



北京金隅集團股份有限公司
BBMG CORPORATION*

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



*ANNUAL
REPORT*

BBMG



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FINANCIAL HIGHLIGHTS

	2020	2019	Change	
Operating revenue (RMB'000)	108,004,884	91,829,311	16,175,573	17.6%
Gross profit margin from principal business (%)	19.8	26.5		Decreased by 6.7 percentage points
Net profit attributable to the shareholders of the parent company (RMB'000)	2,843,773	3,693,583	-849,810	-23.0%
Core net profit attributable to the shareholders of the parent company (excluding the net gains after tax on fair value on investment property) (after tax) (RMB'000)	2,449,535	3,146,045	-696,510	-22.1%
Basic EPS (RMB)	0.27	0.35	-0.08	-22.9%
Final dividend per share (RMB)	0.06	0.12	-0.06	-50.0%
Cash and bank balances (RMB'000)	28,643,886	21,325,043	7,318,843	34.3%
Total assets (RMB'000)	291,352,383	282,123,756	9,228,627	3.3%
Equity attributable to the shareholders of the parent company (RMB'000)	63,375,937	61,131,200	2,244,737	3.7%
Net profit margin (%)	4.77	5.64		Decreased by 0.87 percentage point
Return on total assets (%)	0.98	1.31		Decreased by 0.33 percentage point
Total debt to equity ratio (%)	67.6	70.7		Decreased by 3.1 percentage points

CORPORATE INFORMATION

Chinese name of the Company	北京金隅集團股份有限公司
English name of the Company	BBMG Corporation*
Headquarters	Tower D, Global Trade Center No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Registered office and principal place of business in the PRC	No. 36, North Third Ring East Road Dongcheng District, Beijing, the PRC
Principal place of business in Hong Kong	Room 405, Kai Wong Commercial Building, 222 Queen's Road Central, Hong Kong
Website of the Company	www.bbm.com.cn/listco
Legal representative	Zeng Jin
The Board of Directors	
<i>Executive Directors</i>	Zeng Jin (<i>Chairman</i>) Jiang Yingwu (<i>appointed on 19 January 2021</i>) Wu Dong Zheng Baojin
<i>Non-executive Directors</i>	Wang Zhaojia Xue Chunlei
<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*

Guo Yanming (*Chairman*)
Yu Kaijun
Zhang Guoliang
Gao Jinliang
Jiang Yu
Zhang Qicheng

Committees*Audit Committee*

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

*Remuneration and**Nomination Committee*

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

Strategic Committee

Zeng Jin (*Chairman*)
Jiang Yingwu (*appointed on 19 January 2021*)
Zheng Baojin
Wang Guangjin
Tian Lihui
Tang Jun
Ngai Wai Fung

Authorised Representatives

Zeng Jin
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
Bank of China Limited

Independent Auditor

Ernst & Young Hua Ming LLP
Certified Public Accountants

Legal Advisers

Withers
As to Hong Kong law

Sino-Integrity 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 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, 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 60.0 million cubic meters while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 39.0 million tonnes and approximately 0.24 million tonnes respectively. Its annual capacity for disposal of hazardous

CORPORATE PROFILE



wastes and solid wastes was nearly 2.8 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, has had a total of 4,400 million tonnes of limestone reserve across China and has had a total of about 1,700 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 Beijing-Tianjin and Hebei region. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, building materials commerce and trading and whole industry chain including prefabricated building system and parts, decoration and other building materials. In respect of the modern building materials industry, under the lead of science and technology innovation, and based on the BBMG's technology system for intelligent housing, an industry chain system centering upon "the prefabricated construction, transformation of old urban communities, construction of new country and passive house" was initially established in 2020. The Company's modern building materials products and construction and installation services were widely used in the construction of key hotspot projects in the Beijing-Tianjin- Hebei region, such as the sub-town centre and supporting facilities in Beijing, Xiong'an New District, the Winter Olympic Stadium, Universal Studios Beijing and epidemic-combating hospitals, which fully demonstrated the advantages of BBMG's modern building materials business in brand, quality and industrial chain and enhancing systematic application and coordinated marketing of its products. The Company improved the network configuration and asset layout of the supply chain of the commerce and logistics industry, and continuously enhanced the international trading and building materials and commerce and logistics business with the risks under control.

CORPORATE PROFILE

3. Property development segment

The Company has committed to property development and construction for over 30 years with a comprehensive development strength covering property projects of multiple categories. It has received various honors such as Top 100 China Real Estate Enterprises for consecutive years and has obtained AAA credit rating. It has great influence and brand awareness across the industry. The Company developed more than 130 property projects with a total gross floor area of approximately 30.0 million sq.m. and a total asset amount of RMB140 billion. The overall strength with an area under construction reached over 8 million sq.m. during the year. The annual sales revenue was RMB50 billion. As of the end of 2020, the Company has made its presence in 15 cities including Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, Nanjing, Chengdu, Hefei, Qingdao and Tangshan and Haikou, developing a nationwide business presence “from Beijing to three major economic rims, namely Beijing-Tianjin-Hebei region, Yangtze River Delta and Chengdu-Chongqing region”. 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 actively researches and explores urban renovation. The Company has successfully established its presence in various sectors such as industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.

4. Property investment and management segment

The Company is one of the largest investors and managers of investment properties in Beijing with the most diversified businesses, holding approximately 1.78 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which approximately 1.01 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.8 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin. Its professional capabilities, brand awareness, occupancy rate and revenue have led the industry in Beijing even the country for years.

The H shares of BBMG were 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

Mr. Zeng Jin, born in February 1970, has been an executive director and a chairman of the Board of Directors (the “**Board**”) of the Company since 21 August 2020. He has been serving as the party secretary of the Company since July 2020. Zeng Jin had also served as the executive director of the Company from 15 August 2017 to 26 December 2018 and had served as the general manager of the Company from 5 August 2016 to 26 December 2018. Zeng Jin has been serving as the party secretary of the Company since July 2020. He joined Beijing North Star Industrial Group Company Limited in September 1992 and served as the deputy party secretary of Beijing North Star Industrial Group Company Limited and 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, respectively). He had been the executive director of Beijing North Star Company Limited 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 Corporation during the period from June 2016 to 26 December 2018. During the period from November 2018 to June 2019, Zeng Jin has been the Deputy Secretary General of the Beijing Municipal Government. During the period from June 2019 to July 2020, Zeng Jin served as the deputy secretary of District Committee of Haidian District of Beijing Municipality of the CPC and the secretary of the Party Group of Haidian District People’s Government of Beijing Municipality, and successively served as the Deputy Head, Acting Head and Head of Haidian District People’s Government of Beijing Municipality during the relevant period, and was also the deputy secretary of the Zhongguancun Science City Working Committee of Beijing Municipal Committee of the CPC and the Director of the Zhongguancun Science City Management Committee from January 2020 to July 2020. Mr. Zeng Jin graduated from the Department of Civil Engineering of Southeast University in 1992 and received a master’s degree in Business Administration from Tsinghua University in 1999 and later graduated from Renmin University of China with a doctoral degree in Management in 2010. Zeng Jin is a senior engineer and senior economist. Zeng Jin has extensive experience in real estate development and management.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Jiang Yingwu, born in October 1966, is the executive director, president and deputy secretary of the communist party committee of the Company. He has served as the president and the deputy secretary of the communist party committee of the Company since December 2020, and has served as the executive director of the Company since 19 January 2021. Jiang Yingwu had been the vice president of the Company from October 2016 to December 2020 and a standing member of the party committee of the Company from June 2017 to December 2020. Jiang Yingwu, who holds the title of senior economist and 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) in August 1989. 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 BBMG Group Company Limited, the head of the general office of the Building Materials Industry Association (建材行業協會), and the head of the strategic development department, the manager of the policy research office and the head of the organization department of the party committee of the Company.

Wu Dong, born in August 1968, is the executive director and deputy secretary of the communist party committee of the Company. He has been an executive director of the Company since 27 November 2015 and has been the deputy secretary of the communist party committee of the Company and the BBMG Assets Management Co., Ltd. ("**BBMG Assets**", formerly known as BBMG Group Company Limited) since July 2012. He was the assistant to the secretary of the communist party committee of BBMG Assets from June 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, is the executive director and secretary of the Board of the Company. He 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 director of the Board Office of the Company from October 2009 to January 2016. He had been the director of 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

Wang Zhaojia, born in September 1963, has been appointed as a non-executive director of the Company since 21 August 2020 and has been the deputy general manager of the Company since October 2012. From September 1984 to October 2009, Wang Zhaojia served successively as vice president, executive vice president, deputy secretary to the party committee and president of Beijing Building Materials Research Institute (北京市建築材料科學研究院); deputy director and director of the technology center of Beijing Building Materials Group Co., Ltd. (北京建築材料集團有限責任公司); deputy general manager of Beijing CEM-FIL Glass Fiber Co., Ltd. (北京賽姆菲爾玻璃纖維有限公司); deputy general manager and president of Beijing Saint-Gobain Fiberglass Co., Ltd. (北京聖戈班玻璃纖維有限公司); president of Owens Corning Compound Materials (Beijing) Co., Ltd. (歐文斯科寧(北京)複合材料有限公司); president of Beijing Namei Technology Development Co., Ltd. (北京市納美科技發展有限公司); deputy general engineer of BBMG Corporation and director of the technology center of the Company. Wang Zhaojia served as the vice president of the Company from October 2009 to July 2012. Meanwhile, he has served as the secretary to the party committee and executive director of Beijing Building Materials Academy Co., Ltd. (北京建築材料科學研究總院有限公司) since August 2018. Wang Zhaojia graduated from Wuhan University majoring in political economy in 2011. He is a doctorate degree graduate and a professorate senior engineer.

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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wang Guangjin, born in April 1960, has been an independent non-executive director of the Company since 22 May 2014. 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.

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 practising 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 fellow of British Academy, a visiting professor in the University of Michigan and National University of Singapore and a chair professor of Finance in Xiamen University. He had also been a member of The American Academy of Financial Management, a business columnist of The Korea Herald and editorial board member of several academic journals. He has provided financial advice to relevant ministries and commissions of the state for many times.

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 Professional Committee on the Study of News and Public Opinion Supervision of China Behaviour Law Association (中國行為法學會新聞輿論監督研究專業委員會), 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), director of the Chinese Public Administration Society (中國行政管理學會), special researcher of the Fire and Rescue Department Ministry of the Emergency Management (應急管理部消防救援局), and a consultant of www.cpd.com.cn (中國警察網). Tang Jun holds a Doctor of Management degree.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Ngai Wai Fung, born in January 1962, was appointed as an independent non-executive Director of the Company on 27 November 2015. He is the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 30 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and risk management, regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Dr. Ngai Wai Fung had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is a member of the General Committee of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC since 2016. He was the President of the Hong Kong Institute of Chartered Secretaries (2014-2015), an unofficial member of the Working Group on Professional Services under the Economic Development Commission of Hong Kong Special Administrative Region (2013-2018) and a member of the Qualification and Examinations Board of the Hong Kong Institute of Certified Public Accountants (2013-2018). Dr. Ngai Wai Fung is currently an independent non-executive director of Bosideng International Holdings Limited (Stock Code: 3998.HK), Powerlong Real Estate Holdings Limited (Stock Code: 1238.HK), BaWang International (Group) Holding Limited (Stock Code: 1338.HK), Beijing Capital Grand Limited (Stock Code: 1329.HK), TravelSky Technology Limited (Stock Code: 696.HK) and China Communications Construction Company Limited (Stock Code: 1800.HK) and also the independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd. Apart from LDK Solar Co., Ltd. and SPI Energy Co., Ltd., which are now listed on the OTC Pink Limited Information and Nasdaq respectively, all of the companies mentioned above are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Dr. Ngai Wai Fung was the independent non-executive director of China Coal Energy Company Limited (Stock Code: 1898.HK) from December 2010 to June 2017, China Railway Group Limited (Stock Code: 390.HK) from June 2014 to June 2017, Renco Holdings Group Limited (Stock Code: 2323.HK) from March 2016 to April 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company (Stock Code: 6869.HK) from September 2014 to January 2020, Health and Happiness (H&H) International Holdings Limited (Stock Code: 1112.HK) from July 2010 to May 2020, and SITC International Holdings Company Limited (Stock Code: 1308.HK) from September 2010 to October 2020.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Ngai Wai Fung is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and a member of the Chartered Institute of Arbitrators. Dr. Ngai Wai Fung received a doctoral degree in Finance from Shanghai University of Finance and Economics, a master's degree in Corporate Finance from the Hong Kong Polytechnic University, a bachelor honor degree in Laws from University of Wolverhampton in the United Kingdom and a master's degree in Business Administration from Andrews University of Michigan in the United States.

Supervisors

Guo Yanming, born in January 1962, has been appointed as a supervisor and a chairman of the Supervisory Board of the Company since 20 August 2020. He has served as the non-executive director of the Company from 27 June 2017 to 20 August 2020. 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. Currently, Guo Yanming is a supervisor of China National Building Material Company Limited (listed on the Main Board of the Stock Exchange; stock code: 03323). Guo Yanming had served as the vice general manager 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 Corporation. In August 1985, Guo Yanming graduated from Beijing Economics College (currently known as Capital University of Economics and Business), where he majored in industrial enterprise administration. Mr. Guo Yanming is a senior economist.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yu Kaijun, born in April 1963, has been appointed as 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. Yu Kaijun has served as the secretary to the board and vice president of China National Building Material Company Limited (中國建材股份有限公司) since June 2018 and May 2018, respectively. Yu Kaijun served as the chief financial officer of China National Materials Company Limited from July 2010 to May 2018. 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 served as a supervisor of Ningxia Building Materials Group Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 600449) and Xinjiang Tianshan Cement Co., Ltd. (listed on the Shenzhen Stock Exchange; stock code: 000877) from December 2011 to April 2015.

Zhang Guoliang, born in January 1963, has been appointed as a supervisor of the Company since 27 June 2017. From December 1981 to December 2016, Zhang Guoliang served successively as a librarian at the education department and staff teacher of Hebei Handan Cement Plant (河北省邯鄲水泥廠), an officer at the labour personnel office of Hebei Taihang Group (河北太行集團), assistant to the chairman and vice chairman of the labour union of Hebei Taihang Huaxin Company (河北太行華信公司), the head of the general affairs department of Handan manager department and head of the general affairs department of Handan branch of Hebei Taihang Cement Co., Ltd. (河北太行水泥股份有限公司), the deputy manager and acting manager of Handan Hanni Building Materials Co., Ltd. (邯鄲邯泥建材有限公司) and the deputy manager, chairman of the labour union, secretary to the disciplinary committee, and deputy secretary to the party committee of Handan BBMG Taihang Cement Co., Ltd. (邯鄲金隅太行水泥有限公司), and secretary to the party committee and secretary to the disciplinary committee of Handan Shexian BBMG Taihang Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司). Zhang Guoliang served as the deputy secretary to the disciplinary committee of the Company from December 2016 to November 2020 and the director of the discipline inspection and supervision office of the Company from December 2016 to December 2019. Zhang Guoliang has been serving as the director of the party committee inspection office of the Company since November 2020. Zhang Guoliang graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China in December 1999. Zhang Guoliang is a senior economist in China.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Gao Jinliang, born in March 1977, has been appointed as a supervisor of the Company since 26 November 2020. Gao Jinliang has been the vice chairman of the labor union of the Company since October 2020 and has been the head of the Labour Union Affairs Department of the Company since December 2020. He worked in Beijing Woodworking Factory since August 2001. Gao Jinliang served successively as the business manager of sales department of decoration materials branch of Beijing Woodworking Factory and an officer of Youth League Committee, an officer of CPC Organization Department and the assistant minister of BBMG Corporation. Gao Jinliang served as the vice chairman of the labor union of the Company from February 2008 to July 2018, the deputy party secretary of Tangshan Branch of BBMG Jidong Cement (Tangshan) Co., Ltd. from July 2018 to October 2020, and the secretary of the discipline inspection committee and chairman of the labor union of Tangshan Branch of BBMG Jidong Cement (Tangshan) Co., Ltd. from July 2018 to October 2019, and a supervisor of Jidong Cement Fengrun Co., Ltd. from December 2018 to October 2019. Gao Jinliang obtained a master's degree in business administration from University of Chinese Academy of Sciences in July 2010. Gao Jinliang is a senior political engineer.

Ms. Jiang Yu, born in February 1977, has been appointed as a 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.

Zhang Qicheng, born in June 1966, has been appointed as a supervisor of the Supervisory Board of the Company since 20 August 2020. He has also served as the supervisor of the Company from 27 June 2017 to 16 October 2018. Zhang Qicheng has been the head of the audit department of the Company since November 2015. Zhang Qicheng has 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. He has been severing as the chairman of the Supervisory Board of BBMG Jidong Cement (Tangshan) Co., Ltd. since May 2018, and the director of the Office of Inspection of the party committee of the Company since December 2019. Mr. 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

Zhuang Zhenguo, born in July 1963, has been a supervisor of the Company from 27 June 2017 to 26 November 2020. Zhuang Zhenguo has been the First Vice Chairman of the labor union (at the director level) of the Company 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.

Senior Management

Ms. Li Li, born in May 1968, has served as the deputy general manager of the Company since November 2019. Ms. Li Li holds a university degree and a master's degree in accounting. Ms. Li Li also graduated from Beijing Federation of Trade Unions Workers University (北京市總工會職工大學) majoring in environmental engineering, from the Institute of Fiscal Science of the Ministry of Finance (財政部財政科學研究所) majoring in accounting, and from Guanghua School of Management of Peking University majoring in executive master of business administration. She is a senior accountant. From 1990 to 1997, Ms. Li Li served successively as a technician, a staff member of the engineering department, the chief of the finance unit of the sixth project department, and a staff member of the finance department of Hydropower Branch of Beijing Fifth Urban Construction Engineering Company (北京市第五城市建設工程公司水電分公司). From 1997 to 2011, she served successively as a staff member of the listed company preparatory committee of Beijing Urban Construction Group (北京城建集團上市公司籌備委員會), a member of the planning and finance department of Beijing Urban Construction Co., Ltd., and a staff member of the Planning and Finance Department, deputy manager, manager of the Financial Department, manager of the Financial Department, and chief accountant of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司). Ms. Li Li served as the chief financial officer and deputy general manager of Beijing Urban Construction Group Co., Ltd. from 2011 to 2019.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Jiang Changlu, born in May 1965, has been a deputy general manager and standing member of the party committee of the Company since June 2017 and has served as the secretary of the communist party committee and chairman of Jidong Cement from October 2016 to January 2020. Jiang Changlu 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. Jiang Changlu 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.

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**") from October 2016 to April 2020. Liu Wenyan served as executive director and chairman of Tangshan Jidong Equipment and Engineering Co., Ltd. (唐山冀東裝備工程股份有限公司) from April to August 2018, and has served 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) from August 2018 to May 2020 (served as general manager till March 2019). Liu Wenyan has 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 an engineer.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

An Zhiqiang, born in November 1965. An Zhiqiang 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 May 2016. An Zhiqiang has served as the secretary of the communist party committee and the vice chairman of Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司) since June 2018 (served as chairman since March 2019). An Zhiqiang 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. An Zhiqiang 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 Bosha 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 Dengfeng, born in September 1971, has served as the general counsel of the Company from June 2017 to February 2021. 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' General Office from June 2009 to October 2020. Zhang Dengfeng has served as the secretary of the party committee and assistant to general manager of the Company since October and December 2020 respectively, and has served as the head of the Department of General Affairs of the Company since February 2021. Zhang Dengfeng graduated from the School of Public Administration of Renmin University of China with a master' degree in management in July 2008. Zhang Dengfeng is a senior economist.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Hu Juan, born in February 1972, 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. Hu Juan has served as the chairman of BBMG Finance Lease Co., Ltd. from January 2018 to February 2020. Since January 2019, Ms. Hu Juan has been appointed as assistant to the president of the Company 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.

Kong Qinghui, born in January 1971. Kong Qinghui began working in July 1995 after graduating from Accounting Major of Chongqing University of Technology. He graduated from Chongqing University with a master degree in engineering and an assistant accountant and an assistant accountant. From 1995 to October 2017, he served as the general manager assistant and vice general manager of Baby-Joy Group in Yantai, vice general manager of Logistics Headquarters of Tangshan Jidong Cement Co., Ltd., vice general manager of marketing headquarters, vice general manager of Tangshan Jidong Cement Co., Ltd., in Sichuan-Chongqing Region, vice general manager and general manager in Shaanxi Region, vice chairman and general manager of Jidong Heidelberg (Jingyang) Cement Co., Ltd., vice chairman of Jidong Heidelberg (Fufeng) Cement Co., Ltd. From October 2017 to April 2018, Kong Qinghui acted as the vice general manager of Tangshan Jidong Cement Co., Ltd.; since May 2018, he has acted as the director of Tangshan Jidong Cement Co., Ltd. and from April 2018 to January 2020, he acted as the general manager of Tangshan Jidong Cement Co., Ltd. From July 2018 to October 2019, Kong Qinghui acted as the deputy secretary of the communist party committee of Tangshan Jidong Cement Co., Ltd. Since October 2019, he acted as the secretary of the communist party committee of Tangshan Jidong Cement Co., Ltd. From January 2020 till now, he acted as the general manager assistant of the Company and chairman of Tangshan Jidong Cement Co., Ltd.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Xu Chuanhui, born in August 1972. He began working in August 1995 after graduating from major of management information systems at Tianjin University of Commerce and business administration of Tsinghua University. He got the degree of MBA and became an engineer. From August 1995 to August 2018, he acted as the cadre and manager assistant of Co-ordination Planning Department of Beijing Building Materials Group, deputy manager of BBMG Property Management Co., Ltd., general manager of Beijing Jinhuyuan Property Management Co., Ltd., deputy manager of Beijing Gaoling Real Estate Development Co., Ltd. (Tengda Plaza), manager of Global Trade Branch of BBMG Property Management Co., Ltd., secretary of Real Estate and Property Division of the Company, general Party branch secretary of BBMG Real Estate Management Co., Ltd., manager and executive director of BBMG Hong Kong Limited, manager and executive director of BBMG Hongye Eco-Island Technology Co., Ltd., chairman of BBMG Qidi Technology Incubator Co., Ltd., executive director of BBMG Business Management Co., Ltd., and executive director of BBMG Aerated concrete Co., Ltd. Since August 2018, Xu Chuanhui has acted as Party Secretary and chairman of BBMG Investment Property Management Group; from August 2018 to January 2020, he acted as director of Investment Property Management Department of BBMG Corporation. He has served as the deputy general manager assistant of the Company since January 2020.

Cheng Hongliang, born in November 1969. He began working in August 1993. He was an urban gas engineering major at Wuhan Urban Construction Institute and an business administration major at University Of Science & Technology Beijing, with an M.B.A. degree. He is an engineer. From August 1983 to May 2011, Cheng Hongliang was an office clerk of BBMG Real Estate Development Co., Ltd., deputy director and director of Municipal Pipe Network Department of BBMG Real Estate Development Co., Ltd., director of Chief Engineer Office and general manager assistant of BBMG JIAYE Real Estate Development Co., Ltd., deputy head of Business Division 2 of BBMG Corporation, deputy head of Real Estate Development Department of the Company, deputy manager of Beijing Dacheng Real Estate Development Co., Ltd. and manager of Asset Operation Department, vice general manager of Beijing Dacheng Real Estate Development Co., Ltd.; from May 2011 to December 2012 to September 2017, he was the manager of Beijing Dacheng Real Estate Development Co., Ltd. From December 2012 to September 2017, he was the executive director and manager of Beijing Dacheng Real Estate Development Co., Ltd. From December 2016 to September 2017, he was the head of Asset Operation and Management Department of BBMG Corporation and head of Asset Management Department of the Company. From September 2017 to March 2020, he was the deputy Party secretary, director and general manager of BBMG Real Estate Development Group Co., Ltd.; from August 2018 to March 2020, he was the head of Real Estate Development and Management Department of the Company. Cheng Hongliang has been a general manager assistant of the Company since March 2020.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors, I am pleased to present to you the annual results of the Company for the twelve months ended 31 December 2020 (the "Reporting Period") and report on the operating results of the Company during the said period for your review.

Review

The year 2020 was the closing year for the fight against poverty, the building of a well-off society in an all-round way and the 13th Five-Year plan and it was also an extraordinary year in which the Group made concerted efforts and forged ahead in the face of risks and challenges. The Company has achieved hard-earned results by pushing forward the prevention and control of the epidemic and production and operation, overcoming difficulties and achieving better-than-expected results in major economic indicators. During the Reporting Period, the Company recorded an operating revenue of RMB108,004.9 million, representing a year-on-year increase of approximately 17.6%; net profit attributable to the shareholders of the parent company amounted to RMB2,843.8 million, representing a year-on-year decrease of approximately 23.0%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.27, representing a year-on-year decrease of approximately 22.9%.

During the 13th Five-Year plan period, the Company had given full play to the advantages of the vertical and fully integrated industrial chain, highlighted top-level design and strategic leadership, and deeply implemented supply-side structural reformation to achieve high-quality leapfrog development through a series of major strategic initiatives. As at the end of 2020, the Company's total assets, operating revenue and total profit exceeded the planned targets, which were 2.2 times, 2.6 times and 2.4 times over those of the end of the 12th Five-Year plan, respectively.



Zeng Jin
Chairman

CHAIRMAN'S STATEMENT

Prospect

The year 2021 is the opening year of the 14th Five-Year plan and a crucial year for the Group to grasp new development opportunities and achieve higher quality development at a new historical starting point. Although there are still uncertainties in the current epidemic and the international environment, the fundamentals of China's long-term prosperity remain unchanged. In the coming period, the domestic market will dominate the national economic cycle more obviously and the potential of domestic demand for economic growth will be continuously released. Overall, it remains a period of important strategic opportunities. Internally, after years of reformation and development, the Group has formed a full industrial chain with its own characteristics. It has formed comparative advantages in the strategic layout, coordinated development, transformation and upgrading of modern green building materials, property development and operation, property services, trade business, equipment manufacturing, science and technology research and development with the comprehensive comparative advantages of main business gradually emerging; at the same time, the "restructuring benefits" of assimilating the results of restructuring and integration and the "reformation benefits" of summarizing and applying the results of reformation and innovation are continuously released, which provide a solid foundation for adapting to future changes in the industry, leading innovation and resisting risks, and also provide conditions for breeding new models, new industries and new business models. In the new year, the Company will adhere to the general keynote of seeking progress in a stable manner, implement the new development concept, integrate into the new development pattern, and adhere to integrated development, appropriate development, innovative development and high-quality development, fully completing the objectives and tasks in 2021, and ensuring a good start of the 14th Five-Year plan.

