	151,379,646.54
Resource tax	53,949,600.70	37,162,338.41
Land appreciation tax	1,858,555,935.42	677,999,182.12
Real estate tax	288,188,133.63	231,983,796.63
Land use tax	198,804,354.89	164,364,161.81
Stamp duty	84,913,111.18	52,982,358.70
Green tax	99,536,713.62	–
Others	128,287,349.24	332,287,273.86
	<b>3,151,475,912.48</b>	<b>1,840,188,001.03</b>

#### 50. Selling expenses

	2018	2017
Employee remuneration	880,655,928.70	761,817,038.84
Transportation expenses	815,165,809.84	725,398,925.52
Advertisement fee	344,374,803.42	365,219,880.75
Agency intermediary fee	431,527,611.38	359,321,173.20
Office expenses	251,984,873.08	215,120,459.17
Lease fee	134,522,095.39	143,667,982.72
Others	57,459,121.57	36,743,673.73
	<b>2,915,690,243.38</b>	<b>2,607,289,133.93</b>

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 51. Administrative expenses

	2018	2017
Employee remunerations	2,760,126,708.05	2,511,285,247.57
Office expenses	1,112,193,130.07	1,020,506,232.33
Loss on shut down	792,989,324.94	670,523,582.94
Lease fee	121,349,670.16	155,726,731.66
Utilities	88,528,561.35	84,524,919.02
Intermediary service fees	382,411,849.53	224,246,753.28
Sewage and afforestation fees	70,230,207.33	135,165,014.79
Others	1,827,667,598.25	1,344,150,791.59
	<b>7,155,497,049.68</b>	<b>6,146,129,273.18</b>

The above-mentioned intermediary service fees for year 2018 included the auditor's remuneration to Ernst & Young Hua Ming LLP of RMB5.20 million (tax inclusive)(2017:4.71 million) for the audit of the Group's consolidated financial statements and fees for the audit of the annual financial statements of the members of the Group and other assurance services.

#### 52. Research and development expenses

	2018	2017
Employee remunerations	81,024,416.65	43,418,552.50
Material and equipment cost	50,538,433.69	20,319,972.27
Travel expenses	4,901,059.37	2,725,713.49
Others	17,876,666.45	13,030,550.54
	<b>154,340,576.16</b>	<b>79,494,788.80</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 53. Finance costs

	2018	2017
Interest expense	<b>6,676,289,245.63</b>	4,592,817,700.50
<i>Including: Interests on bank loans and other loans to be fully repaid within 5 years</i>	<b>6,635,830,758.31</b>	4,583,088,212.83
<i>Interests on bank loans and other loans to be repaid over 5 years</i>	<b>40,458,487.32</b>	9,729,487.67
Less: Interest income	<b>269,724,243.63</b>	268,266,762.81
Less: Amount of interest capitalized	<b>3,607,912,380.20</b>	1,857,171,229.33
Exchange losses/(gains)	<b>47,420,627.99</b>	(29,384,560.62)
Handling charges	<b>126,939,441.92</b>	92,781,942.67
Others	<b>74,465,650.46</b>	144,810,552.47
	<b>3,047,478,342.17</b>	2,675,587,642.88

In 2018, the amount of capitalised borrowing costs has been included in construction in progress of RMB13,070,277.66 (2017: RMB86,331,737.21) and costs for properties under development of RMB3,594,842,102.54 (2017: RMB1,770,839,492.12).

The following sets out the breakdown of interest income:

	2018	2017
Cash and bank balances	<b>203,330,712.58</b>	253,221,517.53
Long-term receivables	<b>52,060,377.57</b>	–
Other debt investments	<b>14,333,153.48</b>	15,045,245.28
Total	<b>269,724,243.63</b>	268,266,762.81

The above interest income has no interest income arising from impaired financial assets.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 54. Asset impairment losses

	2018	2017
Losses on bad debts (applicable for 2017 only)	–	188,535,698.82
Losses on decline in value of inventory	<b>376,176,703.19</b>	104,070,933.70
Losses on impairment of fixed assets	<b>370,651,402.65</b>	182,149,063.71
Losses on impairment of construction in progress	<b>56,147,247.34</b>	29,548,536.87
Losses on impairment of intangible assets	<b>6,389,961.93</b>	19,132,118.06
Losses on impairment of goodwill	–	9,482,871.64
Others	<b>18,404,832.04</b>	2,105,116.75
	<b>827,770,147.15</b>	535,024,339.55

#### 55. Losses on credit impairment

	2018	2017
Losses on bad debts of bills receivable and accounts receivable	<b>132,175,586.73</b>	–
Losses on bad debts of other receivables	<b>252,477,198.03</b>	–
Losses on bad debts of long-term receivables	<b>(6,837,305.86)</b>	–
	<b>377,815,478.90</b>	–

#### 56. Other gains

	2018	2017	Related to assets/ gains
Refunds of VAT	<b>595,274,443.74</b>	480,707,517.88	Related to gains
Income from relocation compensation	<b>8,376,112.62</b>	18,889,096.35	Related to assets/ gains
Income from other subsidies	<b>162,538,112.07</b>	182,183,499.37	Related to assets/ assets
Grants of sale of heat	<b>3,187,959.04</b>	8,057,503.41	Related to assets/ gains
	<b>769,376,627.47</b>	689,837,617.01	



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 57. Investment gains

	2018	2017
Gains from long-term equity investments under equity method	371,432,235.92	188,732,130.32
Investment gains from disposal of subsidiaries	31,478,629.84	154,210,544.33
Investment gains from disposal of associates and joint ventures	57,034,496.04	–
Investment gains from financial assets held for trading	130,786,598.62	686,895.00
Investment gains from holding available-for-sale financial assets	–	119,550,039.01
Investment gains from holding financial assets measured at amortized cost	24,407,626.67	–
Dividend income	6,198,333.20	–
Investment losses from disposal of financial asset at fair value through profit or loss	–	(264,060,888.31)
Investment gains from disposal of available for-sale financial assets	–	120,475,483.75
Gains on re-measurement of equity interests in the acquiree held before the date of acquisition at fair value	–	14,563,139.38
Others	7,817,271.38	2,679,953.06
	<b>629,155,191.67</b>	<b>336,837,296.54</b>

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2018. In 2018, a net gain from listed share investment among the Group's investment income amounted to RMB6,146,686.40 (2017: net loss of RMB55,877,981.68).

#### 58. Gains from changes in fair value

	2018	2017
Financial assets at fair value through (loss)/profit	(32,417,372.24)	207,496,011.63
Investment properties measured at fair value	508,933,619.95	513,884,093.94
	<b>476,516,247.71</b>	<b>721,380,105.57</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 59. (Losses)/Gains on disposal of assets

	2018	2017
Gains on disposal of fixed assets	40,128,811.28	150,959,264.84
Less: Losses from disposal of fixed assets	<u>112,399,054.10</u>	<u>85,113,382.89</u>
	<u>(72,270,242.82)</u>	<u>65,845,881.95</u>

#### 60. Non-operating income

	2018	2017	Recognised in non-recurring profit and loss for 2018
Gains from debt restructuring	19,627,104.80	10,852,933.95	19,627,104.80
Net income from fines	89,311,388.60	37,135,728.16	89,311,388.60
Relocation compensation	162,768,716.76	359,044,197.95	162,768,716.76
Unpayable amounts	64,992,893.98	11,722,548.61	64,992,893.98
Others	<u>55,160,366.96</u>	<u>81,853,540.06</u>	<u>55,160,366.96</u>
	<u>391,860,471.10</u>	<u>500,608,948.73</u>	<u>391,860,471.10</u>

#### 61. Non-operating expenses

	2018	2017	Recognised in non-recurring profit and loss for 2018
Losses on retirement of non-current assets damaged	75,518,346.18	252,280,038.03	75,518,346.18
Including: Losses on disposal of fixed assets	75,278,159.30	22,330,040.45	75,278,159.30
Loss on disposal of non-current assets, intangible assets	240,186.88	229,949,997.58	240,186.88
Abnormal losses	52,934,217.29	445,699.76	52,934,217.29
Losses on debt restructuring	1,955,558.32	50,000.00	1,955,558.32
Expenses on charity donation	984,505.00	8,155,715.50	984,505.00
Losses on compensation, penalties and fines	175,016,499.09	53,072,070.71	175,016,499.09
Other expenses	<u>209,538,651.06</u>	<u>102,968,352.24</u>	<u>209,538,651.06</u>
	<u>515,947,776.94</u>	<u>416,971,876.24</u>	<u>515,947,776.94</u>

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 62. Expenses by nature

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

	2018	2017
Consumption of raw materials	<b>18,434,281,427.78</b>	14,222,154,589.89
Procurement costs of tradable goods	<b>14,920,056,773.06</b>	9,988,982,539.07
Cost of sales of real estate	<b>15,377,221,295.62</b>	12,048,874,890.57
Changes in inventory of finished goods and work in progress	<b>(468,868,984.63)</b>	(309,397,227.16)
Employee remunerations	<b>6,194,740,156.17</b>	5,502,398,556.91
Depreciation and amortisation	<b>4,431,138,315.36</b>	4,285,245,681.58
Rentals	<b>554,555,472.23</b>	442,755,849.62
Maintenance expenses	<b>1,482,586,261.70</b>	1,321,743,748.32
Fuel and energy costs	<b>3,101,187,323.58</b>	2,868,623,024.56
Transportation fee	<b>1,453,785,640.52</b>	1,058,909,461.71
Advertisement fee	<b>344,374,803.42</b>	365,219,880.75
Office expenses	<b>1,364,178,003.15</b>	1,235,626,691.50
Losses from suspension of production	<b>792,989,324.94</b>	670,523,582.94
Intermediary fee	<b>813,939,460.91</b>	583,567,926.48
Others	<b>2,150,083,712.09</b>	2,182,696,015.91
	<b>70,946,248,985.90</b>	56,467,925,212.65

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 63. Income tax expense

	2018	2017
Current income tax expense	2,593,086,938.71	1,698,313,080.37
Deferred income tax expense	<u>(429,877,429.79)</u>	<u>(591,518,093.84)</u>
	<b><u>2,163,209,508.92</u></b>	<b><u>1,106,794,986.53</u></b>

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

	2018	2017
Total profit	6,444,634,743.74	4,057,143,708.99
Income tax expense at the statutory income tax rate of 25% (Note 1)	1,611,158,685.94	1,014,285,927.25
Tax effect of different tax rates of some subsidiaries	(46,473,012.58)	(37,926,359.22)
Share of profits and losses of joint ventures and associates	(92,858,058.98)	(59,108,920.95)
Income not subject to tax	(1,549,583.30)	–
Expenses not deductible	96,317,516.63	20,913,677.14
Adjustments on the current income tax of previous periods	(7,053,843.69)	(90,081,126.17)
Deductible temporary difference and deductible losses not recognized	<u>603,667,804.90</u>	<u>258,711,788.48</u>
Income tax expense at the effective tax rate of the Group	<b><u>2,163,209,508.92</u></b>	<b><u>1,106,794,986.53</u></b>

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.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 64. 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.

	2018	2017
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	<u>3,260,449,276.97</u>	<u>2,836,664,933.59</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>10,677,771,134</u>	<u>10,677,771,134</u>
Basic earnings per share—continuing operations	<u>0.31</u>	<u>0.27</u>

The Company did not have potentially dilutive ordinary shares.

## Notes to Financial Statements *(continued)*

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 65. Notes to items of statement of cash flows

	2018	2017
Cash received from other operating activities		
Received interest income	269,724,243.63	268,266,762.81
Deposits and relevant amounts received	299,721,885.83	483,231,985.20
Compensation received	267,604,008.46	626,332,443.95
Current accounts and other current account	<u>1,361,440,864.65</u>	<u>2,200,427,970.03</u>
	<u>2,198,491,002.57</u>	<u>3,578,259,161.99</u>
Cash paid relating to other operating activities		
Selling and administrative expenses etc. paid	4,870,479,769.42	4,188,422,869.75
Current accounts and other current account	<u>3,493,692,000.19</u>	<u>912,986,634.69</u>
	<u>8,364,171,769.61</u>	<u>5,101,409,504.44</u>
Cash received from other investing activities		
Repayment from borrowings of minority shareholders	–	490,000.00
Proceeds from disposal of short-term wealth management products	<u>11,399,540,800.00</u>	<u>7,768,290,036.37</u>
	<u>11,399,540,800.00</u>	<u>7,768,780,036.37</u>
Cash paid relating to other investing activities		
Payment for purchase of trust products	9,975,534,381.54	8,188,441,146.73
Borrowing provided to associates	<u>3,272,090,726.80</u>	–
	<u>13,247,625,108.34</u>	<u>8,188,441,146.73</u>
Cash received from other financing activities		
Borrowings from minority shareholders	–	<u>357,259,000.00</u>
Cash paid relating to other financing activities		
Payment for acquisition of minority interests	2,109,797,490.42	848,366,053.40
Payment for financing of sale and lease back business	1,311,797,482.36	3,256,856,013.36
Others	<u>297,069,240.52</u>	–
	<u>3,718,664,213.30</u>	<u>4,105,222,066.76</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 66. 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:

	2018	2017
Net profit	4,281,425,234.82	2,950,348,722.46
Add: Credit impairment losses	377,815,478.90	–
Assets impairment losses	827,770,147.15	535,024,339.55
Depreciation of fixed assets	3,709,492,669.49	3,686,576,745.87
Amortisation of intangible assets	520,161,458.76	464,367,467.19
Amortisation of long-term deferred expenses	201,484,187.11	134,301,468.52
Net losses from disposal of fixed assets, intangible assets and other long-term assets	72,270,242.82	(65,845,881.95)
Losses/(gains) on retirement of fixed assets	72,036,426.60	252,280,038.03
Gains from changes in fair value	(476,516,247.71)	(721,380,105.57)
Finance expenses	3,115,797,493.41	3,112,112,035.36
Investment gains	(629,155,191.67)	(336,837,296.54)
Increase in deferred income tax assets	(393,016,591.48)	(256,328,378.67)
Decrease in deferred income tax liabilities	(36,860,838.31)	(327,899,113.69)
Increase in inventories	(11,793,730,310.81)	(33,331,948,499.01)
(Increase)/decrease in operating receivables	(3,352,702,003.98)	4,719,774,742.56
(Decrease)/Increase in operating payables	(1,538,905,807.26)	7,330,929,935.89
Net cash flows used in operating activities	<b>(5,042,633,652.16)</b>	<b>(11,854,523,780.00)</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 66. Supplemental information to statement of cash flows *(continued)*

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

	2018	2017
Material financing activities not involving cash:		
Debt-to-equity swap of a minority shareholder (Note)	<b>147,000,000.00</b>	-
Endorsement and transfer of bills:		
Endorsement and transfer of bank acceptance bills received from sale of goods or rendering of services	<b>13,263,461,730.83</b>	6,117,721,678.40
Net movements in cash and cash equivalents:		
Balances of cash at end of the year	<b>13,520,047,307.82</b>	12,914,086,803.47
Less: Balances of cash at beginning of the year	<b>12,914,086,803.47</b>	18,110,782,535.76
Net increase/(decrease) in cash and cash equivalents	<b>605,960,504.35</b>	(5,196,695,732.29)

Note: Nuode Investment Co., Ltd. of China Railway Construction Engineering Group (中鐵建工集團諾德投資有限公司), a minority shareholder of BBMG China Railway Noble (Hangzhou) Property Development Co., Ltd. (金隅中鐵諾德(杭州)房地產開發有限公司), which, in turn, is a subsidiary of the Group, made additional investment to it in a way of debt-to-equity swap, with a capital increase of RMB147,000,000.00.



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 66. 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*

	2018	2017
Price of disposal of subsidiaries and other operating units	–	30,350,000.00
Cash and cash equivalents received from disposal of subsidiaries and other operating units	–	636,620,000.00
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	–	1,734,900.69
Net cash received from disposal of subsidiaries and other operating units	–	634,885,099.31

*Information on acquisition of subsidiaries and other operating units*

	2018	2017
Consideration paid for acquisition of subsidiaries and other operating units (Note)	4,521,906,972.21	211,406,182.67
Cash and cash equivalents paid for acquisition of subsidiaries and other operating units (Note)	4,488,906,972.21	211,406,182.67
Less: Cash and cash equivalents held by subsidiaries and other operating units acquired	402,398,353.32	565,759.69
Net cash paid for acquisition of subsidiaries and other operating units	4,086,508,618.89	210,840,422.98

*Information on disposal of subsidiaries and other operating units*

	2018	2017
Price of disposal of subsidiaries and other operating units	1.00	–
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	162,027,575.99	–
Net cash paid for acquisition of subsidiaries and other operating units	162,027,574.99	–

Note: The Group paid a consideration of RMB15,000,000.00 in 2017 and a consideration of RMB15,000,000.00 in 2018 for the acquisition of subsidiary Tangshan Xintang High Voltage Porcelain Insulator Works Co., Ltd. (唐山新唐高壓電瓷有限公司). As of the end of 2018, RMB18,000,000.00 of the consideration remained unpaid.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

#### 66. Supplemental information to statement of cash flows *(continued)*

##### (3) Cash and cash equivalents

	2018	2017
Cash	<b>13,520,047,307.82</b>	12,914,086,803.47
Including: Cash on hand	<b>2,585,432.91</b>	908,870.81
Bank deposits on demand	<b>12,173,874,687.52</b>	12,912,454,696.98
Other monetary fund on demand	<b>1,343,587,187.39</b>	723,235.68
Balance of cash and cash equivalents at end of the year	<b>13,520,047,307.82</b>	12,914,086,803.47

#### 67. Assets with restricted titles or right to use

	Note	2018	2017
Pledged assets			
Cash and bank balances			
Statutory deposit reserve placement with central bank by			
Finance Company	(1)	<b>987,814,461.77</b>	1,228,437,954.77
Guarantee deposits for L/C	(1)	<b>175,108,025.27</b>	59,308,277.04
Quality / performance deposits	(1)	<b>273,062,584.16</b>	117,009,520.57
Guarantee deposits for acceptance bills	(1)	<b>576,988,247.64</b>	177,489,541.28
Inventories	(2)	<b>21,971,607,254.27</b>	8,571,416,008.34
Bills receivable and accounts receivable	(2)	<b>131,251,381.52</b>	5,300,000.00
Fixed assets	(2)	<b>6,858,474,963.04</b>	4,274,246,121.07
Investment properties	(2)	<b>11,349,885,820.64</b>	7,599,987,014.63
Equity interests	(2)	<b>5,557,233,899.11</b>	5,494,299,741.71
Land use rights	(2)	<b>23,390,669.69</b>	118,768,976.72
Cash and bank balances whose titles are restricted for other reasons			
Restricted cash arising from pre-sales of properties	(3)	<b>2,926,411,562.08</b>	3,245,141,712.81
Others		<b>317,712,783.75</b>	162,373,334.78
		<b>51,148,941,652.94</b>	31,053,778,203.72

## Notes to Financial Statements *(continued)*

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### **V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS**

*(continued)*

#### **67. Assets with restricted titles or right to use *(continued)***

Note 1: As at 31 December 2018, the total amount of the Group's pledged cash and bank balances was RMB2,012,973,318.84 (31 December 2017: RMB1,582,245,293.66), 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 RMB987,814,461.77 (31 December 2017: RMB1,228,437,954.77).

Note 2: As at 31 December 2018, the Group obtained short-term borrowings of RMB908,250,000.00 (31 December 2017: RMB500,000,000.00) and long-term borrowings of RMB15,415,533,199.13 (31 December 2017: RMB9,444,800,000.00) secured by inventories with a carrying amount of RMB21,971,607,254.27 (31 December 2017: RMB8,571,416,008.34), accounts receivables with a carrying amount of RMB1,379,171.95 (31 December 2017: nil), fixed assets with a carrying amount of RMB6,858,474,963.04 (31 December 2017: RMB4,274,246,121.07), investment properties with a carrying amount of RMB11,349,885,820.64 (31 December 2017: RMB7,599,987,014.63), land use rights with a carrying amount of RMB23,390,669.69 (31 December 2017: RMB118,768,976.72) and equity interests with a carrying amount of RMB5,557,233,899.11 (31 December 2017: RMB5,494,299,741.71). The Group also obtained short-term borrowings of RMB129,872,209.57 by discounting bills receivable with a carrying amount of RMB129,872,209.57 (31 December 2017: the Group obtained short-term borrowings of RMB5,300,000.00 by discounting bills receivable with a carrying amount of RMB5,300,000.00).

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 presale 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 2018, 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 (continued)

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### V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 68. Foreign currency monetary items

	2018			2017		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
Cash at banks						
USD	24,933,096.30	6.8632	171,120,826.53	12,114,512.24	6.5342	79,158,645.88
HKD	1,711,145.75	0.8762	1,499,305.91	1,917,852.76	0.8359	1,603,133.12
EUR	90,905.58	7.8473	713,363.36	1.39	7.8023	10.85
JPY	-	0.0619	-	24,259,925.00	0.0579	1,404,649.66
MNT	110,740,902.32	0.0026	287,926.35	1,246,231,165.99	0.0027	3,364,824.15
ZAR	45,320,432.88	0.4735	21,459,224.97	32,523,224.05	0.5277	17,162,505.33
Accounts receivable						
USD	62,144,697.11	6.8632	426,511,485.21	80,533,480.10	6.5342	526,221,865.67
EUR	210,398.43	7.8473	1,651,059.60	802,285.44	7.8023	6,259,671.69
MNT	7,220,536,370.46	0.0026	18,773,394.56	-	-	-
ZAR	13,711,205.64	0.4735	6,492,255.87	-	-	-
Accounts payable						
USD	82,550,203.88	6.8632	566,558,559.27	70,461,342.96	6.5342	460,408,507.17
MNT	15,647,959,214.65	0.0026	40,684,693.96	-	-	-
ZAR	106,528,687.40	0.4735	50,441,333.48	-	-	-
Other receivables						
USD	3,514,458.52	6.8632	24,120,431.71	2,959,772.60	6.5342	19,339,746.12
ZAR	8,171,466.92	0.4735	3,869,189.59	-	-	-
EUR	325,240.00	7.8473	2,552,255.85	285,974.00	0.8359	239,045.67
Other payables						
USD	4,713,035.48	6.8632	32,346,505.11	2,270,097.00	6.5342	14,833,267.82
ZAR	7,437,005.72	0.4735	3,521,422.21	-	-	-
HKD	2,595,133.28	0.8762	2,273,855.78	2,647,219.28	0.8359	2,212,810.60
Long-term receivables						
USD	40,336,928.00	6.8632	276,840,404.25	485,794,441.54	0.5277	256,353,726.80
Long-term payables						
USD	7,583,307.00	6.8632	52,045,752.60	2,388,600.00	6.5342	15,607,590.12
Short-term loans						
USD	189,000.00	6.8632	1,297,144.80	-	6.5342	-
			<b>206,721,856.55</b>			<b>418,045,649.23</b>

## Notes to Financial Statements *(continued)*

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### VI. CHANGE IN SCOPE OF CONSOLIDATION

#### 1. Business combination not under common control

Name	Place of registration	Business nature	Total proportion of shareholding of the Group(%)	Total proportion of votes held by the Group (%)	Note
Tianjin Building Materials (Holding) Co., Ltd.	Tianjin	Building materials and commerce and logistics	55.00	55.00	(1)
Beijing Doors and Windows Co., Ltd.	Beijing	Property	100.00	100.00	(2)
BBMG Sports Culture Co., Ltd.	Beijing	Property	66.67	66.67	(3)

#### (1) ***Business combination not under common control – Tianjin Building Materials (Holding) Co., Ltd.***

On 29 January 2018, Tianjin Jincheng State-owned Capital Investment and Management Company Limited (天津津誠國有資本投資運營有限公司) (“**Jincheng Capital**”) transferred 55% equity interests in Tianjin Building Materials Group (Holding) Co., Ltd. (“**Tianjin Building Materials**”) through Tianjin Property Rights Exchange by way of public tender. On 4 May 2018, the Company entered into the Equity Transfer Contact and the Joint Venture and Cooperation Agreement with Jincheng Capital to obtain 55% equity interests in Tianjin Building Materials at a consideration of RMB4,018 million. On 10 May 2018, the Company paid in full the consideration for equity transfer. On 22 May 2018, Tianjin Building Materials made amendments to its articles of association and the Company began to own beneficial control over Tianjin Building Materials by virtue of holding . The acquisition date was determined to be 22 May 2018.

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
RMB

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

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

##### (2) Business combination not under common control – Beijing Doors and Windows Co., Ltd.

The fair values and carrying values of identifiable assets and liabilities of Tianjin Building Materials on acquisition date are set out as follows:

	Fair value as at 22 May 2018	Carrying amount as at 22 May 2018
Cash and bank balances	1,306,893,706.52	1,306,893,706.52
Bills receivable and accounts receivable	615,040,977.41	615,040,977.41
Prepayments	340,949,726.06	340,949,726.06
Other receivables	1,087,522,946.48	1,087,522,946.48
Inventories	1,845,899,887.37	1,845,899,887.37
Other current assets	85,126,592.53	58,669,752.35
Long-term equity investments	530,323,924.74	530,323,924.74
Other equity instruments investment	94,470,233.85	83,159,875.68
Investment properties	3,079,529,250.00	3,079,529,250.00
Fixed assets	1,231,124,563.00	855,606,774.27
Construction in progress	38,938,793.52	38,938,793.52
Intangible assets	6,704,550,701.23	3,756,720,585.84
Long-term deferred expenditures	18,814,518.54	18,814,518.54
Deferred income tax assets	110,365,470.37	110,365,470.37
Other non-current assets	778,476,769.32	625,853,016.06
Short-term loans	(1,916,570,000.00)	(1,916,570,000.00)
Bills payable and accounts payable	(1,309,610,408.82)	(1,309,610,408.82)
Contract liabilities	(301,932,677.61)	(301,932,677.61)
Wages payable	(35,392,231.57)	(35,392,231.57)
Tax payable	(1,078,962,175.13)	(1,078,962,175.13)
Other payables	(1,493,787,805.15)	(1,493,787,805.19)
Non-current liabilities due within one year	(1,958,361,290.77)	(1,958,361,290.77)
Other current liabilities	(7,042,403.07)	(7,042,403.07)
Long-term loans	(425,129,349.97)	(425,129,349.97)
Accrued liabilities	(20,000,000.00)	(20,000,000.00)
Deferred income	(5,120,515.04)	(5,120,515.04)
Deferred income tax liabilities	(1,482,295,108.15)	(602,589,155.75)
Long-term wages	(17,398,000.00)	(17,398,000.00)
Other non-current liabilities	(18,000,000.00)	(18,000,000.00)
	7,798,426,095.66	5,164,393,192.29
Minority interests	(3,780,249,724.45)	(2,572,947,988.65)
Consideration for acquisition	4,018,176,371.21	

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

	From 22 May to 31 December 2018
Operating revenue	2,367,140,048.27
Net loss	(320,042,135.30)
Net cash flows	382,177,889.05

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

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

##### (2) *Business combination not under common control – Beijing Doors and Windows Co., Ltd. (continued)*

On 28 June 2018, Beijing Dacheng Real Estate Development Co., Ltd. (hereinafter referred to as “**Dacheng Real Estate**”) entered into an Equity Transfer Agreement with the Company, under which Dacheng Real Estate transferred the 100% equity of Beijing Doors and Windows Co., Ltd. (hereinafter referred to as “**Door and Window Company**”) it held to the Company through the Beijing Equity Exchange at a consideration of RMB430,370,700. The management of the Company believes that all of the transaction conditions of the equity transfer have been fulfilled as of 2 July 2018, and the acquisition date is determined as 2 July 2018.

The fair values and carrying values of identifiable assets and liabilities of Door and Window Company on acquisition date are set out as follows:

	Fair value as at 2 July 2018	Carrying amount as at 2 July 2018
Cash and bank balances	8,327,487.49	8,327,487.49
Bills receivable and accounts receivable	4,607,123.33	4,607,123.33
Other receivables	61,627,130.97	61,627,130.97
Inventories	–	–
Investment properties	474,677,976.43	200,081,227.69
Fixed assets	179,612.84	179,612.84
Receipts in advance	(1,930,006.02)	(1,930,006.02)
Tax payable	(1,569.03)	(1,569.03)
Other payables	(20,620,764.58)	(20,620,764.58)
Other current liabilities	(20,611,874.05)	(20,611,874.05)
Deferred income	(7,235,230.19)	(7,235,230.19)
Deferred income tax liabilities	(68,649,187.18)	–
	<u>430,370,700.01</u>	<u>224,423,138.45</u>
Consideration for acquisition	<u>430,370,700.01</u>	

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

	From 2 July to 31 December 2018
Operating revenue	4,400,004.00
Net profit	2,245,929.97
Net cash flows	<u>1,448,341.25</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

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

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

##### (3) **Business combination not under common control – BBMG Sports Culture Co., Ltd.**

On 28 June 2018, Dacheng Real Estate entered into an Equity Transfer Agreement with the Company, under which Dacheng Real Estate transferred the 66.67% equity interest of BBMG Sports Culture Co., Ltd. (hereinafter referred to as “**BBMG Sports**”) it held to the Company through the Beijing Equity Exchange at a consideration of RMB25,359,900. The management of the Company believes that all of the transaction conditions of the equity transfer were fulfilled as of 2 July 2018, and the acquisition date is determined as 2 July 2018.

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

	Fair value as at 2 July 2018	Carrying amount as at 2 July 2018
Cash and bank balances	11,192,000.34	11,192,000.34
Other receivables	3,319,818.66	3,319,818.66
Fixed assets	16,646,024.57	18,926,889.10
Long-term deferred expenditures	17,100,163.34	21,648,822.30
Bills payable	(2,151,541.43)	(2,151,541.43)
Wages payable	(439,569.50)	(439,569.50)
Tax payable	(51,192.91)	(51,192.91)
Other payables	(6,718,985.45)	(6,718,985.45)
Deferred income	–	(42,511,357.16)
Deferred income tax liabilities	(858,769.52)	–
	<u>38,037,948.10</u>	<u>3,214,883.95</u>
Minority interests	<u>(12,678,048.10)</u>	–
Consideration for acquisition	<u>25,359,900.00</u>	

The operation results and cash flows of BBMG Sports from the acquisition date to the end of the period are set out as follows:

	From 2 July to 31 December 2018
Operating revenue	3,305,004.60
Net loss	(714,073.21)
Net cash flows	<u>399,080.06</u>



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

#### 2. Disposal of subsidiaries

Jidong Cement, a subsidiary of the Group, entered into an equity transfer agreement with Kuishan Industrial Group Co., Ltd. (奎山實業集團有限公司), under which Jidong Cement sold 60% of the equity interest of Kuishan Jidong Company Kuishan Jidong Cement Company Limited (hereinafter referred to as “**Kuishan Jidong Cement**”) to Kuishan Industrial Group Co., Ltd. at a consideration of RMB677,256,689.33. Jidong Cement Company lost control of Kuishan Jidong Company on 31 August 2018. Therefore, from 1 September 2018, the Group will no longer include Kuishan Jidong in the scope of consolidation. The financial information of Kuishan Jidong is set forth below:

Kuishan Jidong Cement	<b>Carrying amount as at 31 August 2018</b>	Carrying amount as at 31 December 2017
Current assets	<b>928,705,558.05</b>	778,123,896.78
Non-current assets	<b>305,192,078.32</b>	744,684,247.04
Current liabilities	<b>(160,605,907.09)</b>	(453,870,528.99)
Non-current liabilities	<b>(1,293,055.49)</b>	(1,429,166.61)
	<b><u>1,071,998,673.79</u></b>	<b><u>1,067,508,448.21</u></b>
Minority interests	<b>(416,364,004.36)</b>	(427,003,379.29)
Fair value of remained equity interest	<b><u>655,634,004.36</u></b>	-
Profit or loss of disposal	<b><u>21,622,684.97</u></b>	-
Consideration for disposal	<b><u>677,256,689.33</u></b>	-

#### ***The operating results of Kuishan Jidong Cement after being included in the combination scope in the year***

Kuishan Jidong	From 1 January to 31 August 2018
Operating revenue	232,291,739.69
Operating costs	163,165,778.25
Net profit	<b><u>42,986,620.70</u></b>

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
RMB

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

#### 3. Deregistration of subsidiaries

The breakdown of deregistration of the Company's major subsidiaries in 2018 is as below:

Name	Proportion of shareholding of parent company before write-off	Reason for not being subsidiary
Beijing Hengxing Land Real Estate Co., Ltd.	100%	Deregistration
Jidong Development Supply Chain Management	100%	Deregistration
Tianjin Jinli Technology Development Co., Ltd.	100%	Deregistration
Tianjin Tiantushuangge Decoration Engineering Co., Ltd.	100%	Deregistration
Tianjin Huifeng Investment Guarantee Co., Ltd.	100%	Deregistration
Sanhe Jinling Mining Co., Ltd.	100%	Deregistration
Beijing BBMG Dongrun Construction Materials Co., Ltd.	51%	Deregistration
Beijing Oriental Royal Banquet Restaurant Co., Ltd.	100%	Deregistration
Tang Ren Investment Development Limited	100%	Deregistration
Jidong Development Group Dunshi Industrial Co., Ltd.	100%	Deregistration
Hebei Dunshi Trading Co., Ltd.	100%	Deregistration
Hainan Jidong Logistics Co., Ltd.	51%	Deregistration
Gongyi Tongda Zhongyuan Refractory Testing Center Co., Ltd.	100%	Deregistration
Fujian BBMG Coating Co., Ltd.	55%	Deregistration

#### 4. Establishment of new subsidiaries

In the year, the Company established 17 new subsidiaries, including Beijing BBMG Aixin Binhe Elderly Services Co., Ltd., Beijing BBMG Xingda Real Estate Development Co., Ltd., BBMG Wenchao (Hangzhou) Real Estate Development Co., Ltd., BBMG Tiantan (Tangshan) Wood Technology Co., Ltd., BBMG Keshi (Caofeidian) Precision Manufacture Co., Ltd., Beijing Longyuan Real Estate Development Co., Ltd., BBMG Star Insulation and Energy Conservation Technology Co., Ltd., BBMG Jidong Caifeidian Supply Chain Management Co., Ltd., Tangshan Jinshi Unified Cement Industry Development Co., Ltd. (唐山市金石聯合水泥產業發展有限公司), Tangshan Xintang High Voltage Porcelain Insulator Works Co., Ltd. (黃驊金隅冀東混凝土有限公司), Cangzhou Lingang BBMG Jidong Concrete Co., Ltd. (滄州臨港金隅冀東混凝土有限公司), Baotou BBMG Jidong Cement Marketing Co., Ltd. (包頭金隅冀東水泥營銷有限公司), Qingdao Jinyuchuangzhi Real Estate Development Co., Ltd. (青島金玉創置房地產開發有限公司), Tangshan BBMG Dunshi Real Estate Development Co. Ltd (唐山市金隅盾石房地產開發有限公司) BBMG Jidong Cement (Tangshan) Co., Ltd. (金隅冀東水泥(唐山)有限責任公司), Tianjin BBMG Jinli Real Estate Development Co., Ltd. (天津金隅津麗房地產開發有限公司) and Heifei BBMG Jingyun Real Estate Development Co., Ltd (合肥金隅京韻房地產開發有限公司).