CHAIRMAN'S STATEMENT

The cement and ready-mixed concrete segment will be oriented to the “building a world-class cement industry group which is modern, professional and large in scale”, adhere to the concept of green and intelligent development, adhere to innovation, focus on lean management, strengthen the implementation of strategies, enhance core competitiveness and strengthen core industrial support; the concrete business will attach importance to risk control, optimize core markets, accelerate the exploration of transformation and upgrading paths, and achieve sound and healthy development. **The modern building materials and commerce and logistics segment** will deepen the reformation of institutional mechanism, integrate advantageous resources, clarify the main direction, make solid development in existing industries and individual enterprises, drive the overall industrial development, and become the main supplier of green environmental protection building materials in the capital and Beijing-Tianjin-Hebei region. **The property development segment** will pursue prominence, improve profitability on the basis of insisting on fast sales, risk control, cost reduction and products improvement, strengthen strategic cooperation, continuously form distinctive features of BBMG property and lead the regional market. **The property investment and management segment** will rely on the urban resources of the capital, actively adapt to market changes, stabilize its business fundamentals, boldly innovate its development pattern, and strive to become a “domestic first-class urban operation service provider”.

Finally, on behalf of the Board of the Company, 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 new year, the Company will endeavor to fully accomplish the objectives and tasks with higher spirits, more pragmatic work style and higher-quality development results and build a bright future with shareholders.

Zeng Jin

Chairman of the Board

Beijing, the PRC

25 March 2021

MANAGEMENT DISCUSSION & ANALYSIS



BBMG 金隅



MANAGEMENT DISCUSSION & ANALYSIS

Summary of Financial Information

	2020 RMB'000	2019 RMB'000	Change
Operating revenue	108,004,884	91,829,311	17.6%
Operating revenue from principal business	107,333,851	90,935,860	18.0%
Gross profit from principal business	21,216,843	24,082,213	-11.9%
Gross profit margin from principal business	19.8%	26.5%	a decrease of 6.7 percentage points
Net profit attributable to the shareholders of the parent company	2,843,773	3,693,583	-23.0%
Basic earnings per share attributable to the shareholders of the parent company	RMB0.27	RMB0.35	-22.9%
Cash and bank balances	28,643,886	21,325,043	34.3%
Current assets	182,669,632	174,495,858	4.7%
Current liabilities	118,810,244	127,706,358	-7.0%
Net current assets	63,859,388	46,789,500	36.5%
Non-current assets	108,682,751	107,627,898	1.0%
Non-current liabilities	78,085,953	71,886,047	8.6%
Total assets	291,352,383	282,123,756	3.3%
Equity attributable to the shareholders of the parent company	63,375,936	61,131,200	3.7%
Debt ratio (total liabilities to total assets) (%)	67.6	70.7	a decrease of 3.1 percentage points

MANAGEMENT DISCUSSION & ANALYSIS

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, 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 60.0 million cubic meters while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 39.0 million tonnes and approximately 0.24 million tonnes, respectively. Its annual capacity for disposal of hazardous wastes and solid wastes was nearly 2.8 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, has had a total of 4,400 million tonnes of limestone reserve across China and has had a total of about 1,700 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

MANAGEMENT DISCUSSION & ANALYSIS

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 Beijing, Tianjin and Hebei. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, and whole industry chain including prefabricated building system and parts, decoration and other building materials. In respect of the modern building materials industry, under the lead of science and technology innovation, and based on BBMG's technology system for intelligent housing, an industry chain system centering upon "the prefabricated construction, transformation of old urban communities, construction of new country and passive house" was initially established in 2020. The Company's modern building materials products and construction and installation services were widely used in the construction of key hotspot projects in the Beijing-Tianjin- Hebei region, such as the sub-town centre and supporting facilities in Beijing, Xiong'an New District, the Winter Olympic Stadium, Universal Studios Beijing and epidemic-combating hospitals, which fully demonstrated the advantages of BBMG's modern building materials business in brand, quality and industrial chain and enhancing systematic application and coordinated marketing of its products. The Company improved the network configuration and asset layout of the supply chain of the commerce and logistics industry, and continuously enhanced the international trading and building materials and commerce and logistics business with the risks under control.

MANAGEMENT DISCUSSION & ANALYSIS

3. *Property development segment business:*

The Company is listed on Top 100 Real Estate Enterprise, and one of the real estate enterprises with strongest comprehensive strength in Beijing. The Company has been committed to property development and construction for over 30 years with a comprehensive development strength covering property projects of multiple categories. It has received various honors such as Top 100 China Real Estate Enterprises for consecutive years. It has great influence and brand awareness across the industry. The Company developed more than 130 property projects with a total gross floor area of approximately 30.0 million sq.m. and a total asset amount of RMB140 billion. The overall strength with an area under construction reached over 8 million sq.m. during the year. The annual sales revenue was RMB50 billion. As of the end of 2020, the Company has made its presence in 15 cities including Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, Nanjing, Chengdu, Hefei, Qingdao, Tangshan and Haikou, developing a nationwide business presence “from Beijing to three major economic rims, namely Beijing-Tianjin-Hebei region, Yangtze River Delta and Chengdu-Chongqing region”. 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 actively researches and explores urban renovation. The Company has successfully established its presence in various sectors such as industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.

4. *Property investment and management business:*

The Company is one of the largest investors and managers of investment properties in Beijing with the most diversified businesses, holding approximately 1.78 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which approximately 1.01 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.8 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin. Its professional capabilities, brand awareness, occupancy rate and revenue have led the industry in Beijing even the country for years.

MANAGEMENT DISCUSSION & ANALYSIS

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

In the face of the huge impact brought by COVID-19 epidemic and the complex domestic and international social environment, China continued to strengthen the counter-cyclical adjustment of macro policies and launched a series of policy measures in a phased and targeted manner at regular intervals, resulting in a rapid economic rebound and an evident rebound in cement-related fixed asset investment, property investment and infrastructure investment indicators. According to the 2020 Statistical Communique on the National Economic and Social Development of the People's Republic of China published by the National Bureau of Statistics, in 2020, fixed-asset investments in China (excluding agricultural households) reached RMB51,890.7 billion, representing a year-on-year growth of 2.9%. Among them, infrastructure investment increased by 0.9% and investment in real estate development increased by 7.0%. From both the supply and demand side of cement, China's cement demand, production and sales volume continued to remain stable and high throughout 2020. According to the National Bureau of Statistics of China, the national cement production was 2.40 billion tonnes in 2020, representing a year-on-year increase of 2.5%. The price level remained flat as that of the year of 2019. The cement industry has maintained a steady and moderate growth trend.

2. Property Development Industry

In 2020, the general keynote of the property market regulation remained unchanged amid the epidemic and city-specific regulation was applied to stabilize the market. Since the second half of the year, the central government held several meetings to emphasize that property should not be used as a means to stimulate the economy in the short term and it is necessary to ensure stable land prices, housing prices and manage market expectations; meanwhile, the regulation of property finance was strengthened and the "three red lines" was implemented on a pilot basis. The year saw basic recovery of the scale of transactions, accelerated release of high-end improvement demand, stabilized rise of price and significant rise in the price of Yangtze River Delta and the Pearl River Delta region. The increase in the amount of land pushed and quality land launched in first-tier cities drove up the price of floor space.

MANAGEMENT DISCUSSION & ANALYSIS

According to the data of the National Bureau of Statistics, in 2020, the investment in real estate development in China was RMB14,144.3 billion, representing a year-on-year increase of 7.0%, and a decrease in the growth rate of 2.9 percentage points over last year. Among which, the investment in residential properties was RMB10,444.6 billion, representing an increase of 7.6%. Investment in residential properties accounted for 73.8% of aggregate investment in real estate development, representing an increase of 0.4 percentage point over last year. The construction sites for corporate use of real estate developers were 9,267.59 million sq.m., representing an increase of 3.7% over last year, among which, 6,555.58 million sq.m. were area of construction sites for residential properties, representing an increase of 4.4%. The area of newly started construction of real estates was 2,244.33 million sq.m., representing a decrease of 1.2%. The area of completed real estate was 912.18 million sq.m., representing a decrease of 4.9%. Of this, area of completed residential properties was 659.10 million sq.m., representing a decrease of 3.1%. In 2020, land area acquired by real estate developers was 255.36 million sq.m., representing a decrease of 1.1% over last year. Area of sold commodity housing was 1,760.86 million sq.m., representing a decrease of 2.6% over last year. Area of sold residential properties increased by 3.2%, and office and properties for commercial operation decreased by 10.4% and 8.7%, respectively. Sales of commodity housing amounted to RMB17,361.3 billion, representing an increase of 8.7%, and an increase of 2.2 percentage points over last year. Of this, sales of residential properties increased by 10.8%, and sales of office and properties for commercial operation decreased by 5.3% and 11.2% respectively. As at the end of 2020, area of commodity housing for sales was 498.50 million sq.m., representing an increase of 0.29 million sq.m. compared with the end of last year.

MANAGEMENT DISCUSSION & ANALYSIS

Summary of Business Information

	2020	2019	Change
1. Cement and Ready-mixed Concrete Segment			
Sales volume:			
Cement (in thousand tonnes)	107,325.0	96,398.8	11.3%
Concrete (in thousand cubic meters)	16,152.9	17,498.6	-7.7%
2. Modern Building Materials and Commerce and Logistics Segment			
Sales volume:			
Stone wool boards (in thousand tonnes)	83.4	66.0	26.4%
3. Property Development Segment			
Booked GFA (in thousand sq.m.)	1,518.8	1,012.6	50.0%
Presales (sales) GFA (in thousand sq.m.)	1,945.1	1,174.7	65.6%
4. Property Investment and Management Segment			
Total GFA of investment properties (in thousand sq.m.)	1,774.5	1,781.9	-0.4%

In 2020, the Company adhered to the general tone of striving for growth while maintaining stability. We focused on the main businesses to deepen the reform and stimulate vitality, and improved quality and efficiency driven by innovation. Our overall economic indicators hit record high, and our core competitiveness was further enhanced. The momentum of high-quality, sustainable development became even stronger.

During the Reporting Period, the Company recorded operating revenue of RMB108,004.9 million, of which operating revenue from its principal business amounted to RMB107,333.9 million, representing a year-on-year increase of 18.0%; total profit amounted to RMB7,794.4 million, representing a year-on-year decrease of approximately 1.8%; net profit amounted to RMB5,155.9 million, representing a year-on-year decrease of approximately 0.4%; and net profit attributable to the shareholders of the parent company amounted to RMB2,843.8 million, representing a year-on-year decrease of approximately 23.0%.

MANAGEMENT DISCUSSION & ANALYSIS

In 2020, the Group adhered to the general keynote of making progress while maintaining stability, integrated into the new development pattern based on the new development stage, continued to optimize the management system and mechanism, coordinated the epidemic prevention and control and production and operation work and won the dual victory of epidemic prevention and control and operation and development.

1. Cement and Ready-mixed Concrete Segment

Based on its goal of “building a world-class cement industry group which is modern, professional and large in scale” for the cement business, the Group stuck to the path of connotative development, pushed forward the regional management to achieve full coverage, continuously enhanced the ability to coordinate resources and joint development in key regions, and accelerated the formation of high-quality development trend. The Group timely adjusted and improved the marketing management mechanism, highlighted the construction of sales channels, reformed the sales model of auxiliary materials, and enhanced the market share of key markets. Meanwhile, the Group accelerated the strategic deployment, promoted the upgrade of environmental protection industries, adjusted the production capacity structure, accelerated the expansion of limestone mine resource reserves and optimized strategic procurement.

In terms of concrete business, the Group focused on the main line of “strengthening marketing and improving the sites”, strengthened contract performance and revenue risk control, and improved the overall operating profit. The Group has been improving the internal control system of concrete sites, initially forming a standardized site management model and further improving the standardized management level.

The cement and ready-mixed concrete segment recorded operating revenue from its principal business of RMB42,086.7 million during the Reporting Period, representing a year-on-year increase of 1.7%. Gross profit from its principal business amounted to RMB13,302.7 million, representing a year-on-year increase of 1.1%. The aggregate sales volume of cement and clinker reached 107.3 million tonnes (excluding joint ventures and associates), representing a year-on-year increase of 11.3%, among which the sales volume of cement and clinker were 95.1 million tonnes and 12.2 million tonnes, respectively. The aggregate gross profit margin for cement and clinker was 34.1%, representing a year-on-year decrease of 3 percentage points. The sales volume of concrete totalled 16.2 million cubic meters, representing a year-on-year decrease of 7.7%, while the gross profit margin for concrete was 12.9%, representing a year-on-year increase of 5.7 percentage points.

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2. Modern Building Materials and Commerce and Logistics Segment

The Group insisted on making progress and necessary retreat depending on circumstances, focused on its main responsibilities and business and realized steady development. Based on the positioning of “management + industrialization”, the Group improved management standards, strengthened industrial cooperation, proactively responded to market changes and built up momentum for sustainable development. Moreover, it consolidated and expanded the control effect and effectively improved the structure of receivables. It integrated the advantages of multiple products and seized the opportunities to secure supply for key projects such as Xiong’an New District and sub-town center in Beijing and constructed a high-grade, precision and advanced industry system and completed the BBMG Intelligent House R&D Base. In this way, the Group enhanced the influence in the industry and raised market attention. In terms of commerce and logistics business, the Group continued to focus on building materials and metallurgical black products and achieved an upturn in operating results despite the severe downturn in international trade.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB32,945.9 million, representing a year-on-year increase of 24.4%, while the gross profit from its principal business amounted to RMB929.3 million, representing a year-on-year decrease of 27.6%.

3. Property Development Segment

The Group made every effort to ensure the sales performance, took the operation plan as the basis, seized market opportunities, adjusted marketing strategies flexibly, increased marketing efforts and made great efforts to destock. Moreover, it strived to revitalize its own land and continuously released the value of land. In line with the new master plan of the capital, it studied and promoted the integrated use of land.

In 2020, the Company revitalized its own land, improved its resource conversion capability and cultivated the market of the cities it had entered. It acquired the land development rights of a total of 8 parcels of land for the year, which provided strong support for the sustainable development of the property segment.

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Major Land Reserve Acquired by the Group in 2020

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 C-02 at district of Qixin Cement Factory, Tangshan	Tangshan City, Hebei Province	Residential (R2)	42,282.4	105,706	675.46	Auction	2020-01-23	100%
2	Plots such as 1820-618B at No.1, Anningzhuang East Road, Haidian District, Beijing	Haidian District, Beijing	Residential (R2) and land for basic education	47,115.4	99,865	2,788.00	Tender	2020-02-21	100%
3	Plots 1006-605 at Affiliated Complex, 3rd Area, Xili, Huajiadi, Wangjing, Chaoyang District, Beijing	Chaoyang District, Beijing	Commercial and financial	7,289.2	21,867.6	352.00	Listing	2020-04-03	100%
4	Land parcel No. R-09 in Jiangpu Community of Yangpu District, Shanghai	Yangpu District, Shanghai	Residential (R2)	34,045.1	80,686.9	6,920.00	Transfer	2020-08-01	100%
5	Land parcels of Jin Bei Chen Wen (Gua) No. 2020-010 (津北辰文(街)2020-010號)	Beichen District, Tianjin	Residential (R2), land used for commercial service facilities, and land used for service facilities	46,708.4	79,649.5	770.00	Listing	2020-08-08	75.25%
6	Land parcels of Jin Bei Chen Wen (Gua) No. 2020-011 (津北辰文(街)2020-011號)	Beichen District, Tianjin	Residential (R2), land used for commercial service facilities	81,987.7	163,975.4	1,650.00	Listing	2020-08-08	75.25%
7	Plot A-01 at Mining & Metallurgical Machinery Plant in Lubei District, Tangshan City	Tangshan City, Hebei Province	Residential (R2)	45,914.5	114,786	665.76	Tender	2020-12-18	100%
8	Plot A-02 at Mining & Metallurgical Machinery Plant in Lubei District, Tangshan City	Tangshan City, Hebei Province	Residential (R2)	87,003.6	217,509	1,261.55	Tender	2020-12-18	100%
Total				392,346.3	884,045	15,082.77			

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The Table of Land Reserve of the Group as at 31 December 2020

No.	Project Name	Geographical Location	Land Reserve Area (thousand sq.m.)	Percentage of the Group's Interest
I	Commodity Housing			
1	Chongqing-Xinduhui	Chayuan, Nan'an District, Chongqing	1,787.5	100.0%
2	Tianjin-Jinzhong	Dongli District, Tianjin	447.4	100.0%
3	Chongqing – Nanshanjun	Nanan District, Chongqing	343.9	100.0%
4	Hefei-Dachengjun	Baohe District, Hefei	343.5	100.0%
5	Tianjin-Beichen project	Road Cross, Beichen District, Tianjin	340.7	100.0%
6	Tangshan-Metallic mine	East of Gangyao Road, Tangshan	332.3	100.0%
7	Qingdao-Jimo	Jimo District, Qingdao	290.1	100.0%
8	Tianjin-Plot at the Airport	Airport Economic Zone, Tianjin	213.0	95.0%
9	Hangzhou – Jianqiao	Jiagan District, Hangzhou, Zhejiang	209.5	100.0%
10	Chongqing-Times Midtown	Chayuan, Nan'an District, Chongqing	198.2	100.0%
11	Haikou-Yangguangjun	Street 17, Changbin, West Coast, Haikou	196.8	100.0%
12	Beijing-Jinchenfu	Beiqijia Town, Changping District, Beijing	174.0	51.0%
13	Nanjing– ZijindieyuanG07	Jiangpu Street, Pukou District, Nanjing	171.3	100.0%
14	Nanjing-Zijing Yunzhu	Jiangning District, Nanjing	129.3	70.0%
15	Shanghai-Yangpu project	Jiangpu Community of Yangpu District, Shanghai	121.8	100.0%
16	Beijing-Shangchengjun	Beiqijia Town, Changping District, Beijing	119.0	100.0%
17	Chengdu-Jincheng Xifu	Zhonghe Street, High-New Technology District, Chengdu	116.1	100.0%
18	Tangshan-Plot C02 at Qixin District	Qixin Cement Factory, Chongqing	105.7	100.0%
19	Tangshan-Plot C01 at Qixin District	Qixin Cement Factory, Chongqing	101.8	100.0%
20	Chengdu-Shangchengjun	Dafeng Street, Xindu District, Chengdu	100.8	100.0%
21	Hefei-Nanqi Garden	Shushan District, Hefei	93.3	100.0%
22	Chengdu-Jincheng Dongfu	High-New Technology District, Chengdu	87.8	100.0%
23	Shanghai-Dachengmingting	Juyuan New District, Jiading District, Shanghai	82.3	100.0%
24	Ningbo-Plot16# at High-New District	High-New Technology district, Ningbo	79.1	100.0%

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The Table of Land Reserve of the Group as at 31 December 2020 (continued)

No.	Project Name	Geographical Location	Land Reserve Area (thousand sq.m.)	Percentage of the Group's Interest
25	Tangshan-Caofeidian New City	Caofeidian New City, Thangshan	74.7	100.0%
26	Hefei-S1802	Baohe District, Hefei	73.1	100.0%
27	Chengdu-Dachengjun	Shuangliu County, Chengdu	72.3	100.0%
28	Chengde-Jinyufu	Yingshou Yingzi Mine Area, Chengde	70.7	100.0%
29	Chengdu-Shangxifu	Pidu District, Chengdu	70.0	100.0%
30	Beijing-Jinyu Xuefu	Beijing Economic and Technological Development Area	65.6	100.0%
31	Beijing-Jinlingfu	Beijing Economic and Technological Development Area	48.4	100.0%
32	Qingdao-Hefu	Shibei District, Qingdao	48.1	100.0%
33	Shanghai-Jiading	Jiading District, Shanghai	43.2	100.0%
34	Beijing-Wangjing Star	Chongqing District, Beijing	36.8	100.0%
35	Nanjing-G37	Pukou District, Nanjing	36.4	100.0%
36	Ningbo-Yaojiang	Wenjiao Street, Jiangbei District, Ningbo	30.8	100.0%
37	Hangzhou-Metro Forest (都會森林)	Jiangan District, Hangzhou	28.5	50.9%
38	Ningbo-Plot7# at High-New District	High-New Technology district, Ningbo	27.4	100.0%
39	Inner Mongolia-Global Financial Center	Saihan District, Hohhot	22.4	100.0%
40	Others	-	122.0	96.5%
Subtotal			7,055.6	
II Affordable Housing				
1	Beijing-Jinlinjiayuan (金林嘉苑)	Yancun Town, Fangshan District	128.9	100.0%
2	Beijing-Fengqi Jiayuan	Anningzhuang, Qinghe,Haidian District	126.8	100.0%
3	Beijing-Jin'gang Jiayuan	Tianzhu Town, Shunyi District	38.8	94.8%
4	Beijing-Shanglin Jiayuan	Jiancaicheng, XiSan Qi, Haidian District	8.5	100.0%
5	Beijing-Jincheng Garden	Houshayu Town, Shunyi District, Beijing	8.3	100.0%
Subtotal			311.3	
Total			7,366.9	

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During the Reporting Period, the property development segment recorded revenue from its principal business of RMB31,314.2 million, representing a year-on-year increase of 41.0%, and the gross profit from its principal business was RMB4,494.3 million, representing a year-on-year decrease of 40.4%. The booked GFA was 1,518,792.4 sq.m. for the year, representing a year-on-year increase of 50.0%, among which booked GFA of commodity housing amounted to 1,215,551.2 sq.m., representing a year-on-year increase of 37.2%, while booked GFA of affordable housing amounted to 303,241.2 sq.m., representing a year-on-year increase of 139.2%. The aggregated contracted sales amount of the Company was RMB52,233.0 million, representing a year-on-year increase of approximately 101%, among which contracted sales amount of commodity housing amounted to RMB42,137.0 million, representing a year-on-year increase of 84%, and the contracted sales amount of affordable housing amounted to RMB10,096.0 million, representing a year-on-year increase of 237%. The aggregated contracted sales area of the Company was 1,945,084.8 sq.m., representing a year-on-year increase of 65.6%, among which contracted sales area of commodity housing amounted to 1,705,058.4 sq.m., representing a year-on-year increase of 68.2%, and the contracted sales area of affordable housing amounted to 240,026.4 sq.m., representing a year-on-year increase of 49.0%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 7,367,000 sq.m.

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4. Property Investment and Management Segment

In the face of the severe impact of the epidemic and the downward pressure of market demand, the Company overcame difficulties, improved quality and efficiency and continued to rebound in key economic indicators. The Company innovated business strategies, expanded marketing channels and boosted the overall occupancy rate of major office buildings. The commerce sector maintained a stable operating trend, and the hotel and resort sectors rebounded steadily. Seizing the opportunity of the Winter Olympic Games, the Company renovated and upgraded the Badaling Resort Park. In line with Beijing's urban positioning, the Company made use of the vacated land and factories to actively cultivate and develop new businesses in line with the core functions of the capital. The Company reduced the rent for small and medium-sized enterprises to help them resume work, production and marketing.

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB4,778.1 million, representing a year-on-year decrease of 4.9%, and gross profit from its principal business was RMB2,515.3 million, representing a year-on-year decrease of 8.0%. As at the end of the Reporting Period, the Company held approximately 1,774,500 sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin, with a consolidated average rental rate of approximately 74% and a consolidated average rental unit price of approximately RMB6.0/sq.m./day. The highend investment properties held in core areas in Beijing totaled 1,100,000 sq.m., with a consolidated average rental rate of 74% and a consolidated average rental unit price of approximately RMB7.6/sq.m./day.

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Rental Operations of the Major Investment Properties of the Group as at 31 December 2020

Property Name	Location	Gross area (thousand sq.m.)	Fair value (RMB million)	Rental unit	Average	Unit fair
				price (RMB/sq.m./day)	occupancy rate (Note 1)	value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	108.0	3,419.8	11.8	86%	31,665
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	141.0	3,836.6	9.5	93%	27,210
Phase 3 of Global Trade Center	North Third Ring Road, Beijing	57.0	1,291.3	8.5	87%	22,654
Tengda Plaza	West Second Ring Road, Beijing	68.0	1,815.9	9.8	94%	26,704
Jin Yu Building	West Second Ring Road, Beijing	41.0	1,255.9	12.3	86%	30,632
Jianda Building/Building Materials Trading Tower	East Second Ring Road, Beijing	43.0	1,175.9	5.9	80%	27,347
Dacheng Building	East Second Ring Road, Beijing	41.0	1,234.7	11.8	66%	30,115
Pan Bohai Jin'an Plaza	Hexi District, Tianjin	302.0	2,432.2	1.9	96%	8,054
Pangu Plaza Building 5	North Forth Ring Road, Beijing	137.0	5,346.2	12.9	43%	39,023
Phase 1 of Logistics Park Project	South Sixth Ring Road, Beijing	120.0	952.0	2.1	95%	7,933
Phase 1 of Intelligent Manufacturing Plant	North Fifth Ring Road, Beijing	75.0	616.0	5.8	96%	8,213
Subtotal		<u>1,133.0</u>	<u>23,376.5</u>			20,632
Other properties	Beijing Municipality	<u>641.5</u>	<u>7,307.3</u>			11,391
Total		<u>1,774.5</u>	<u>30,683.5</u>	<u>6.0</u>	<u>74%</u>	<u>17,300</u>

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.

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Analysis of Business, Assets, Liabilities and Cash Flows 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	42,086.7	28,783.9	31.6	1.7	2.0	Decrease of 0.2 percentage point
Modern Building Materials and Commerce and Logistics	32,945.9	32,016.7	2.8	24.4	27.1	Decrease of 2.0 percentage points
Property Development	31,314.2	26,819.9	14.4	41.0	82.8	Decrease of 19.6 percentage points
Property Investment and Management	4,778.1	2,262.7	52.6	-4.9	-1.3	Decrease of 1.8 percentage points
Eliminations	<u>(3,791.0)</u>	<u>(3,766.2)</u>	–	–	–	–
Total	<u>107,333.9</u>	<u>86,117.0</u>	19.8	18.0	28.8	Decrease of 6.7 percentage points

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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.

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group decreased by approximately RMB204.4 million year-on-year to RMB525.7 million, accounting for 6.7% of the profits before tax.

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3. Expenses during the Reporting Period

- (1) Selling expenses were RMB3,277.2 million, representing an increase of RMB200.7 million or 6.5% year-on-year. Such increase was mainly due to the year-on-year increase in transportation expenses of the Group during the Reporting Period.
- (2) Administrative expenses were RMB6,340.4 million, representing a decrease of RMB715.7 million or 10.1% year-on-year. Such decrease was mainly due to the year-on-year decrease in the salaries and repairment expense of the Group during the Reporting Period.
- (3) Finance costs were RMB3,160.5 million, representing a decrease of RMB236.5 million or 7.0% year-on-year.