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### VII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in the subsidiaries

Information of the Company's major subsidiaries is as follows:

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment</b>					
Beijing Liushui Environmental Protection Technology Co., Ltd.	Beijing	Manufacture of cement, mining and sale of sandstone etc.	66,060.00	100.00	–
Beijing BBMG Mining Co., Ltd.	Beijing	Sale of metal ore and mining products etc.	500.00	100.00	–
Zanhuang BBMG Cement Co., Ltd.	Zanhuang County	Manufacture and sale of cement and clinker	70,000.00	–	100.00
Xuanhua BBMG Cement Co., Ltd.	Xuanhua County	Manufacture and sale of cement and clinker etc.	500.00	65.00	–
Lanxian BBMG Cement Co., Ltd.	Lan County	Manufacture and sale of cement and clinker	20,030.00	80.00	–
Lingchuan BBMG Cement Co., Ltd.	Lingchuan County	Manufacture and sale of cement and clinker	35,000.00	100.00	–
Zuoquan BBMG Cement Co., Ltd.	Zuoquan County	Technical consultation service in relation to cement clinker	53,000.00	100.00	–
Qinyang BBMG Cement Co., Ltd.	Qinyang	Manufacture and sale of cement and clinker etc.	16,645.00	86.60	–
Beijing BBMG Concrete Co., Ltd.	Beijing	Processing of commodity concrete etc.	46,541.04	100.00	–
Handan BBMG Taihang Cement Co., Ltd.	Handan	Manufacture and sale of concrete	6,600.00	100.00	–
Jize BBMG Taihang Concrete Co., Ltd.	Jize County	Processing and sale of commercial concrete	1,200.00	–	100.00
Liaocheng BBMG Hongjun Concrete Co., Ltd.	Liaocheng	Manufacture and sale of commercial concrete	1,000.00	–	80.00
Liaocheng BBMG Yonghui Concrete Co., Ltd.	Liaocheng	Manufacture and sale of commercial concrete	2,000.00	–	80.00
Wei County BBMG Concrete Co., Ltd.	Handan	Manufacture and sale of concrete	1,000.00	92.00	–
Handan Hanshan BBMG Concrete Co. Ltd.	Handan	Manufacture and sale of commercial concrete and crushed stone	3,000.00	92.00	–
Handan Jinyu Chenxiang Concrete Co., Ltd.	Handan	Manufacture and sale of concrete	3,000.00	92.00	–
BBMG Mortar Co., Ltd.	Beijing	Manufacture and sale of dry and mixed mortar	11,875.00	80.00	20.00
Tianjin Jinyu Treasure Bright Mortar Co., Ltd.	Tianjin	Manufacture and sale of mortar	4,900.00	–	70.00
Beijing BBMG Tiantan Furniture Co., Ltd.	Beijing	Manufacture, processing, and sale of furniture etc.	20,916.49	97.68	0.15

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment <i>(continued)</i></b>					
Beijing Tiantan - Jingwei Furniture Co., Ltd.	Beijing	Manufacture of wooden furniture	600.00	-	60.00
Foshan BBMG Tiantan Furniture Co., Ltd.	Foshan	Processing and sale of furniture and wooden products etc.	500.00	-	100.00
Beijing Tiantan Ma Jencia Seats Co., Ltd.	Beijing	Manufacture of furniture, etc.	(USD)194.00	-	60.00
Jilin BBMG Tiantan Furniture Co., Ltd.	Huadian	Panels and wooden products etc.	3,000.00	-	55.00
Dachang BBMG Tiantan Furniture Co., Ltd.	Langfang	Manufacturing, processing, sale of furniture, etc.	68,000.00	-	100.00
BBMG Tiantan (Tangshan) Wood Industry Technology Co., Ltd. (1)	Tangshan	Manufacturing, processing, sale of furniture, etc.	10,000.00	-	100.00
Beijing BBMG Business and Trading Co., Ltd.	Beijing	Wholesale of building materials and metal materials etc	66,000.00	100.00	-
Beijing BBMG Home Furnishing Co., Ltd.	Beijing	Purchase and sale of building materials and metal materials etc.	600.00	-	100.00
Xi'an BBMG Tianli Business and Trading Co., Ltd.	Xian	Sale of building materials and sanitary ware	5,000.00	-	65.00
Beijing BBMG Decoration and Engineering Co., Ltd.	Beijing	Design and construction of building decoration projects etc.	5,882.35	-	51.00
Beijing BBMT-Xinke Building Materials Co., Ltd.	Beijing	Purchase and sale of building materials etc.	17,000.00	-	100.00
BBMG Huitong (Dachang) Trading Co., Ltd.	Langfang	Wholesale of coal and building materials, etc.	20,000.00	-	100.00
BBMG Business and Trading Co., Ltd.	Tanzania	Import and export of bulk materials	217.35	-	100.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment <i>(continued)</i></b>					
Beijing Jinyu Aerated Concrete Co., Ltd.	Beijing	Manufacture and sale of aerated concrete products etc.	10,000.00	100.00	–
Tangshan Jinyu Aerated Concrete Co., Ltd.	Tangshan	Manufacture and sale of aerated concrete panels etc	6,860.00	–	100.00
Beijing BBMG Beijia Engineering Technology Co., Ltd.	Beijing	Engineering technology services	2,000.00	–	100.00
Beijing BBMG Coating Co., Ltd.	Beijing	Manufacture of coating; professional contracting	8,900.00	100.00	–
Dachang BBMG Coating Co., Ltd.	Dachang County	Manufacture and sale of coating	3,000.00	–	100.00
Xinjiang BBMG Coating Co., Ltd.	Urumqi	Manufacture of coating; sale of building materials etc	100.00	–	55.00
BBMG New Building Material Industrialization Group Co., Ltd (北京金隅新型建材產業化集團有限 公司)	Beijing	Manufacture and sale of building materials	37,496.77	100.00	–
Beijing Sanchong Mirror Co., Ltd.	Beijing	Manufacture and sale of glassmade spectacle lenses	5,766.00	–	100.00
Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd.	Langfang	Manufacture and sale of building materials	1,700.00	–	100.00
Beijing Sanchong Mirror (Dachang) Co., Ltd.	Langfang	Manufacture and sale of glass made spectacle lens	5,800.00	–	100.00
BBMG Xingjie Energy Saving and Thermal Insulation Technology (Tangshan) Co., Ltd. (1)	Tangshan	Manufacturing	5,000.00	–	100.00
Beijing Jinhaiyan Property Management Co., Ltd.	Beijing	Self-owned property rental, investment management etc.	8,292.36	100.00	–
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd.	Dachang County	Manufacture and sale of glass wool products	8,000.00	–	100.00
Beijing Keshi Hardware Co., Ltd.	Beijing	Manufacture of new products like construction hardware	6,595.92	100.00	–

## Notes to Financial Statements (continued)

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### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 1. Interests in the subsidiaries (continued)

Information of the Company's major subsidiaries is as follows: (continued)

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment (continued)</b>					
BBMG keshi (Caofeidian) Precision Manufacture Co., Ltd (1)	Tangshan	Manufacturing	8,000.00	-	100.00
BBMG Weiguan (Cangzhou) Chemical Co., Ltd.	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	6,000.00	-	100.00
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	Dachang County	Manufacture of various modern building materials etc.	50,000.00	100.00	-
Beijing Building Materials Academy Co., Ltd.	Beijing	Development, manufacture and sale of building materials etc.	19,170.00	100.00	-
Beijing Building Materials Testing Academy Co., Ltd.	Beijing	Testing for building material quality etc.	8,136.61	-	100.00
Beijing BBMG Cement Environmental Protection Technology Co., Ltd.	Beijing	Construction project management, construction general contracting and eco-friendly technology development etc.	1,000.00	-	100.00
Beijing Jiandu Design and Research Institute Co., Ltd.	Beijing	Design of modern building materials etc.	954.12	100.00	-
Beijing Jiantuo Engineering Management Co., Ltd.	Beijing	Agent for construction tendering	300.00	-	100.00
Beijing Dacheng Changrun Properties Limited	Beijing	Property development and operation	1,000.00	-	82.00
Beijing BBMG Konggang Development Co., Ltd.	Beijing	Property development	10,000.00	-	95.00
BBMG Xingda Real Estate Development Co., Ltd.(1)	Beijing	Property development and operation	5,000.00	-	100.00
Dacheng Meixi International Property Development (Beijing) Co., Ltd.	Beijing	Property development and operation	10,000.00	-	100.00
Chongqing BBMG Dacheng Property Development Co., Ltd.	Chongqing	Property development and consultation etc.	20,000.00	-	100.00

## Notes to Financial Statements *(continued)*

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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment</b> <i>(continued)</i>					
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd	Chongqing	Property development and sales of housing etc.	49,250.00	–	100.00
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	Chongqing	Property development; sale of commodity housing etc.	150,000.00	–	100.00
Chengdu BBMG Dacheng Property Development Co., Ltd.	Chengdu	Property development etc.	5,000.00	–	80.00
Chengdu BBMG Yuehuang Real Estate Co., Ltd.	Chengdu	Property development	5,000.00	–	100.00
Shanghai BBMG Dacheng Property Development Co., Ltd.	Shanghai	Property development and operation, etc.	100,000.00	–	100.00
BBMG Jinghua Property Development Hefei Co., Ltd.	Hefei	Property development	50,000.00	–	100.00
Ningbo BBMG Dacheng Property Development Co., Ltd.	Ningbo	Property development and operation, etc.	5,000.00	–	100.00
BBMG Jingyuan (Ningbo) Real Estate Development	Ningbo	Property development	20,000.00	–	100.00
Chengde BBMG Real Estate Development Co., Ltd.	Chengde	Property development and operation	5,000.00	–	100.00
Beijing Longyuan Real Estate Development Co., Ltd. (1)	Beijing	Property development and operation	5,000.00	–	100.00
Qingdao Jinyu Chuang Real Estate Development Co., Ltd.(1)	Qingdao	Property development and operation	1,000.00	–	100.00
Tianjin Jinyu Jinli Real Estate Development Co., Ltd. (1)	Tianjin	Property development and operation	5,000.00	–	100.00
BBMG (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and sale etc.	80,000.00	–	100.00
Jinyu Ligang (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and operation, etc.	39,000.00	–	100.00

## Notes to Financial Statements (continued)

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RMB

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 1. Interests in the subsidiaries (continued)

Information of the Company's major subsidiaries is as follows: (continued)

	Place of registration / principal business	Business nature	Registered capital RMB'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment (continued)</b>					
BBMG Jindian (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and operation	10,000.00	-	100.00
Chengdu BBMG Jingfeng Real Estate Development Co., Ltd.	Chengdu	Property development	5,000.00	-	100.00
Chengdu BBMG Wancheng Real Estate Development Co., Ltd.	Chengdu	Property development	5,000.00	-	100.00
BBMG Nanjing Real Estate Development Co., Ltd.	Nanjing	Property development and operation, etc.	122,000.00	-	100.00
BBMG Jiahua Nanjing Real Estate Co., Ltd.	Nanjing	Property development	50,000.00	-	100.00
Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd.	Maanshan	Operation of finance business and financing advisory business etc.	5,000.00	-	100.00
BBMG Real Estate Development (Hefei) Co., Ltd.	Hefei	Property development and operation	150,000.00	-	100.00
BBMG Properties (Anhui) Co., Ltd.	Hefei	Property development and property management, etc.	50,000.00	-	100.00
Hefei BBMG Jingyun Real Estate Development Co., Ltd. (1)	Hefei	Property development and operation	5,000.00	-	100.00
BBMG (Hangzhou) Property Development Co., Ltd.	Hangzhou	Property development and operation	75,000.00	-	100.00
Hangzhou BBMG Mountain Villa Property Development Co., Ltd.	Hangzhou	Property development and others	25,000.00	-	100.00
Hangzhou BBMG Guanchao Real Estate Development Co., Ltd.	Hangzhou	Property development and operation, etc.	58,600.00	-	100.00
BBMG Jiaxing Nanjing Real Estate Development Co., Ltd.	Nanjing	Property development	10,000.00	-	70.00



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment <i>(continued)</i></b>					
Beijing BBMG Dongcheng Real Estate Co., Ltd.	Beijing	Property development	100,000.00	–	90.50
BBMG (Qingdao) Property Development Co., Ltd.	Qingdao	Property development and operation, etc.	5,000.00	–	100.00
Qingdao BBMG Yangguang Property Development Co., Ltd.	Qingdao	Property development	60,000.00	–	100.00
BBMG China Railway Nuode (Hangzhou) Property Development Co., Ltd.	Hangzhou	Property development and operation, etc.	50,000.00	–	51.00
BBMG GEM Real Estate Development Co., Ltd.	Beijing	Property development and operation etc.	340,000.00	100.00	–
Beijing BBMG Property Development Co., Ltd.	Beijing	Property development and sales etc.	5,000.00	–	100.00
Beijing Jinyu Chaoxin Tiandi Property Investment Co., Ltd.	Beijing	Property development and property management etc.	1,000.00	–	100.00
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.	Beijing	Property development and operation, etc.	237,254.90	–	100.00
Beijing BBMG Property Investment Co., Ltd.	Beijing	Sale of self-developed commercial housing	5,000.00	–	70.00
Inner Mongolia BBMG Property Investment Co., Ltd.	Hohhot	Property development and operation etc.	20,000.00	–	100.00
Tangshan BBMG Julong Property Development Co., Ltd.	Tangshan	Property development and operation etc.	5,000.00	–	80.00
Jin Wei Wen Chao (Hangzhou) Real Estate Development Co., Ltd. (1)	Hangzhou	Property development and operation, etc.	5,000.00	–	80.00
Beijing Jinyexincheng Property Management Co., Ltd.	Beijing	Property management	50.00	–	100.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment <i>(continued)</i></b>					
Beijing Jianzong Building, Installation and Engineering Co., Ltd.	Beijing	Construction contracting	2,001.12	-	100.00
Beijing BBMG Chengye Property Development Co., Ltd.	Beijing	Property development	5,000.00	-	100.00
Beijing Tiantan Decoration and Engineering Co., Ltd.	Beijing	Furniture, decoration materials, building decoration and design consultation etc.	600.00	-	100.00
Beijing BBMG Chengyuan Property Development Co., Ltd.	Beijing	Property development and sale of commodity housing etc.	45,944.06	100.00	-
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	Beijing	Property rental and development etc	6,129.76	100.00	-
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	Beijing	Incubating property management and technology business	100,000.00	51.37	48.63
BBMG Property Operation Management Co., Ltd.	Beijing	Hotel management	9,900.00	100.00	-
Beijing BBMG Culture Technology Development Co., Ltd.	Beijing	Technology development, transfer, consulting, service	3,000.00	-	68.00
BBMG Property Management Co., Ltd.	Beijing	Property management	2,000.00	100.00	-
Beijing Jinhuyuan Property Management Co., Ltd.	Beijing	Property management	50.00	-	100.00
Beijing Wancheng Hengtai Commercial Property Management Co., Ltd.	Beijing	Property management	200.00	-	100.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment</b> <i>(continued)</i>					
Beijing Kaicheng Cinda Property Management Co., Ltd.	Beijing	Property management	300.00	–	100.00
Beijing BBMG Real Estate Agency Co., Ltd.	Beijing	Property agency business	500.00	–	100.00
Beijing Jianji Assets Management Co., Ltd.	Beijing	Self-owned property rental, property management etc.	78,732.79	100.00	–
Beijing Jianhua-Bulangni Concrete Co., Ltd.	Beijing	Manufacture and sale of commercial concrete	1,269.80	–	100.00
Beijing Woodworking Factory Co., Ltd.	Beijing	Manufacture and sale of woodbased panels, etc.	5,455.63	100.00	–
Beijing Jinyu Pinggu Cement Co., Ltd.	Beijing	Manufacture and sale of cement etc.	15,000.00	100.00	–
BBMG Fengshan Hot Spring Resort Co., Ltd.	Beijing	Accommodation and conference services, etc.	36,818.91	100.00	–
Beijing Jianyuan Hotel Co., Ltd.	Beijing	Accommodation and conference services, etc.	1,000.53	–	100.00
Beijing BBMG Fengshan Training Centre Co., Ltd.	Beijing	Accommodation and conference services, etc.	200.00	–	100.00
Inner Mongolia BBMG Dacheng Property Management Co., Ltd.	Hohhot	Property management	200.00	–	100.00
Beijing Jinhaiyan Property Management Co., Ltd.	Beijing	Property management	1,370.00	100.00	–
BBMG Aixin Binhe Pension Service Co., Ltd. (1)	Beijing	Intensive elderly care	50.00	–	100.00
Beijing BBMG Pension Industry Investment Management Co., Ltd.	Beijing	Intensive elderly care	1,000.00	–	100.00

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
RMB

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 1. Interests in the subsidiaries (continued)

Information of the Company's major subsidiaries is as follows: (continued)