4. Analysis of Assets and Liabilities

Unit: RMB'000

	31 December 2020	31 December 2019	Changes	Reasons
Bills receivable	909,259.92	5,202,609.35	-82.5%	A decrease of 82.5% from the beginning of the Reporting Period, mainly due to the reclassification by the Company in accordance with the requirements of the new accounting standards for the financial instrument during the Reporting Period
Receivables financing	5,588,223.35	501,846.39	1,013.5%	An increase of 1,013.5% from the beginning of the Reporting Period, mainly due to the reclassification by the Company in accordance with the requirements of the new accounting standards for the financial instrument during the Reporting Period
Prepayments	2,645,477.55	1,524,225.47	73.6%	An increase of 73.6% from the beginning of the Reporting Period, mainly due to the increase in the prepayments for land transfer fees and bulk purchase by the Company during the Reporting Period

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	31 December 2020	31 December 2019	Changes	Reasons
Debt investments	782,487.85	206,933.70	278.1%	An increase of 278.1% from the beginning of the Reporting Period, mainly due to the purchase of policy and bank related finance bonds by the Company during the Reporting Period
Investment in other equity instruments	580,376.49	382,047.68	51.9%	An increase of 51.9% from the beginning of the Reporting Period, mainly due to the purchase of equity interests of non-public listed companies by the Company during the Reporting Period
Short-term financing bonds payable	1,599,273.45	3,298,801.09	-51.5%	A decrease of 51.5% from the beginning of the Reporting Period, mainly due to the redemption and payment of short-term financing bonds by the Company during the Reporting Period
Minority interests	31,080,250.59	21,400,150.83	45.2%	An increase of 45.2% from the beginning of the Reporting Period, mainly due to the increase in the equity financing of the Company during the Reporting Period

5. Cash flows

During the Reporting Period, a net increase of RMB6,822.3 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 inflows generated from operating activities of RMB15,455.7 million, representing a year-on-year increase in cash inflows of RMB5,934.1 million; (ii) the net cash outflows generated from investment activities of RMB2,564.9 million, representing a year-on-year decrease in outflows of RMB4,216.7 million; (iii) the net cash outflows generated from financing activities of RMB6,071.8 million, representing an increase in outflows of RMB5,125.1 million; and (iv) the exchange realignment of RMB3.3 million.

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Core Competence Analysis

As the leader of green, environmental protection, energy saving and emission reduction, and circular development in the building materials industry in the Beijing-Tianjin-Hebei region and the practitioner of ecological progress, during the Reporting Period, the Company focused on serving the construction of Beijing's "four centers" and improving the level of "four services" to achieve a more diversified path. The Company made use of the land and other resources vacated by the relocation to develop and cultivate new business in line with the functional positioning of the capital, and made new achievements in constructing a high-grade, precision and advanced industrial structure. BBMG Intelligent Manufacturing Factory was running smoothly and won the "Zhongguancun Science City – BBMG Intelligent Factory" license, which was regarded by the government as a "benchmark project for the transformation and upgrading of old industrial factories" and became a hub of innovation for the artificial intelligence and intelligent manufacturing industries in northern Beijing. It promoted the industry to develop from "BBMG Manufacturing" to "BBMG Intelligent Manufacturing". Huairou Chinefage Cement Plant was transformed to serve the Huairou Science City in Zhongguancun, creating a multi-functional science park at the forefront of the world. The Yanqi Lake Beijing Institute of Mathematical Science and Applications, jointly built with Tsinghua University and the Chinese Academy of Sciences, was crowned as the "Crown Jewel" of Huairou Science City. The BBMG Badaling Crowne Plaza Hotels & Resorts started trial operation to provide international high-quality services for the 2022 Winter Olympics, consolidating the guarantee capability of serving the capital and the Winter Olympics. The Company optimized its industrial structure and expanded its advanced production capacity. The construction of Jidong Cement Tongchuan 10,000-tonne line began, which represents the most advanced level in the industry, and the 10-million-tonne aggregate base in Baojianshan was completed as scheduled and a number of capacity replacement projects were publicized, which enhanced the comprehensive competitiveness of the Company. In November 2020, Jidong Cement successfully issued a total of RMB2.82 billion convertible bonds to realize industrial upgrading and environmental protection transformation with the capital market, optimize the debt structure and capital structure, and lay a solid foundation for strengthening, improving and expanding the cement business of the Company.

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The core competitiveness of the Company is detailed as follows:

1. Competitive Edge in the Industrial Chain:

The Company has the advantage of a vertical and fully integrated industrial chain: The Company has always adhered to its two main businesses and has continuously extended horizontally and vertically to expand the scale and integrated development of the full industrial chain. Each industry continues to form its own industrial chain with core competitiveness to meet new consumer needs. The new material manufacturing industry is forming an integrated industrial chain covering new material products with assembled building parts as the core, forming the characteristic BBMG intelligent house system and fully adapting to the development of new construction industrialization. Relying on the advantages accumulated in the development of modern green building materials manufacturing industry and equipment manufacturing industry, the Company extends to the field of property development, focuses on business expansion and industrial upgrading, while expanding to the field of modern service industry such as trade and service, high-end property management, operation of science and technology innovation industrial park and human resource management. 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 modern 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 in a systematic, industrialized, and specialized manner. Leveraging on various resources and advantages accumulated in the process of "going abroad" by the modern green building materials manufacturing industry, our real estate development business increases the reserve of urban land resources, optimizes the business layout, explores and pioneers 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, which laid a solid foundation for the formation of BBMG industrial ecology in the future. Information sharing, complementary resources, and coordinated interaction between various business segments and upstream and downstream enterprises underline the advantages of integration and create market competitive edge.

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2. Competitive Edge in Technology Innovation:

The Company continued to strengthen the innovation-driven and green development strategy, focus on the high end and the front end of the industry and highlight the featured progress and innovation. In the face of the national strategic needs, oriented towards market and policy, the Company continuously expanded the innovation and development of green environmental protection, green building materials, green building, green manufacturing and new materials industries, built the “high-grade, precision and advanced” industrial structure with BBMG characteristics, continuously improved the level of scientific and technological innovation of new technologies, new products and new processes, and achieved a number of industry-leading scientific and technological achievements. The Company’s scientific and technological innovation capability and core competitiveness were on the rise.

Integrated innovation and application of new process and equipment technology of Liushui fly ash disposal (2.0): the Company developed and improved the two-stage tandem decanter centrifuge solid-liquid separation system, fly ash wet sludge drying technology, rinsing liquid pretreatment process of removing impurities, evaporation and desalination system of rinsing liquid and rinsing process automatic control software. Meanwhile, the Company also built two industrial lines of cement kiln co-disposal of fly ash with the largest processing capacity in China and high efficiency, safety and stability, realized the large-scale, harmless, reduced and resourceful disposal of fly ash, ensured the smooth operation of several domestic waste incineration power plants in Beijing, and promoted BBMG Liushui Environmental Protection Technology Co., Ltd. to become one of the important environmental protection infrastructures in Beijing. Technology development and application of large-scale thermal-desorption contaminated soil remediation using high-temperature incinerator: A set of complete process and system based on cement kiln co-disposal of desorbed contaminated soil was developed to realize the disposal of 1,000 tonnes/day of organic contaminated soil using one-line kiln, thus greatly improving the soil treatment capacity and reducing the cost of traditional thermal-desorption tail gas treatment, and having a demonstration effect on the cement kiln in the Group to develop from traditional cement production into environmentally-friendly disposal process line. Key technology research of 80% energy-saving aerated concrete enclosure system for assembled steel structure housing, performance research of aerated concrete panels based on different capacity grades: The two new energy-efficient self-insulating aerated concrete enclosure walls with different AAC wall structures that were designed and completed to meet 80% energy-saving requirements in Beijing, both reached a thickness of not more than 300 mm (excluding the thickness of the inner and outer plaster layers) with a heat transfer coefficient of not more than 0.35W/m²·K in the main section and a fireproof performance of Class A. This is another addition of exclusive technology to BBMG’s characteristic assembly building system. BBMG has

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completed the construction of the intelligent house R&D base and initially built the BBMG intelligent house system, which includes five product composite systems of assembled concrete building, assembled steel structure building, assembled exterior wall, industrialized interior decoration and building with ultra-low energy consumption.

In 2020, the Company was awarded 584 national patents, including 33 invention patents, 4 science and technology progress awards at provincial and ministerial level, 6 national industry association science and technology awards, presided over the release and implementation of 10 national standards and industry standards, had 12 subsidiaries named high-tech enterprises, 8 provincial-level enterprise technology centers and other scientific and technological innovation platforms. The Company's Key Technology and Application of Urban Cement Low Environmental Load Design and Preparation project results won the first prize of Beijing science and technology progress award. The Key Technology and Application of High-Value Comprehensive Utilization and Recycling of Waste Slag of Laterite-Nickel Mine by Hydrometallurgy of Tianjin Building Materials Group won the first prize of Tianjin science and technology progress award. The High-efficiency Recycling and Pollution Control Technology of Typical Non-ferrous Metals of BBMG Liushui Environmental Protection Technology Co., Ltd. won the first prize of environmental technology progress of China Association of Environmental Protection Industry. Meanwhile, as to industrial transformation and upgrading and high-quality development, the Company conducted various academic exchange activities with universities and research institutes at home and abroad for 55 times, thus continuously improving its scientific and technological innovation ability and industry influence.

3. Competitive Edge in Sustainable Development of Green Operations:

The Company practiced in depth the development concept that "Lucid waters and lush mountains are invaluable assets", conscientiously implemented the state's decision and plan for ecological civilization construction, highlighted green development and contributed to the construction of "four centers" in Beijing with high-level services. The Company considered the strengthening of environmental protection as an important means of the Company for transforming the development pattern, creating benefits, and fulfilling social responsibilities, strived to overcome the severe and complex economic situation and the profound impact of national industrial policy regulation, took solid steps to promote its work on environmental protection, and persistently promoted high-quality development of the Company with high-standard management. The Company was awarded the title of "Top 10 Influential Brands of Green Innovation in China".

MANAGEMENT DISCUSSION & ANALYSIS

The Company advocated the innovation and the application of results in energy saving and emission reduction. In terms of treatment of industrial solid waste and domestic waste using cement kilns, the Company accelerated project construction and maximized the advantages of the cement industry to make greater contributions to energy conservation and emission reduction, truly helping governments cleanse the urban environment. In 2020, the environmental protection sector recorded revenue of RMB1.767 billion, representing a year-on-year increase of 11%.

As at the end of 2020, 37 subsidiaries of the Company had carried out the solid waste disposal business, 14 of which carried out hazardous waste disposal with a disposal capacity of 646,300 tonnes per year, 15 of which carried out domestic sludge disposal with a disposal capacity is 1,085,200 tonnes per year, 6 of which carried out domestic garbage disposal with a disposal capacity of 804,200 tonnes per year and 2 of which carried out polluted soil disposal business with a disposal capacity of 193,800 tonnes/year. Seven subsidiaries newly obtained the environmental impact assessment approval for the projects of disposal using cement kilns with the total disposal scale reaching 1.3005 million tonnes/year, of which the scale of hazardous waste under environmental impact assessment reached 731,000 tonnes/year. The number and disposal capacity of new environmental impact assessments hit record high. Environmental protection projects covered Beijing, Tianjin, Hebei, Shanxi, Shaanxi, and Northeast China, serving more than 9,000 clients.

Through stable operation control, the Company's pollutant emission level was better than the national emission control requirements. Pollutant emission concentrations in Beijing, Tianjin, Hebei, Fenwei Plain, and other key regions were significantly lower than the emission limits specified by the state. In 2020, we implemented 84 energy-saving technological transformation projects, involving an amount of RMB168.5243 million. The Company has been practicing the strategy of Beijing-Tianjin-Hebei coordinated development and committed to serving the construction of "waste-free city" in Xiong'an New District. In 2020, we focused on the co-disposal of Tanghe sewage reservoir and solid waste of aluminum ash and steel slag project in Xiong'an New District and formed a service synergy by coordinating several cement co-disposal enterprises in the region, and disposed of more than 200,000 tonnes of various solid wastes during the year. The project was awarded the title of "Red Flag for Investment and Construction Progress" by Xiong'an Group Ecological Company during the project implementation, which further strengthened the foundation of BBMG Environmental Protection to serve the ecological progress of Xiong'an New District.

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To help enterprises achieve scientific development, the Company has always vigorously promoted clean production as a new pollution prevention measure and environmental protection concept. Since the start of the clean production audit, the enterprises have completed multiple rounds of audits and acceptances. By implementing the clean production scheme, all subsidiaries have achieved the purpose of “energy saving, consumption reduction, pollution reduction and efficiency enhancement”, achieving the alignment of economic, social and environmental benefits of industrial production. In 2020, a total of 19 enterprises applied for the fifth batch of green factories, 14 of which passed the provincial assessment and 8 enterprises were recommended to the central government for review; ultimately, 6 enterprises were selected into the fifth batch of “National Team” of green factory directories. As at the end of 2020, a total of 16 cement enterprises of the Company were selected into the national green factory directory.

The Company has always responded to the state’s call for creating green mines. We arranged for our subsidiaries to compile green mine construction and implementation plans based on their actual conditions and adhered to “one policy for one mine”, thereby comprehensively promoting the construction of green mines based on the actual situation. Currently, 24 mines are included in national green mines, and 16 mines are provincial green mines. In 2020, we comprehensively pushed forward the construction of green mines, and actively mobilized the enterprises to carry out the selection and inclusion of green mines in accordance with the Notice on the Selection of Green Mines for 2020 issued by the Ministry of Natural Resources. A total of 8 enterprises passed the green mine selection as of 31 December 2020.

4. Competitive Edge in Industry-Finance Integration:

The Company proactively cohered with the policy of “six stabilities (六穩)” and “six guarantees (六保)”, innovated financing methods, endeavored to broaden financing channels, and strengthened cooperation with financial institutions, so as to reduce the financing cost of the Company’s interest-bearing liabilities, and support the development of Company’s main business. Throughout the year, financing from external sources increased by RMB2.8 billion, and financing costs decreased by 44 basis points. We optimized the capital structure and kept the Company’s debt ratio at approximately 67.6%. The Company’s issuer credit rating remained AAA, laying a solid foundation to control and reduce financing costs and maintain liquidity security. Jidong Cement issued a total of RMB2.82 billion convertible bond, which maximally optimized the debt structure. BBMG Finance gave full play to the treasury management function of the Company, facilitated the match of the supply and demand of funds within the Company, and strengthened the centralized management of funds. The comprehensive fund collection rate reached 75.9%, 2.9% higher than that at the end of the previous year, greatly improving the efficiency of fund use and reducing the Company’s total capital operating costs.

MANAGEMENT DISCUSSION & 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". We united our minds and efforts and forged ahead. BBMG has continuously expedited the reform, driven its business through innovation, and managed its business in an innovative way, thereby achieving quality growth and striving towards the grand goal of building a world-class industrial group and becoming part of the world's top 500.

The culture of BBMG is built based on experiences of numerous cadres and employees within the system. It aims to help employees realize their dreams, and is the driving force and cornerstone for BBMG's substantial development. "BBMG" Brand has been consecutively honored as a well-known trademark in Beijing. The Company was awarded the "Top 10 Influential Brands of Green Innovation in China" in 2020 and ranked 65th in the list of 2020 (17th) "China's 500 Most Valuable Brands". The Company won the "13th Five-Year plan" Chinese Corporate Culture Building Industry Model, Top 100 Chinese Listed Companies Award, Chinese Ethical Enterprise Award, "Golden Quality" Excellent Party Building Award, etc. BBMG Tiantan Furniture and Longshuncheng won the "2019-2020 Top 10 Preferred Mahogany Furniture Brands" award; GTC Residence under Beijing BBMG Hotel Management Co., Ltd. won the "Best Serviced Apartment in China" award, and Dongsi No. 78 Boutique Apartments won the "Most Highly Anticipated New Serviced Apartment in China" award. The superior brand awareness and prestige has created a sound cultural atmosphere and intelligence support for BBMG to achieve a new round of leap-forward development in full force.

MANAGEMENT DISCUSSION & ANALYSIS

Discussion and Analysis on Future Development**(1) Industry Pattern and Trend****1. *Although macroeconomic risks still exist, the favorable long-term prospects of the Chinese economy remain unchanged.***

In 2021, despite there still exist many uncertainties in the epidemic condition and the international environment, the world economic situation was still complicated and severe and the foundation for Chinese economic recovery was still weak, but the favorable long-term fundamentals of Chinese economy remain unchanged. In the coming period, China's new development pattern which is based on a strong domestic market as the main body and domestic and international dual-circulation and mutual promotion will provide a powerful driving force for the start of the "14th Five-Year Plan", and continuously release the domestic demand potential of economic growth. Chinese economy will still be in an important period of strategic opportunities as a whole.

2. *The building materials industry accelerates digital transformation and the property industry maintains stable and sound development*

The year of 2021 is not only the opening year of the "14th Five-Year" plan, but also the year of the intersection and transformation of the two centennial goals. The national economy will stress "stability". In terms of infrastructure construction, China has launched a series of favorable policy measures to cope with the complex and severe external situation, launched regional strategies to speed up the development and started the "new infrastructure, new urbanization initiatives and major projects" in full swing, which will bring sound support for the building materials industry.

The "14th Five-Year" is an important period for the building materials industry to change its development momentum, change its development pattern, shift its focus to high-end, high value-added, industrial chain development, promote green and low-carbon development, and step into high-quality development in an all-round way. In this period, we need to change from factor-driven and investment-driven to innovation-driven, from extensive development to integrated and balanced development, accelerate the deep adjustment of the industrial pattern, accelerate the solution of a series of fundamental problems such as overcapacity, ecological and environmental protection and accelerate the change from scale growth to quality improvement.

MANAGEMENT DISCUSSION & ANALYSIS

Digital transformation will become the fundamental way and means for the industry to comply with the changes of the times. The Action Plan for Digital Transformation of the Building Materials Industry (2021-2023) points out the specific path and direction for the industry-wide digital transformation. The building materials industry will transform from traditional manufacturing to advanced manufacturing and service-oriented manufacturing, promote fundamental changes in production modes and enterprise forms and integrate the development of industrial chain, value chain and innovation chain. Investment growth in the building materials industry is mainly focused on new materials, energy saving and environmental protection, technological transformation, digital transformation and building materials service industry.

In the national “14th Five-Year” plan, it is clearly proposed to “promote the stability of property market and the sound development of housing consumption” and achieve balanced development of finance, property and real economy. Due to the continuous promotion of regional development and urbanization process, urban renewal and upgrading, demographic structure changes, continuous release of demand for housing improvement and people’s aspiration and pursuit of a better life, the market scale will still be supported; at the same time, the stable policy tone has led to rational market expectations and the marginal effect of stimulating demand to enter the market has weakened. Under the environment of unabated policy control and rising production materials and labor costs, the profit margin crowding-out effect of the project is obvious and the focus of growth of the property industry will shift from the demand side to the supply side, and will enter a new cycle of high-quality, low-profit and stable development. Under the policy keynote of “houses are for living in not for speculative investment”, property will change from scale development to quality improvement. Serving urban revitalization, urban renewal and old urban areas and old factory transformation, etc. will become an important way to expand the development pattern of property.

The above two aspects will play a strong role in supporting and pulling cement demand, and some segments will increase the market demand for green building materials products and new materials. At the same time, new industries and new models will promote and give rise to changes in the industry’s traditional production methods and circulation patterns, bringing greater imagination and impact on the future development of the entire building materials industry.

MANAGEMENT DISCUSSION & ANALYSIS

The COVID-19 epidemic has an extensive and far-reaching impact and economic globalization has encountered a counter-current. However, the long-term positive fundamentals of China's economy remain unchanged, with a wide market space and strong development resilience. The new development pattern with domestic circulation as the mainstay and mutual reinforcement of domestic and international circulations is accelerating, providing the most reliable support for sustained economic development. The impact of the epidemic has accelerated the digital transformation, giving rise to the vigorous development of new industries and new models. China will give full play to its institutional advantages, coordinate the work of epidemic prevention and control and economic and social development, unswervingly implement the new development concept, deepen the structural reform on the supply side, promote high-quality development, complete "six stabilities" and "six guarantees" in an all-rounded way and give full play to the enthusiasm, initiative and creativity of all parties to minimize the impact of the epidemic. We will strive to achieve the annual economic and social development goals and tasks, achieve economic stability, social stability and harmony, and make a good start for the comprehensive construction of a modern socialist country.

(2) The Company's Development Strategy

2021 marks the beginning of the "14th Five-Year" plan of the Company. Based on a new stage of development, the Company will fully and accurately implement the new development concept and strive to explore a new development pattern. Adhering to the "four development" requirements, with innovation as the core engine, we will take development as the theme, adhere to integrated development, and plant new advantages in development; adhere to appropriate development and scale new height in development; adhere to innovative development, and cultivate new momentum for development; adhere to high quality development and achieve new breakthroughs in quality and quantity. The Company insists on seeking progress in a stable manner to construct a new development pattern and takes the development of the capital as the guiding principle, grasps three major development opportunities, namely, to grasp the opportunity of accelerating the reshaping of the industrial pattern, to grasp the opportunity of constructing a new development pattern in Beijing, and to grasp the opportunity of green development. We will give full play to the characteristic advantages of state-owned enterprises in the capital and promote the high-quality and sustainable development of the Group in serving the development of the capital.

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First, integrated development. We will integrate internal and external resources, promote organic coordination, create a modern industrial system and make use of technological innovation carriers to realize the transformation and upgrade of traditional industries. Focusing on core industries, based in the capital Beijing, we plan to optimize the industrial layout in Beijing-Tianjin-Hebei region, promote the development of advanced manufacturing clusters, enhance the competitive edge of the market and improve the core competitiveness of the industrial chain. Meanwhile, we will continuously increase restructuring and integration efforts, optimize industrial layout and industrial structure, create new development advantages and activate new development momentum. With “BBMG Intelligent Manufacturing” as the “new intelligent manufacturing” breakthrough to promote industrial iteration and upgrade, improve quality and efficiency, and strengthen and expand the core industry, we lead and create new demands with supply-side structural reform, highlight the “new quality” of BBMG and construct product and industrial ecology of BBMG products.

Second, appropriate development. We will actively integrate into the national development strategy. We are determined to implement the supply-side structural reform, deeply implement the joint development of Beijing-Tianjin-Hebei region, and actively participate in the construction of Xiong’an New District. We will strengthen the ability to independently control the industrial chain and supply chain, promote the development of the manufacturing industry to the intelligent manufacturing industry and develop the digital economy; deeply participate in urban renewal actions, and actively participate in the transformation of old urban communities; deeply serve the capital city construction, and implement the new round of tasks of relocation, rectification and promotion. Meanwhile, we will proactively integrate into the capital’s “Green Beijing” development and strengthen strategic cooperation with central enterprises. We will promote the integrated logistics hub industrial park project in Pinggu, accelerate the construction of new building materials industrial chain base; continue to promote green transformation and upgrade, promote the coordinated disposal of cement kilns, serve the urban ecological environment and continue to promote the construction of green factories and green mines, becoming a “city purifier, good helper of the government”.

MANAGEMENT DISCUSSION & ANALYSIS

Third, innovative development. We will actively implement the innovation-driven strategy, boldly carry out technological innovation, innovation in business mode, innovation in cooperation mode and innovation in institutional mechanism, fully integrate into the overall situation of Beijing International Science and Technology Innovation Center and serve the construction of the “two regions”. We will strengthen the role of innovation in supporting the core industries, accelerate the cultivation of industrial cutting-edge parts, promote the upgrading of industries to high-end, intelligent and green, and advance to the high-end of the value chain, so as to build a new ecosphere of science and technology innovation with BBMG characteristics and BBMG science and innovation complex. We will also work hard in the areas of industrial strengths, promote the close integration of “government, industry, university, research institute, user and capital”, and cultivate a number of “professional, refined, specialized and innovative” products and invisible champion enterprises.

Fourth, high-quality development. We will insist on high-quality development and build a modern industrial group that is stable and sustainable. We target the domestic and foreign first-class enterprises to create first-class competitiveness, influence and driving force and always maintain a competitive advantage, and win, develop and create value in the fierce competition. We aim to be the key integrator of the industry and the leader of the industry development and changes.

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The development strategy of each segment of the Company in 2021:

In terms of cement, we plan to promote the coordinated and orderly development of cement, environmental protection, mining, aggregates, additives and other industries, enhance the collaborative advantages among industries and improve the competitive edges of each industry in the market, following the strategic position of “building a world-class cement industry group which is modern, professional and large in scale”. We plan to pursue appropriate development, and promote the orderly development of each strategic area in the fields of market integration, industrial layout, resource storage and warrant handling. We will insist on innovative development, pursue industry-leading core competitiveness, speed up the implementation of capacity replacement plan, promote the construction of second-generation demonstration lines, and expand the scale of advanced production capacity. Meanwhile, we will lay out regional green building materials industrial parks and build a new industrialization base for BBMG’s intelligent manufacturing, cultivate and expand green environmental industries and strengthen the construction of urban environmental infrastructure and explore new modes of providing overall regional urban environmental services. We aim to be a leader in low-carbon green environmental protection, energy saving and emission reduction, clean production and circular economy, increase carbon reduction and carbon neutral investment, actively carry out digital transformation, give full play to the leading role of the industry’s “leading enterprises”, and promote the overall high-quality development of the industry. For concrete segment, we insist on regional market leadership and cost leadership, and strengthen the “zero-receivable” strategy, implement light asset operation, promote the key project on-site demountable and mobile mixing station and realize the service export of management and operation mode so as to create a modernized green model station in the industry.

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In terms of new building materials, we plan to focus on industrialized development, actively explore the development pattern of “new materials + industrialization”, achieve breakthroughs and expand industrial boundaries. Focusing on the core of BBMG’s intelligent house system, we will give priority to high-quality products and integrated services, and enhance the ability of refined management, system integration and coordinated development. Focusing on sub-markets, we will make use of our own technical and channel advantages and resources to explore ways to cultivate and incubate “professional, refined, specialized and innovative” small giant enterprises. In terms of equipment manufacturing industry, we will give full play to the advantages of regional resources, focus on serving the cement industry, expand the metallurgical and environmental protection fields and fully release the production capacity of the equipment manufacturing base. Meanwhile, we will vigorously develop external markets, strengthen industrial clustering and coordinated development, and truly improve the quality of operation, create operating profit and improve profitability.

On the premise of sound risk prevention and control mechanism and effective market risk avoidance, we will make overall arrangement in the commerce industrial chain, develop experiential scenic business forms and promote the transformation of traditional home furnishing stores into comprehensive experience centers of technology and culture. Meanwhile, we will innovate modern trade and exhibition business forms, expand and extend value-added services in the trade supply chain, control key nodes and resources, construct a supply chain service platform and manage modern trade and commerce services.