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired through establishment or investment</b>					
<i>(continued)</i>					
Beijing BBMG Aixin Tonghe Elderly Services Co., Ltd.	Beijing	Intensive elderly care	50.00	–	100.00
Beijing BBMG Aixin Taihe Elderly Services Co., Ltd.	Beijing	Intensive elderly care	50.00	–	100.00
BBMG Finance Co., Ltd.	Beijing	Operation of finance business and financing advisory business etc.	300,000.00	100.00	–
BBMG Finance Lease Co., Ltd.	Tianjin	Finance lease business	65,594.00	60.00	40.00
Beijing Tongda Refractory Engineering Technology Co., Ltd.	Beijing	Development and manufacture of various new refractory materials etc.	1,000.00	–	100.00
Yangquan Tongda BBMG Refractory Materials Co., Ltd.	Yangquan	Manufacture and sale of refractory ceramic etc.	6,000.00	–	100.00
Beijing Tongda New Green High-temperature Materials Engineering Research Centre Co., Ltd.	Beijing	Research, experimentation and development of engineering and technology	1,000.00	–	98.00
<b>Subsidiaries acquired in business combination under common control</b>					
Beijing Yanshui Assets Management Co., Ltd.	Beijing	Manufacture of cement	6,266.85	100.00	–
Zhangjiakou Jinyu Cement Co., Ltd.	Zhangjiakou	Manufacture and sale of cement and clinker	37,300.00	100.00	–
Zhuolu Jinyu Cement Co., Ltd.	Zhuolu County	Manufacture and sale of cement and clinker	38,000.00	100.00	–
Tianjing BBMG Zhenxing Environment Protection Technology Co., Ltd.	Tianjin	Development of technologies for waste disposal and comprehensive utilisation and environmental protection	57,943.97	62.09	24.09
Tongda Refractory Technology Co., Ltd.	Beijing	Research and development and manufacture of new refractory materials, etc.	28,517.14	92.82	–
Shanghai BBMG Sanming Building Materials Co., Ltd.	Shanghai	Manufacture and sale of modern building materials	3,200.00	–	100.00
BBMG Human Resources Management Co., Ltd.	Beijing	Dispatch of labour	50.00	–	100.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination under common control <i>(continued)</i></b>					
Haikou Dacheng Property Investment Co., Ltd.	Haikou	Property development etc.	1,600.00	–	100.00
BBMG Hong Kong Limited	Hong Kong	Self-owned property rental	(HKD)100.00	100.00	–
Beijing Building Decoration and Design Engineering Co., Ltd.	Beijing	Design of projects' decoration and furniture decoration, etc.	8,500.00	100.00	–
Beijing Building Decoration and Design Institute Co., Ltd.	Beijing	Decorative design technical service	2,000.00	–	100.00
Beijing Longshuncheng Chinese Furniture Co., Ltd.	Beijing	Manufacturing of furniture	1,292.40	–	100.00
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	Beijing	Manufacture of insulation and energy-saving building materials, etc.	15,037.66	100.00	–
BBMG Badaling Hot Spring Resort Co., Ltd.	Beijing	Provision of travelling service and guest rooms rental, etc.	45,420.00	–	100.00
Beijing Oakland Building Waterproofing Materials Co., Ltd.	Beijing	Processing and sale of waterproof materials	500.00	–	100.00
Beijing Xisanqi Heating Co., Ltd.	Beijing	Manufacture of low to medium pressure steam and distilled water, etc.	7,560.00	–	100.00
BBMG Hongye Ecological Science and Technology Co., Ltd.	Beijing	Rental and property management, etc.	200.00	100.00	–
BBMG Dacheng Property Management Co., Ltd.	Beijing	Property management	500.00	100.00	–
BBMG Real Estate Development Group Co., Ltd.	Beijing	Property development etc.	290,000.00	100.00	–

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination under common control <i>(continued)</i></b>					
Baoding Taihang Heyi Cement Co., Ltd.	Yi County	Manufacture and sale of cement and cement products, etc.	16,000.00	75.00	–
Hebei Taihang Huaxin Building Materials Co. Ltd.	Handan	Mining of limestone and cement products operation	22,800.00	100.00	–
Beijing BBMG Qianjing Environmental Technology Co., Ltd.	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67.00	–
Hetian Yuhe Sand Stone Company Limited	Hetian	Manufacture and sale of concrete	2,040.80	–	51.00
Yixian Tenghui Mineral Building Materials Company Limited	Yi County	Sale of lime and rock materials, etc.	2,100.00	–	100.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination not under common control <i>(continued)</i></b>					
Beijing Qianglian Cement Co., Ltd.	Beijing	Manufacture of cement	2,000.00	–	60.00
Handan Shexian BBMG Cement Co., Ltd.	She County	Manufacture and sale of cement	10,000.00	91.00	–
Tianjin BBMG Concrete Co., Ltd.(2)	Tianjin	Concrete project construction and manufacturing, etc.	39,590.51	91.01	8.99
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	Shijiazhuang	Manufacture and sale of concrete	20,000.00	97.80	2.20
Beijing Chinefarge Cement Co., Ltd.	Beijing	Manufacture of cement and clinker, etc.	31,500.00	95.70	–
BBMG Vanke Property Development Co., Ltd.	Beijing	Property development and sale of housing, etc.	19,000.00	–	51.00
BBMG Shunfa Cement Co., Ltd.	Beijing	Manufacture of cement and clinker, etc.	15,000.00	70.00	–
Beijing Alavus Building Energy Saving Components Co., Ltd.	Beijing	Manufacture, sale and repair of energy efficient doors and windows	(EUR)400.00	82.00	–
Tangshan Jidong Guye Mining Investment Co., Ltd.	Tangshan	Other machinery and equipment repair industry	10,650.00	–	70.00
Hebei Jidong Development Group Mining Engineering Co., Ltd.	Shijiazhuang	Other construction and installation industry	2,000.00	–	85.00
Beijing Dynea Chemical Industry Co., Ltd.	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	7,808.61	100.00	–
Xingtai BBMG Yongning Cement Co., Ltd.	Xingtai	Manufacture and sale of cement clinker	33,000.00	60.00	–
Jidong Group	Tangshan	Operating capital through holding, equity participation, merger, etc.	247,950.40	55.00	–
Jidong Rizhang Energy-Conserving Fan Manufacture Co., Ltd.	Tangshan	State-owned enterprise (machinery manufacturing industry)	8,400.00	–	100.00
Hebei Building Material Industry Design & Research Institution	Shijiazhuang	Building materials industry engineering design	11,550.60	–	100.00
Jidong Development Logistics Co., Ltd.	Tangshan	Transportation and storage of general goods, etc.	10,000.00	–	100.00
Huawai Wind Power Development Co., Ltd.	Tangshan	Wind power equipment manufacturing	15,000.00	–	58.95
China-Africa Jidong Building Materials Investment Co., Ltd.	Tangshan	Investment in building materials industry	34,830.00	–	60.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination not under common control <i>(continued)</i></b>					
Shijiazhuang Dunshi Real Estate Development Co., Ltd.	Shijiazhuang	Property development and operation, etc.	10,000.00	-	65.00
Jidong Development (HK) International Ltd.	Hong Kong	Commodities trading	6,294.36	-	100.00
Tangshan Qixin Jiye Property Services Co., Ltd.	Tangshan	Property service, commodity retail, etc.	100.00	-	100.00
Tangshan Jidong Development Machinery and Equipment Manufacturing Co., Ltd.	Tangshan	Manufacture and sales of machinery equipment and accessories	55,000.00	-	100.00
Tangshan Jixin Cement Transition Co., Ltd.	Tangshan	Loading, offloading and handling	(USD)600.00	-	60.00
Tangshan Qixin Cement Industry Museum	Tangshan	Cultural relic collection and exhibition to promote national culture, etc.	6,724.00	-	100.00
Tangshan Jidong Cement Nanhu Property Development Co., Ltd.	Tangshan	Real estate	75,000.00	-	100.00
Tangshan Jidong Property Services Co., Ltd.	Tangshan	Property service	300.00	-	100.00
Jidong Development International Trading Co., Ltd.	Beijing	Trading agent	10,000.00	-	100.00
Tangshan Dunshi Real Estate Development Co., Ltd.	Tangshan	Real estate	30,000.00	-	100.00
Tangshan Jidong Development Yan Dong Construction Co., Ltd.	Tangshan	Construction industry	10,000.00	-	59.00
Tangshan Qixin Cement Co., Ltd.	Tangshan	Manufacture of limestone, cement and cement clinker, etc	23,544.00	-	100.00
Tangshan Qixin Building Materials Co., Ltd.	Tangshan	Manufacture of cement and cement products	16,747.00	-	100.00
Jidong Development Group Tangshan Xinxing Knitting Factory	Tangshan	Knitting processing	4,171.00	-	100.00



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination not under common control <i>(continued)</i></b>					
Tangshan Jidong Concrete Co., Ltd.	Tangshan	Manufacture and sales of concrete and concrete products	199,000.00	–	100.00
Jidong Sand Gravel Aggregate Co., Ltd.	Tangshan	Aggregate	25,000.00	–	100.00
Tangshan Jidong Equipment & Engineering Co., Ltd.	Tangshan	Manufacturing	22,700.00	–	30.00
Jidong Cement	Tangshan	Manufacture and sales of cement and clinker, etc.	134,752.00	7.00	30.00
BBMG Sports Culture Co., Ltd.(3)	Beijing	Project operation of Sports	300.00	67.00	–
Beijing Doors and Windows Co., Ltd.(3)	Beijing	Manufacture and process of plastics-steel doors and windows	100.00	100.00	–
Krono (Beijing) Woods Co., Ltd.	Beijing	Production and sale of artificial panels	44,987.38	100.00	–
Tianjin Building Materials (Holding) Co., Ltd.	Tianjin	Manufacture and sales of building materials and decoration materials, Lease of self-owned properties, market exploration services as well as exports and imports businesses, etc.	508,222.35	55.00	–
Tianjin Tiancai Haoye Trading Co., Ltd.	Tianjin	Building materials and commerce and logistics	5,001.00	–	100.00
Tianjin Jianyu Energy Development Co., Ltd.	Tianjin	Building materials and commerce and logistics	18,000.00	–	51.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination not under common control <i>(continued)</i></b>					
Tianjin Bodingmeite Import Co., Ltd.	Tianjin	Building materials and commerce and logistics	3,200.00	-	100.00
Tianjin Tiancai Hrngye Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	37,242.39	-	100.00
Huanbohai Jinan (Tianjin) Group Holding Co., Ltd.	Tianjin	Property investment management	19,634.40	-	52.00
Tianjin Xincai Property development Property development	Tianjin	Real Estate	27,649.81	-	100.00
Tianjin North Longfeng properties Property development	Tianjin	Real Estate	4,900.00	-	100.00
Tianjin Kaitai Building Materials Marketing Co., Ltd.	Tianjin	Building materials and commerce and logistics	18,481.83	-	100.00
Tianjin Building Materials Scientific Study Co., Ltd.	Tianjin	Property investment management	16,129.64	-	100.00
Tianjin Tianying New Building Materials Co., Ltd.	Tianjin	Cement and readymixed concrete	1,250.00	-	52.00
Tianjin Tiancaiweiye Building Materials Co., Ltd.	Tianjin	Cement and readymixed concrete	26,275.03	-	100.00
Tianjin Tiantuhaobang Tuliao Co., Ltd.	Tianjin	Building materials and commerce and logistics	4,328.68	-	100.00
Tianjin Tianxia Doors and Window Co., Ltd.	Tianjin	Building materials and commerce and logistics	2,107.80	-	51.00
Tianjin Kehao New Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	200.00	-	50.00

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination not under common control <i>(continued)</i></b>					
Tianjin Hengtong Industry and Trade Development Co., Ltd.	Tianjin	Building materials and commerce and logistics	5,231.48	–	49.00
Tianjin Tiancai Construction Investment Co., Ltd.	Tianjin	Property investment management	34,528.08	–	100.00
Tiancai Hongye (Tianjin) Building Materials Co., Ltd.	Tianjin	Property investment management	54,596.03	–	100.00
Tianjin Jinya Market Management Co., Ltd.	Tianjin	Property investment management	1,383.00	–	100.00
Tianjin Binhai New Area Jianhengyu Trading Co., Ltd.	Tianjin	Property investment management	350.00	–	100.00
Tianjin Tiancai New Industry Assets Management Co., Ltd.	Tianjin	Property investment management	31,973.79	–	100.00
Tianjin Longsheng Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	1,576.00	–	100.00
Tianjin Xincheng Building Materials Co., Ltd.	Tianjin	Property investment management	17,099.70	–	100.00
Tianjin Yuanyang Longda Glass Products Co., Ltd.	Tianjin	Property investment management	8,258.73	–	100.00
Tianjin Tiancai Chenrun Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	1,752.33	–	100.00
Tianjin Jiansha Building Leasing Co., Ltd.	Tianjin	Property investment management	50.00	–	100.00
Tianjin Cement Stone Mine Co., Ltd.	Tianjin	Cement and readymixed concrete	119,937.67	–	100.00
Tianjin Yuanyang Glass Industry Co., Ltd.	Tianjin	Property investment management	3,869.18	–	100.00
Tianjin Tiantu Coating Co., Ltd.	Tianjin	Property investment management	231.80	–	100.00
Tianjin Xinxin Door & Window Co., Ltd.	Tianjin	Property investment management	193.50	–	100.00

## Notes to Financial Statements *(continued)*

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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Interests in the subsidiaries *(continued)*

Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration / principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
<b>Subsidiaries acquired in business combination not under common control <i>(continued)</i></b>					
Tianjin Hongguang Building Materials Co., Ltd.	Tianjin	Property investment management	1,177.86	-	100.00
Tianjin Tiancai Xingchen Building Material Co., Ltd.	Tianjin	Property investment management	42,798.30	-	100.00
Tianjin Stone Mine Co., Ltd.	Tianjin	Property investment management	44,081.24	-	100.00
Tianjin Tiancai Binhan Building Materials Co., Ltd. (天津天材濱漢建築材料有限責任公司)	Tianjin	Property investment management	6,384.60	-	100.00
Tianjin Xingmingtai Plastic Products Co., Ltd. (天津興明泰塑料製品有限公司)	Tianjin	Property investment management	6,492.95	-	100.00
Tianjin Hengsheng Building Materials Co., Ltd. (天津恆生建築材料有限責任公司)	Tianjin	Property investment management	386.00	-	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 the Company 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 2018, BBMG Group's shareholding in Tianjin BBMG Concrete Co., Ltd. was 100% with 100% voting rights.
- (3) Newly-acquired subsidiaries during the year.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### 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 attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated equity attributable to minority interests at the end of the year
<b>2018</b>				
Jidong Group	45.00%	860,093,648.41	57,105,226.25	15,461,796,508.64
Tianjin Building Materials	45.00%	(123,971,000.20)	–	5,097,883,771.72
<b>2017</b>				
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	–	1,286,804,025.23
Jidong Group	45.00%	51,059,995.85	9,106,956.15	15,850,120,866.20

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### 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:

#### 31 December 2018

	Jidong Group	Tianjin Building Materials
Current assets	35,967,188,697.52	5,783,193,737.93
Non-current assets	<u>47,310,049,251.89</u>	<u>11,628,540,847.68</u>
Total Assets	<u>83,277,237,949.41</u>	<u>17,411,734,585.61</u>
Current liabilities	48,145,246,331.65	5,516,918,952.00
Non-current liabilities	<u>8,296,675,584.48</u>	<u>1,877,744,702.97</u>
Total liabilities	<u>56,441,921,916.13</u>	<u>7,394,663,654.97</u>

  

	2018	22 May 2018 to 31 December 2018
Operating revenue	44,244,740,470.83	2,367,140,048.27
Net profit/(loss)	1,713,644,595.02	(320,042,135.30)
Total comprehensive income	<u>1,644,674,633.52</u>	<u>599,798,617.90</u>
Net cash flows from/(used in) operating activities	<u>6,320,324,301.78</u>	<u>(1,301,801,987.97)</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### **VII. INTERESTS IN OTHER ENTITIES** *(continued)*

#### **1. Interests in the subsidiaries** *(continued)*

31 December 2017

	BBMG Vanke Property Development Co., Ltd.	Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	Jidong Group
Current assets	880,698,129.09	1,897,360,292.23	21,073,005,497.99
Non-current assets	<u>3,094,442.72</u>	<u>1,445,999,819.05</u>	<u>42,717,758,669.76</u>
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	<u>–</u>	<u>217,245,228.13</u>	<u>7,755,694,131.89</u>
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 operating activities	<u>15,720,116.93</u>	<u>279,788,507.95</u>	<u>3,046,511,000.43</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

##### ***Purchase of tradable shares of Jidong Cement***

In May and October 2018, the Company purchased 2% and 5% of the tradable shares of Jidong Cement in the secondary market for RMB304,241,209.40 and RMB787,023,187.81, respectively, increasing the Group's indirect and direct shareholding of Jidong Cement to 37%. The difference between the net assets of the 7% equity interest in Jidong Cement calculated on the acquisition dates of these tradable shares and the acquisition consideration is offset against capital reserve of RMB71,514,775.61.

##### ***Internal restructuring of the cement business***

To resolve the issue of competition in the same industry, the Company contributed the equity interests it held in 10 companies including BBMG Cement Trading Co., Ltd., and Jidong Cement contributed the equity interests it held in 20 companies including Jidong Cement Luan County Co., Ltd. and the assets of two of its subsidiaries to jointly established BBMG Jidong Cement (Tangshan) Co., Ltd. (hereinafter referred to as "JV Company"), in which Jidong Cement has a controlling interest (hereinafter referred to as the "Transaction"). The Transaction has been considered and approved at the twenty-fifth meeting of the fourth session of the Board, the twenty-sixth meeting of the fourth session of the Board and the Company's first extraordinary shareholders meeting in 2018. Meanwhile, on 31 May 2018, the Group received the Approval on Significant Asset Restructuring of Tangshan Jidong Cement Co., Ltd. (Zheng Jian Xu Ke [2018] No. 887) (《關於核准唐山冀東水泥股份有限公司重大資產重組的批復》(證監許可[2018]887號)) from China Securities Regulatory Commission. The injection of the equity interests and assets into the JV Company by the Company and Jidong Cement involved in the Transaction was completed in 2018.

The difference between the interests of the Company in Jidong Cement and related subsidiaries before and after the completion of the Transaction as a result of the Transaction was RMB83,197,407.68, adjusted against the capital reserve.

##### ***Acquisition of minority interests in Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.***

In December 2017, the Company entered into an equity transfer agreement with minority shareholders of Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. to acquire a total of 49% equity interests in Mangrove Environmental Protection held by these minority shareholders at a consideration of RMB1,753,806,765.40. The equity transfer was completed in June 2018, upon which the shareholding percentage of the Company increased from 51% to 100%. The difference between the net assets of 49% of the minority shareholder's equity interests calculated on the acquisition date and the acquisition consideration amounting to RMB405,537,110.63 is offset against capital reserve.

##### ***Other equity transactions that do not affect control***

The total effects of other equity transactions that do not affect control is offset against capital reserve of RMB152,376,716.89.



## Notes to Financial Statements *(continued)*

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### 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 (%)	
				Direct	Indirect
<b>Joint ventures</b>					
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	–
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
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
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.	489,875	–	48.11
Jidong Heidelberg (Jingyang) Cement Co., Ltd. (冀東海德堡(涇陽)水泥有限公司)	Xianyang	Manufacture and sales of cement and clinker, etc.	458,960	–	50
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
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
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
Cross Point Trading 274 (Pty) Ltd (RF)	South Africa	Investment in building materials industry	(ZAR) 300,000	–	56

## Notes to Financial Statements (continued)

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### 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 (%)	
				Direct	Indirect
<b>Associates</b>					
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	–
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	–
OCV Reinforcements (Beijing) Co., Ltd. d. (歐文斯科寧複合材料(北京)有限公司)	Beijing	Complete non-standard control of concrete and pumping	276,000	20	–
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
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
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	–
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd. (北京青營金隅鳳山教育科技有限公司)	Beijing	Education technology promotion services, etc.	10,000	–	30
Beijing Chenyu Real Estate Development Co., Ltd. (北京宸宇房地產開發有限公司)	Beijing	Property development and operation, etc.	50,000	–	49.00
Toto Machinery (Beijing) Company Limited (東陶機器(北京)有限公司)	Beijing	Production of sanitary ceramics	(USD) 24,000	20	–
Beijing Toto Co., Ltd. (北京東陶有限公司)	Beijing	Production of sanitary ceramics	(USD) 15,000	30	–
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
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

## Notes to Financial Statements *(continued)*

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### 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 (%)	
				Direct	Indirect
<b>Associates <i>(continued)</i></b>					
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
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
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
Jilin Changjitu Investment Co., Ltd. (吉林市長吉圖投資有限公司)	Jilin	Service industry, etc.	500,000	–	30
Jilin Cement (Group) Co., Ltd. (吉林水泥(集團)有限公司)	Jilin	Manufacture and sales of clinker, cement, etc.	50,000	–	28.60
Tianjin Gangbei Concrete Industry Co., Ltd. (天津岡北混凝土工業有限公司)	Tianjin	Manufacture of cement, ready-mixed concrete and concrete products, etc.	20,000	–	30.00
Tianjin Wankeyou Energy Saving Technology Co., Ltd. (天津萬可優節能科技有限公司)	Tianjin	Sales of insulation materials and ancillary products of building exterior walls, etc.	9,600	–	35.00
Tianjin Xingye Longxiang Construction Engineering Co., Ltd. (天津興業龍祥建設工程有限公司)	Tianjin	Undertaking the construction of various types of projects, etc.	100,000	–	30.00
Tianjin Yaopi Glass Co., Ltd. (天津耀皮玻璃有限公司)	Tianjin	Manufacture and sale of various types of plate glass, etc.	736,166	–	22.75
Tianjin Xinling Environmental Protection Engineering Co., Ltd. (天津市新菱環保工程有限公司)	Tianjin	Design, manufacture and sales of sound isolation and noise reduction products, etc.	25,000	–	44.00
Tianjin Binhai Jiantai Investment Co., Ltd. (天津濱海建泰投資有限公司)	Tianjin	Investments in high-tech industry, etc.	15,6250	–	48.00
Tianjin Huanbohai Rock Materials Trading Centre Co., Ltd.	Tianjin	Wholesale and retail of stone, stone conservation, etc.	22,000	–	35.00

The Group adopts the equity method for interests in joint ventures and associates.

## Notes to Financial Statements (continued)

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### 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:

	2018	2017
<b>Joint ventures</b>		
Total carrying amount of investments	1,671,190,514.35	1,533,998,796.99
Total amount calculated based on shareholding		
Net profit	348,262,284.37	203,420,253.95
Total comprehensive income	<u>335,722,057.82</u>	<u>212,232,235.44</u>
<b>Associates</b>		
Total carrying amount of investments	1,365,566,495.50	640,940,460.52
Total amount calculated based on shareholding		
Net profit/(loss)	23,169,951.53	(14,688,123.63)
Total comprehensive income/(loss)	<u>23,169,951.53</u>	<u>(14,688,123.63)</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:

#### 2018

Financial assets	Financial assets held for trading at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
		Financial assets carried at amortised cost		
Cash and bank balances	-	18,774,468,260.66	-	18,774,468,260.66
Financial assets held for trading	1,034,558,112.73	-	-	1,034,558,112.73
Bills receivable and accounts receivable	-	18,665,867,265.35	-	18,665,867,265.35
Other receivables	-	8,794,539,636.36	-	8,794,539,636.36
Other equity instruments investment	-	-	396,187,115.71	396,187,115.71
Long-term receivables	-	802,351,921.55	-	802,351,921.55
Other non-current financial assets	<u>214,980,000.00</u>	<u>-</u>	<u>-</u>	<u>214,980,000.00</u>
	<u>1,249,538,112.73</u>	<u>47,037,227,083.92</u>	<u>396,187,115.71</u>	<u>48,682,952,312.36</u>

## Notes to Financial Statements *(continued)*

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### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

#### 1. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

2017

Financial assets	Financial assets held for trading at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Cash and bank balances	–	17,903,847,144.72	–	17,903,847,144.72
Financial assets held for trading at fair value through profit or loss				
Financial assets held for trading	46,226,108.99	–	–	46,226,108.99
Bills receivable and accounts receivable	–	15,867,845,894.72	–	15,867,845,894.72
Other receivables	–	5,572,834,876.99	–	5,572,834,876.99
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
	<u>46,226,108.99</u>	<u>39,829,905,789.07</u>	<u>2,897,887,864.39</u>	<u>42,774,019,762.45</u>

Financial liabilities

	2018 Financial liabilities measured at amortised cost
Short-term loans	39,880,392,209.57
Bills payable and accounts payable	20,438,365,203.63
Other payables	7,962,849,469.00
Non-current liabilities due within one year	18,543,864,543.14
Long-term loans	30,506,054,265.70
Bonds payable	20,231,089,289.70
Short-term financing bonds	6,500,000,000.00
Long-term payables	315,856,652.08
	<u>144,378,471,632.82</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

#### 1. Financial instruments by category *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows *(continued)*:

Financial liabilities	2017 Other financial liabilities
Short-term loans	34,375,200,000.00
Bills payable and accounts payable	17,205,078,515.28
Other payables	8,693,194,770.94
Non-current liabilities due within one year	11,491,439,775.59
Long-term loans	25,671,030,000.00
Bonds payable	18,154,840,828.51
Short-term financing bonds	2,769,698,081.12
Long-term payables	920,769,354.18
	<u>119,281,251,325.62</u>

#### 2. Transfers of financial assets

##### ***Financial assets transferred but not yet fully derecognised***

As at 31 December 2018, the Group endorsed bank acceptance bills and commercial acceptance bills with a carrying amount of RMB4,221,929,275.41 and RMB935,469,202.95 respectively (31 December 2017: RMB3,407,019,211.02 and RMB344,693,510.81) to its suppliers for settlement of accounts payable, and discounted bank acceptance bills and commercial acceptance bills with a carrying amount of RMB129,610,743.19 and RMB261,466.38 respectively (31 December 2017: bank acceptance bills and commercial acceptance bills of RMB4,250,000.00 and RMB1,050,000.00 respectively) 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 2018, the carrying amount of accounts payable settled or short-term loans secured by the Group through these financial assets amounted to RMB5,157,398,478.36 and RMB129,872,209.57 respectively (31 December 2017: RMB3,751,712,721.83 and RMB5,300,000.00).

## Notes to Financial Statements *(continued)*

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### **VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS** *(continued)*

#### **2. Transfers of financial assets** *(continued)*

##### ***Transferred financial assets fully derecognised but with continuing involvement***

As at 31 December 2018, 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 RMB5,573,035,932.65 (31 December 2017: RMB3,547,596,983.95). As at 31 December 2018, 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 2018, 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.

#### **3. Financial Instruments Risks**

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group is mainly comprised of cash and bank balances, borrowings and bonds payables, bills receivable and accounts receivable and bills payable and accounts payable, etc. Risks related to these financial instruments and the Group's risk management policies adopted to reduce such risks are described as follows.

##### ***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.

As the counterparties of cash and bank balances and bank acceptance bills receivable are reputable banks and other financial institutions, these financial instruments have lower credit risk.

The credit risk of the Group's other financial assets, which comprise other receivables, long-term receivables and other non-current financial assets, 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.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

#### 3. Financial Instruments Risks *(continued)*

##### **Credit risk** *(continued)*

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.

##### **31 December 2018**

##### *Criteria for judging significant increase in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Quantitative criteria mainly comprises of the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition
- Qualitative criteria mainly comprises of the circumstances that significant adverse change in debtor's operation or financial status and being listed on the watch-list, etc.

##### *Definition of credit-impaired asset*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### **VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS** *(continued)*

#### **3. Financial Instruments Risks** *(continued)*

##### **Credit risk** *(continued)*

##### **31 December 2018** *(continued)*

##### *Definition of credit-impaired asset (continued)*

- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

##### *Forward-looking information*

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

As at 31 December 2018, 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 2018, 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.

##### **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, perpetual bonds, bonds payable and short-term financing bonds payable.

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 3. Financial Instruments Risks (continued)

##### Liquidity risk (continued)

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 RMB158.9 billion as at 31 December 2018, of which approximately RMB78.6 billion remained unused.

The table below summarises the maturity analysis of financial liabilities based on the undiscounted contractual cash flows:

##### As at 31 December 2018

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable and accounts payable	20,438,365,203.63	-	-	-	20,438,365,203.63
Other payables	7,962,849,469.00	-	-	-	7,962,849,469.00
Long-term payables	668,559,822.26	300,731,943.18	5,196,550.88	10,262,205.00	984,750,521.32
Short-term loans	40,847,830,476.75	-	-	-	40,847,830,476.75
Long-term loans	10,891,926,310.16	13,419,735,285.17	12,109,540,943.26	12,020,116,017.97	48,441,318,556.56
Short-term financing bonds	6,580,791,944.44	-	-	-	6,580,791,944.44
Bonds payable	11,715,060,000.00	7,179,370,000.00	8,217,800,000.00	6,838,500,000.00	33,950,730,000.00
	<u>99,105,383,226.24</u>	<u>20,899,837,228.35</u>	<u>20,332,537,494.14</u>	<u>18,868,878,222.97</u>	<u>159,206,636,171.70</u>

##### As at 31 December 2017

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable and accounts payable	17,205,078,515.28	-	-	-	17,205,078,515.28
Other payables	8,693,194,770.94	-	-	-	8,693,194,770.94
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 *(continued)*

For the year ended 31 December 2018  
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### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

#### 3. Financial Instruments Risks *(continued)*

##### **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.

#### 2018

	Increase in basis point	Decrease in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	100	(23,317,174.26)	-	(23,317,174.26)

#### 2017

	Increase in basis point	Decrease in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/(decrease) in total shareholders' equity
RMB	100	(23,561,224.47)	-	(23,561,224.47)

## Notes to Financial Statements *(continued)*

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### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

#### 3. Financial Instruments Risks *(continued)*

##### *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, ZAR and MNT.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of RMB against USD and HKD, with all other variables held constant, with respect to the impact on net profit or loss and net other comprehensive income after tax.

#### 2018

	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%	1,857,317.48	–	1,857,317.48
HKD appreciation against RMB	1%	(5,809.12)	35,731,467.41	35,725,658.29

#### 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
ZAR appreciation against RMB	1%	2,051,371.74	–	2,051,371.74

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

#### 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 2018 and 2017, there was no change in the capital management objectives, policies or procedures.

The Group controls its capital using debt ratio, which is calculated by dividing total liabilities by total assets. As at the balance sheet date, the debt ratio of the Group was as follows:

	2018	2017
Total liabilities	<b>189,061,589,151.91</b>	162,289,672,173.68
Total assets	<b><u>268,276,091,699.13</u></b>	<u>232,207,482,091.70</u>
Debt ratio	<b><u>70.47%</u></b>	<u>69.89%</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### IX. DISCLOSURE OF FAIR VALUE

#### 1. Assets measured at fair value

Hierarchies of fair value

	Fair value as at 31 December 2018			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Continuously measured at fair value:</b>				
Financial assets held for trading	33,849,556.74	1,000,708,555.99	–	1,034,558,112.73
Other non-current financial assets	–	214,980,000.00	–	214,980,000.00
Other equity instruments investment	359,076,638.08	–	37,110,477.63	396,187,115.71
Investment properties	–	984,694,410.00	19,596,765,933.02	20,581,460,343.02
<b>Total</b>	<b>392,926,194.82</b>	<b>2,200,382,965.99</b>	<b>19,633,876,410.65</b>	<b>22,227,185,571.46</b>

	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)	
<b>Continuously measured at fair value:</b>				
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
Investment properties	–	492,000,000.00	14,948,453,467.02	15,440,453,467.02
<b>Total</b>	<b>1,553,198,508.99</b>	<b>1,064,786,903.04</b>	<b>15,759,884,577.41</b>	<b>18,377,869,989.44</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### IX. DISCLOSURE OF FAIR VALUE *(continued)*

#### 2. Assets and Liabilities disclosed at fair value

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bills receivable and accounts receivable, other receivables, short-term loans, short-term financing bonds payable, bills payable and accounts 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.

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 receivables, long-term borrowings, 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 2018, the Group's exposure to non-performance risk associated with the long-term receivables, long-term borrowings, bonds payable and long-term payables is assessed as insignificant.

The fair values of listed equity instruments are determined on the basis of market prices. The fair values of unlisted available-for-sale equity investments have been estimated using an asset based approach based on assumptions that are not supported by observable market prices or rates. The Group believes that the estimated fair values and the changes therein resulting from the valuation technique are reasonable, and are the most appropriate values as at the balance sheet date.

#### 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 2018:

	<b>Commercial properties</b>
Value as at 1 January 2018	14,948,453,467.02
Business combination not under common control	3,055,979,086.43
Addition during the year	28,329,648.64
Transfer from construction in progress	477,299,602.19
Transfer from inventory	612,873,526.53
Disposible during the year	(40,636,747.74)
Changes in fair value	<u>514,467,349.95</u>
Value as at 31 December 2018	<u>19,596,765,933.02</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### IX. DISCLOSURE OF FAIR VALUE *(continued)*

#### 3. Valuation of fair value *(continued)*

In 2018, there was no change between different fair value levels of investment properties of the Group.

The following sets forth the valuation method and key inputs used for the valuation of fair value of the investment properties for 2018:

Valuation method	Significant unobservable inputs	Range of variation
Income approach	Unit rental (RMB/sq.m./day)	0.51-14.80
	Return on investment within the lease term	6.00%-7.50%
	Return on investment outside the lease term	6.00%-8.00%

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 capitalized over the remaining term of lease of the investment property at an appropriate market yield expected by investors for the type of properties to calculate the fair value of investment properties.

### 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

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.



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### **X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)*

#### **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 subsidiaries, please refer to Note V. 12.

#### **4. Other related parties**

<b>Names of other related parties</b>	<b>Relationship with related parties</b>
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	Associates
Beijing XinYuan Concrete Co., Ltd.	Associates
Xianyang Jidong High New Concrete Co., Ltd.	Associates
Tangshan Fengrun District the First Transportation Co., Ltd.	Associates
Fuxin Jidong Xianghe Concrete Co., Ltd.	Associates
Tianjin Shengxiang Plastic Business Management Co., Ltd.	Associates
Zhangjiakou STAR-USG Building Materials Co., Ltd. (張家口星牌優時吉建築材料有限公司)	Associates
Beijing BBMG Assets Management Co., Ltd.	Other related parties
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee (" <b>Party School</b> ")	Other related parties
Beijing Xisha Assets Management Co., Ltd.	Other related parties
Handan Hanni Building Materials Co., Ltd.	Other related parties
Beijing Dacheng Real Estate Development Co., Ltd.	Other related parties
Beijing Longfengshan Enterprise Management Co., Ltd. (北京市龍鳳山企業經營管理有限公司)	Other related parties
Beijing Jinyu Scien-tech School	Other related parties
Beijing Guanghua Woodworking Factory	Other related parties
BBMG Properties Limited	Other related parties
Beijing Jianmao Property Management Co., Ltd.	Other related parties
Beijing Yiliste Environmental Protection Technology Co., Ltd. (北京市伊萊斯特環保科技有限責任公司)	Other related parties
Mamba Cement Company (Pty) Ltd (RF)	Subsidiary of a joint venture

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### 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	2018	2017
<b>Purchase of goods and receipt of services from related parties</b>			
<b>Transactions with joint ventures and associates</b>			
Anshan Jidong Cement	Purchase of raw materials	73,591,878.05	30,622,709.33
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Purchase of raw materials	18,590,533.81	519,535.22
Baogang Jidong Cement Co., Ltd.	Purchase of goods	16,879,401.56	6,735,559.61
Jidong Cement Fufeng Transportation Co., Ltd.	Purchase of raw materials	3,395,467.41	553,741.65
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Receipt of services	3,642,382.51	81,215.98
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Purchase of raw materials	2,963,177.05	2,776,867.34
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	Receipt of services	1,781,830.00	–
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Purchase of raw materials	1,181,392.54	547,800.00
Beijing Xinyuan Concrete Co., Ltd.	Purchase of raw materials	609,776.01	–
Zehnder (China) Indoor Climate Co., Ltd.	Purchase of raw materials	254,686.77	7,034,267.67
Tangshan Caofeidian Dunshi New Building Material 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
Beijing Sinobaide Technology Co., Ltd.	Purchase of raw materials	–	6,352,974.43
		<b>122,890,525.71</b>	<b>72,947,856.66</b>