In terms of property development, priority should be given to scientific study and judgement on the industry situation and policy environment to accurately grasp the operation rules and market pace of enterprises in a fully competitive market environment. We insist on “fast development with good quality”, promote sales and the return of money. Focusing on central cities, city clusters and city circles, we will further strengthen our presence and develop on a large scale. Focusing on urban renewal, transformation of old urban areas, industrial space utilization, leisure tourism and vacation, we will expand the new property business mode, further revitalize urban mineral resources and promote the conversion and utilization of our own land. Meanwhile, we have been continuously strengthening the control, improving the operation level and enhancing the core competitiveness of BBMG’s property.

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We target the leading enterprises in the industry and aim to be a first-class urban asset operation service provider and build a model project of relocation and promotion around the construction of the “four centers” of the capital. We will continue to cultivate medium-end and high-end property management capabilities, expand internal and external service markets, establish service brands and realize standardized operations. Meanwhile, we will continue to promote the layout of industrial parks, focus on innovative enterprises in the parks and carry out investment in science and innovation, accumulate experience in the operation of parks and improve the operation level. We will continue to accelerate the sale of scattered assets to enhance the property management capacity and service level of the community.

(3) Business Plan

2021 is the first year for implementing the “14th Five-year Plan”. It is also a crucial year for the Company to grasp new development opportunities and achieve higher quality development at a new historical starting point. In the context of the China’s efforts to integrate domestic and international development and build a new development pattern, the Board of Directors of the Company will adhere to take development as top priority, focus on the “four centers” of Beijing, and completing “four services” in a satisfactory way. Meanwhile, it will coordinate epidemic prevention and control and economic development, adhere to integrated development, appropriate development, innovative development and high-quality development, ensure the completion of the annual objectives and tasks and achieve a high-level start of the “14th Five-Year” plan.

(4) Possible risks

1. Epidemic prevention and control risks

The epidemic is still far from over and the world economy is in deep recession. With the large-scale vaccination, the situation of epidemic prevention and control in China has improved continuously, but the epidemic situation overseas is still serious. Under the globalization pattern, the risk of epidemic continues to increase with the importation of people and materials and the risk of overseas importation, local sporadic outbreaks and local outbreaks remains relatively high. The hit on China’s economy is highly variable and there is greater pressure to promote economic development under normalized epidemic prevention and control.

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Countermeasures: The impact of the epidemic in China is preventable and controllable and the trend of China's stable economic progress remains unchanged. We will sum up the experience of both epidemic prevention and control and production development, make full use of our own industrial coordination advantage and take advantage of the series of favorable policies issued by the state to lay equal emphasis to both epidemic prevention and control and production and operation. During the epidemic, the international and domestic industry chains will accelerate their adjustment, and a number of new industries, new business forms and new demands will be created. We will seriously study and judge the opportunities and changes, establish a bottom-line mindset, cultivate opportunities in crises, open new situations in changes, and actively cultivate new growth points and new driving forces. Meanwhile, we will actively serve the development of the capital and promote the growth of modern green building materials business. At the same time, we will expand our mind, increase marketing efforts and speed up sales of inventory property projects and improve the capital turnover, to ensure the fulfillment of economic goals for the full year.

2. Policy risk

Guided by the central government's principle of "houses are for living in not for speculative investment, emphasis on both rent and purchase and city-specific policies", the property regulation will remain stable; at the same time, the "three red lines" policy of the Ministry of Housing and Urban-Rural Development has been issued one after another, which poses a huge challenge to the financing and management operations of property enterprises. The cement industry's overcapacity problem is still not fundamentally solved, the policy trend of production capacity replacement and staggered production will be further implemented and tightened. With the publication of the action plan of digital transformation of the building materials industry and the proposal of carbon peak and carbon neutral target, the process of industrial integration and elimination of outdated production capacity will be accelerated.

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Countermeasures: We will strengthen the interpretation, analysis and judgment of national macroeconomic policies and respond to the call of national policies. The property business will scientifically study and judge the market and improve the ability to adapt to market pace; improve project operation capabilities, and actively expand online marketing and emerging property business models. Cement enterprises will focus on supply-side structural reform, promote the “three reductions, one lowering and one promotion” campaign, improve quality and efficiency, and enhance regional market control. Moreover, they will continue to strengthen intra-industry cooperation and promote the construction of integrated cement industry chain, supply chain and innovation chain, accelerate the process of digital transformation and upgrading and formulate carbon peak, carbon neutral and carbon emission reduction plans in advance. Meanwhile, the cement enterprises will seize the opportunities brought by the demands for infrastructure construction of “new infrastructure, new urbanization initiatives and major projects” to further increase market shares.

3. *Risk of capital operation*

In 2020, the overall monetary policy remained stable, and the comprehensive financing costs recorded a steady decrease. However, China’s macro leverage ratio is still on the high side and the risk of local debts and corporate debts is rising. Affected by the epidemic, domestic economic circulation and external trade talks, the manufacturing industry and the property industry will face greater pressure, especially the cash flow pressure of the property industry will increase and the liquidity risk will increase, which brings great challenges to the Company’s financing and liquidity management.

Countermeasures: The Company will innovate financing methods and extensively expand financing channels to raise funds at low cost and ensure the safety and stability of the capital chain of the Company. We will strengthen process control to improve the efficiency of capital turnover of property project and prudently operate property business. We will leverage the advantages of the financial arm and finance lease arm of the Company to optimize the debt structure of the Company, so as to secure the cash flow of the Company as a whole.

MANAGEMENT DISCUSSION & ANALYSIS

4. Market competition risk

The acquisition of Jidong Group and the holding of Tianjin Building Materials boosted the market competitiveness of the Company's cement business in the major distribution regions to a certain extent, but the production lines in some regions are operating inefficiently or facing the bottleneck of relocation. The staggered production only solves the problem of output in the region and does not solve the problem of overcapacity fundamentally. The production capacity structure is in urgent need of optimization. Some small and medium-sized enterprises do not strictly comply with the staggered production policy, resulting in an imbalance between supply and demand, which further aggravates market competition. In the meantime, due to the unbalanced regional development, the gap between the strong in the south and the weak in the north persists in terms of demand and benefit level. The concentration of the property industry is accelerating, and the trend of "the big gets bigger, the strong gets stronger" is more notable.

Countermeasures: The cement business actively adapts to the market environment of the industry. The Company will seize the strategic opportunities arising during the period of the industry digital transformation, integrate the advantages of resources, scale and location, optimize the industrial layout, expand advanced production capacity; comprehensively improve the level of operation, increase technological innovation, innovation, reduce production costs and enhance market competitiveness; give full play to the leading role of the industry's "leading enterprises", proactively strengthen industrial synergy with upstream and downstream enterprises and promote the overall high-quality development of the industry. The property business insists on "fast development with good quality" to improve the capital turnover rate and focuses on core competitiveness to improve the project return rate.

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Liquidity and Financial Resources

As at 31 December 2020, the Group's total assets amounted to RMB291,352.4 million, representing an increase of 3.3% from the beginning of the Reporting Period, of which liabilities amounted to RMB196,896.2 million, minority interests amounted to RMB31,080.3 million and total equity attributable to the shareholders of the parent company amounted to RMB63,375.9 million. Total equity attributable to shareholders amounted to RMB94,456.2 million, representing an increase of 14.4% from the beginning of the Reporting Period. As at 31 December 2020, the Group's net current assets were RMB63,859.4 million, representing an increase of RMB17,069.9 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2020 was 67.6%, representing a decrease of 3.1 percentage points from the beginning of the Reporting Period.

As at 31 December 2020, the Group's cash and bank balances amounted to RMB28,643.9 million, representing an increase of RMB7,318.8 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 2020, the Group's interest-bearing bank borrowings amounted to RMB74,438.0 million (as at 31 December 2019: RMB86,234.7 million) and bore fixed interest rates. Of these borrowings, approximately RMB36,660.6 million interest-bearing bank borrowings were due for repayment within one year, representing a decrease of approximately RMB13,786.7 million from the beginning of the Reporting Period. Approximately RMB37,777.3 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB1,989.9 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 RMB76,110.0 million and drew down borrowings of RMB40,220.0 million. The remaining unutilized credit facilities was RMB35,890.0 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.

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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:

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.

Discloseable Transactions during the Reporting Period

During the Reporting Period, there are no transactions that are required to be disclosed by the Group under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Material Acquisition or Disposal of Subsidiaries

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 2020, certain of the Group's inventories, fixed assets, investment properties, land use rights and equity interest amounting to RMB49,487.2 million in aggregate (as at 31 December 2019: RMB50,603.4 million) were pledged to secure short-term and long-term loans of the Group, which accounted for approximately 17.0% of the total assets of the Group (as at 31 December 2019: 17.9%).

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Contingencies

		As at 31 December 2020	Unit: RMB As at 31 December 2019
Provision of guarantee on housing mortgage to third parties	Note 1	9,895,528,540.97	8,583,893,305.90
Provision of guarantee on loans and others to third parties	Note 2	935,000,000.00	1,000,000,000.00
		10,830,528,540.97	9,583,893,305.90

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. The guarantee 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: Jidong Group, a subsidiary of the Group, provided guarantees with joint obligations on the borrowings of RMB935,000,000.00 for Tangshan Culture & Tourism Investment Group Co., Ltd. (唐山市文化旅遊投資集團有限公司). The guarantee will expire on 21 May 2029.

MANAGEMENT DISCUSSION & ANALYSIS

Commitments

	As at 31 December 2020	Unit: RMB As at 31 December 2019
Contracted but not provided for:		
Capital commitments	1,086,398,279.13	149,181,143.13
Property development contracts	7,261,767,509.25	2,638,777,513.45
	8,348,165,788.38	2,787,958,656.58

The significant commitments made by the Group as at 31 December 2019 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

No significant events after the balance sheet date were required to be disclosed.

Employees and Remuneration Policy

As at 31 December 2020, the Group had 47,405 employees in total (as at 31 December 2019: 49,189 employees). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB5,916.8 million (for the year ended 31 December 2019: RMB6,567.2 million), representing a decrease of approximately 9.9%.

MANAGEMENT DISCUSSION & ANALYSIS

Amid the epidemic in 2020, in order to give full play to the protective incentive effect of remuneration and to meet the needs of strategic development, the Company established a compensation system that employees' salaries shall be based on the industry norm in which the enterprise operates, as well as the region, position, contribution, and the corresponding system and mechanism of the enterprise. 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. 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 the 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 "equal work and equal pay" performance – based pay system was applied. 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 more fairly, equitably and 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 two-channel development system for enterprises with solid foundation in management and stable business development. The Company will establish assessment and engagement systems for professional and technical personnel and core staff and open up related and consistent channels for career development and remuneration adjustment, in order to give full play to boosting the enthusiasm and creativity of its staff and create a harmonious and stable working environment.

In addition, the Company has also established a sound benefit system for employees by paying comprehensive social insurance and housing fund, adopting annuity system (to supplement the pension insurance) and supplemental medical insurance. The front-line employees with exceptional performance will be awarded the honorary title of "Chief Employee" and corresponding subsidies. The Company released the high temperature subsidy and heating subsidy in a timely manner, giving comprehensive protection for its staff in respect of their legal rights and interests.

MANAGEMENT DISCUSSION & ANALYSIS

Training Scheme

To meet the coordinated development of personnel at all levels, BBMG Group has formed an internal training system with various forms and distinct training levels based on independent training of grass-roots units and comprehensive training of the Group as the main line. Based on the current personnel situation of the Group, the Group has adopted various methods such as self-training and training by commissioned training institutions to steadily carry out the training of talents, ensure the quality and effectiveness of training programs, and promote the improvement of the overall quality of personnel.

In 2020, we overcame the impact of the epidemic, increased the training of high-level professional and technical personnel, and guided our units to actively compete for senior training programs in Beijing. The Group organized 10,167 online and offline training programs and trained a total of 201,600 people, with a view to implement the national three-year action plan for vocational skills upgrading. The training courses including theoretical reading classes for outstanding leaders and cadres, rotational training classes for grass-roots party branch secretaries, training classes for grass-roots party cadres, advanced training classes for scientific and technological cadres, advanced training classes for cement kiln co-disposal of urban solid waste technology, advanced training classes for assembled construction, training classes for legal management personnel to perform their duties, advanced training classes for safety directors, training classes for chief workers, "Golden Talent" induction training classes, and human resources information system construction, and training which are closely related to the various aspects of production and operation activities, improved the quality and promoted the efficiency of daily production and operation activities and were of great significance to the high-quality development of the Group.

MANAGEMENT DISCUSSION & ANALYSIS

Employees of the Parent Company and Major Subsidiaries (As At 31 December 2020)

Number of incumbent employees of the parent company	140
Number of incumbent employees of major subsidiaries	46,265
Total number of incumbent employees	47,405

Professional Structure

Category	Number of employees
Production staff	25,676
Sales staff	4,901
Technical staff	9,170
Financial staff	1,840
Administrative staff	4,540
Others	1,278
Total	47,405

MANAGEMENT DISCUSSION & ANALYSIS

Education Level	
Category	Number of employees
Master's degree and above	1,003
Bachelor's degree	11,392
Junior college	10,806
Technical secondary school and below	<u>24,204</u>
Total	<u>47,405</u>

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 of the directors and the audited financial statements of the Group for the year ended 31 December 2020. 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 2009 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 338 to 352. 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 2020 and the state of affairs of the Group at that date are set out in the financial statements on pages 142 to 143 and 139 to 141 of this Annual Report.

No interim dividend had been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.06 per share (totaling approximately RMB640,666,000) for the year ended 31 December 2020 to the shareholders on or before 9 July 2020 subject to the approval of the shareholders of the Company at the forthcoming 2020 annual general meeting ("**2020 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 72 and "Report of the Directors" on pages 73 to 87 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. 17 and V. 16 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 42.

Five Years Financial Summary 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 408 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 2020 are set out in Notes V. 24, 25, 34 and 35 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB3,327,814,000, details of which were set out in Note V. 55 to the financial statements.

REPORT OF THE DIRECTORS

Pursuant to the Replies (Zheng Jian Xu Ke [2019] No. 2255) (中國證券監督管理委員會出具的批復(證監許可[2019]2255號)) issued by the China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2020 to qualified investors by way of public issuance on 10 January 2020 (hereinafter referred to as "20 BBMG 02"), totalling RMB4,500,000,000 with a term of 7 years (with the issuer's option to adjust the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.99%; the Company issued the second tranche of corporate bonds of BBMG Corporation for 2020 to qualified investors by way of public issuance on 15 June 2020 (hereinafter referred to as "20 BBMG 03"), totalling RMB2,000,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.24%; the Company issued the third tranche of corporate bonds of BBMG Corporation for 2020 to qualified investors by way of public issuance on 13 August 2020 (hereinafter referred to as "20 BBMG 04"), totalling RMB1,500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.64%.

Pursuant to the Replies (Zheng Jian Xu Ke [2020] No. 2416) (中國證券監督管理委員會出具的批復(證監許可[2020]2416號)) issued by the China Securities Regulatory Commission, Tangshan Jidong Cement Co., Ltd. issued its convertible corporate bonds on 5 November 2020 (hereinafter referred to as "Jidong Convertible Bonds"), totally RMB2.82 billion with a term of 6 years, and the coupon rate was set as 0.20%, 0.40%, 0.80%, 1.20%, 1.50% and 2.00% for the first year, second year, third year, fourth year, fifth year and sixth year, respectively, with the redemption price at maturity of RMB106 (including the last payment of interests).

Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DFI6) (《接受註冊通知書》(中市協註[2019]DFI6號)) issued by the NAFMII, the Company successfully issued the first tranche of ultrashort financing bonds of BBMG Corporation for 2020 on 12 March 2020 (hereinafter referred to as "20 BBMG SCP001"), totalling RMB2,000,000,000 with a term of 240 days and a coupon rate of 2.54%.

Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP16) (《接受註冊通知書》(中市協註[2019]SCP16號)) issued by the NAFMII, Jidong Cement issued the first tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 13 March 2020 (hereinafter referred to as "20 Jidong SCP001"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.68% and Jidong Cement issued the second tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 19 March 2020 (hereinafter referred to as "20 Jidong SCP002"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.66%; and Jidong Cement successfully issued the third tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 14 May 2020 (hereinafter referred to as "20 Jidong SCP003"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.07%; Jidong Cement successfully issued the fourth tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 5 August 2020 (hereinafter referred to as "20 Jidong SCP004"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 3.07%.

REPORT OF THE DIRECTORS

The proceeds of the corporate 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

During the Reporting Period, the Company strictly complied with the requirements of national environmental protection laws, regulations, standards and specifications, fulfilled the social responsibilities and commitments of a state-owned enterprise, and contributed to the construction of ecological civilization. We vigorously developed circular economy as well as low-carbon and environmentally-friendly businesses, and embarked on the path of green and sustainable development. The Company actively promoted the construction of environmental standardization, improved the environmental protection management system, enhanced environmental protection awareness, implemented environmental protection responsibilities, assessed and controlled environmental risks, and conducted strict evaluations. We carried out environmental treatment and improvement to ensure that environmental protection facilities and control measures were in place. All enterprises installed online monitoring facilities as required, and completely sealed off materials during transportation and storage. The Company paid environmental protection taxes in full and on time, conducted environmental monitoring and information disclosure as required, and strictly implemented the contingency plan for severely pollution-prone weather conditions ("One Plant, One Policy" Implementation Plan). We timely adjusted emergency emission reduction measures in accordance with the requirements of government departments; no major environmental pollution accidents occurred during the year.

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. 42 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. 43, 44, 45, 46, 47, 48 and 49 to the financial statements, the audited consolidated statement of changes in shareholders' equity and the audited statement of changes in shareholders' equity of the Company.

REPORT OF THE DIRECTORS

Distributable Reserves of the Company

As at 31 December 2020, an amount of approximately RMB15,694,848,196.73 standing to the credit of the Company's reserve account is available for distribution, of which approximately RMB640,666,000 has been proposed as a final dividend for the year.

Directors and Supervisors

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

Executive Directors:

Zeng Jin (*Chairman*) (appointed on 21 August 2020)
Jiang Yingwu (*President*) (appointed on 19 January 2021)
Wu Dong
Zheng Baojin
Jiang Deyi (*Chairman*) (resigned on 21 August 2020)

Non-executive Directors:

Wang Zhaojia (appointed on 20 August 2020)
Xue Chunlei
Guo Yanming (resigned on 20 August 2020)

Independent non-executive Directors:

Wang Guangjin
Tian Lihui
Tang Jun
Ngai Wai Fung

Supervisors:

Guo Yanming (*Chairman*) (appointed on 20 August 2020)
Yu Kaijun
Zhang Guoliang
Gao Jinliang (appointed on 26 November 2020)
Jiang Yu
Pei Ying (resigned on 20 August 2020)
Song Lifeng (resigned on 20 August 2020)
Zhuang Zhenguo (resigned on 26 November 2020)

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 extraordinary general meeting held on 16 October 2018, the date of the 2020 first extraordinary general meeting held on 20 August 2020 or 21 August 2020) and will expire on the date of the 2020 annual general meeting. Upon the expiry of the term of appointment at the 2020 annual general meeting, 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. 20 and V. 29 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. 3 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. 3 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 2020, 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
Wu Dong	Beneficial owner	60,000	–	0.00%
Wang Zhaojia	Beneficial owner	37,500	–	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 2020, 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 RMB17,613,686.74 (for the year ended 31 December 2019: RMB34,373,605.55).

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 2020, 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 2020, 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	Beijing SCOM Center (北京國有資本經營管理中心) (Note 1)	Direct beneficial owner	4,797,357,572	57.53	44.93
	State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1)	Held by controlled corporation	4,797,357,572	57.53	44.93
H Shares	Ouyang Jieliang	Beneficial owner	214,500,000	9.17	2.01
H Shares	FMR LLC	Interest of corporation controlled by the substantial shareholder	189,271,901	8.09	1.77
H Shares	Fidelity Investment Trust	Beneficial owner	142,387,500	6.09	1.33

REPORT OF THE DIRECTORS

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.

Save as disclosed above, as at 31 December 2020, 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

Independent Auditor

The consolidated financial statements for the year ended 31 December 2020 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 2020 annual general meeting.

On behalf of the Board

Zeng Jin

Chairman

Beijing, the PRC

25 March 2021

REPORT OF THE SUPERVISORY BOARD

In 2020, 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 2020.

I. Meetings of the Supervisory Board in 2020

During the Reporting Period, the Supervisory Board held 5 meetings in total. Details are set out as follows:

(I) The eighth meeting of the fifth session of the Supervisory Board

The eighth meeting of the fifth session of the Supervisory Board was convened by way of telecommunication on 31 March 2020. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the annual report and its summary and the results announcement of the Company for 2019
2. The resolution for considering the work report of the Company's Supervisory Board for 2019
3. The resolution for considering the financial budget reports of the Company for 2019
4. The resolution for considering the profit distribution proposal of the Company for 2019
5. The resolution for considering the corporate social responsibility report and ESG report of the Company for 2019
6. The resolution for considering the "Special Report on the Deposit and the Actual Use of Proceeds" of the Company

REPORT OF THE SUPERVISORY BOARD

(II) The ninth meeting of the fifth session of the Supervisory Board

The ninth meeting of the fifth session of the Supervisory Board was convened by way of telecommunication voting on 29 April 2020. The resolution for considering the first quarterly report of the Company for 2020 were considered and approved at the meeting.

(III) The tenth meeting of the fifth session of the Supervisory Board

The tenth meeting of the fifth session of the Supervisory Board was convened by way of telecommunication voting on 19 August 2020. The resolution for considering the interim report and its summary and the interim results announcement of the Company for the first half of 2020 were considered and approved at the meeting.

(IV) The eleventh meeting of the fifth session of the Supervisory Board

The eleventh meeting of the fifth session of the Supervisory Board was convened on-site in Beijing on 21 August 2020. All six eligible Supervisors attended the meeting. The resolution regarding the election of the chairman of the Supervisory Board was considered and approved at the meeting.

(V) The twelfth meeting of the fifth session of the Supervisory Board

The twelfth meeting of the fifth session of the Supervisory Board was convened by way of telecommunication voting on 28 October 2020. The resolution for considering the third quarterly report of the Company for 2020 was considered and approved at the meeting.

REPORT OF THE SUPERVISORY BOARD

II. Attendance of Members of the Supervisory Board at General Meetings and their In – attendance at Board Meetings in 2020

During the Reporting Period, members of the Supervisory Board attended two 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 2020

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

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

Pursuant to the laws and regulations of the jurisdiction(s) where the shares of the Company are listed, the Supervisory Board had duly overseen and examined the convening procedures and resolutions of the Board meetings of the Company, implementation by the Board of the resolutions of the shareholders' general meetings, the performance of duties by the senior management of the Company under relevant laws and the establishment and implementation of a mature internal management system of the Company in 2020. With respect to the business operations of the Company and the performance of duties by the Directors and the senior management, the Supervisory Board was not aware of any violation of laws, regulations, the Articles of Association and relevant protocols, rules of procedures, nor any power being abused or infringement of the interests of the shareholders of the Company and the legitimate rights of the employees.

REPORT OF THE SUPERVISORY BOARD

(II) Opinion on financial position of the Company

During the Reporting Period, the Supervisory Board had duly supervised and inspected the financial system and financial position of the Company, and carefully considered the financial information of the Company as contained in the Audited Accounts of the Company for 2019, Preliminary Profit Distribution Plan for 2019, the financial accounting reports included in the annual report for 2019 and the first quarterly report, interim report and third quarterly report for 2020, 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 2020, 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. No violation of the regulations regarding confidentiality, information disclosure and other aspects by personnel involved in preparation, review and disclosure of the regular reports has been found.

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

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

REPORT OF THE SUPERVISORY BOARD

(V) Opinion on connected transactions of the Company

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

(VI) Opinion on corporate social responsibility report

During the Reporting Period, the Supervisory Board reviewed the Company's corporate social responsibility report for 2019, 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 2021

In 2021, 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, thereby protecting the legitimate rights and interests of the Company and its shareholders as a whole.

(I) Duly discharging duties under the laws and regulations

In 2021, the Supervisory Board will exercise supervision over standardized operations and the performance of duties by the Directors and the senior management of the Company in strict compliance with the Company Law, the Articles of Association and relevant requirements. Firstly, it will procure the Company to further improve its corporate governance structure and governance practices according to the requirements of the modern enterprise systems. Secondly, it will continue to strengthen its supervisory functions by attending the general meetings and the Board meetings under the laws to keep informed of the Company's major decisions and the legitimacy of decision-making processes to better protect the rights and interests of the shareholders of the Company. Thirdly, it will implement the Rules of Procedures of the Supervisory Board and convene meetings of the Supervisory Board on a regular basis.

REPORT OF THE SUPERVISORY BOARD

(II) Strengthening supervision and inspections to avoid operational risks

Firstly, it will focus on financial control to carry out supervision and inspections on the financial affairs of the Company. Secondly, it will prioritize its supervision and inspections on the Company's significant events including major investment, asset disposal, merger and acquisition and connected transactions, so as to effectively avoid operational risks. Thirdly, it will follow up the establishment and implementation of the internal control system of the Company to ensure its effectiveness. Fourthly, it will maintain communications with the internal audit function and entrusted (accounting) auditing firms 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.**

Guo Yanming

Supervisory Board

Beijing, the PRC

25 March 2021

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

Upon the publication of the results announcement, the Group endeavors to continue to actively convey a clear message to the sizable and major investment banks and investors about the Group's latest operational and financial performances and business prospect for the investors' deeper and clearer understanding of excellent opportunities and platform of the Group.

During the Reporting Period, the Group actively participated in teleconferences 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 many 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.

During the Reporting Period, excluding the adverse impact brought by the COVID-19 epidemic, the Company has maintained positive interaction with the investors through many ways, such as arranging the earnings conference, online roadshow and reverse roadshow, participating the investor online summit at home and abroad, and replying e-interactive questions in a timely manner and welcoming the investigation and survey from the analysts and the institution investors.

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' 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 investors' teleconference 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.bbmj.com.cn/listco), disseminated the latest corporate updates, developments and disclosed financial information of the Group so as to enable the public to obtain such information in a timely manner. In addition, the Group also swiftly responded to different enquiries made by the shareholders of the Company, investors, analysts and media by means of email, facsimile and telephone; and published announcements, press releases and other latest updates on the development of the Group, so as to strengthen the effectiveness of information dissemination.