	Type of goods or services	2018	2017
<b>Transactions with other related parties</b>			
Beijing Jianmao Property Management Co., Ltd.	Receipt of services	2,088,000.00	–
Party School	Receipt of technical services	172,763.11	–
Beijing BBMG Assets Management Co., Ltd.	Receipt of services	45,000.00	135,000.00
Beijing Jinyu Scien-tech School	Receipt of training services	1,981.13	528.30
Beijing Longfengshan Enterprise Management Co., Ltd. (北京市龍鳳山企業經營管理有限公司)	Receipt of mining services	–	51,064.50
Beijing Dacheng Real Estate Development Co., Ltd.	Purchase of raw materials	–	17,905.00
		<b>2,307,744.24</b>	<b>204,497.80</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### 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	2018	2017
<b>Sale of goods and rendering of services to related parties <i>(continued)</i></b>			
<b>Transactions with joint ventures and associates</b>			
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Sale of goods and rendering of services	102,100,157.22	65,849,668.37
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Sale of goods and rendering of services	83,808,231.28	58,628,379.58
Baogang Jidong Cement Co., Ltd.	Sale of goods and rendering of services	72,706,549.74	81,162,997.78
Anshan Jidong Cement	Sale of goods and rendering of services	39,378,763.49	52,819,974.33
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	Sale of goods and rendering of services	24,164,767.78	853,629.24
Changchun Light Rail Jidong Concrete Co., Ltd.	Sale of goods and rendering of services	20,015,117.60	37,578,107.24
Jidong Cement Fufeng Transportation Co., Ltd.	Sale of goods and rendering of services	10,681,177.56	6,742,379.11
Mamba Cement Company (Pty) Ltd (RF)	Sale of goods	7,716,652.87	-
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Sale of goods and rendering of services	9,407,104.58	1,646,573.86
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Sale of goods and rendering of services	2,153,213.59	-
STAR-USG Building Materials Co., Ltd.	Sale of goods	1,999,756.91	2,318,496.21
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Rendering of services	631,543.00	585,537.00
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Rendering of services	276,120.00	-
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	64,396.22	16,575,653.07
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	Sale of goods and rendering of services	2,627.36	267,124.63
Cross Point Trading 274 (Pty) Ltd (RF)	Rendering of services	-	36,021,033.58
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	Sale of goods and rendering of services	-	6,048,818.29
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	-	788,608.03
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	-	427,350.42
Beijing XinYuan Concrete Co., Ltd.	Sale of goods	-	57,092.76
		<b>375,106,179.20</b>	<b>368,371,423.50</b>
<b>Transactions with other related parties</b>			
Beijing Dacheng Real Estate Development Co., Ltd.	Rendering of property services	798,451.06	530,332.58
Beijing BBMG Assets Management Co., Ltd.	Rendering of property services	357,900.00	996,400.00
Handan Hanni Building Materials Co., Ltd.	Sale of goods	237,382.58	371,460.20
Beijing Xisha Assets Management Co., Ltd.	Rendering of engineering services	-	1,258,648.64
		<b>1,393,733.64</b>	<b>3,156,841.42</b>

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 (continued)

For the year ended 31 December 2018  
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### 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	2018 Leasing income	2017 Leasing income
STAR-USG Building Materials Co., Ltd.	Building	6,755,947.05	11,438,270.00
Beijing Dacheng Real Estate Development Co., Ltd.	Building	5,039,159.22	4,547,981.24
Zhangjiakou STAR-USG Building Materials Co., Ltd.	Building	1,233,483.40	–
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Building	421,000.00	–
Changchun Light Rail Jidong Concrete Co., Ltd.	Equipment	28,950.00	–
Beijing Sinobaide Technology Co., Ltd.	Building	–	1,483,025.05
OCV Reinforcements (Beijing) Co., Ltd.	Plant	–	23,809.52
		<b>13,478,539.67</b>	<b>17,493,085.81</b>

As lessee

Name of the lessor	Category of leased assets	2018 Leasing expenses	2017 Leasing expenses
Beijing Xisha Assets Management Co., Ltd.	Premise	550,844.00	1,583,229.00
Beijing Dacheng Real Estate Development Co., Ltd.	Building	209,833.38	328,000.00
Anshan Jidong Cement	Premise	–	854,700.85
Beijing Longfengshan Enterprise Management Co., Ltd. (北京市龍鳳山企業經營管理有限公司)	Building	–	394,500.73
		<b>760,677.38</b>	<b>3,160,430.58</b>

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 *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (3) Guarantees received from/provided to related parties

*Guarantees received from related parties*

2018

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	600,000,000.00	20 April 2017	19 April 2022	No
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	200,000,000.00	27 May 2017	26 May 2022	No
		800,000,000.00			

The above-mentioned related parties provide guarantees in respect of borrowings for the Group at nil consideration.

*Guarantees provided to related parties*

2018

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement	18,000,000.00	17 December 2018	16 December 2019	No
Jidong Cement	Anshan Jidong Cement	14,000,000.00	17 December 2018	16 December 2019	No
Jidong Cement	Anshan Jidong Cement	20,000,000.00	30 October 2018	29 October 2019	No
Jidong Cement	Anshan Jidong Cement	2,700,000.00	29 August 2018	28 February 2019	No
Jidong Cement	Anshan Jidong Cement	1,260,000.00	23 July 2018	23 January 2019	No
		55,960,000.00			

As at 31 December 2018, Jidong Cement provided joint obligation guarantees in respect of borrowings and guarantee for issuance of bank acceptance bills for Anshan Jidong Cement Co., Ltd. at nil consideration, with amounts guaranteed of RMB52,000,000.00 and RMB3,960,000.00, respectively.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (3) Guarantees received from/provided to related parties *(continued)*

*Guarantees provided to related parties (continued)*

2017

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement	20,000,000.00	11 July 2017	17 July 2018	No
Jidong Cement	Anshan Jidong Cement	14,000,000.00	30 November 2017	15 November 2018	No
Jidong Cement	Anshan Jidong Cement	18,000,000.00	16 November 2017	15 November 2018	No
		<u>52,000,000.00</u>			

As at 31 December 2017, Jidong Cement 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.

##### (4) Lending to/borrowing from related parties

*Borrowings*

2018

	Amount of lending/ borrowing	Commencement date	Maturity date
Beijing Dacheng Real Estate Development Co., Ltd.	250,000,000.00	29 September 2018	27 September 2019
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	13 February 2018	25 January 2019
BSCOMC	60,000,000.00	29 May 2018	29 May 2019
Beijing BBMG Assets Management Co., Ltd	50,000,000.00	29 November 2018	25 November 2019
BSCOMC	40,000,000.00	20 July 2018	20 July 2019
BSCOMC	20,550,000.00	19 September 2018	19 September 2019
BSCOMC	40,000,000.00	29 October 2018	29 October 2019
BSCOMC	8,300,000.00	22 November 2018	22 November 2019
BSCOMC	12,000,000.00	27 December 2018	27 December 2019
	<u>561,850,000.00</u>		

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### **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)*

*Borrowings (continued)*

2017

	Amount of lending/ borrowing	Commencement date	Maturity date
Beijing BBMG Assets Management Co., Ltd.	50,000,000.00	30 November 2017	25 November 2018
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	25 January 2017	24 January 2018
BSCOMC	60,000,000.00	27 May 2017	27 May 2018
BSCOMC	<u>20,550,000.00</u>	25 August 2017	25 August 2018
	<u>211,550,000.00</u>		

##### *Lending:*

In 2017, Baogang Jidong Cement Co., Ltd. secured lending of RMB60,000,000.00 from the Group at interest rate of 4.35% per annum. No more lending was secured in 2018 and the interest rate was adjusted to 4.75% per annum.

In 2018, the interest rate per annum of lending to Cross Point Trading 274 (Pty) Ltd (RF) was adjusted from 10.5% to 10%. As at 31 December 2018, the outstanding lending translated to RMB190,821,671.38.

In 2018, Mamba Cement Company (PTY) Ltd (RF) secured lending of RMB56,591,190.07 from the Group. As at 31 December 2018, the outstanding lending amounted to RMB114,996,932.87 at an interest rate of 10-10.50% per annum (2017: RMB58,405,742.80 at an interest rate 10.25-10.50%).

In 2018, Beijing Chenyu Real Estate Development Co., Ltd. (北京宸宇房地產開發有限公司) secured lending of RMB3,194,462,726.80 from the Group. As at 31 December 2018, the outstanding lending amounted to RMB3,272,090,726.80. The lending was interest-free.

## Notes to Financial Statements *(continued)*

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### 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)*

Interest income from lending:

	2018	2017
STAR-USG Building Materials Co., Ltd.	4,462,493.20	15,045,245.28
Baogang Jidong Cement Co., Ltd.	2,850,000.00	2,940,175.48
Cross Point Trading 274 (Pty) Ltd (RF)	16,917,557.91	19,531,605.12
Mamba Cement Company (Pty) Ltd (RF)	3,456,064.28	5,306,715.23
	<b>27,686,115.39</b>	<b>42,823,741.11</b>

Interest expenses from borrowing:

	2018	2017
Beijing BBMG Assets Management Co., Ltd.	5,300,564.38	5,502,750.00
Beijing Dacheng Real Estate Development Co., Ltd.	3,634,931.51	-
BSCOMC	3,857,751.62	1,518,672.00
	<b>12,793,247.51</b>	<b>7,021,422.00</b>



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (5) Transactions with other related parties

On 28 June 2018, the Company entered into an Equity Transfer Agreement with Dacheng Real Estate to acquire the 100% equity interest it held in the Door and Window Company and the 66.67% equity interest it held in BBMG Sports at a consideration of RMB430.3707 million and RMB25.5399 million, respectively. All considerations for the equity transfer were fully paid in July 2018. For detailed information about the transactions, please refer to Items (2) and (3) under Note VI. CHANGE IN SCOPE OF CONSOLIDATION 1. Business combination not under common control.

On 28 June 2018, the Company entered into an Equity Transfer Agreement with Beijing BBMG Assets Management Co., Ltd. to acquire the 30% equity interest it held in Beijing Toto Co., Ltd. (北京東陶有限公司) and the 20% equity interest it held in Toto Machinery (Beijing) Company Limited (東陶機器(北京)有限公司) at a consideration of RMB140.85 million and RMB158.8398 million, respectively. In July 2018, all considerations for the equity transfers were fully paid. Since 2 July 2018, Beijing Toto Co., Ltd. and Toto Machinery (Beijing) Company Limited have become the associates of the Company.

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.

##### (6) Remuneration for key management personnel

	2018	2017
Remuneration for key management personnel	6,548,779.78	4,946,088.44

#### 6. Balances of receivables from related parties

Bills receivable and accounts receivable	2018	2017
<b>Due from associates</b>		
Baogang Jidong Cement Co., Ltd.	55,745,362.63	44,157,527.14
Tianjin Gangbei Concrete Industry Co., Ltd.	10,706,551.29	-
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	10,319,608.88	-
Beijing Gaoqiang Concrete Co., Ltd.	6,422,413.91	-
Changchun Light Rail Jidong Concrete Co., Ltd.	6,013,704.82	23,519,974.72
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	4,230,282.84	4,230,282.84
Mamba Cement Company (Pty) Ltd (RF)	1,897,429.89	-
Beijing XinYuan Concrete Co., Ltd.	1,355,848.06	1,135,261.95
Jidong Cement Fufeng Transportation Co., Ltd.	750,462.39	1,283,422.39
OCV Reinforcements (Beijing) Co., Ltd.	286,355.25	267,305.25
Xianyang Jidong High-New Concrete Co., Ltd.	10,000.00	647,830.88
Fuxin Jidong Xianghe Concrete Co., Ltd.	2,000.00	-
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	-	16,649,655.47
Zehnder (China) Indoor Climate Co., Ltd.	-	14,174.35
	<b>97,740,019.96</b>	<b>91,905,434.99</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables from related parties *(continued)*

Bills receivable and accounts receivable	2018	2017
<b>Due from joint ventures</b>		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	15,947,810.75	13,235,647.86
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	14,910,537.56	17,707,659.30
Anshan Jidong Cement	6,376,605.60	10,824,268.86
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	2,717,914.44	40,000.00
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	285,142.59	-
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	-	9,837.50
STAR-USG Building Materials Co., Ltd.	-	800,000.00
	<b>40,238,010.94</b>	<b>42,617,413.52</b>
<b>Due to other related companies</b>		
Beijing Dacheng Real Estate Development Co., Ltd.	1,955,350.56	-
Beijing Longfengshan Enterprise Management Co., Ltd. (北京市龍鳳山企業經營管理有限公司)	149,098.29	2,795,241.54
	<b>2,104,448.85</b>	<b>2,795,241.54</b>
	<b>140,082,479.75</b>	<b>137,318,090.05</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### **X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)*

#### **6. Balances of receivables from related parties** *(continued)*

Prepayments	2018	2017
<b>Prepayments to an associate</b>		
Zehnder (China) Indoor Climate Co., Ltd.	1,265,495.52	2,573,018.09
Tianjin Yaopi Glass Co., Ltd.	386,711.84	–
Baogang Jidong Cement Co., Ltd.	143.10	–
	1,652,350.46	2,573,018.09
<b>Prepayments to joint ventures</b>		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	890,730.40	260.00
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	839,824.87	356,581.00
Anshan Jidong Cement	10,170.00	124,011.88
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	22,379.40	22,379.40
	1,763,104.67	503,232.28
<b>Prepayments to other related parties</b>		
Beijing Yiliste Environmental Protection Technology Co., Ltd. (北京市伊萊斯特環保科技有限責任公司)	800,000.00	–
Beijing Dacheng Real Estate Development Co., Ltd.	3,385.72	–
Beijing Xisha Assets Management Co., Ltd.	346,303.00	408,564.19
	1,149,688.72	408,564.19
	4,565,143.85	3,484,814.56

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 6. Balances of receivables from related parties (continued)

Other receivables	2018	2017
<b>Due from associates</b>		
Beijing Chenyu Real Estate Development Co., Ltd. (北京宸宇房地產開發有限公司)	<b>3,272,090,726.80</b>	–
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	<b>446,399,977.65</b>	411,368,593.38
Beijing XinYuan Concrete Co., Ltd.	<b>97,974,202.46</b>	100,073,596.04
Fuxin Jidong Xianghe Concrete Co., Ltd.	<b>84,298,723.45</b>	84,136,725.56
Baogang Jidong Cement Co., Ltd.	<b>60,077,262.64</b>	60,087,083.30
Changchun Light Rail Jidong Concrete Co., Ltd.	<b>7,228,483.45</b>	7,199,533.45
Tianjin Xingye Longxiang Construction Engineering Co., Ltd. (天津市興業龍祥建設工程有限公司)	<b>5,292,720.49</b>	–
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	<b>3,071,700.00</b>	3,071,700.00
Zehnder (China) Indoor Climate Co., Ltd.	<b>9,500.00</b>	9,500.00
OCV Reinforcements (Beijing) Co., Ltd.	<b>1,255.00</b>	–
Xianyang Jidong High-New Concrete Co., Ltd.	–	8,454,767.42
Tangshan Fengrun First Transportation Company	–	1,000,000.00
	<b>3,976,444,551.94</b>	675,401,499.15
<b>Due from joint ventures</b>		
STAR-USG Building Materials Co., Ltd.	<b>83,039,545.80</b>	105,564,831.69
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	<b>82,288.83</b>	82,288.83
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	<b>50,000.00</b>	–
	<b>83,171,834.63</b>	105,647,120.52

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables from related parties *(continued)*

Other receivables <i>(continued)</i>	2018	2017
<b>Due from other related parties</b>		
Beijing BBMG Assets Management Co., Ltd.	134,656,540.31	31,120,364.02
Beijing Guanghua Woodworking Factory Co., Ltd.	68,990,957.90	–
Beijing Longfengshan Enterprise Management Co., Ltd. (北京市龍鳳山企業經營管理有限公司)	4,607,123.33	–
BBMG Human Resources Management Co., Ltd.	225,293.82	–
Beijing Xisha Assets Management Co., Ltd.	100,000.00	–
BBMG Jianmao Property Management Center	80,610.62	–
Handan Hanni Building Materials Co., Ltd.	22,464.01	–
	<u>208,682,989.99</u>	<u>31,120,364.02</u>
	<u>4,268,299,376.56</u>	<u>812,168,983.69</u>
Long-term receivables	2018	2017
<b>Due from joint ventures</b>		
Cross Point Trading 274 (Pty) Ltd (RF)	190,821,671.38	197,947,984.00
Mamba Cement Company (Pty) Ltd (RF)	86,018,732.87	58,405,742.80
	<u>276,840,404.25</u>	<u>256,353,726.80</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables from related parties *(continued)*

Bills payable and accounts payable	2018	2017
<b>Due to associates</b>		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd. (天津市興業龍祥建設工程有限公司)	31,190,081.36	–
Baogang Jidong Cement Co., Ltd.	3,155,525.50	3,082,949.15
Zehnder (China) Indoor Climate Co., Ltd.	2,979,582.97	96,207.23
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	1,821,352.54	1,159,486.68
Beijing Sinobaide Technology Co., Ltd.	432,067.88	–
Jidong Cement Fufeng Transportation Co., Ltd	214,628.83	40,908.16
Tianjin Shengxiang Plastic Business Management Co., Ltd.	185,326.14	–
OCV Reinforcements (Beijing) Co., Ltd.	3,800.00	–
	<b>39,982,365.22</b>	<b>4,379,551.22</b>
<b>Due to joint ventures</b>		
Anshan Jidong Cement	8,595,981.56	1,000,000.00
STAR-USG Building Materials Co., Ltd.	2,110,244.02	748,656.41
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	418,849.37	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	–	4,110,467.79
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	–	709,781.15
	<b>11,125,074.95</b>	<b>6,568,905.35</b>
<b>Due to other related parties</b>		
Beijing Dacheng Real Estate Development Co., Ltd.	276,291.00	60,000.00
Beijing Jinyu Scien-tech School	–	18,200.00
Party School	–	12,500.00
	<b>276,291.00</b>	<b>90,700.00</b>
	<b>51,383,731.17</b>	<b>11,039,156.57</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables from related parties *(continued)*

Contract liabilities	2018	2017
<b>Associates</b>		
Beijing Gaoqiang Concrete Co., Ltd.	8,112,934.71	4,710.00
Mamba Cement Company (Pty) Ltd (RF)	2,520,496.48	–
Baogang Jidong Cement Co., Ltd.	36,761.24	–
OCV Reinforcements (Beijing) Co., Ltd.	5,400.00	2,520.00
	<b>10,675,592.43</b>	7,230.00
<b>Joint ventures</b>		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	642,763.10	–
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	327,480.00	88,500.00
Anshan Jidong Cement	14,650.00	30,000.00
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	–	112,972.26
	<b>984,893.10</b>	231,472.26
<b>Other related parties</b>		
Beijing Longfengshan Enterprise Management Co., Ltd. (北京市龍鳳山企業經營管理有限公司)	–	149,098.29
	<b>11,660,485.53</b>	387,800.55

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables from related parties *(continued)*

Other payables	2018	2017
<b>Due to associates</b>		
Tianjin Xingye Longxiang Engineering Co., Ltd.	88,834,066.82	–
Tianjin Shengxiang Plastic Business Management Co., Ltd.	6,328,467.95	–
Tianjin Xinling Environmental Protection Co., Ltd.	1,754,192.74	–
Tianjin Gangbei Concrete Co., Ltd.	1,400,000.00	–
Baogang Jidong Cement Co., Ltd.	630,000.00	630,000.00
OCV Reinforcements (Beijing) Co., Ltd.	159,200.00	159,200.00
Tianjin Yaopi Glass Co., Ltd.	25,007.52	–
Beijing Sinobaide Technology Co., Ltd.	12,738.42	–
Tangshan Conch Profiles Co., Ltd.	2,967.00	4,704.76
Beijing XinYuan Concrete Co., Ltd.	2,200.25	2,200.25
Xianyang Jidong High-New Concrete Co., Ltd.	282.12	282.12
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	–	527,000.00
	<b>99,149,122.82</b>	1,323,387.13
<b>Due to joint ventures</b>		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	22,456.58	37,890.47
STAR-USG Building Materials Co., Ltd.	19,436.46	19,436.46
Anshan Jidong Cement	–	39.00
	<b>41,893.04</b>	57,365.93
<b>Due to other related parties</b>		
Handan Hanni Building Materials Co., Ltd.	11,560,300.00	–
Beijing Xisha Assets Management Co., Ltd.	2,346,303.00	–
Beijing Dacheng Real Estate Development Co., Ltd.	1,200,000.00	–
Beijing BBMG Assets Management Co., Ltd.	252,794.56	–
Beijing Jinyu Scien-tech School	6,510.00	–
	<b>15,365,907.56</b>	–
	<b>114,556,923.42</b>	1,380,753.06



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables from related parties *(continued)*

Short-term loans	2018	2017
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	131,000,000.00
Beijing Dacheng Real Estate Development Co., Ltd.	250,000,000.00	–
BSCOMC	230,850,000.00	80,550,000.00
	<b>561,850,000.00</b>	<b>211,550,000.00</b>

Except for the balances of short-term loans and of due from STAR-USG Building Materials Co., Ltd. in other receivables, and of due from Cross Point Trading 274 (Pty) Ltd (RF) and 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.