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 2020 and 25 March 2021)
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 2020 and 25 March 2021)
Stock code	601992.SH

INVESTOR RELATIONS REPORT

2	Financial Calendar	
	2019 annual results announcement	published on 31 March 2020
	2020 first quarterly results announcement	published on 29 April 2020
	2020 interim results announcement	published on 19 August 2020
	2020 third quarterly results announcement	published on 29 October 2020
	2020 annual results announcement	published on 25 March 2020
	Closure of register of H shares members for attending the 2019 AGM	from 20 April 2020 to 19 May 2020
	2019 AGM	19 May 2020
	Closure of register of H shares members for attending the 2020 AGM	from 7 May 2021 to 12 May 2021
	2020 AGM	12 May 2021
	Financial year end	31 December
3	Dividends	
	2019 final dividend	RMB0.12 per share
	Closure of register of H shares members for 2019 final dividend	28 May 2020 to 2 June 2020
	2019 H shares final dividend payment date	17 July 2020
	Proposed 2020 final dividend	RMB0.06 per share
	Closure of register of H shares members for 2020 final dividend	22 May 2021 to 27 May 2021
	2020 H shares final dividend payment date	9 July 2021

For any queries, please contact:

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CORPORATE GOVERNANCE REPORT



BBMG 金隅



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2020.

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.

Looking forward, the Company will continue to review its corporate governance practices and enhance its internal controls and risk management procedures to ensure their consistent application and will continue to improve the practices having regard to the latest developments.

A full description of the Company's corporate governance will be set out in the Corporate Governance section in the annual report for the Reporting Period.

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:

Zeng Jin	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

CORPORATE GOVERNANCE REPORT

Non-executive Directors:

Wang Zhaojia 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.

CORPORATE GOVERNANCE REPORT

The Directors of the current fifth session of the Board were elected or re-elected by the shareholders of the Company (“**Shareholders**”) at the 2018 Second EGM, the 2020 First EGM and the 2021 First EGM or were elected democratically by the staff of the Company as the Directors according to the relevant requirements. The term of the fifth session of the Board commenced from the conclusion of the 2018 Second EGM, the 2020 First EGM and the 2021 First EGM and will be expiring on the date of the annual general meeting of the Company for the year of 2020.

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 2020, 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 current fifth session of the Board and Supervisory Board of the Company has commenced from the respective dates of appointment (that is, on the date of the 2018 Second EGM, 2020 First EGM and the 2021 First 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.

CORPORATE GOVERNANCE REPORT

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 2019 AGM on 19 May 2020 and convened the 2020 first extraordinary general meeting on 21 August 2020 to consider the resolution in relation to appointment of directors. The number of meetings and attendance details of each Director during the Reporting Period are set out in the table below:

Name of Directors	Number of attendance/ Number of meetings entitled to attend		
	Board meetings	2019 AGM	2020 first extraordinary general meeting
<i>Executive Directors</i>			
Zeng Jin (<i>Chairman</i>) (appointed on 21 August 2020)	6/6	0/0	0/0
Wu Dong	14/14	1/1	1/1
Zheng Baojin	14/14	1/1	1/1
Jiang Deyi (<i>Chairman</i>) (resigned on 21 August 2020)	8/8	1/1	0/0
<i>Non-executive Directors</i>			
Wang Zhaojia (appointed on 20 August 2020)	6/6	0/0	1/1
Xue Chunlei	14/14	1/1	1/1
Guo Yanming (resigned on 20 August 2020)	8/8	1/1	0/0
<i>Independent non-executive Directors</i>			
Wang Guangjin	14/14	1/1	1/1
Tian Lihui	14/14	1/1	1/1
Tang Jun	14/14	1/1	1/1
Ngai Wai Fung	14/14	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.

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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>	
Zeng Jin (<i>Chairman</i>) (appointed on 21 August 2020)	A + B + C
Wu Dong	A + B + C
Zheng Baojin	A + B + C
Jiang Deyi (<i>Chairman</i>) (resigned on 21 August 2020)	A + B + C
<i>Non-executive Directors</i>	
Wang Zhaojia	A + B + C
Xue Chunlei	A + B + C
Guo Yanming (resigned on 20 August 2020)	A + B + 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.

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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 has established the Audit Committee pursuant to the provisions of the CG Code with written terms of reference, aiming at (among other things) reviewing and supervising the Group's financial reporting procedures. The Audit Committee consists of two non-executive Directors and four independent non-executive Directors. At a meeting convened on 24 March 2021, the Audit Committee reviewed and considered the consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also recommended the Board to adopt the Group's consolidated financial statements for the Reporting Period.

As at the date of this Annual Report, members of the Audit Committee are Wang Zhaojia (non-executive Director), Xue Chunlei (non-executive Director), Wang Guangjin (independent non-executive Director), Tian Lihui (independent non-executive Director), Tang Jun (independent non-executive Director) and Ngai Wai Fung (independent non-executive Director). Tian Lihui (independent non-executive Director) is the chairman of the Audit Committee.

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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;
- To oversee the effective implementation of the internal control system and the evaluation of internal control;
- To oversee and examine the operation of the Company and make proposals to the Board;
- To control and carry out day-to-day management of the connected transactions and continuing connected transactions of the Company; and
- To inspect and review the corporate governance of the Company.

During the Reporting Period, the Audit Committee convened 4 meetings. The senior management and external auditors were invited to attend these meetings.

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Independent non-executive Directors</i>	
Tian Lihui (Chairman of the Audit Committee)	4/4
Wang Guangjin	4/4
Tang Jun	4/4
Ngai Wai Fung	4/4
<i>Non-executive Directors</i>	
Wang Zhaojia	4/4
Xue Chunlei	4/4
Guo Yanming (resigned on 20 August 2020)	2/2

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 2019;
- review of implementation of the final dividend for the year ended 31 December 2019;
- review of the accounting policies of the Group adopted during the Reporting Period;
- the proposed appointment of Ernst & Young Hua Ming LLP as the Company's independent auditor for the year ended 31 December 2020;
- review of the 2020 interim report and interim results announcement;
- review of the 2020 first quarter and third quarter results reports;
- review of the procedures for information disclosure during the Reporting Period;

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- review of the internal control and risk management function of the Group with the discussion of the internal auditors;
- review of the internal control evaluation report;
- review of the Company's audit planning report prepared by Ernst & Young Hua Ming LLP for the year ended 31 December 2020;
- review of changes of accounting policy;
- review of the appointment and remuneration plan of senior management;
- review of the related transactions, external guarantee and occupied fund of the Group; and
- review of the work performed by other Board committees during the Reporting Period.

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 24 March 2021.

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

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Remuneration and Nomination Committee

The Company has established the Remuneration and Nomination Committee with written terms of reference. The primary duties of the Remuneration and Nomination Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review the performance-based remuneration, ensure that no Director is involved in determining his own remuneration, nominate candidates to fill up any vacancy of the Board, ensure the diversity of the composition of the Board and review the qualification of the candidates. As at the date of this Annual Report, the Remuneration and Nomination Committee consists of five members, namely Wu Dong (executive Director), Wang Guangjin (independent non-executive Director), Tian Lihui (independent non-executive Director), Tang Jun (independent non-executive Director) and Ngai Wai Fung (independent non-executive Director). Wang Guangjin (independent non-executive Director) is the chairman of the Remuneration and Nomination Committee.

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 2019 performance-based remuneration plan for the Company's senior management and 2019 remuneration plan;
- c. The consideration and review on (i) the appointment of senior management and (ii) the composition of the Remuneration and Nomination Committee and Strategic Committee;
- d. The review of the proposals of nominating directors and appointing senior management; and
- e. The review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Executive Director</i>	
Wu Dong	5/5
<i>Independent non-executive Directors</i>	
Wang Guangjin (Chairman of the Remuneration and Nomination Committee)	5/5
Tian Lihui	5/5
Tang Jun	5/5
Ngai Wai Fung	5/5

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 17 to 21 of this Annual Report.

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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 2020, the Strategic Committee consisted of six members, two of whom are executive Directors, namely Zeng Jin and Zheng Baojin with Zeng Jin 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 2020.

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 2020, 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.

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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 132 to 138 of this Annual Report.

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

4. Directors’ and Supervisors’ Securities Transactions

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

The Company has also adopted the System on Managing Insides and External information (內幕資訊知情人和外部資訊使用人管理制度) 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 2020, 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.

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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 2020, remuneration paid to the members of the senior management other than the Executive Directors was as follows:

	2020 RMB	2019 RMB
Total remuneration	10,597,873	8,012,772

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

	2020	2019
RMB0-1,000,000	8	10
RMB1,000,001-1,500,000	2	1
RMB1,500,001-2,000,000	1	–
	11	11

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.

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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 2020 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.

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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. Internal control process may be subject to common defects in daily operation. However, the internal control of the Company is provided with dual monitoring mechanism of self-evaluation and internal audit to put risks under control and free the financial reports of the Company from its impact.
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.

Internal control operation of the year and direction of improvement in the next year

In 2020, the Company continued to strengthen the publicity and implementation of the newly revised system 2019 and internal control manual in affiliations at all levels; further clarified "1+7+X" management architecture and enhanced management efficiency according to "flat, professional, regional and information-based" management and control principle; optimized the group headquarters' structure, refine department responsibilities and authorities, and gave full play to the functional role of the headquarters' strategic decision center, capital operation center, asset supervision center and human resources distribution center; deepened the reform and adjustment of property investment sector, and completed the construction of property, commercial management and other business operation service systems; set up the Risk Control Committee for the field of international trade with greater pressure of risk management and control, and strictly implemented the parallel operating system of risk control and business; optimized the allocation of general counsel and established the responsibility system for gross cases; pushed forward information-based construction steadily, and completed human resources management system, financial management system and other Phase II modules on schedule. Through self-assessment, the Company has maintained effective internal control in all material aspects in accordance with the requirements of corporate internal control specification system and relevant provisions, and found no major and material defects.

In 2021, the Company will, on the basis of the existing internal control system, promote the extension of the general counsel system to enterprises at three levels, reinforce the construction of ex-ante risk prevention mechanism, accelerate pilot construction of compliance system, and facilitate the organic integration of compliance management and legal affairs into the group's internal control system; establish and improve the collaborative working mechanism of discipline inspection and supervision, inspection and audit; continue to reinforce the implementation, supervision and inspection of various systems and

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procedures, ensure that internal control always centers on the big picture of the Company's development, and make a reasonable guarantee that the Company's operation and management is legitimate and compliant, assets are safe, and financial reports and relevant information are authentic and complete, so as to improve its operating efficiency and effect and promote the realization of development strategy. Meanwhile, according to the new situations reflected in the implementation process of the existing internal control system, it shall optimize and improve some of the business processes, and ensure that the Company's internal control system will timely adapt to environmental changes and stay dynamic and effective.

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 2020 is summarised as follows:

Ernst & Young Hua Ming LLP	RMB
Annual results auditing services	5,800,000
Review of 2020 interim results	3,750,000
Other non-annual audit or review services	270,000
Total	9,820,000

7. Communications with Shareholders

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

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

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8. Shareholders' Rights

Procedure for shareholders to convene an extraordinary general meeting:

Pursuant to Articles 65 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.

When convening an annual general meeting, the Company shall notify the date, venue, and agenda of the meeting to all shareholders 20 business days prior to the convening of the relevant meetings in written form or in any other manners as prescribed by the Articles of Association. When convening an extraordinary general meeting, the Company shall notify shareholders 10 business days or 15 days (whichever is longer) prior to the date of the written form or in any other manners as prescribed by the Articles of Association. When calculating the number of days for the issuance of notices of general meetings, neither the intended day of the meeting, nor the day the relevant notice is issued shall be included in the number of days of advance notice required. Business day means the day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities.

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Procedure for election of directors nominated by shareholders

Pursuant to Articles 68 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.

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Procedure for Shareholders to put forward proposals at a general meeting

Pursuant to Article 68 of the Articles of Association and Rules of Procedure for General Meetings of the Company, the Listing Rules and the 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.

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

9. Constitutional Documents

During the Reporting Period, in order to further optimize the governance structure of the listed company, the Company intends to amend the articles of association (the “**Articles of Association**”) of the Company and the appendices thereto according to the newly amended Company Law, the Guidelines for the Articles of Association of Listed Companies and the Reply on Adjustment of the Notice Period for General Meeting and Other Matters Applicable to Overseas Listed Company (Guo Han [2019] No. 97) newly issued by the State Council, and the relevant laws, administrative regulations and listing rules of the Company’s place of listing, taking into consideration the actual situation of the Company, with the main amendments being adjustments to articles relating to the Company’s notice period and procedures of the convening the general meeting and the repurchase of shares (collectively, the “**Amendments to the Articles of Association**”).

All the Amendments to the Articles of Association have been passed at the 2019 Annual General Meeting held on 19 May 2020. For the particulars of the Amendments to the Articles of Association, please refer to the announcements of the Company dated 31 March 2020 and 19 May 2020.

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

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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; and
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).

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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.

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:

- (1) 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;
- (2) 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;
- (3) 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.

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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 above are satisfied, propose to distribute dividends in shares.

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.

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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 above, 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.

(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.

CORPORATE GOVERNANCE REPORT

(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

Zeng Jin

Chairman

Beijing, the PRC

25 March 2021

AUDITORS' REPORT



Auditors' Report

Ernst & Young Hua Ming (2021) 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 2020, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for 2020 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 2020 and the consolidated and company's operating results and cash flows for 2020 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>Impairment of goodwill</p> <p>As at 31 December 2020, the carrying value of goodwill in the consolidated financial statements amounted to RMB2.461 billion, among which, the impairment provision made for goodwill amounted to RMB342 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 18. Impairment of assets and 35. Significant accounting judgments and estimates and Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 20. 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>Fair value of investment properties</p> <p>As at 31 December 2020, the carrying value of the investment properties in the consolidated and the Company's financial statements amounted to RMB30.684 billion and RMB12.454 billion, respectively. The investment properties were subsequently measured using fair value model.</p> <p>The management 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 13. 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 IX. DISCLOSURE OF FAIR VALUE and Note XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS 4. 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. 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)*

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 (including the disclosures), structure and content of the financial statements, 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: **Meng Jia**

Beijing, the PRC

25 March 2021

Audited Consolidated Balance Sheet

As at 31 December 2020

RMB

	Note V	31 December 2020	31 December 2019
Assets			
Current Assets			
Cash and bank balances	1	28,643,885,532.33	21,325,042,578.37
Financial assets held for trading	2	1,117,646,125.53	1,015,278,286.73
Bills receivable	3	909,259,922.98	5,202,609,351.30
Accounts receivable	4	7,658,458,756.67	8,001,473,532.63
Receivables financing	5	5,588,223,348.91	501,846,392.39
Prepayments	6	2,645,477,546.87	1,524,225,471.45
Other receivables	7	7,484,804,994.29	9,067,357,777.42
Inventories	8	120,593,127,695.50	121,531,025,336.50
Contract assets	9	14,420,557.17	42,952,083.21
Other current assets	10	8,014,327,688.54	6,284,046,698.11
Total current assets		182,669,632,168.79	174,495,857,508.11
Non-current assets			
Debt investments	11	782,487,853.43	206,933,697.53
Long-term receivables	12	1,078,930,249.19	1,021,971,024.22
Long-term equity investments	13	3,968,159,006.99	3,988,531,537.26
Investment in other equity instruments	14	580,376,487.41	382,047,682.07
Investment properties	15	30,683,800,071.02	29,632,244,749.53
Fixed assets	16	43,714,448,132.60	44,512,207,458.24
Construction in progress	17	2,460,432,841.95	2,279,231,800.75
Right-of-use assets	18	749,141,531.87	589,176,549.64
Intangible assets	19	16,194,424,420.83	16,625,761,408.49
Goodwill	20	2,461,468,983.05	2,591,468,983.05
Long-term deferred expenditures	21	1,443,003,731.69	1,276,284,193.48
Deferred income tax assets	22	4,166,680,247.77	3,988,640,507.00
Other non-current assets	23	399,397,663.31	533,398,608.96
Total non-current assets		108,682,751,221.11	107,627,898,200.22
Total assets		291,352,383,389.90	282,123,755,708.33

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet *(continued)*

As at 31 December 2020

RMB

	Note V	31 December 2020	31 December 2019
Liabilities and equity attributable to shareholders			
Current liabilities			
Short-term loans	24	30,823,388,385.20	37,217,682,474.50
Bills payable	25	1,779,326,807.47	1,976,142,322.65
Accounts payable	26	18,082,453,566.59	17,701,948,542.45
Receipts in advance	27	305,227,873.47	334,666,882.90
Contract liabilities	28	28,906,318,019.79	24,557,147,374.24
Wages payable	29	429,985,557.03	490,892,896.45
Tax payable	30	2,628,117,672.26	2,515,633,050.02
Other payables	31	7,895,565,971.72	8,517,423,661.65
Non-current liabilities due within one year	32	14,967,779,666.16	20,319,530,862.57
Short-term financing bonds payable	35	1,599,273,452.96	3,298,801,089.25
Other current liabilities	33	11,392,807,052.69	10,776,488,930.30
Total current liabilities		118,810,244,025.34	127,706,358,086.98
Non-current liabilities			
Long-term loans	34	37,777,329,363.48	35,787,401,022.47
Bonds payable	35	31,571,846,083.37	27,460,996,718.14
Lease liabilities	36	458,329,649.60	317,196,853.52
Long-term payables	37	19,162,220.69	17,818,306.88
Long-term wages payable	38	529,547,335.17	647,490,892.12
Accrued liabilities	39	824,802,495.37	803,168,068.27
Deferred income	40	832,750,925.25	837,416,381.95
Deferred income tax liabilities	22	6,063,184,435.98	5,992,070,007.93
Other non-current liabilities	41	9,000,000.00	22,488,938.80
Total non-current liabilities		78,085,952,508.91	71,886,047,190.08
Total liabilities		196,896,196,534.25	199,592,405,277.06

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet *(continued)*

As at 31 December 2020

RMB

	Note V	31 December 2020	31 December 2019
Liabilities and equity attributable to shareholders <i>(continued)</i>			
Equity attributable to shareholders			
Share capital	42	10,677,771,134.00	10,677,771,134.00
Other equity instruments	43	16,522,000,000.00	14,962,000,000.00
<i>Including: Perpetual bonds</i>		16,522,000,000.00	14,962,000,000.00
Capital reserve	44	6,169,149,696.05	6,434,307,002.11
Other comprehensive income	45	447,195,933.08	232,267,913.04
Specific reserve	46	51,385,977.58	32,250,174.13
Surplus reserve	47	2,263,251,151.05	1,926,994,968.55
General risk reserve	48	457,650,791.76	359,957,564.90
Retained earnings	49	26,787,531,577.50	26,505,650,840.60
Total equity attributable to the shareholders of the parent company		63,375,936,261.02	61,131,199,597.33
Minority interests		31,080,250,594.63	21,400,150,833.94
Total equity attributable to shareholders		94,456,186,855.65	82,531,350,431.27
Total liabilities and equity attributable to shareholders		291,352,383,389.90	282,123,755,708.33

The financial statements have been signed by:

Legal representative:
Zeng Jin

Chief accountant:
Li Li

Head of the accounting department:
Wang Lanfeng

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement

For the year ended 31 December 2020

RMB

	Note V	2020	2019
Operating revenue	50	108,004,884,351.35	91,829,311,097.05
Less: Operating costs	50	86,515,836,991.45	67,402,240,134.58
Tax and surcharges	51	2,026,872,574.80	3,405,479,644.18
Selling expenses	52	3,277,184,703.29	3,076,483,834.81
Administrative expenses	53	6,340,418,782.95	7,056,088,671.56
Research and development expenses	54	269,152,809.67	232,888,822.88
Finance costs	55	3,160,507,027.66	3,397,042,746.61
<i>Including: Interest expenses</i>		6,483,111,314.92	6,836,733,107.83
<i>Interest income</i>		276,069,216.98	712,519,742.58
Add: Other gains	56	881,342,099.36	738,078,540.73
Investment gains	57	686,779,516.72	259,882,805.24
<i>Including: Gains from investment in associates and joint ventures</i>		400,420,619.13	388,081,883.97
<i>Derecognition gains on financial assets measured at amortized cost</i>		-	(443,184,451.58)
Gains from changes in fair value	58	520,392,586.68	759,365,787.90
Credit impairment losses	59	(359,170,322.93)	(467,906,969.95)
Asset impairment losses	60	(717,013,166.69)	(642,657,903.94)
(Losses)/gains on disposal of assets	61	(139,062.60)	39,433,482.23
Operating profit		7,427,103,112.07	7,945,282,984.64
Add: Non-operating revenue	62	674,857,655.26	522,575,890.90
Less: Non-operating expenses	63	307,557,507.87	534,038,828.15
Total profit		7,794,403,259.46	7,933,820,047.39
Less: Income tax expenses	65	2,638,497,687.92	2,755,672,377.61
Net profit		5,155,905,571.54	5,178,147,669.78

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement *(continued)*

For the year ended 31 December 2020

RMB

	Note V	2020	2019
Classified by continuity of operations			
Net profit from continuing operations		5,155,905,571.54	5,178,147,669.78
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		2,843,772,517.94	3,693,582,654.45
Minority interests		2,312,133,053.60	1,484,565,015.33
Net other comprehensive income after tax		206,039,569.13	34,203,076.54
Net other comprehensive income after tax attributable to shareholders of the parent company		214,928,020.04	25,316,592.01
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		18,293,106.00	23,445,873.00
Changes in fair value of investment in other equity instruments		(1,616,913.97)	(2,472,685.22)
Other comprehensive income to be reclassified into profit or loss			
Exchange differences on foreign currency translation		(9,162,189.82)	4,343,404.23
The difference between the fair value and the carrying value of the self-occupied properties on the date when it changed to the investment properties measured with the fair value model		207,414,017.83	–
Net other comprehensive income after tax attributable to minority interests	45	(8,888,450.91)	8,886,484.53
Total comprehensive income		5,361,945,140.67	5,212,350,746.32
Total comprehensive income attributable to the shareholders of the parent company		3,058,700,537.98	3,718,899,246.46
Total comprehensive income attributable to minority interests		2,303,244,602.69	1,493,451,499.86
Basic earnings per shares	66	0.27	0.35
Diluted earnings per share		0.27	0.35

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Shareholder's Equity

For the year ended 31 December 2020

RMB

	Equity attributable to the shareholders of the parent company										Total shareholders' equity
	State capital	Other equity instruments including: Perpetual bonds	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profits	Subtotal	Minority interests	
I. Balance at the beginning of the year	10,677,771,134.00	14,962,000,000.00	6,434,307,002.11	232,267,913.04	32,250,174.13	1,926,994,968.55	359,957,564.90	26,505,650,840.60	61,131,199,597.33	21,400,150,883.94	82,591,350,431.27
II. Movements during the year	-	-	-	214,928,020.04	-	-	-	2,843,772,517.94	3,058,700,537.98	2,303,244,602.69	5,361,945,140.67
(1) Total comprehensive income	-	-	-	214,928,020.04	-	-	-	2,843,772,517.94	3,058,700,537.98	2,303,244,602.69	5,361,945,140.67
(2) Capital contribution and reduction from shareholders	-	-	(37,468,001.85)	-	-	-	-	-	(37,468,001.85)	(233,188,919.19)	(270,656,921.04)
1. Equity transactions that do not affect control	-	-	(37,468,001.85)	-	-	-	-	-	(37,468,001.85)	(233,188,919.19)	(270,656,921.04)
2. New capital contribution from minority shareholders	-	-	4,379,094.36	-	-	-	-	-	4,379,094.36	8,430,885,605.64	8,435,264,700.00
3. Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(10,694,973.03)	(10,694,973.03)
4. Disposal of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	3,987,131.53	3,987,131.53
5. Issuance of perpetual bonds	-	2,550,000,000.00	-	-	-	-	-	-	2,550,000,000.00	-	2,550,000,000.00
6. Redemption of perpetual bonds	-	(990,000,000.00)	-	-	-	-	-	-	(990,000,000.00)	-	(990,000,000.00)
7. Issuance of convertible bonds	-	-	-	-	-	-	-	-	-	291,621,202.48	291,621,202.48
8. Others	-	-	(232,068,398.57)	-	-	-	-	-	(232,068,398.57)	-	(232,068,398.57)

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Shareholder's Equity *(continued)*

For the year ended 31 December 2020

RMB

2020 *(continued)*

	Equity attributable to the shareholders of the parent company										Total shareholders' equity	
	Share capital	Other equity instruments Including: Perpetual bonds	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profits	Subtotal	Minority interests		
(3) Profit distribution												
1. Dividend to owners	-	-	-	-	-	-	(1,281,332,536.08)	(1,281,332,536.08)	(918,976,940.92)	(2,200,309,477.00)		
2. Appropriation of surplus reserve	-	-	-	-	-	336,256,182.50	(336,256,182.50)	-	-	-		
3. Appropriation of general risk reserve	-	-	-	-	-	97,693,226.86	(97,693,226.86)	-	-	-		
4. Interest on perpetual bonds	-	-	-	-	-	-	(846,609,835.60)	(846,609,835.60)	(204,000,000.00)	(1,050,609,835.60)		
(4) Specific reserve												
1. Appropriated during the year	-	-	-	-	116,941,990.17	-	-	116,941,990.17	137,015,900.19	253,957,890.36		
2. Use during the year	-	-	-	-	(97,806,186.72)	-	-	(97,806,186.72)	(119,793,848.70)	(217,600,035.42)		
III Balance at the end of the year	10,677,771,134.00	16,522,000,000.00	6,169,449,696.05	447,959,933.08	51,385,977.58	2,263,251,151.05	457,650,791.76	26,787,531,577.50	63,375,936,261.02	31,080,250,594.63	94,456,186,855.65	

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Shareholder's Equity *(continued)*

For the year ended 31 December 2020

RMB

2019

	Equity attributable to the shareholders of the parent company										Total shareholders' equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profits	Subtotal	Minority interest	
II. Balance at the end of last 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
Add: Effect of change in accounting policy	-	-	-	-	-	-	-	(39,155,945.38)	(39,155,945.38)	(71,099,466.19)	(110,255,412.17)
II. Balance at the beginning 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	24,607,271,890.46	57,626,315,554.50	21,477,931,580.55	79,104,247,135.05
III. Movements during the year	-	-	-	25,316,592.01	-	-	-	3,693,382,654.45	3,718,699,246.46	1,493,451,499.86	5,212,350,746.32
(1) Total comprehensive income	-	-	-	25,316,592.01	-	-	-	3,693,382,654.45	3,718,699,246.46	1,493,451,499.86	5,212,350,746.32
(2) Capital contribution and reduction from shareholders	-	-	862,538,761.59	-	9,396,250.56	-	-	-	871,935,012.15	(871,935,012.15)	-
1. Equity transactions that do not affect control	-	-	862,538,761.59	-	9,396,250.56	-	-	-	871,935,012.15	(871,935,012.15)	-
2. Business combination not under common control	-	-	-	-	-	-	-	-	-	190,512,133.32	190,512,133.32
3. New capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	26,658,000.00	26,658,000.00
4. Acquisition of equity interest of minority shareholders	-	-	12,333,019.92	-	-	-	-	-	12,333,019.92	(13,233,019.92)	(900,000.00)
5. Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	361,304.27	361,304.27
6. Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(34,382,862.15)	(34,382,862.15)
7. Others	-	-	285,464,378.06	-	-	-	-	-	285,464,378.06	(172,231,402.06)	113,232,976.00

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Shareholder's Equity *(continued)*

For the year ended 31 December 2020

RMB

2019 *(continued)*

	Equity attributable to the shareholders of the parent company								Total shareholders' equity			
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profits		Subtotal	Minority interests	
(3) Profit distribution												
1. Dividend to shareholders	-	-	-	-	-	-	-	(587,277,412.39)	(587,277,412.39)	(496,792,109.27)	(1,084,069,521.66)	
2. Appropriation of surplus reserve	-	-	-	-	389,560,928.31	-	-	(389,560,928.31)	-	-	-	
3. Appropriation of general risk reserve	-	-	-	-	-	19,165,363.61	-	(19,165,363.61)	-	-	-	
4. Interest on perpetual bonds	-	-	-	-	-	-	-	(799,200,000.00)	(799,200,000.00)	(204,000,000.00)	(1,003,200,000.00)	
(4) Specific reserve												
1. Propriated during the year	-	-	-	-	100,952,607.24	-	-	-	100,952,607.24	111,407,944.62	212,360,551.86	
2. Use during the year	-	-	-	-	(98,222,808.61)	-	-	-	(98,222,808.61)	(107,597,223.13)	(205,820,031.74)	
IV Balance at the end of the year	10,677,771,134.00	14,962,000,000.00	6,434,307,002.11	232,267,913.04	32,250,174.13	1,926,994,968.55	359,957,564.90	26,505,650,840.60	61,131,199,597.33	21,400,150,833.94	82,531,350,431.27	

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows

For the year ended 31 December 2020

RMB

	Note V	2020	2019
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		117,060,210,768.25	91,476,656,260.31
Refunds of taxes		609,421,213.54	603,815,128.45
Cash received from other operating activities	67	2,125,445,743.63	3,283,649,279.11
Subtotal of cash inflows from operating activities		119,795,077,725.42	95,364,120,667.87
Cash paid for goods and services		81,652,247,438.53	64,952,647,913.12
Cash paid to and on behalf of employees		5,947,850,131.83	6,594,513,631.07
Cash paid for all types of taxes		9,321,711,435.00	8,798,265,475.53
Cash paid for other operating activities	67	6,995,096,672.79	5,238,266,832.57
Net increase in deposits placed with the Central Bank		422,438,256.18	258,745,527.77
Subtotal of cash outflows from operating activities		104,339,343,934.33	85,842,439,380.06
Net cash flows from operating activities	67	15,455,733,791.09	9,521,681,287.81
II. Cash flows from investing activities:			
Cash received from redemption of investments		43,401,296.64	34,401,517.17
Cash received from return on investments		461,811,405.61	674,105,241.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		896,792,631.50	201,935,382.95
Net cash received from disposal of subsidiaries and other operating units	67	83,438,433.80	702,797,049.87
Cash received from other investing activities	67	2,137,375,219.83	5,084,272,223.08
Subtotal of cash inflows from investing activities		3,622,818,987.38	6,697,511,414.54
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,170,851,850.68	7,361,665,302.21
Cash paid for investments		325,483,117.42	1,075,054,307.43
Net cash paid for acquisition of subsidiaries and other operating units	67	–	48,421,037.65
Cash paid for other investing activities	67	2,691,410,864.43	4,993,999,991.78
Subtotal of cash outflows from investing activities		6,187,745,832.53	13,479,140,639.07
Net cash flows from investing activities		(2,564,926,845.15)	(6,781,629,224.53)

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 December 2020

RMB

	Note V	2020	2019
III. Cash flows from financing activities:			
Cash received from investment absorption		8,402,000,000.00	23,754,000.00
Including: Cash received by subsidiaries from minority interests		8,402,000,000.00	23,754,000.00
Cash received from issuance of bonds		15,268,566,484.97	17,282,562,226.41
Cash received from issuance of perpetual bonds		2,550,000,000.00	–
Cash received from borrowings		59,424,955,165.80	60,262,437,880.84
Cash received from other financing activities	67	720,300,000.00	242,079,240.52
Subtotal of cash inflows from financing activities		86,365,821,650.77	77,810,833,347.77
Cash paid for repayment of borrowings		71,398,065,576.00	55,135,802,868.53
Cash paid for distribution of dividends or profits or for interest expenses		8,545,474,280.68	8,073,709,087.14
<i>Including: Dividends and profits paid by subsidiaries to minority shareholders</i>		915,336,940.92	521,749,250.63
Cash paid for repayment of bonds		10,559,802,000.00	14,761,065,000.00
Cash paid for repayment of perpetual bonds		990,000,000.00	–
Cash paid for other financing activities	67	944,300,118.90	786,928,044.08
Subtotal of cash outflows from financing activities		92,437,641,975.58	78,757,504,999.75
Net cash flows from financing activities		(6,071,820,324.81)	(946,671,651.98)
IV. Effect of changes in exchange rate on cash and cash equivalents		3,313,629.33	14,117,578.39
V. Net increase in cash and cash equivalents		6,822,300,250.46	1,807,497,989.69
Add: Balance of cash and cash equivalents at the beginning of the year		15,327,545,297.51	13,520,047,307.82
VI. Balance of cash and cash equivalents at the end of the year	67	22,149,845,547.97	15,327,545,297.51

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet of the Company

As at 31 December 2020

RMB

	Note XV	31 December 2020	31 December 2019
Assets			
Current assets			
Cash and bank balances		12,663,529,448.63	8,627,307,336.62
Financial assets held for trading		224,440,502.70	–
Accounts receivable		14,295,377.28	–
Other receivables	1	80,313,205,268.42	74,611,857,334.04
Other current assets	2	1,284,871,214.75	2,321,214.75
Total current assets		94,500,341,811.78	83,241,485,885.41
Non-current assets			
Long-term receivables		–	110,958,405.25
Long-term equity investments	3	49,266,704,465.05	47,954,670,429.73
Investment in other equity instruments		200,000.00	200,000.00
Investment properties	4	12,453,723,312.06	11,839,906,198.63
Fixed assets		973,705,745.55	1,093,157,067.74
Intangible asset		306,941,903.57	371,326,596.68
Long-term deferred expenditures		13,767,337.93	–
Deferred income tax assets		318,439,754.01	221,233,673.66
Other non-current assets		250,632,873.06	32,563,767.56
Total non-current assets		63,584,115,391.23	61,624,016,139.25
Total assets		158,084,457,203.01	144,865,502,024.66

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet of the Company (continued)

As at 31 December 2020

RMB

	31 December 2020	31 December 2019
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	26,128,650,000.00	29,448,150,000.00
Accounts payable	8,534,173.57	8,534,173.57
Receipts in advance	122,846,014.18	148,269,417.58
Wages payable	11,085,430.15	10,815,430.15
Tax payable	53,888,058.02	52,799,147.76
Other payables	4,686,047,601.06	3,594,511,759.17
Short-term financing bonds payable	-	2,000,000,000.00
Non-current liabilities due within one year	10,434,892,614.67	11,593,754,157.19
Total current liabilities	<u>41,445,943,891.65</u>	<u>46,856,834,085.42</u>
Non-current liabilities		
Long-term loans	34,818,468,869.28	22,426,432,300.00
Bonds payable	26,601,357,278.73	23,969,695,517.95
Long-term wages payable	321,092,548.46	341,924,593.46
Deferred income tax liabilities	2,318,615,984.67	2,169,273,700.37
Total non-current liabilities	<u>64,059,534,681.14</u>	<u>48,907,326,111.78</u>
Total liabilities	<u>105,505,478,572.79</u>	<u>95,764,160,197.20</u>
Shareholders' equity		
Share capital	10,677,771,134.00	10,677,771,134.00
Other equity instruments	16,972,000,000.00	14,962,000,000.00
Including: Perpetual bonds	16,972,000,000.00	14,962,000,000.00
Capital reserve	6,674,854,902.82	6,674,854,902.82
Other comprehensive income	296,253,245.62	81,426,873.79
Surplus reserve	2,263,251,151.05	1,924,214,128.32
Retained profits	15,694,848,196.73	14,781,074,788.53
Total shareholders' equity	<u>52,578,978,630.22</u>	<u>49,101,341,827.46</u>
Total liabilities and shareholders' equity	<u>158,084,457,203.01</u>	<u>144,865,502,024.66</u>

The financial statements have been signed by:

Legal representative:
Zeng Jin

Chief accountant:
Li Li

Head of the accounting department:
Wang Lanfeng

The accompanying notes form an integral part of these financial statements

Audited Income Statement of the Company

For the year ended 31 December 2020

RMB

	Note XV	2020	2019
Operating revenue	5	915,245,677.01	1,048,469,960.18
Less: Operating costs	5	100,879,035.31	72,908,452.90
Tax and surcharges		125,898,265.89	141,398,405.44
Selling expenses		26,068,599.13	39,787,762.07
Administrative expenses		191,470,098.30	193,085,398.30
Finance costs		1,259,297,017.14	1,648,901,751.12
Including: Interest expenses		4,445,210,946.70	4,392,208,760.58
Interest income		3,339,759,899.03	2,856,417,701.92
Add: Other gains		11,055,258.18	–
Add: Investment gains	6	3,804,632,466.63	4,883,230,716.99
Including: Share of investment gains/(loss) of associates and joint ventures		34,850,604.07	(6,121,379.16)
Gains from changes in fair value		347,860,516.13	108,500,605.76
Asset impairment losses		(60,000,000.00)	–
Losses on disposal of assets		1,244,545.22	–
Operating profit		3,316,425,447.40	3,944,119,513.10
Add: Non-operating revenue		66,991,401.90	27,911,467.08
Less: Non-operating expenses		10,048,424.00	27,466,800.49
Total profit		3,373,368,425.30	3,944,564,179.69
Less: Income tax expenses		(17,001,801.98)	76,763,298.94
Net profit		3,390,370,227.28	3,867,800,880.75
Classified by operation continuity			
Including: net profit from continuing operations		3,390,370,227.28	3,867,800,880.75
Net other comprehensive income after tax		214,826,371.83	16,582,161.00
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		7,412,354.00	16,582,161.00
Other comprehensive income to be reclassified into profit or loss			
The difference between the fair value and the carrying value of the self-occupied properties on the date when it changed to the investment properties measured with the fair value model		207,414,017.83	–
Total comprehensive income		3,605,196,599.11	3,884,383,041.75

The accompanying notes form an integral part of these financial statements

Audited Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2020

RMB

2020

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
I. Balance at the beginning of the year	10,677,771,134.00	14,962,000,000.00	6,674,854,902.82	81,426,873.79	1,924,214,128.32	14,781,074,788.53	49,101,341,827.46
II. Movements during the year							
(1) Total comprehensive income	-	-	-	214,826,371.83	-	3,390,370,227.28	3,605,196,599.11
(2) Capital contribution and reduction from shareholders							
1. Issuance of perpetual bonds	-	3,000,000,000.00	-	-	-	-	3,000,000,000.00
2. Redemption of perpetual bonds	-	(990,000,000.00)	-	-	-	-	(990,000,000.00)
(3) Profit distribution							
1. Dividend to Shareholders	-	-	-	-	-	(1,281,332,536.08)	(1,281,332,536.08)
2. Interest on perpetual bonds	-	-	-	-	-	(856,227,260.27)	(856,227,260.27)
3. Appropriation of surplus reserves	-	-	-	-	339,037,022.73	(339,037,022.73)	-
III. Balance at the end of the year	10,677,771,134.00	16,972,000,000.00	6,674,854,902.82	296,253,245.62	2,263,251,151.05	15,694,848,196.73	52,578,978,630.22

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

For the year ended 31 December 2020

RMB

2019

	Paid up capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
I. Balance at the beginning 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>
II. Movements during the year							
(1) Total comprehensive income	-	-	-	16,582,161.00	-	3,867,800,880.75	3,884,383,041.75
(2) Profit distribution							
1. Dividend to Shareholders	-	-	-	-	-	(587,277,412.39)	(587,277,412.39)
2. Interest on perpetual bonds	-	-	-	-	-	(799,200,000.00)	(799,200,000.00)
3. Appropriation of surplus reserves	-	-	-	-	386,780,088.08	(386,780,088.08)	-
III. 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>81,426,873.79</u>	<u>1,924,214,128.32</u>	<u>14,781,074,788.53</u>	<u>49,101,341,827.46</u>

The accompanying notes form an integral part of these financial statements

Audited Statement of Cash Flows of the Company

For the year ended 31 December 2020

RMB

	Note XV	2020	2019
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		931,581,935.20	1,124,045,093.39
Cash received from other operating activities	7	81,909,889,585.30	53,928,138,008.92
Subtotal of cash inflows from operating activities		82,841,471,520.50	55,052,183,102.31
Cash paid for goods and services		38,215,465.88	8,745,477.58
Cash paid to and on behalf of employees		59,722,801.10	63,855,956.84
Cash paid for all types of taxes		186,616,238.62	285,102,383.61
Cash paid for other operating activities	7	84,702,254,513.07	58,274,076,277.77
Subtotal of cash outflows from operating activities		84,986,809,018.67	58,631,780,095.80
Net cash flows from operating activities	8	(2,145,337,498.17)	(3,579,596,993.49)
II. Cash flows from investing activities:			
Cash received from redemption of investments		26,284,093.75	3,310,065,877.04
Cash received from return on investments		3,731,524,608.34	2,694,689,391.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		20,859,419.30	1,100.00
Subtotal of cash inflows from investing activities		3,778,668,121.39	6,004,756,368.14
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		218,398,627.50	25,448,547.47
Cash paid for investments		1,560,852,617.25	4,682,409,842.11
Subtotal of cash outflows from investing activities		1,779,251,244.75	4,707,858,389.58
Net cash flows from investing activities		1,999,416,876.64	1,296,897,978.56

The accompanying notes form an integral part of these financial statements

Audited Income Statement of the Company *(continued)*

For the year ended 31 December 2020

RMB

	Note XV	2020	2019
III. Cash flows from financing activities:			
Cash received from issuance of bonds		10,638,214,000.00	12,500,000,000.00
Cash received from borrowings		45,860,150,000.00	40,696,950,000.00
Cash received from issuance of perpetual bonds		3,000,000,000.00	–
Subtotal of cash inflows from financing activities		59,498,364,000.00	53,196,950,000.00
Cash paid for repayment of borrowings		41,713,313,430.72	29,965,887,700.00
Cash paid for distribution of dividends or profits or for interest expenses		6,310,378,316.94	5,530,671,888.16
Cash paid for repayment of bonds		7,245,214,000.00	13,281,000,000.00
Subtotal of cash outflows from financing activities		55,268,905,747.66	48,777,559,588.16
Net cash flows from financing activities		4,229,458,252.34	4,419,390,411.84
IV. Effect of changes in exchange rate on cash and cash equivalents		2,922,484.88	19,551.04
V. Net increase in cash and cash equivalents		4,086,460,115.69	2,136,710,947.95
Add: Balance of cash and cash equivalents at the beginning of the year		8,577,069,332.94	6,440,358,384.99
VI. Balance of cash and cash equivalents at the end of the year	8	12,663,529,448.63	8,577,069,332.94

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

For the year ended 31 December 2020
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 (“**Hong Kong Stock Exchange**”), 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 all 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 25 March 2021.

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. 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 2020
RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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, revenue recognition and measurement, 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 2020 and their financial performance and cash flows for 2020.

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 2020
RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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, if the sum of the fair value of this consideration and other items mentioned above is still lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired, the difference is recognised in profit or loss for the current period.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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.

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 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(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. The non-monetary foreign currency items are designated as part of the hedge of the Group's net investment of a foreign operation are recognised in other comprehensive income until the net investment is disposed of, at which the cumulative amount is reclassified to the profit or loss for the current period. 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. The component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss 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 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

9. Financial instruments *(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 instrument investment measured 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.

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 be 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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

9. Financial instruments *(continued)*

Classification and measurement of financial assets *(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.

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, except for hedge accounting, where all changes in fair value are recognised in profit or loss for the current period.

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. 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 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

9. Financial instruments *(continued)*

Classification and measurement of financial assets *(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. 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. For financial liabilities designated as measured at fair value through profit or loss, subsequent measurements are made at fair value. Changes in fair value caused by changes in the Group's own credit risk are recognised in other comprehensive income, while other changes in fair value are recognised in profit or loss for the current period. Unless changes in fair value caused by changes in the Group's own credit risk recognised in other comprehensive income may result in or expand accounting mismatches in profit or loss, the Group shall recognise all changes in fair value (including the amount of impact of changes in its own credit risk) 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 instruments

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.

For amount receivables and contract assets excluding the major financing portion, 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.

For lease receivables, amount receivables and contractual assets including the major financing portion, 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 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

9. Financial instruments *(continued)*

Impairment of financial instruments *(continued)*

In addition to the financial assets 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 assets measured at amortized cost based on age combinations.

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)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

9. Financial instruments *(continued)*

Derivative financial instruments

The Group uses derivative financial instruments, such as commodity forward contracts, to hedge exchange rate risk, commodity price risk and interest rate risk, respectively. Derivative financial instruments are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently measured at their fair values. Derivative financial instruments with a positive fair value are recognised as an asset, and that with a negative fair value is recognised as a liability.

Other than hedge accounting, gains or losses arising from changes in the fair value of derivatives are directly recognised in profit or loss for the current period.

Convertible bonds

Upon issuance, the Group determines in accordance with the terms of the convertible bonds whether such bonds consist of both equity and liability components. For convertible bonds that carry both equity and liability components, liability and equity are separately dealt with upon initial recognition. During the segregation, the fair value of the liability is first determined and adopted as the initially recognition. Then the initial recognition of the equity component is determined by deducting the initial liability recognition from the overall issue price of the convertible bonds. Transaction costs are apportioned between liability and equity according to their respective fair values. The liability component is presented as liability and subsequently measured on an amortised cost basis, until it is cancelled, converted or redeemed. The equity component is presented as equity and no subsequent measurement is applicable. The issuance of convertible bonds contain both a liability component and an embedded derivative, that is the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from the convertible bonds and accounted for as a derivative financial instrument. It should be initially measured at fair value. Any excess of proceeds over the amount initially recognised as derivative component is recognised as the liability instrument. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the profit or loss.

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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

10. Inventories

Inventories include raw materials, work in progress, finished goods, 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 cost of inventories also includes gains or losses arising from purchase meeting the criteria of cash flow hedging transferred from other comprehensive income. 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. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. 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)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. 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)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12. Long-term equity investments

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

A long-term equity investment is initially measured at its initial investment cost on acquisition. For a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the carrying amount of the absorbing party's share of the owner's equity of the party being absorbed on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted against capital reserve (where the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). Other comprehensive income prior to the date of the merger is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. The initial investment cost of the long-term equity investment is the cost of acquisition for a business combination not under common control (for a business combination not under common control achieved in stages, the initial investment cost is measured at the carrying amount of the equity investments in the acquiree before the acquisition date plus the additional investment cost incurred on the acquisition date). The cost of combination includes the assets transferred and the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued. Other comprehensive income held prior to the date of the acquisition and recognised using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into 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 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

For a long-term equity investment where the Group can exercise control over the investee, the long-term equity investment is accounted for using the cost method in the Group'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 asset impairment losses 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)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12. 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.

13. Investment properties

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

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

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

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

The Group's current investment properties, most of which are commercial properties at developed commercial districts, are primarily located at urban 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)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

13. 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.

14. Fixed assets

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

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

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

	Useful life	Estimated net residual value %	Annual depreciation rate %
Buildings	20-40 years	5%	2.38-4.75
Machinery and equipment	15 years	5%	6.33
Transportation equipment	6-10 years	5%	9.50-15.83
Office and other equipment	5 years	5%	19

Notes to Financial Statements *(continued)*

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Fixed assets *(continued)*

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

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

15. Construction in progress

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

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

16. Borrowing costs

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

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

Notes to Financial Statements *(continued)*

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16. Borrowing costs *(continued)*

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

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

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

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

- (1) where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any temporary bank interest earned from depositing the borrowed funds 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.

Notes to Financial Statements *(continued)*

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

17. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination which is not under common control and with a fair value that can be measured reliably are recognized separately as intangible assets and measured at fair value.

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

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

The useful life of each intangible assets is as follows:

	Useful life
Land use rights	20-60 years
Software use rights	5-10 years
Trademarks rights	Undermined useful life
Mining rights	Amortised at volume of mining

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.

Notes to Financial Statements *(continued)*

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

17. Intangible assets *(continued)*

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 *(continued)*

18. Impairment of assets

The Group determines the impairment of assets other than inventories, contract assets and assets relating to contract assets, investment properties measured under the fair value model, deferred income tax assets, and financial assets 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 asset impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

19. Long-term deferred expenditures

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

20. Employee benefits

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

Short-term benefits

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

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 *(continued)*

20. 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.

21. 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 *(continued)*

22. 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.

23. Revenue from contracts with customers

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 under the balance sheet.

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 assets 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 *(continued)*

23. Revenue from contracts with customers *(continued)*

Contracts for provision of services

Contracts for provision of services between the Group and its customers generally include performance obligations in relation to disposal of solid and waste, decoration, property management, and hotel operation 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. 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 or output 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 or service, and uses the discount rate of the nominal amount of the contract consideration to the discounted price of the goods or service 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 or service 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 or the assets constructed pursuant to contractual agreement and laws and regulations. The Group performs accounting treatments in accordance with Note III. 21 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 *(continued)*

23. Revenue from contracts with customers *(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.

Sales return clause

For sales with a sales return clause, the Group recognizes revenue based on the amount of consideration expected to be received by the customer for the transfer of the goods to the customer, and recognizes the amount that is expected to be refunded as a result of the sales return as an estimated liability. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), that is returns cost receivables, is recognized as an asset in accordance with the carrying value during the expected transfer of returned goods after deducting the costs of the above net assets carried forward. On each balance sheet date, the Group re-estimates the future sales return and re-measures the above assets and liabilities.

Changes of contract

When the construction contract between the Group and the customer changes:

- (1) If the contract change adds a clearly distinguishable construction service and contract price and the new contract price reflects the separate selling price of the new construction service, the Group treats the contract change as a separate contract for accounting treatment;
- (2) If the contract change does not fall within the above-mentioned situation (1), and the construction service transferred and that untransferred can be clearly distinguished on the contract change date, the Group will regard it as the original contract termination, and at the same time, the non-compliance part of the contract and the contract change part are merged into a new contract for accounting treatment;
- (3) If the contract change does not fall within the above-mentioned situation (1), and there is no clear distinction between the construction service transferred and that untransferred on the contract change date, the Group will treat the changed part of the contract as part of the original contract for accounting treatment. The resulting impact on the recognized revenue is adjusted for current income on the contract change date.

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.

Notes to Financial Statements *(continued)*

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Contract assets and contract liabilities

The Group presented contract assets or contract liabilities on the balance sheet based on the correlation between the performance of obligations and customer payments. The Group offsets contract assets against contract liabilities under the same contracts and presents the net amount.

Contract assets

Contract asset refers to the right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time.

Details of the Group's determination method and accounting treatment for expected credit losses of contract assets are set forth in Note V. 9.

Contract liabilities

Contract liabilities present the obligation to transfer goods or service to a customer for consideration received or receivable from the customer, such as the amount received by the enterprise before the promised goods are transfer to the customers.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25. Assets related to contract costs

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.

The Group makes impairment provisions and recognises an asset impairment loss 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 or service to which the assets relates; less
- (2) the estimated costs to be incurred for the exchange of the related goods or service.

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.

Notes to Financial Statements *(continued)*

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26. 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: 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 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 *(continued)*

27. 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 *(continued)*

27. Income tax *(continued)*

At the balance sheet date, the Group measured the deferred tax assets and liabilities 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.

28. Right-of-use assets

The right-of-use assets of the Group mainly comprise lands, buildings, machinery and equipment, transportation equipment and other equipments.

On the commencement date of the lease term, the Group recognises its right to use the lease assets over the lease term as the right-of-use asset, including: the initial measurement amount of the lease liability; the amount of the lease payment on or before the commencement date of the lease term, deducting the relevant amount of the lease incentives already enjoyed if there is a lease incentive; the initial direct expenses incurred by the lessee; and the cost expected to be incurred by lessee for dismantling and removing the lease assets, restoring the site where the lease assets are located or restoring the lease assets to the state agreed upon under the lease terms. The Group subsequently depreciated the right-of-use assets using the straight-line method. If it is reasonable to determine that the ownership of the lease assets can be obtained at the expiration of the lease term, the Group will provide for depreciation during the remaining useful life of the lease assets. If it is not reasonable to determine that the ownership of the lease assets can be obtained at the expiration of the lease term, the Group will provide for depreciation during the shorter of the lease term and the remaining useful life of the lease assets.

When the Group re-measures the lease liabilities based on the present value of the changed lease payment amount and adjusts the carrying amounts of the right-of-use assets accordingly. If the carrying amounts of the right-of-use assets have been reduced to zero but the lease liabilities still need to be further reduced, the Group accounts for the remaining amount in the current profit or loss.

Notes to Financial Statements *(continued)*

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Lease liabilities

On the commencement date of the lease term, the Group recognises the present value of the outstanding lease payments as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the implicit interest rate in the lease as the discount rate; if the implicit interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liabilities for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period, excepted for otherwise stipulated to be recognized in related asset costs. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred, excepted for otherwise stipulated to be recognised in related asset costs.

After the commencement date of the lease term, when the substantially fixed payment amount changes, the expected amount payable of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, or the assessment results or actual exercise of the purchase option, renewal option or termination option change, the Group re-measures the lease liabilities based on the present value of the changed lease payments.

30. Leases

Identification of leases

On the contract start date, the Group assesses whether the contract is a lease or contains a lease. If one of the parties to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or contains a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and have the right to direct the use of identified assets during this period of use.

Identification of separate leases

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

- (1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available;
- (2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Leases *(continued)*

Assessment of lease term

The lease term is the period during which the Group has the right to use the lease assets and is irrevocable. Where the Group has the option to renew the lease, that is, the right to choose to renew the lease, and it is reasonable to determine that the option will be exercised, the lease term will also include the period covered by the option to renew the lease. Where Group has the option to terminate the lease, that is, the right to choose to terminate the lease of the asset, but it is reasonable to determine that the option will not be exercised, the lease term will include the period covered by the option to terminate the lease. Where a major event or change within the Group's control occurs and affects whether the Group reasonably determines that the option will be exercised, the Group will re-evaluate whether it will reasonably exercise the option to renew the lease, the purchase option or not to exercise the option to terminate the lease.