### XI. CONTINGENCIES

	Notes	2018	2017
Provision of guarantee on housing mortgage to third parties	1	6,447,501,029.54	12,052,621,076.05
Provision of guarantee on loans and others to third parties	2	2,630,000,000.00	4,824,000,000.00
		<b>9,077,501,029.54</b>	<b>16,876,621,076.05</b>

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 2018, Jidong Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB1,020,000,000.00 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). The guarantee will expire on 21 May 2029. Tianjin Building Materials Group (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司), a subsidiary of the Group, provided guarantees on the borrowings of RMB390,000,000.00 for Tianjin Yishang Group Co., Ltd. (天津一商集團有限公司), the borrowings of RMB1,200,000,000.00 for Datong Coal Mine Group Co., Ltd. (大同煤礦集團有限責任公司), and borrowings of RMB20,000,000.00 for Tianjin Jianrun Steel Trading Co., Ltd. (天津建潤鋼鐵貿易有限公司). These guarantees will expire in October 2019, on 13 December 2019 and 12 March 2019, respectively.

Please refer to Note X. 5 for details of the guarantees provided to related parties by the Group.

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### XII. COMMITMENTS

	2018	2017
Contracted but not provided for		
Capital commitments	128,498,574.97	240,456,042.76
Property development contracts	<u>16,240,929,685.55</u>	<u>6,402,057,932.69</u>
	<u>16,369,428,260.52</u>	<u>6,642,513,975.45</u>

### XIII. EVENTS AFTER BALANCE SHEET DATE

According to relevant agreements entered into between Jidong Cement and BBMG Corporation, Jidong Cement would contribute the equity interests it held in five companies including Linli Jidong Cement Co., Ltd. and RMB2.482 billion in cash, and BBMG Group would contribute the equity interests it held in seven companies including Zanhuang BBMG Cement Co., Ltd. to the JV Company BBMG Jidong Cement (Tangshan) Co., Ltd., and Jidong Cement would additionally acquire the equity interests in seven companies including Zuoquan BBMG Cement Co., Ltd. from BBMG Group in cash at the consideration of RMB1.537 billion.

On 9 January 2019, the Company held the 17th meeting of the 8th session of the Board to consider and approve the restructuring plan of capital increase of the JV Company and other related proposals. On 29 January 2019, the 2019 first extraordinary meeting was convened, at which the resolutions in relation to the Transaction, including the "Resolution on the Proposal on the Significant Asset Acquisition and Joint Contribution in the JV Company by Tangshan Jidong Cement Co., Ltd. as well as Connected Transactions (《關於唐山冀東水泥股份有限公司重大資產購買及共同增資合資公司暨關聯交易方案的議案》)" were considered and passed, all of which approved the implementation of the Transaction. As at the date of financial statements, the transaction has been completed.

As considered and approved by the seventh meeting of the fifth session of the Board of Directors held on 28 March 2019, the Company intended to distribute a cash dividend of RMB0.055 (tax inclusive) per share, amounting to RMB587,277,412.37 in total, to all shareholders based on total share capital of 10,677,771,134 shares as at the end of 2018.

### 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:

	2018	2017
Within 1 year (inclusive of 1 year)	1,510,985,205.17	918,809,697.80
1 to 2 years (inclusive of 2 years)	905,941,158.42	592,538,424.84
2 to 3 years (inclusive of 3 years)	552,805,125.81	338,785,501.91
Over 3 years	<u>1,638,852,720.46</u>	<u>349,308,798.60</u>
	<u>4,608,584,209.86</u>	<u>2,199,442,423.15</u>

Please refer to Note V. 15 and 16 for details of investment properties and fixed assets leased under operating leases.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### **XIV. OTHER SIGNIFICANT MATTERS** *(continued)*

#### **1. Lease** *(continued)*

##### **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:

	2018	2017
Within 1 year (inclusive of 1 year)	<b>142,099,074.33</b>	88,068,180.04
1 to 2 years (inclusive of 2 years)	<b>106,630,562.28</b>	57,032,898.02
2 to 3 years (inclusive of 3 years)	<b>82,101,637.90</b>	52,859,340.92
Over 3 years	<b>452,057,815.00</b>	320,933,092.44
	<b>782,889,089.51</b>	518,893,511.42

#### **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 property development and sales;
- (4) the property investment and management segment invests in properties for their potential rental income 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 (continued)

For the year ended 31 December 2018  
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## XIV. OTHER SIGNIFICANT MATTERS (continued)

## 2. Segment reporting (continued)

2018

	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	36,954,168,073.35	20,272,619,855.61	22,240,207,534.48	3,649,737,628.71	-	-	83,116,733,092.15
Revenue from inter-segment transactions	3,042,450,289.19	919,540,791.53	-	281,082,702.55	-	(4,243,073,783.27)	-
	<u>39,996,618,362.54</u>	<u>21,192,160,647.14</u>	<u>22,240,207,534.48</u>	<u>3,930,820,331.26</u>	<u>-</u>	<u>(4,243,073,783.27)</u>	<u>83,116,733,092.15</u>
Gains/(losses) on investment in joint ventures and associates	280,753,752.70	35,906,985.03	(1,617,410.16)	56,388,908.35	-	-	371,432,235.92
Losses from impairment of assets	409,463,189.74	7,634,604.95	312,652,501.83	93,376,937.92	-	4,642,912.71	827,770,147.15
Credit impairment losses	307,572,518.64	108,659,261.56	6,863,302.57	(41,427,817.27)	-	(3,851,786.60)	377,815,478.90
Depreciation and amortisation	3,633,819,431.95	269,539,187.04	37,600,384.79	468,243,842.88	21,935,468.71	-	4,431,138,315.37
Total profits/(losses)	3,284,405,950.92	(181,155,121.22)	2,850,574,587.30	1,526,717,107.48	(1,214,132,202.81)	178,224,422.07	6,444,634,743.74
Income tax expense	1,317,638,292.69	55,077,491.30	711,370,008.09	338,100,662.02	(303,533,050.70)	44,556,105.52	2,163,209,508.92
Total assets	90,020,977,682.66	13,073,641,075.39	126,217,983,770.22	75,216,846,451.08	253,521,912.16	(36,506,879,192.38)	268,276,091,699.13
Total liabilities	56,687,010,497.90	7,840,255,519.75	107,713,680,246.23	37,821,504,149.35	18,356,392,308.19	(39,357,253,569.51)	189,061,589,151.91
Other disclosure							
Long-term equity investment in joint ventures and associates	1,842,554,554.51	732,387,452.93	27,874,424.85	433,940,577.56	-	-	3,036,757,009.85
Increase in other non-current assets (excluding long-term equity investments)	4,364,528,255.51	1,541,107,793.13	35,612,130.47	9,879,629,777.97	-	-	15,820,877,957.08

**Notes to Financial Statements** *(continued)*For the year ended 31 December 2018  
RMB**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	238,772,457.05	-	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 *(continued)*

For the year ended 31 December 2018  
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### 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. 48.

##### **Geographic information**

Operating revenue

	2018	2017
Asia	<b>82,901,774,716.23</b>	63,633,235,486.65
Europe	<b>72,367,340.49</b>	38,439,493.38
North America	<b>111,218,627.34</b>	3,677,722.20
Others	<b>31,372,408.09</b>	2,978,229.31
	<b>83,116,733,092.15</b>	63,678,330,931.54

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 2018 and 2017, none of the sales income arising from any single customer of the Group exceeds 10% of the Group's revenues

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### **XIV. OTHER SIGNIFICANT MATTERS** *(continued)*

#### **3. Supplemental information to the balance sheet**

	2018	2017
Net current assets (consolidated)		
Current assets	<b>169,157,938,225.06</b>	143,589,262,404.01
Less: Current liabilities	<b><u>129,202,330,397.51</u></b>	<u>110,434,361,271.08</u>
Net current assets	<b><u>39,955,607,827.55</u></b>	<u>33,154,901,132.93</u>
Total assets less current liabilities (consolidated)		
Total assets	<b>268,276,091,699.13</b>	232,207,482,091.70
Less: Current liabilities	<b><u>129,202,330,397.51</u></b>	<u>110,434,361,271.08</u>
Total assets less current liabilities	<b><u>139,073,761,301.62</u></b>	<u>121,773,120,820.62</u>
Net current assets (the Company)		
Current assets	<b>73,407,503,615.68</b>	62,692,084,532.23
Less: Current liabilities	<b><u>44,847,731,390.94</u></b>	<u>36,181,900,544.21</u>
Net current assets	<b><u>28,559,772,224.74</u></b>	<u>26,510,183,988.02</u>
Total assets less current liabilities (the Company)		
Total assets	<b>132,262,681,913.30</b>	109,392,097,314.28
Less: Current liabilities	<b><u>44,847,731,390.94</u></b>	<u>36,181,900,544.21</u>
Total assets less current liabilities	<b><u>87,414,950,522.36</u></b>	<u>73,210,196,770.07</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### XIV. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	2018	2017
Fees	641,670.00	650,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	1,817,263.42	1,045,379.08
Performance related bonuses	3,883,860.92	2,279,164.21
Pension scheme contributions	205,985.44	197,611.92
	<b>6,548,779.78</b>	<b>4,172,155.21</b>

#### (1) Independent non-executive directors

The fees paid to independent non-executive directors for the year are as follows:

	2018	2017
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
	<b>600,000.00</b>	<b>600,000.00</b>

No other remuneration was payable to independent non-executive directors for the year (2017: Nil).



**Notes to Financial Statements** *(continued)*For the year ended 31 December 2018  
RMB**XIV. OTHER SIGNIFICANT MATTERS** *(continued)***4. Directors' and Supervisors' Remuneration** *(continued)***(2) Executive directors, non-executive directors and supervisors**  
**2018**

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
Mr. Jiang Deyi*	–	213,033.33	618,033.33	23,289.12	854,355.78
Mr. Zeng Jin**	–	232,400.00	637,400.00	23,289.12	893,089.12
Mr. Wu Dong	–	185,920.00	547,444.00	23,289.12	756,653.12
Mr. Zheng Baojin	–	185,920.00	363,555.00	23,289.12	572,764.12
	–	<u>817,273.33</u>	<u>2,166,432.33</u>	<u>93,156.48</u>	<u>3,076,862.14</u>

\* Mr. Jiang Deyi is the Chairman and president of the Company;

\*\* Mr. Zeng Jin left his post in December 2018.

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Non-executive directors</b>					
Mr. Guo Yanming	–	185,920.00	516,174.00	23,289.12	725,383.12
Mr. Xue Chunlei	–	–	–	–	–
Mr. Yu Zhongfu*	–	–	–	–	–
	–	<u>185,920.00</u>	<u>516,174.00</u>	<u>23,289.12</u>	<u>725,383.12</u>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### XIV. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Directors' and Supervisors' Remuneration *(continued)*

##### (2) Executive directors, non-executive directors and supervisors *(continued)* 2018 *(continued)*

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Supervisors</b>					
Mr. Pei Ying	-	-	-	-	-
Mr. Wang Zhicheng	-	-	-	-	-
Mr. Yu Kaijun	41,670.00	-	-	-	41,670.00
Mr. Zhang Guoliang	-	191,870.09	289,600.00	15,193.44	496,663.53
Mr. Zhuang Zhenguo	-	192,900.00	279,600.00	23,289.12	495,789.12
Ms. Jiang Yu**	-	44,400.00	12,320.00	6,192.96	62,912.96
Ms. Song Lifeng***	-	44,200.00	12,320.00	6,414.40	62,934.40
Ms. Xu Feng****	-	-	-	-	-
Ms. Hu Juan****	-	175,000.00	337,174.59	19,224.96	531,399.55
Mr. Zhang Qicheng****	-	165,700.00	270,240.00	19,224.96	455,164.96
	<u>41,670.00</u>	<u>814,070.09</u>	<u>1,201,254.59</u>	<u>89,539.84</u>	<u>2,146,534.52</u>
	<u>41,670.00</u>	<u>1,817,263.42</u>	<u>3,883,860.92</u>	<u>205,985.44</u>	<u>5,948,779.78</u>

\* Mr. Yu Zhongfu left his post in October 2018.

\*\* Ms. Jiang Yu has served as a supervisor of the Company since August 2018.

\*\*\* Ms. Song Lifeng has served as a supervisor of the Company since August 2018.

\*\*\*\* Ms. Xu Feng, Ms. Hu Juan and Mr. Zhang Qicheng have left their post in October 2018.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### XIV. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Directors' and Supervisors' Remuneration *(continued)*

##### (2) *Executive directors, non-executive directors and supervisors (continued)*

2017

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
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 and president 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.

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Non-executive directors</b>					
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

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
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### XIV. OTHER SIGNIFICANT MATTERS (continued)

#### 4. Directors' and Supervisors' Remuneration (continued)

##### (2) Executive directors, non-executive directors and supervisors (continued) 2017 (continued)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Supervisors</b>					
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
	<u>50,000.00</u>	<u>680,176.32</u>	<u>1,610,148.17</u>	<u>118,723.68</u>	<u>2,459,048.17</u>
	<u>50,000.00</u>	<u>1,045,379.08</u>	<u>2,279,164.21</u>	<u>197,611.92</u>	<u>3,572,155.21</u>

\* 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 *(continued)*

For the year ended 31 December 2018  
RMB

### **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:

	2018	2017
Salaries, allowances and benefits in kind	1,537,200.00	2,506,503.75
Performance related bonuses	3,301,964.45	2,787,245.70
Pension scheme contributions	94,438.44	87,600.05
	<b>4,933,602.89</b>	<b>5,381,349.50</b>

The remuneration distribution of the non-director highest paid employees was as follows:

#### **Remuneration amount of employees**

	2018	2017
Hong Kong dollar 0 – 1,000,000	–	–
Hong Kong dollar 1,000,001 – 1,500,000	5	5
	<b>5</b>	<b>5</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Other receivables

	2018	2017
Interests receivable	2,685,808,925.09	1,106,889,669.23
Dividends receivable	255,727,024.99	1,582,172,059.85
Amounts due from subsidiaries	63,681,254,885.75	52,753,176,863.68
Due from joint ventures	81,315,040.00	104,188,940.00
Other current account	218,741,348.52	896,484,917.85
	<b>66,922,847,224.35</b>	56,442,912,450.61
Less: Provision for bad debts of other receivables	21,049,616.08	18,111,381.45
	<b>66,901,797,608.27</b>	56,424,801,069.16

An aging analysis of other receivables is as follows:

	2018	2017
Within 1 year (inclusive of 1 year)	23,787,735,640.48	54,209,810,528.70
1 to 2 years (inclusive of 2 years)	42,779,882,258.98	2,117,484,024.49
2 to 3 years (inclusive of 3 years)	262,559,741.32	50,998,001.96
3 to 4 years (inclusive of 4 years)	50,998,001.96	256,734.52
4 to 5 years (inclusive of 5 years)	256,734.52	26,945,892.47
Over 5 years	41,414,847.09	37,417,268.47
	<b>66,922,847,224.35</b>	56,442,912,450.61
Less: Provision for bad debts of other receivables	21,049,616.08	18,111,381.45
	<b>66,901,797,608.27</b>	56,424,801,069.16

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

*(continued)*

#### 1. Other receivables *(continued)*

The movements in provision for bad debts of other receivables based on lifetime expected credit losses are as follows:

	2018	2017
Balance of the previous year end	18,111,381.45	35,455,644.74
change in accounting policy	<u>8,733,796.64</u>	–
Opening balance	26,845,178.09	35,455,644.74
Reversal for the year	<u>5,795,562.01</u>	17,344,263.29
Closing balance	<u>21,049,616.08</u>	18,111,381.45

The movement in provision for bad debts of other receivables is as follows:

	2018			
	Balance of carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage of provision (%)
Subject to separate provision for bad debts	<u>66,915,087,888.65</u>	<u>99.99</u>	<u>13,290,280.38</u>	0.02
Provision for bad debts by credit risk characteristics group	<u>7,759,335.70</u>	<u>0.01</u>	<u>7,759,335.70</u>	100.00
	<u>66,922,847,224.35</u>	<u>100.00</u>	<u>21,049,616.08</u>	

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### 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			
	Balance of carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage of provision (%)
Individually significant and subject to separate provision for bad debts	30,379,950.00	0.05	9,113,985.00	30.00
Provision for bad debts by group:				
Within 1 year (inclusive of 1 year)	873,379,665.07	1.55	—	—
Special credit characteristics group	52,838,155,475.40	93.61	—	—
Individually not significant but subject to separate provision for bad debts	2,700,997,360.14	4.79	8,997,396.45	0.33
	<u>56,442,912,450.61</u>	<u>100.00</u>	<u>18,111,381.45</u>	

As at 31 December 2018, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	<u>33,656,640.00</u>	<u>9,113,985.00</u>	27.08	Partly uncollectible

As at 31 December 2017, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	<u>30,379,950.00</u>	<u>9,113,985.00</u>	30.00	Partly uncollectible



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

*(continued)*

#### 1. Other receivables *(continued)*

As at 31 December 2018, the top five of other receivables were as follows:

	Closing balance	Percentage of proportion	Nature	Aging of provision for bad debts	Closing balance
BBMG Jindian (Tianjin) Property Co., Ltd.	5,075,000,000.00	7.58	Amounts due from subsidiaries	1-2 years	-
Beijing BBMG Property Development Group Co., Ltd.	4,335,290,000.00	6.48	Amounts due from subsidiaries	Within 1 year 1-2 years	-
BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd.	3,907,100,000.00	5.84	Amounts due from subsidiaries	1-2 years	-
BBMG China Railway Noble (Hangzhou) Property Development Co., Ltd.	3,749,973,000.00	5.60	Amounts due from subsidiaries	1-2 years	-
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	3,700,000,000.00	5.53	Amounts due from subsidiaries	1-2 years	-
	<b>20,767,363,000.00</b>	<b>31.03</b>			

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

	Closing balance	Percentage of proportion	Nature	Aging of provision for bad debts	Closing balance
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 NewMetropolis Co., Ltd.	3,700,000,000.00	6.88	Amounts due from subsidiaries	Within 1 year	-
Beijing BBMG Property Development Group Co., Ltd.	3,551,550,000.00	6.61	Amounts due from subsidiaries	Within 1 year	-
	<b>22,316,593,000.00</b>	<b>41.51</b>			

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
RMB

### 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:

	2018	2017
Amounts due from subsidiaries	63,681,254,885.75	52,753,176,863.68
Amounts due from joint ventures	81,315,040.00	104,188,940.00
	<b>63,762,569,925.75</b>	<b>52,857,365,803.68</b>

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

2018

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
<b>Cost method:</b>							
Beijing Liushui Environmental Technology Co., Ltd.	690,005,052.96	690,005,052.96	-	690,005,052.96	100.00	100.00	90,725,062.35
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.	1,753,806,765.40	1,093,444,400.00	660,362,365.40	1,753,806,765.40	100.00	100.00	53,410,000.00
Hebei BBMG Dingxin Cement Co., Ltd.	1,471,400,000.00	1,471,400,000.00	(1,471,400,000.00)	-	79.36	79.36	-
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	146,353,632.45
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	-
Zhangjiakou Jinyu Cement Co., Ltd.	391,071,805.81	391,071,805.81	-	391,071,805.81	100.00	100.00	12,770,541.96
Tianjin Zhenxing Cement Co., Ltd.	422,950,236.38	422,950,236.38	-	422,950,236.38	62.00	62.00	-
Qiyang 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	-

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

*(continued)*

#### 2. Long-term equity investments *(continued)*

2018 *(continued)*

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
<b>Cost method: <i>(continued)</i></b>							
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	104,492,799.40
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	7,494,726.53
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	-

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
RMB

### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 2. Long-term equity investments (continued)

2018 (continued)

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
<b>Cost method: (continued)</b>							
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	649,305,960.36	-	649,305,960.36	97.00	97.00	1,273,777.78
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	-
BBMG New Building materials industrialization Group Co., Ltd. (北京 金隅新型建材產業化集團有限公司)	402,450,576.31	402,450,576.31	-	402,450,576.31	100.00	100.00	11,781,044.27
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	23,794,938.21
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100.00	100.00	3,922,388.08
Beijing Building Materials Academy Co., Ltd.	194,167,784.68	194,167,784.68	-	194,167,784.68	100.00	100.00	656,351.64
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	64,098,826.55	-	64,098,826.55	100.00	100.00	2,062,055.66
Beijing Jiandu Design and Research Institute Co., Ltd.	59,864,057.89	59,864,057.89	-	59,864,057.89	100.00	100.00	3,026,629.01
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 BBMG Business and Trading Co., Ltd.	660,000,000.00	660,000,000.00	-	660,000,000.00	100.00	100.00	19,057,252.59
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	703,557.14
BBMG GEM Real Estate Development Co., Ltd.	6,165,138,411.45	3,065,138,411.45	3,100,000,000.00	6,165,138,411.45	100.00	100.00	-
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	123,580,431.35	123,580,431.35	-	123,580,431.35	100.00	100.00	-
BBMG Property Management Co., Ltd.	99,264,530.92	99,264,530.92	-	99,264,530.92	100.00	100.00	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	370,680,361.57	370,680,361.57	-	370,680,361.57	100.00	100.00	-

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
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### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

*(continued)*

#### 2. Long-term equity investments *(continued)*

2018 *(continued)*

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
<b>Cost method: <i>(continued)</i></b>							
Beijing Jianji Assets Management Co., Ltd.	776,172,150.30	776,172,150.30	-	776,172,150.30	100.00	100.00	461,965,427.50
Beijing Jinhaiyan Assets Management Co., Ltd.	78,479,818.89	78,479,818.89	-	78,479,818.89	100.00	100.00	-
Beijing Jinhaiyan Property Management Co., Ltd.	14,333,292.75	14,333,292.75	-	14,333,292.75	100.00	100.00	-
BBMG Property Management Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100.00	100.00	9,862,396.16
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	473,509,857.53	-	473,509,857.53	100.00	100.00	-
BBMG Dacheng Property Development Co., Ltd.	2,994,735,641.87	2,994,735,641.87	-	2,994,735,641.87	100.00	100.00	7,084,041.42
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100.00	100.00	5,248,543.42
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	152,788,777.09	152,788,777.09	-	152,788,777.09	100.00	100.00	-
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100.00	100.00	25,884,482.68
BBMG Dacheng Property Management Co., Ltd.	16,198,711.92	16,198,711.92	-	16,198,711.92	100.00	100.00	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	-	815,331,413.51	100.00	100.00	170,000,000.00
BBMG Hong Kong Limited	288,057,387.91	288,057,387.91	-	288,057,387.91	100.00	100.00	4,229,078.47
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	513,676,100.00	513,676,100.00	-	513,676,100.00	100.00	100.00	-
BBMG Finance Co., Ltd.	3,000,000,000.00	3,000,000,000.00	-	3,000,000,000.00	100.00	100.00	203,966,324.81
BBMG Finance Lease Co., Ltd.	393,876,000.00	393,876,000.00	-	393,876,000.00	60.00	60.00	8,127,323.71
Krono (Beijing) Woods Co., Ltd.	287,445,693.34	287,445,693.34	-	287,445,693.34	100.00	100.00	-
Jidong Development Group Co., Ltd.	5,225,000,000.00	5,225,000,000.00	-	5,225,000,000.00	55.00	55.00	-
Beijing Doors and Windows Co., Ltd.	430,370,700.00	-	430,370,700.00	430,370,700.00	100.00	100.00	-
BBMG Sports Culture Co., Ltd.	25,359,900.00	-	25,359,900.00	25,359,900.00	66.67	66.67	-
Tangshan Jidong Cement Co., Ltd.	1,091,264,397.20	-	1,091,264,397.20	1,091,264,397.20	23.50	23.50	-
Tianjin Building Materials (Holding) Co., Ltd.	5,118,176,371.21	-	5,118,176,371.21	5,118,176,371.21	55.00	55.00	-
BBMG Jidong Cement (Tangshan) Co., Ltd.	5,163,578,287.95	-	5,163,578,287.95	5,163,578,287.95	55.82	55.82	423,810,000.00
Total under cost method	49,923,061,197.11	34,333,949,175.35	11,518,978,133.81	45,852,927,309.16			1,801,702,375.24

## Notes to Financial Statements (continued)

For the year ended 31 December 2018  
RMB

**XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS** (continued)

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

Equity method:  
2018

	Change for the year						Carrying amount 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	
<b>Joint ventures</b>							
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	15,938,256.81	-	15,081,074.78	-	-	-	31,019,331.59
<b>Associates</b>							
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	95,352,921.83	-	5,817,725.51	-	-	-	101,170,647.34
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科學複合材料(北京)有限公司)	59,574,366.74	-	4,851,605.41	-	-	-	64,425,972.15
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限公司)	23,774,703.48	-	(346,426.39)	-	(485,500.00)	-	22,942,777.09

**Notes to Financial Statements** *(continued)*For the year ended 31 December 2018  
RMB**XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS** *(continued)***2. Long-term equity investments** *(continued)*Equity method: *(continued)***2018** *(continued)*

	Change for the year						Carrying amount 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	
<b>Associates</b> <i>(continued)</i>							
Tangshan Conch Profiles Co., Ltd. (唐山海螺型材有限责任公司)	192,228,874.07	-	(463,425.09)	-	(2,400,000.00)	-	189,365,448.98
Toto Machinery (Beijing) Company Limited (東陶機器(北京)有限公司)	-	158,839,800.00	2,453,428.09	-	-	-	161,293,228.09
Beijing Toto Co., Ltd. (北京東陶有限公司)	-	140,850,000.00	5,740,536.67	-	-	-	146,590,536.67
Subtotal for associates	370,930,866.12	299,689,800.00	18,053,444.20	-	(2,885,500.00)	-	685,788,610.32
Total under equity method	386,869,122.93	299,689,800.00	33,134,518.98	-	(2,885,500.00)	-	716,807,941.91

\* The Company directly holds 49% and indirectly holds through BBMG Jidong Cement (Tangshan) Co., Ltd. 30.36% equity interests in Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

*(continued)*

#### 3. Investment properties

Measured subsequently through fair value model:

2018	Buildings
Opening balance	10,164,795,183.02
Changes in fair value	<u>322,930,409.85</u>
Closing balance	<u>10,487,725,592.87</u>
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>

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 2018 and 31 December 2017, there was no investment property for which the procedures for obtaining title certificates were incomplete.



## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

*(continued)*

#### 4. Operating revenue and cost

Information by products is as follows:

	2018		2017	
	Revenue	Cost	Revenue	Cost
Rental income	1,004,106,089.78	77,845,297.90	944,752,413.28	82,881,213.23
Others	6,934,525.26	–	4,113,343.80	–
	<b>1,011,040,615.04</b>	<b>77,845,297.90</b>	<b>948,865,757.08</b>	<b>82,881,213.23</b>

#### 5. Investment gains

	2018	2017
Gains from long-term equity investments under cost method	1,801,702,375.24	753,279,400.70
Gains from long-term equity investments under equity method	33,134,518.98	(7,981,402.21)
	<b>1,834,836,894.22</b>	<b>745,297,998.49</b>

#### 6. Notes to items of statement of cash flows

	2018	2017
Cash received from other operating activities		
Cash received from superior units	25,850,000,000.00	21,026,500,000.00
Cash received from internal borrowings among subsidiaries	38,515,425,980.03	46,257,696,915.71
Interest income	25,543,480.58	98,786,186.55
	<b>64,390,969,460.61</b>	<b>67,382,983,102.26</b>
Cash paid for other operating activities		
Cash paid to subordinate units	25,850,000,000.00	21,226,792,159.40
Current accounts of subsidiaries	50,974,136,213.28	61,579,492,539.66
Expenses of the headquarters	405,106,701.21	919,037,202.17
	<b>77,229,242,914.49</b>	<b>83,725,321,901.23</b>

## Notes to Financial Statements *(continued)*

For the year ended 31 December 2018  
RMB

### 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:

	2018	2017
Net profit	1,694,150,298.93	911,523,218.37
Add: Losses from impairment of assets	(5,671,315.87)	4,136,519.52
Depreciation of fixed assets	70,803,956.99	104,645,531.00
Amortisation of intangible assets	14,186,385.01	13,685,246.25
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	39,602,527.20	(9,882.71)
Losses on retirement of fixed assets	991.07	-
Gains from changes in fair value	(322,930,409.85)	(268,870,887.26)
Finance costs	3,518,188,434.39	2,661,594,850.44
Investment gains	(1,834,836,894.22)	(745,297,998.49)
Increase in deferred tax assets	(95,494,854.04)	(12,573,372.27)
Increase in deferred tax liabilities	80,732,602.46	67,217,721.83
Increase in operating receivables	(11,811,610,119.26)	(20,897,034,631.61)
(Decrease)/increase in operating payables	(3,331,594,807.06)	2,648,187,781.56
Net cash flows used in operating activities	<u>(11,984,473,204.25)</u>	<u>(15,512,795,903.37)</u>

##### (2) Cash and cash equivalents

	2018	2017
Cash	6,440,358,384.99	6,209,927,405.16
Including: Bank deposits on demand	<u>6,440,358,384.99</u>	<u>6,209,927,405.16</u>
Closing balance of cash and cash equivalents	<u>6,440,358,384.99</u>	<u>6,209,927,405.16</u>

## Supplementary Information

For the year ended 31 December 2018

### 1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS

	2018
Loss from disposal of non-current assets	(144,306,669.42)
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)	170,914,224.69
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:	
Profit and loss from debt restructuring	17,671,546.48
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	59,738,926.44
Reversal of provisions for impairment of receivables that are individually tested for impairment	60,100,804.79
Profit and loss from fair value change of investment properties measured subsequently through fair value model	508,933,619.95
Investment gains from disposal of subsidiaries, associates and joint ventures	88,513,125.88
Other non-operating income and expenses other than the above items	(69,722,425.72)
<b>Total non-recurring profit and loss</b>	<b>691,843,153.09</b>
Less: Impact of income tax	125,590,911.18
Less: Impact of minority interests	209,147,116.56
	<b>357,105,125.35</b>

Note 1: 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:

	2018	Reason for being recognised as recurring profit or loss
Refunds of VAT	595,274,443.74	Related to operations
Grants for heat supply	3,187,959.04	Related to operations

Note 2: The main businesses of BBMG Finance Co., Ltd. are to handling financial business, financing consulting business, etc. The investment gains obtained during the holding period of the financial assets held for trading in normal business operation and the financial assets measured at amortized cost (Note V. 57) are not disclosed as non-recurring profits and losses.

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 *(continued)*

For the year ended 31 December 2018

### 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2018

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Including other equity instrument indicators			
Net profit attributable to ordinary shareholders of the Company	6.06	0.31	0.31
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.40	0.27	0.27
Excluding other equity instrument indicators			
Net profit attributable to ordinary shareholders of the Company	6.27	0.25	0.25
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.42	0.21	0.21

2017

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Including other equity instrument indicators:			
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
Excluding other equity instrument indicators:			
Net profit attributable to ordinary shareholders of the Company	6.17	0.23	0.23
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	3.87	0.15	0.15

The Company did not have potentially dilutive ordinary shares.

In calculating the weighted average return on net assets and earnings per share excluding other equity instruments, the Company has excluded declared and undeclared dividends of perpetual bonds.

## 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

	<b>2018</b>	2017	2016	2015	2014
	<b>RMB'000</b>	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING REVENUE	<b>83,116,733</b>	63,678,331	47,738,773	40,925,341	41,241,474
NET PROFIT	<b>4,281,425</b>	2,950,349	2,690,348	1,951,068	2,708,973
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	<b>3,260,449</b>	2,836,665	2,686,654	2,017,454	2,422,722
DIVIDEND	<b>587,277</b>	512,533	491,177	160,167	239,232
DIVIDEND PER SHARE (Note)	<b>RMB0.055</b>	RMB0.048	RMB0.046	RMB0.015	RMB0.025
BASIC EARNINGS PER SHARE (Note)	<b>RMB0.31</b>	RMB0.027	RMB0.25	RMB0.20	RMB0.26

### ASSETS, LIABILITIES AND MINORITY INTERESTS

	<b>2018</b>	2017	2016	2015	2014
	<b>RMB'000</b>	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS	<b>99,118,153</b>	88,618,220	88,918,392	41,411,072	40,666,165
CURRENT ASSETS	<b>169,157,938</b>	143,589,262	119,478,725	89,335,633	75,018,806
TOTAL ASSETS	<b>268,276,092</b>	232,207,482	209,397,117	130,746,704	115,684,971
CURRENT LIABILITIES	<b>129,202,330</b>	110,434,361	94,964,190	65,186,574	59,513,656
NON-CURRENT LIABILITIES	<b>59,859,259</b>	51,855,311	50,523,416	23,378,256	19,923,927
TOTAL LIABILITIES	<b>189,061,589</b>	162,289,672	145,487,606	88,564,830	79,437,583
MINORITY INTERESTS	<b>21,549,031</b>	18,754,962	18,709,022	4,098,901	5,140,120
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	<b>57,665,471</b>	51,162,848	44,200,489	38,082,973	31,107,268

Note: The dividend per share and basic earnings per share for 2014 and 2015 have been adjusted for the bonus issue in 2016.

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