As a lessee

For the general accounting treatment of the Group as a lessee, refer to Notes III. 28 and III. 29.

Lease change

Lease change refers to change of the scope, consideration, and term of the lease beyond the original contract terms, including the increase or termination of the use rights of one or more lease assets, and the extension or shortening of the lease term stipulated in the contract.

If lease change occurs and meets the following conditions, the Group will account for the lease change as a separate lease:

- (1) The lease change expands the lease scope by increasing the right to use one or more lease assets;
- (2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

Where the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the interest rate implicit in the lease for the remaining lease term as the discount rate; if the interest rate implicit in lease for the remaining lease term cannot be determined, the Group's incremental borrowing rate on the effective date of the lease change is adopted as the discount rate.

Regarding the impact of the above adjustment of lease liabilities, the Group distinguishes between the following cases for accounting treatment:

- (1) If the lease change results in a narrower lease or a shorter lease term, the Group reduces the carrying value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognises the related gains or losses that partially terminate or completely terminate the leases into the current profit and loss;
- (2) For other lease changes, the Group adjusts the carrying value of the right-of-use assets accordingly.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Leases *(continued)*

As a lessee (continued)

Short-term lease and low-value asset lease

The Group recognises leases with lease terms of not more than 12 months as at the commencement date of the lease term and without the purchase option as short-term leases; and recognises leases with a value of not more than RMB40,000 when the single lease asset is a new asset as low value leases. If the Group subleases or expects to sublease the lease assets, the original lease is not recognised as a low-value asset lease. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During each period of the lease term, the related asset costs or current profit and loss are included by using the straight-line method.

Rent concessions caused by the COVID-19

For the rent concessions directly caused by the COVID-19 and agreed by the Group and the Lessor under the existing leasing contracts and the rent deduction such as deferred payments, if it meets the following conditions at the same time, the Group will adopt simplified method for the leases:

- (1) The lease consideration after the concession is reduced or basically unchanged compared with that before the concession;
- (2) The concession is only for lease payables before 30 June 2021;
- (3) After taking into account the qualitative and quantitative factors, it is determined that there is no significant changes in other terms and conditions of the leases.

The Group will not assess whether there has been a change in the lease, and will continue to calculate the interest expenses of the lease liabilities based on the discount rate consistent with that before the concession and recognized in profit or loss for the current period; and continue to make provision for the depreciation of the right-of-use assets based on the method consistent with that before the concession. For the recognized rent concessions, the rent concessions shall be treated as variable lease payments by the Group. If original rent payment obligation released when the concession agreement has been fulfilled, the relevant assets costs or expenses shall be offset by the undiscounted amounts and the lease liabilities shall be adjusted accordingly. For the deferred rental payment, the previously recognized lease liabilities will be offset by the Group when the actual payment occurs.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Leases *(continued)*

As a lessor

Leases that transfer substantially all of the risks and rewards associated with the ownership of the lease assets on the lease start date are finance leases, and all other leases are operating leases. When the Group is a sublessor, it will classify the sublease based on the right-of-use assets arising from in original lease.

As a lessor of a finance lease

As at the commencement date of the lease term, the Group shall recognize finance lease payment receivable for finance lease and derecognize finance lease assets. The finance lease payment receivable shall be accounted for at net lease investment in its initial measurement by the Group. Net lease investment represents the sum of unguaranteed residual value and the present value of lease payment receivable outstanding as at the commencement date of the lease term discounted at the implicit rate in the lease.

The Group shall recognise interest income over each lease term based on constant periodic rate of return. The variable lease payments not included in the measurement of net investment in the lease obtained by the Group shall be recognised in profit or loss when it actually occurs.

As a lessor of an operating lease

Rental income under an operating lease is recognized through profit or loss using the straight-line method for each period of the lease term. Variable lease payments not included in the measurement of the net investment in the lease are recognized in profit or loss as incurred.

Where change to an operating lease occurs, the Group shall treat it as a new lease from the effective date of the change, and the amount of the lease collection amount prepaid or receivable related to the lease before the change shall be regarded as the collection amount of the new lease.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Leases *(continued)*

Sale and leaseback transactions

The Group will estimate and determine whether the asset transfer under the sale and leaseback transactions shall be treated as a sale according to Note III. 23.

As a lessee

Where asset transfer under the sale and leaseback transactions is a sale, the Group, as a lessee, shall measure the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognize relevant profit or loss for the right transferred to the lessor; where asset transfer under the sale and leaseback transactions is not a sale, the Group, as a lessee, will continue to recognize the transferred assets while recognize a financial liability equal to the transfer income and account for such liability according to Note III. 9.

As a lessor

Where asset transfer under the sale and leaseback transactions is a sale, the Group, as a lessor, will account for the asset purchase and account for the asset lease according to the provision above; where asset transfer under the sale and leaseback transactions is not a sale, the Group, as a lessor, will not recognize the transferred assets, but recognize a financial asset equal to the transfer income and account for such financial asset according to Note III. 9.

31. Hedge accounting

In respect of the methods of hedge accounting, the Group's hedging is classified as fair value hedge, that is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognized firm commitment (other than foreign exchange risk).

At the inception of a hedge relationship, the Group officially designates the hedge relationship and prepares formal written documentation of the hedge relationship, risk management objectives and hedge strategies. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. Hedge effectiveness is the extent to which the changes in fair value or cash flows of the hedging instruments offset changes in the fair value or cash flow of hedged items caused by the hedged risk. Such hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that such hedges are highly effective during the accounting period with designated hedging relationships.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Hedge accounting *(continued)*

If the hedging instrument expires or is sold, contract terminated or exercised (but the rollover or replacement of part of a hedging instrument under the hedging strategy is not treated as an expiration or a contract termination), or due to a change in the risk management objective, the hedging relationship no longer meets the risk management objective, or when the hedging no longer meets other conditions of the hedge accounting method, the Group terminates the use of hedge accounting.

Where the hedging relationship no longer meets the hedging effectiveness requirements due to the hedging ratio, but the risk management objectives for the designated hedging relationship have not changed, the Group rebalances the hedging relationship.

The Group's methodology for assessing the effectiveness of hedging, risk management strategy and how to apply the strategy to manage risks are described in Note V. 70.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedge

The gains or losses arising from the hedging instrument are recognised in profit or loss. The gain or loss of the hedged item arising from risk exposure is recognised in profit or loss, and the carrying amount of the hedged item that is not measured at fair value is adjusted accordingly.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with the corresponding gain or loss recognised in profit or loss.

32. Distribution of profit

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

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

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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 almost all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and inventories

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

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 with voting rights 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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

Judgments (continued)

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.

Other equity instruments – perpetual bonds

As described in Note V. 43, the Group issued perpetual bonds of RMB1 billion, RMB4 billion, RMB5 billion, RMB5 billion and RMB3 billion in 2015, 2016, 2017, 2018 and 2020, 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.

Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise valuation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contract cash flow, the Group is required to analyse and exercise judgment in respect of the reasons, timing, frequency and values of any disposals prior to the maturity date of the financial assets.

Characteristics of contract cash flow

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flow of such type of financial assets. Judgment is required to determine whether the contract cash flow represents interest payment in relation to principal amounts based on outstanding principal amounts only, including judgment of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies, and judgment of whether the fair value of early repayment features is minimal where the financial assets include such early repayment features.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

Uncertainty of estimation

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

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. Differences in estimates may have an impact on the provision for Impairment. A provision for impairment may not be equal to the actual amount of impairment losses in the future.

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.

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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

Uncertainty of estimation (continued)

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.

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.

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 current and future years.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

Uncertainty of estimation *(continued)*

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)*

For the year ended 31 December 2020
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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 13% (16% prior to 1 April 2019). 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 9% (10% prior to 1 April 2019), 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.
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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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IV. TAXATION *(continued)*

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

Individual income tax:	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group
Land appreciation tax:	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the transfer of ownership by the Group at a consideration.
Resource tax:	Under the relevant tax laws of the PRC, it is levied to the minerals exploited by the Group on a quantity basis 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

Corporate income tax

- a. 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》).
- b. 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》), Laishui BBMG Environmental Protection Technology Co., Ltd. (涇水金隅冀東環保科技有限公司) (from 1 January 2015 to 31 December 2020) and Guangling BBMG Cement (from 1 January 2016 to 31 December 2021) enjoy the preferential corporate income tax policy of "three-year exemption and three-year 50% reduction".
- c. 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 [2012] No. 12 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 Group 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)*

Value-added tax (VAT)

Certain subsidiaries of the Group enjoy the following VAT preferences:

- a. In accordance with the relevant policies 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), if the Company adopts rotary kiln process for cement production, the proportion of waste residue in raw materials of cements with grade 42.5 and above is not lower than 20% and that in raw materials of other cements and cement clinkers is not lower than 40%, it may enjoy 70% VAT refund upon collection. According to the relevant policies 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), if the Company is engaged in labor services such as waste disposal and sludge treatment and disposal, it may enjoy 70% VAT refund upon collection.
- b. 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.
- c. 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.

Notes to Financial Statements *(continued)*

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IV. TAXATION *(continued)*

2. Tax preferences *(continued)*

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

- d. 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.
- e. 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.
- f. 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 Aixin Binhe Elderly Services Co., Ltd. are exempted from VAT.

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 coexisting 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

	2020	2019
Cash in stock	351,001.90	423,863.04
Bank deposits	26,009,746,213.54	19,585,982,860.68
Other monetary fund	964,790,071.17	492,075,865.11
Statutory deposit reserve placement with central bank by finance company	1,668,998,245.72	1,246,559,989.54
	28,643,885,532.33	21,325,042,578.37

Monetary fund with restrictions:

	2020	2019
Statutory deposit reserve placement with central bank by finance company	1,668,998,245.72	1,246,559,989.54
Deposits for letter of credit	22,098,267.36	72,570,404.63
Quality/performance guarantees	232,094,224.21	189,169,233.08
Deposits for acceptance bills	219,467,709.99	291,346,394.08
Restricted part of property pre-sale funds	3,975,423,205.32	3,872,605,923.80
Other restricted funds	375,958,331.76	325,245,335.73
	6,494,039,984.36	5,997,497,280.86

As at 31 December 2020, the monetary fund with restrictions utilized by the Group included bank deposits of RMB4,333,824,140.97 (31 December 2019: RMB4,258,861,426.21), other monetary fund of RMB491,217,597.67 (31 December 2019: RMB492,075,865.11) and statutory deposit reserve placement with central bank by finance company of RMB1,668,998,245.72 (31 December 2019: RMB1,246,559,989.54).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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 2020, the Group's monetary fund deposited overseas amounted to RMB54,641,457.19 (31 December 2019: RMB169,742,515.94).

2. Financial assets held for trading

	2020	2019
Financial assets at fair value through profit or loss		
Wealth management product investment	1,106,311,725.53	1,001,034,386.73
Equity instrument investment	<u>11,334,400.00</u>	<u>14,243,900.00</u>
	<u>1,117,646,125.53</u>	<u>1,015,278,286.73</u>

3. Bills receivable

	2020	2019
Bank acceptance bills	–	4,518,509,076.66
Commercial acceptance bills	<u>1,039,767,674.29</u>	<u>825,050,192.61</u>
	1,039,767,674.29	5,343,559,269.27
Less: Provision for bad debts of bills receivable	<u>130,507,751.31</u>	<u>140,949,917.97</u>
	<u>909,259,922.98</u>	<u>5,202,609,351.30</u>

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

	2020		2019	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance bills	–	–	8,797,061,826.06	565,734,467.17
Commercial acceptance bills	–	<u>418,961,031.57</u>	–	<u>430,996,203.28</u>
	–	<u>418,961,031.57</u>	<u>8,797,061,826.06</u>	<u>996,730,670.45</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Bills receivable *(continued)*

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

	2020	2019
Bank acceptance bills	105,950,000.00	137,406,869.10

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

	2020	2019
Opening balance	140,949,917.97	65,855,058.00
Provision for the year	(10,442,166.66)	75,094,859.97
Closing balance	130,507,751.31	140,949,917.97

See Note VIII. 2 for transfer of bills receivable.

4. Accounts receivable

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

An aging analysis of accounts receivable is as follows:

	2020	2019
Within 1 year	5,687,116,127.70	6,025,933,817.48
1 to 2 years	1,892,496,034.60	1,812,861,436.65
2 to 3 years	709,076,105.99	875,311,528.23
3 to 4 years	498,302,513.57	482,639,054.25
4 to 5 years	342,733,285.33	456,696,773.03
Over 5 years	1,122,351,041.11	968,507,647.38
	10,252,075,108.30	10,621,950,257.02
Less: Provision for bad debts of accounts receivable	2,593,616,351.63	2,620,476,724.39
	7,658,458,756.67	8,001,473,532.63

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

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

	2020	2019
Opening balance	2,620,476,724.39	2,423,525,518.45
Provision for the year	146,068,311.37	376,975,737.13
Transferred in upon acquisition of subsidiaries	–	15,437,643.47
Reversal for the year	(30,222,292.10)	(51,395,447.89)
Write-off for the year	(63,235,420.14)	(24,878,817.44)
Removed from upon disposal of subsidiaries	(78,255,328.71)	(38,992,282.51)
Other transfer in/(transfer out)	(1,215,643.18)	(80,195,626.82)
Closing balance	2,593,616,351.63	2,620,476,724.39

	2020				Carrying value
	Balance of carrying amount	Proportion (%)	Provision for bad debts amount	Percentage of provision (%)	
Individual provision for bad debts	987,858,446.42	9.64	657,921,302.76	66.60	329,937,143.66
Provision for bad debts by credit risk characteristics group	9,264,216,661.88	90.36	1,935,695,048.87	20.89	7,328,521,613.01
	10,252,075,108.30	100.00	2,593,616,351.63	25.30	7,658,458,756.67

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

	Balance of carrying amount	Proportion (%)	2019 Provision for bad debts amount	Percentage of provision (%)	Carrying value
Individual provision for bad debts	1,010,803,184.21	9.52	612,293,506.18	60.57	398,509,678.03
Provision for bad debts by credit risk characteristics group	9,611,147,072.81	90.48	2,008,183,218.21	20.89	7,602,963,854.60
	<u>10,621,950,257.02</u>	<u>100.00</u>	<u>2,620,476,724.39</u>	<u>24.67</u>	<u>8,001,473,532.63</u>

As at 31 December 2020, accounts receivable which were subject to individual provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons for provision
Unit 1	78,697,034.78	78,697,034.78	100.00	All uncollectible
Unit 2	67,194,228.53	67,194,228.53	100.00	All uncollectible
Unit 3	61,710,126.62	61,710,126.60	100.00	All uncollectible
Unit 4	19,631,364.05	19,631,364.05	100.00	All uncollectible
Unit 5	13,810,827.50	13,810,827.50	100.00	All uncollectible
Other units	<u>746,814,864.94</u>	<u>416,877,721.30</u>	55.82	Partly uncollectible
	<u>987,858,446.42</u>	<u>657,921,302.76</u>		

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

As at 31 December 2019, accounts receivable which were subject to individual provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons for provision
Unit 6	137,406,869.10	75,475,155.06	54.93	Partly uncollectible
Unit 1	78,697,034.78	78,697,034.78	100.00	All uncollectible
Unit 2	67,194,228.53	67,194,228.53	100.00	All uncollectible
Unit 7	51,900,000.00	51,900,000.00	100.00	All uncollectible
Unit 8	17,359,467.98	17,359,467.98	100.00	All uncollectible
Other units	<u>658,245,583.82</u>	<u>321,667,619.83</u>	48.87	Partly uncollectible
	<u>1,010,803,184.21</u>	<u>612,293,506.18</u>		

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

The provision for bad debt of accounts receivable determined by the Group based on the credit risk characteristics is as follows:

	2020		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year (inclusive of 1 year)	5,579,098,807.77	2.93	163,326,295.13
1 to 2 years (inclusive of 2 years)	1,681,786,995.20	15.58	262,085,450.97
2 to 3 years (inclusive of 3 years)	615,069,633.97	38.44	236,413,592.08
3 to 4 years (inclusive of 4 years)	353,467,321.41	67.64	239,075,807.16
4 to 5 years (inclusive of 5 years)	176,677,512.13	100.00	176,677,512.13
Over 5 years	858,116,391.40	100.00	858,116,391.40
	9,264,216,661.88		1,935,695,048.87
		2019	
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year (inclusive of 1 year)	6,019,802,531.83	2.95	177,546,364.46
1 to 2 years (inclusive of 2 years)	1,645,183,842.71	18.44	303,445,180.49
2 to 3 years (inclusive of 3 years)	628,836,190.67	42.80	269,125,118.69
3 to 4 years (inclusive of 4 years)	214,588,869.07	72.39	155,330,916.04
4 to 5 years (inclusive of 5 years)	334,213,779.17	100.00	334,213,779.17
Over 5 years	768,521,859.36	100.00	768,521,859.36
	9,611,147,072.81		2,008,183,218.21

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

As at 31 December 2020, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reason for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provisions for bad debts before recovery	Reversal amount
Unit 9	Payment for goods received	Expected all uncollectible	5,092,330.00	5,039,780.00
Unit 10	Payment for goods received	Expected all uncollectible	3,631,844.25	3,631,844.25
Unit 11	Payment for goods received	Expected all uncollectible	2,620,122.00	2,620,122.00
Unit 12	Payment for goods received	Expected all uncollectible	2,509,571.50	2,509,571.50
Unit 13	Payment for goods received	Expected all uncollectible	1,521,552.50	1,521,552.50
Other units	Payment for goods received	Expected partly uncollectible	24,400,647.29	14,899,421.85
			39,776,067.54	30,222,292.10

As at 31 December 2019, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reason for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provisions for bad debts before recovery	Reversal amount
Unit 14	Payment for goods received	Expected partly uncollectible	21,400,499.00	17,145,426.50
Unit 15	Payment for goods received	Expected all uncollectible	15,252,693.43	15,252,693.43
Unit 16	Payment for goods received	Expected all uncollectible	7,262,346.00	7,262,346.00
Unit 17	Payment for goods received	Expected partly uncollectible	6,323,205.00	4,962,710.00
Unit 18	Payment for goods received	Expected all uncollectible	3,808,619.08	3,808,619.08
Other units	Payment for goods received	Expected partly uncollectible	5,904,752.88	2,963,652.88
			59,952,115.39	51,395,447.89

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

As at 31 December 2020, the top 5 of the balance of accounts receivable were as follows:

	Proportion in total accounts receivable		Provision for bad debts	Net amount
	Balance	(%)		
First	276,576,812.99	2.70	17,521,674.74	259,055,138.25
Second	186,061,582.43	1.81	7,442,463.30	178,619,119.13
Third	116,344,020.24	1.13	–	116,344,020.24
Fourth	105,950,000.00	1.03	74,165,000.00	31,785,000.00
Fifth	95,728,725.26	0.93	3,829,149.01	91,899,576.25
	780,661,140.92	7.60	102,958,287.05	677,702,853.87

As at 31 December 2019, the top 5 of the balance of accounts receivable were as follows:

	Proportion in total accounts receivable		Provision for bad debts	Net amount
	Balance	(%)		
First	137,406,869.10	1.29	75,475,155.06	61,931,714.04
Second	93,764,740.21	0.88	3,750,589.61	90,014,150.60
Third	78,697,034.78	0.74	78,697,034.78	–
Fourth	67,194,228.53	0.63	67,194,228.53	–
Fifth	65,394,451.73	0.62	29,079,785.46	36,314,666.27
	442,457,324.35	4.16	254,196,793.44	188,260,530.91

In 2020, provision for bad debts amounted to RMB146,068,311.37 (2019: RMB376,975,737.13), and provision for bad debts reversed or recovered amounted to RMB30,222,292.10 (2019: RMB51,395,447.89). The actual amount of accounts receivable written-off was RMB63,235,420.14 (2019: RMB24,878,817.44).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Receivables financing

	2020	2019
Bank acceptance bills	5,588,223,348.91	501,846,392.39

Due to the needs of daily fund management, the subsidiaries of the Group endorsed bank acceptance bills. The Group therefore classify bank acceptance bills as financial assets at fair value through other comprehensive income.

As at 31 December 2020, bank acceptance bills of RMB19,250,000.00 were used for discounting of short-term loan; and the pledged bank acceptance bills of RMB87,439,856.49 were used for invoicing. For details of pledge of bank acceptance bills, please refer to Note V. 68.

As at 31 December 2020, bills endorsed or discounted but not yet due are as follows:

	Derecognised as at the end of the year	Not derecognised as at the end of the year
Bank acceptance bills	7,515,622,642.80	1,890,054,890.44

As at 31 December 2019, bills endorsed or discounted but not yet due are as follows:

	Derecognised as at the end of the year	Not derecognised as at the end of the year
Bank acceptance bills	2,323,508,285.10	-

As at 31 December 2020, the Group endorsed the undue notes receivable to its suppliers or discounted to banks to settle trade payables or obtain short-term borrowings of the same amounts and derecognised these notes receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2020, the maximum exposure to loss from its continuous involvement represents the amounts of undue notes receivable of RMB7,515,622,642.80 (31 December 2019: RMB2,323,508,285.10), which the Group endorsed to its suppliers or discounted to banks.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Prepayments

An aging analysis of prepayments is as follows:

	2020		2019	
	Balance of carrying amount	Proportion (%)	Balance of carrying amount	Proportion (%)
Within 1 year	2,569,929,109.15	95.54	1,446,065,792.08	92.26
1 to 2 years	52,752,048.88	1.96	55,284,739.50	3.53
2 to 3 years	13,613,899.40	0.51	22,111,293.14	1.41
Over 3 years	53,620,397.06	1.99	43,847,858.42	2.80
	2,689,915,454.49	100.00	1,567,309,683.14	100.00
Less: Provision for bad debts of prepayments	<u>44,437,907.62</u>		<u>43,084,211.69</u>	
	<u>2,645,477,546.87</u>		<u>1,524,225,471.45</u>	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Prepayments *(continued)*

As at 31 December 2020, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total amount (%)	Reasons for being not yet settled in time
Unit 19	1 to 2 years	7,938,800.00	0.30	Uncompleted
Unit 20	Over 3 years	<u>6,941,024.00</u>	<u>0.26</u>	Uncompleted
		<u>14,879,824.00</u>	<u>0.56</u>	

As at 31 December 2019, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total amount (%)	Reasons for being not yet settled in time
Unit 21	1 to 2 years	22,983,264.00	1.47	Uncompleted
Unit 20	Over 3 years	6,941,024.00	0.44	Uncompleted
Unit 22	Over 3 years	<u>6,145,541.26</u>	<u>0.39</u>	Uncompleted
		<u>36,069,829.26</u>	<u>2.30</u>	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Prepayments *(continued)*

As at 31 December 2020, the top five prepayments based on balances of the debtors are analysed as follows:

	Balance	Percentage of total amount (%)
First	336,976,166.71	12.54
Second	88,918,930.88	3.31
Third	51,135,499.97	1.90
Fourth	40,685,856.24	1.51
Fifth	33,522,840.00	1.25
	551,239,293.80	20.51

As at 31 December 2019, the top five prepayments based on balances of the debtors are analysed as follows:

	Balance	Percentage of total amount (%)
First	286,788,200.31	18.30
Second	81,786,007.97	5.22
Third	53,937,918.10	3.44
Fourth	49,934,715.66	3.19
Fifth	49,328,216.39	3.15
	521,775,058.43	33.30

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Prepayments *(continued)*

The movement in provision for bad debts of prepayments is as follows:

	2020	2019
Opening balance	43,084,211.69	32,755,124.32
Provision for the year	3,752,973.04	15,995,917.82
Reversal for the year	-	(6,735,064.83)
Write-off for the year	-	(1,551,323.12)
Increase in the year	-	3,293,526.76
Removed from upon disposal of subsidiaries	(1,632,534.54)	(673,969.26)
Other transfers	(766,742.57)	-
Closing balance	44,437,907.62	43,084,211.69

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables

	2020	2019
Interests receivable	17,560,811.37	51,443,013.93
Interests of bonds	17,484,712.69	–
Interests of borrowings due from associates and joint ventures	76,098.68	51,443,013.93
Dividends receivable	–	35,675,560.20
Dividends due from associates	–	35,675,560.20
Other receivables	9,558,611,477.88	10,667,552,599.64
Deposits and reserve funds	1,437,315,571.77	1,554,908,448.82
Current account with other entities	1,980,822,228.30	2,321,664,142.76
Disbursements previously made	490,646,257.60	467,923,730.99
Investment receivable	348,244,746.00	278,839,265.88
Government grants receivable	23,218,740.54	12,666,129.89
Amount due from associates	3,120,537,862.31	3,199,850,555.58
Amount due from joint ventures	52,677,296.20	82,653,803.40
Other current account	2,105,148,775.16	2,749,046,522.32
	9,576,172,289.25	10,754,671,173.77
Less: Provision for bad debts of other receivables	2,091,367,294.96	1,687,313,396.35
	7,484,804,994.29	9,067,357,777.42

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

An aging analysis of other receivables is as follows:

	2020	2019
Within 1 year	1,220,083,556.73	3,110,003,235.43
1 to 2 years	1,734,125,274.00	4,404,431,711.89
2 to 3 years	3,566,012,752.38	424,560,302.77
3 to 4 years	377,633,156.59	846,541,288.85
4 to 5 years	947,219,529.13	288,493,855.45
Over 5 years	<u>1,731,098,020.42</u>	<u>1,680,640,779.38</u>
	9,576,172,289.25	10,754,671,173.77
Less: Provision for bad debts of other receivables	<u>2,091,367,294.96</u>	<u>1,687,313,396.35</u>
	<u>7,484,804,994.29</u>	<u>9,067,357,777.42</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

The movements in provision for bad debts of other receivables measured based on 12-month expected credit losses and lifetime expected credit loss are as follows:

2020

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit- impaired financial assets (lifetime expected credit loss)	Total
Opening balance	1,683,772.67	957,741,063.87	727,888,559.81	1,687,313,396.35
– transferred to stage two	(760,328.05)	760,328.05	–	–
– transferred to stage three	–	(58,051,998.38)	58,051,998.38	–
Provision for the year	2,053,108.89	45,735,241.24	225,529,149.22	273,317,499.35
Reversal for the year	–	–	(12,515,749.31)	(12,515,749.31)
Write-off for the year	–	(3,556,249.30)	(963,171.06)	(4,519,420.36)
Other changes	–	(13,819,672.79)	161,591,241.72	147,771,568.93
Closing balance	<u>2,976,553.51</u>	<u>928,808,712.69</u>	<u>1,159,582,028.76</u>	<u>2,091,367,294.96</u>

As of 31 December 2020, provision for bad debts for the year amounted to RMB273,317,499.35 (2019: RMB90,085,465.98), and provision for bad debts reversed amounted to RMB12,515,749.31 (2019: RMB13,510,477.38). The actual amount of other receivable written-off for the year was RMB4,519,420.36 (2019: RMB41,781,989.80).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

2019

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit-impaired financial assets (lifetime expected credit loss)	Total
Opening balance	2,490,004.27	989,329,239.72	659,658,638.54	1,651,477,882.53
– transferred to stage two	(2,490,004.27)	2,490,004.27	–	–
– transferred to stage three	(61,795.85)	(55,413,773.86)	55,475,569.71	–
Provision for the year	1,745,568.52	19,437,316.48	68,902,580.98	90,085,465.98
Transferred in upon acquisition of subsidiaries	–	2,477,317.59	5,167,027.89	7,644,345.48
Reversal for the year	–	–	(13,510,477.38)	(13,510,477.38)
Write-off for the year	–	(579,040.33)	(41,202,949.47)	(41,781,989.80)
Write-off during the year	–	–	(6,601,830.46)	(6,601,830.46)
Closing balance	<u>1,683,772.67</u>	<u>957,741,063.87</u>	<u>727,888,559.81</u>	<u>1,687,313,396.35</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

As at 31 December 2020, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total balance of other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
First	2,483,873,584.16	25.94	Amount due from associates	1-3 years	-
Second	557,731,320.00	5.82	Other current account	Within 1 year, 2-3 years	-
Third	442,286,797.00	4.62	Disbursements previously made	1-5 years	-
Fourth	326,703,641.77	3.41	Current account with other entities	1-4 years	16,800,000.00
Fifth	181,557,950.31	1.90	Current account with other entities	1-2 years	-
	<u>3,992,153,293.24</u>	<u>41.69</u>			<u>16,800,000.00</u>

As at 31 December 2019, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total balance of other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
First	2,686,084,477.51	24.98	Amount due from associates	Within 1 year, 1-2 years	-
Second	692,712,900.00	6.44	Other current account	1-2 years	-
Third	533,440,850.42	4.96	Current account with other entities	Within 1 year	-
Fourth	450,900,606.98	4.19	Disbursements previously made	Within 1 year, 1-2 years, 3-4 years	-
Fifth	303,028,089.44	2.82	Current account with other entities	Within 1 year, 1-2 years, 2-3 years, over 5 years	16,800,000.00
	<u>4,666,166,924.35</u>	<u>43.39</u>			<u>16,800,000.00</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

As at 31 December 2020, government grants receivable were as follows:

	Grant item	Amount	Aging	Expected time of receipt, amount and basis
Local tax authorities	Refunds of VAT	<u>23,218,740.54</u>	Within 1 year	2021

As at 31 December 2019, government grants receivable were as follows:

	Grant item	Amount	Aging	Expected time of receipt, amount and basis
Local tax authorities	Refunds of VAT	<u>12,666,129.89</u>	Within 1 year	2020

As set out in Note IV. (II) 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 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories

	2020		
	Balance of carrying amount	Provision for decline in value/ provision for impairment	Carrying value
Raw materials	2,049,818,820.01	80,287,293.90	1,969,531,526.11
Items in production	858,689,777.71	22,601,263.03	836,088,514.68
Finished goods	2,593,083,870.78	203,489,470.71	2,389,594,400.07
Turnover materials	9,357,884.51	–	9,357,884.51
Development costs	85,849,603,128.51	133,678,677.65	85,715,924,450.86
Products under development	29,894,598,094.66	256,310,421.19	29,638,287,673.47
Contract performance cost	51,728,759.95	17,385,514.15	34,343,245.80
	121,306,880,336.13	713,752,640.63	120,593,127,695.50

	2019		
	Balance of carrying amount	Provision for decline in value/ provision for impairment	Carrying value
Raw materials	2,247,999,198.27	94,201,495.59	2,153,797,702.68
Items in production	1,057,167,684.03	6,484,413.09	1,050,683,270.94
Finished goods	2,708,644,733.14	179,881,949.41	2,528,762,783.73
Turnover materials	10,725,951.18	–	10,725,951.18
Development costs	97,856,892,687.73	7,169,850.12	97,849,722,837.61
Products under development	18,333,890,490.13	427,977,001.15	17,905,913,488.98
Contract performance cost	52,231,487.53	20,812,186.15	31,419,301.38
	122,267,552,232.01	736,526,895.51	121,531,025,336.50

The information on the amortisation of contract performance cost in the balance is as follows:

2020

	Opening balance	Increase during the year	Amortisation during the year	Closing balance
Contract performance cost	52,231,487.53	1,540,936,399.66	1,541,439,127.24	51,728,759.95

2019

	Opening balance	Increase during the year	Amortisation during the year	Closing balance
Contract performance cost	74,677,528.92	1,671,820,880.34	1,694,266,921.73	52,231,487.53

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories *(continued)*

The movements in provision for decline in value of inventories and impairment of contract performance cost are as follows:

2020

	Opening balance	Provision for the year	Decrease during the year			Closing balance
			Removed from upon disposal of subsidiaries	Reversal	Write-off	
Raw materials	94,201,495.59	20,622,263.58	1,464,010.74	130,692.86	32,941,761.67	80,287,293.90
Items in production	6,484,413.09	20,225,498.31	-	-	4,108,648.37	22,601,263.03
Finished goods	179,881,949.41	66,702,901.80	-	487,191.03	42,608,189.47	203,489,470.71
Contract performance cost	20,812,186.15	1,914,571.03	-	-	5,341,243.03	17,385,514.15
Development costs	7,169,850.12	133,678,677.65	-	-	7,169,850.12	133,678,677.65
Products under development	427,977,001.15	120,794,193.31	-	-	292,460,773.27	256,310,421.19
	736,526,895.51	363,938,105.68	1,464,010.74	617,883.89	384,630,465.93	713,752,640.63

2019

	Opening balance	Provision for the year	Decrease during the year			Closing balance
			Removed from upon disposal of subsidiaries	Reversal	Write-off	
Raw materials	111,744,448.57	11,195,121.86	1,150,014.88	-	27,588,059.96	94,201,495.59
Items in production	26,892,195.65	14,430,534.97	-	-	34,838,317.53	6,484,413.09
Finished goods	62,487,076.76	138,820,644.88	1,078,841.43	16,987,140.73	3,359,790.07	179,881,949.41
Turnover materials	81,472.31	-	-	-	81,472.31	-
Contract performance cost	10,985,839.43	9,826,346.72	-	-	-	20,812,186.15
Development costs	7,169,850.12	-	-	-	-	7,169,850.12
Products under development	470,289,422.94	-	-	1,754,891.35	40,557,530.44	427,977,001.15
	689,650,305.78	174,272,648.43	2,228,856.31	18,742,032.08	106,425,170.31	736,526,895.51

As at 31 December 2020, the balance of development costs included the capitalised borrowing costs of RMB5,618,572,116.44 (31 December 2019: RMB6,443,373,626.99). The capitalised borrowing costs amounted to RMB3,279,606,362.37 in aggregate in 2020 (2019: RMB2,937,951,653.16), and the rate of interest capitalisation was 3.94% (2019: 4.95%). Details of pledge of inventories are set out in Note V. 68.

Notes to Financial Statements *(continued)*

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

8. Inventories *(continued)*

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 2020	31 December 2019
Hangzhou – Jingfangsanbao Project	May 2017	Completed	10,389,880,000.00	-	9,350,227,923.87
Tianjin – Airport Economic Zone	March 2018	June 2021	9,119,780,000.00	7,026,346,074.68	6,570,362,734.47
Nanjing – Diary Farm Project	December 2016	November 2021	6,845,850,000.00	3,764,096,286.80	4,529,416,501.71
Ningbo – Plot 07#/15#/16# at Gaoxin District	March 2018	June 2021	8,390,000,000.00	5,429,573,377.68	6,757,660,897.36
Hefei – Plot S1606 at Baohe District	May 2017	November 2021	7,832,880,000.00	4,176,214,228.75	6,239,475,152.72
Beijing – Penglai Project	May 2015	December 2021	6,816,300,000.00	2,424,653,664.16	1,879,965,799.14
Hefei – Nanqi Garden	March 2016	Completed	7,490,660,000.00	-	3,734,091,449.36
Chongqing – Xinduhui Project	June 2018	May 2021	20,117,351,300.00	4,979,313,763.71	4,354,950,423.19
Beijing – Anningzhuang (安寧莊)	March 2019	December 2023	8,842,150,000.00	5,919,321,821.78	3,228,669,677.24
Nanjing – Plot G20 at Jiulonghu	July 2018	June 2021	5,267,680,000.00	2,661,375,882.03	3,852,299,084.74
Beijing – Yizhuang X89R1	August 2018	December 2021	4,571,940,000.00	3,724,228,469.50	3,757,156,557.60
Chengdu – Gaoxin Zhonghe Project	September 2018	June 2021	5,332,520,000.00	4,307,747,542.38	3,717,755,005.35
Tianjin – Jinzhong River Project (金鐘河項目)	April 2019	November 2021	4,285,000,000.00	4,000,930,393.11	3,581,867,022.54
Beijing – Yancun Project	November 2018	Completed	4,060,920,000.00	-	3,083,118,014.28
Beijing – Jinlifu Project	August 2018	Completed	3,332,240,000.00	-	2,881,108,748.65
Beijing – Incubator Technology Park (孵化器科技園)	March 2018	September 2021	4,590,000,000.00	4,326,295,562.53	2,945,938,079.42
Beijing – Konggang Project	March 2018	Completed	2,829,630,000.00	-	2,502,814,311.36
Beijing – Fengtai Project	October 2015	Completed	7,092,594,750.00	-	1,221,376,898.96
Qingdao – Jinyu Jimo	December 2018	November 2021	4,151,470,000.00	2,543,108,129.36	2,162,169,057.17
Hefei – Baohe S1802 (包河S1802)	February 2019	November 2021	3,007,450,000.00	2,275,054,878.99	1,954,843,373.78

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories *(continued)*

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 2020	31 December 2019
Chongqing – Nanshanjun	December 2011	October 2021	5,198,000,000.00	1,190,575,658.08	1,253,773,814.83
Anhui – Forklift Factory Project	May 2018	June 2022	2,000,000,000.00	1,690,171,272.17	1,488,850,130.42
Haikou – Yangguangjun	April 2016	September 2021	2,532,000,000.00	902,809,940.00	1,023,065,478.29
Beijing – Public Rental Apartments of Technology Park	June 2015	Completed	1,377,090,000.00	–	1,165,699,092.52
Shanghai – Dachenghuating (大成華庭)	June 2019	May 2021	1,772,560,000.00	1,781,298,341.60	1,444,750,473.67
Chengdu – Xindu Dafeng Project	July 2018	July 2021	1,654,890,000.00	1,532,426,889.98	1,343,864,407.41
Tangshan – Qixin 1889#	April 2014	June 2023	2,963,829,179.54	2,249,205,936.05	1,265,408,210.87
Qingdao – Qingdao Project	November 2015	Completed	3,263,310,000.00	–	979,859,344.99
Chengdu – Wuhou Longxijun Project	July 2018	December 2021	1,658,840,000.00	770,373,245.30	1,419,692,336.75
Nanhu – Jin'anshiming	March 2018	December 2021	2,915,380,294.63	780,400,336.40	1,055,445,667.84
Tianjin – Yingshun Building	March 2018	September 2021	850,380,000.00	845,581,425.51	760,201,445.19
Beijing – Chicken Farm Project (雞場項目)	October 2018	December 2022	800,000,000.00	723,016,593.49	566,790,890.98
Chengdu – Shangxifu	July 2018	Completed	960,270,000.00	–	743,028,425.35

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories *(continued)*

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 2020	31 December 2019
Inner Mongolia – Jinyu Global Finance Centre	July 2013	Completed	1,500,000,000.00	–	141,908,400.00
Beijing – Phase II of Dandian	April 2014	Completed	4,406,665,057.79	–	73,549,217.88
Beijing – Chaoyang New City	August 2013	Completed	4,184,808,038.41	–	162,182,544.93
Chengde – Chengde Project	May 2018	June 2021	554,248,200.00	178,413,332.42	246,387,207.62
Hangzhou – Plot 2F, Plot 2G	April 2016	December 2021	592,280,000.00	414,630,325.14	229,476,736.75
Beijing – Kanghuiyuan	February 2009	December 2021	1,923,699,963.82	302,022,369.78	187,684,305.20
Tangshan – Caofeidian E-02-2	June 2019	June 2021	711,741,959.00	430,378,016.13	218,654,384.75
Tangshan – Jinyu Lefu	March 2010	December 2022	2,787,561,938.91	68,049,346.58	150,951,852.84
Chongqing – Times Metro	October 2012	December 2022	5,068,220,000.00	119,842,450.81	112,812,221.15
Tianjin – Jinyu Yuecheng	September 2010	January 2021	5,157,217,800.00	213,056,690.31	142,983,650.91
Beijing – Nankou Project	May 2016	Completed	682,973,619.00	–	29,668,030.96
Shanghai – Yangpu R-09 Plot	December 2020	December 2024	9,844,900,000.00	6,601,925,817.02	–
Tianjin – Jinyu Jincheng	June 2021	N/A	N/A	2,540,470,359.80	–
Hangzhou – Plot 42 of BBMG Hanchao	February 2020	June 2023	2,800,000,000.00	3,265,697,976.20	2,966,730,816.62
Hangzhou – Plot 52 of BBMG Hanchao	February 2020	June 2023	2,400,000,000.00	1,176,490,892.47	–
Beijing – Wangjing Star	September 2020	September 2023	926,000,000.00	214,857,016.16	–
Others	September 2020	September 2023	9,119,780,000.00	165,970,144.00	371,037,035.98
				85,715,924,450.86	97,849,722,837.61

Notes to Financial Statements (continued)

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

8. Inventories (continued)

The following sets out the breakdown of products of property development:

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing-Jinlinjiayuan (金林嘉苑)	1 December 2020	-	3,959,979,253.32	1,365,102.19	3,958,614,151.13
Hangzhou - Metro Forest (都會森林)	1 November 2020	-	9,860,355,856.59	5,982,185,814.98	3,878,170,041.61
Beijing - Wangchuan Beiyuan	1 December 2020	1,420,946,828.04	1,475,105,963.32	700,498,505.98	2,195,554,285.38
Beijing-Jinlingfu	1 December 2020	-	3,346,184,107.77	1,399,233,632.60	1,946,950,475.17
Nanjing - Zijingdieyuan	1 September 2020	1,604,958,211.71	1,150,722,954.83	1,018,161,805.52	1,737,519,361.02
Beijing-Shangchengjun	1 December 2019	2,750,382,786.09	-	1,098,869,704.06	1,651,513,082.03
Hefei- Baohe project	1 August 2020	-	2,355,323,891.04	1,218,199,998.09	1,137,123,892.95
Hefei-Nanqi Garden	1 November 2020	416,546,251.89	3,967,184,253.88	3,290,841,963.26	1,092,888,542.51
Nanjing - Yunzhu Project (雲築項目)	1 October 2020	-	1,525,385,412.59	544,946,312.96	980,439,099.63
Beijing - Jinchengyu Garden (金成裕雅苑)	1 December 2019	1,420,271,205.43	-	608,449,316.69	811,821,888.74
Beijing - Jiapin MALL	1 September 2015	811,471,711.72	-	-	811,471,711.72
Shanghai - Jiading Juyuan	1 March 2019	905,412,974.38	-	115,950,646.51	789,462,327.87
Chongqing - Nanshanjun	1 November 2020	699,290,304.02	561,825,998.60	495,519,283.93	765,597,018.69
Beijing - Chaoyang New City	1 December 2020	794,959,800.88	162,182,858.87	212,554,756.84	744,587,902.91
Chengdu-Shangxifu	1 November 2020	-	858,560,985.36	138,743,082.49	719,817,902.87
Ningbo - Ganjiang Shidai (甌江時代)	1 June 2019	621,834,968.97	-	93,431,926.31	528,403,042.66
Chongqing - Times Metro	1 August 2018	733,254,353.62	-	221,628,134.11	511,626,219.51
Beijing - Jin'gang Jiayuan	1 December 2020	-	2,838,349,373.88	2,346,578,159.81	491,771,214.07
Ningbo - Gaixin District Project	1 August 2020	-	2,127,834,980.07	1,679,161,488.68	448,673,491.39
Qingdao - Qingdao Hefu	1 January 2020	393,298,516.80	1,119,413,875.72	1,096,357,924.50	416,354,468.02
Chengdu - Longxi Center (龍熙中心)	1 July 2020	-	754,331,346.58	460,191,748.24	294,139,598.34
Tangshan - Jin'anhongbao	1 December 2017	305,659,597.15	784,810,352.88	827,996,774.47	262,473,175.56
Haikou - Yangguangjun	1 April 2020	227,563,883.52	526,163,628.22	498,735,673.73	254,991,838.01
Changyang - Polytechnic University					
Land No. 1	1 October 2019	285,909,468.04	-	30,968,323.51	254,941,144.53
Inner Mongolia - Global Center	1 December 2020	256,272,288.48	166,519,332.83	182,095,924.07	240,695,697.24
Chongqing - Plot No.2 of Xinduhui	1 November 2019	138,144,608.62	181,474,468.53	93,656,153.81	225,962,923.34
Chengdu - Dachengjun	1 December 2014	272,373,576.30	-	68,767,786.94	203,605,789.36
Inner Mongolia - Ligang City	1 October 2015	190,296,852.07	-	30,744,966.73	159,551,885.34
Tangshan - Qixin 1889#	1 June 2019	151,100,456.91	-	1,213,184.51	149,887,272.40

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories *(continued)*

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

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Haikou – Xixili	1 October 2017	227,743,160.62	–	80,231,412.00	147,511,748.62
Chengdu – Longxijun	1 July 2017	150,422,894.64	–	18,454,400.75	131,968,493.89
Tangshan – Jinyu Xuefu	1 June 2019	545,284,694.23	–	426,804,286.52	118,480,407.71
Chengde- BBMG Model Community	1 December 2020	–	285,642,992.24	176,897,285.15	108,745,707.09
Beijing – Treasures Mansion House	1 November 2019	169,795,718.39	–	61,732,624.07	108,063,094.32
Tianjin – Jinyu Yuecheng	1 October 2017	189,055,220.16	–	82,293,978.18	106,761,241.98
Beijing – Dacheng International	1 March 2018	113,491,181.74	–	18,780,844.96	94,710,336.78
Beijing – Wangheyuan	1 November 2019	90,488,824.12	–	2,772,582.62	87,716,241.50
Beijing – Kanghuiyuan	1 September 2011	112,495,410.71	–	27,027,990.68	85,467,420.03
Beijing – Huijingyuan	1 November 2020	255,001,358.97	75,358,160.72	246,178,805.45	84,180,714.24
Tianjin – Qiaowanyuan	1 December 2019	399,127,734.65	–	315,635,606.06	83,492,128.59
Ma'anshan – Jiashanshu	1 June 2016	140,238,857.59	–	69,862,433.56	70,376,424.03
Beijing – Binheyuan	1 June 2014	67,604,710.65	–	1,049,370.69	66,555,339.96
Beijing – Tuqiao Project	1 December 2016	63,897,352.09	–	3,133,120.75	60,764,231.34
Beijing – Jinyu Town-House	1 October 2014	56,825,586.08	–	240,920.63	56,584,665.45
Beijing – Chang'an New City	1 December 2007	37,964,463.55	18,049,744.32	–	56,014,207.87
Beijing – Dacheng Shidai	1 December 2019	144,310,719.71	–	94,471,488.19	49,839,231.52
Beijing – Tuqiao Phase III	1 August 2016	55,832,148.42	–	6,077,027.57	49,755,120.85
Tianjin-Hongshanhuayuan (紅衫花苑)	1 June 2016	125,701,370.71	–	78,544,135.48	47,157,235.23
Beijing – Guogongzhuang	1 December 2014	57,365,507.60	–	11,426,337.84	45,939,169.76
Hainan – Dacheng Business Apartments	1 February 2005	33,819,032.85	–	–	33,819,032.85
Inner Mongolia – Jinyu Times City	1 June 2019	39,114,166.61	–	6,551,027.15	32,563,139.46
Beijing – I Cube	1 February 2015	27,255,962.07	–	710,185.11	26,545,776.96
Beijing – Wangyajiyuan (旺雅家園)	1 September 2018	28,512,174.65	–	2,987,371.79	25,524,802.86

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories *(continued)*

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

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Huixingyuan	1 November 2019	51,983,594.40	–	27,687,659.73	24,295,934.67
Beijing – Jinyu Lanwan	1 October 2016	27,123,098.28	–	3,783,802.00	23,339,296.28
Beijing – Jiaheyuan	1 March 2018	38,184,210.35	–	15,784,704.36	22,399,505.99
Tangshan – Xitang (西唐)	1 June 2019	21,979,773.25	–	14,734,802.97	7,244,970.28
Tianjin – Rongxiyuan Project	1 May 2015	7,003,394.20	–	4,921.99	6,998,472.21
Tangshan – Lixinjiayuan	1 June 2019	6,951,696.32	1,450,000.00	3,771,126.38	4,630,569.94
Beijing – Jinyu Feili	1 November 2016	2,748,102.40	–	655,199.76	2,092,902.64
Nanjing– Zijinfa	1 May 2018	3,861,040.38	–	3,805,969.35	55,071.03
Hangzhou – Guanlan Times	1 May 2018	32,923,432.10	–	32,923,432.10	–
Hangzhou – Jinyu Xuefu	1 November 2017	26,661,499.13	–	26,661,499.13	–
Tianjin – Liulanhuayuan Project					
Phase I	1 June 2010	19,288,355.52	–	19,288,355.52	–
Hangzhou – Banshan Tianyuan	1 March 2016	7,133,251.43	–	7,133,251.43	–
Others		128,775,145.77	–	24,689,552.23	104,085,593.54
		<u>17,905,913,488.98</u>	<u>38,102,209,792.16</u>	<u>26,369,835,607.67</u>	<u>29,638,287,673.47</u>

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Contract assets

Contract assets arise mainly from the Group's construction operations. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract terms, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is recognized as contract asset while progress billings in excess of revenue recognised based on performance progress is recognized as contract liabilities.

	2020			2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Completed but not yet settled	15,576,535.17	1,155,978.00	14,420,557.17	45,439,239.13	2,487,155.92	42,952,083.21

The movements in the provisions for impairment of contract assets:

	Opening balance	Provision for the year	Other increase	Write-off for the year	Closing balance
2020	2,487,155.92	423,713.43	–	1,754,891.35	1,155,978.00
2019	–	732,264.57	1,754,891.35	–	2,487,155.92

10. Other current assets

	2020	2019
Prepaid enterprise income tax	1,288,363,438.31	764,288,817.63
Prepaid value-added tax	911,205,318.91	750,836,243.03
Prepaid other tax	684,419,977.90	493,923,753.32
VAT recoverable	4,090,901,445.53	3,318,194,495.46
VAT certifiable	47,029,997.20	121,281,074.41
Cost of obtaining a contract	187,249,119.83	119,704,979.53
Others	805,158,390.86	715,817,334.73
	8,014,327,688.54	6,284,046,698.11

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. Other current assets *(continued)*

The details of assets relating to contract cost is as follows:

2020

	Opening balance	Increase during the year	Amortisation during the year	Provisions for impairment	Closing balance
Cost of obtaining a contract	<u>119,704,979.53</u>	<u>166,926,832.38</u>	<u>99,382,692.08</u>	–	<u>187,249,119.83</u>
	<u>119,704,979.53</u>	<u>166,926,832.38</u>	<u>99,382,692.08</u>	–	<u>187,249,119.83</u>

2019

	Opening balance	Increase during the year	Amortisation during the year	Provisions for impairment	Closing balance
Cost of obtaining a contract	<u>68,949,982.51</u>	<u>112,533,332.85</u>	<u>61,778,335.83</u>	–	<u>119,704,979.53</u>
	<u>68,949,982.51</u>	<u>112,533,332.85</u>	<u>61,778,335.83</u>	–	<u>119,704,979.53</u>

11. Debt investments

	2020			2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Financial Bonds of Policy Bank – 19 Nong Fa 01 (政策性銀行金融債券-19農發01) (note 1)	<u>582,570,053.43</u>	–	<u>582,570,053.43</u>	–	–	–
Financial Bonds of Policy Bank – 20 Nong Fa 04 (政策性銀行金融債券-20農發04) (note 2)	<u>199,917,800.00</u>	–	<u>199,917,800.00</u>	<u>206,933,697.53</u>	–	<u>206,933,697.53</u>
	<u>782,487,853.43</u>	–	<u>782,487,853.43</u>	<u>206,933,697.53</u>	–	<u>206,933,697.53</u>

Note 1: BBMG Finance Co., Ltd. purchased the first tranche of financial bonds for 2019 of Agricultural Development Bank of China totaling RMB199,917,800.00 with a coupon rate of 3.75% and maturity date of 24 January 2029. Interest is payable annually in arrears on 25 January of each year.

Note 2: BBMG Finance Co., Ltd. purchased the fourth tranche of financial bonds for 2020 of Agricultural Development Bank of China totaling RMB582,570,053.43 with a coupon rate of 2.96% and maturity date of 16 April 2030. Interest is payable annually in arrears on 17 April of each year.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Long-term receivables

	Balance of carrying amount	2020 Provision for impairment	Carrying value
Sales of goods by instalments	386,403,082.86	13,068,598.12	373,334,484.74
Loans to Related parties	322,154,914.03	–	322,154,914.03
Others	<u>383,440,850.42</u>	<u>–</u>	<u>383,440,850.42</u>
	<u>1,091,998,847.31</u>	<u>13,068,598.12</u>	<u>1,078,930,249.19</u>
	Balance of carrying amount	2019 Provision for impairment	Carrying value
Sales of goods by instalments	613,816,168.84	20,103,877.84	593,712,291.00
Loans to related parties	<u>428,258,733.22</u>	<u>–</u>	<u>428,258,733.22</u>
	<u>1,042,074,902.06</u>	<u>20,103,877.84</u>	<u>1,021,971,024.22</u>

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 the year.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Long-term receivables *(continued)*

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.

Others include the part of other receivables aging over 1 year from the headquarters of Tianjin Building Materials to Shanxi Tongde Xinghua Special Steel Co., Ltd. (山西同德興華特鋼有限公司) (former known as Datong Coal Mine Tianjian). According to the installment schedule agreed by both parties, the management will present the part returned a year later as long-term receivables.

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

	2020	2019
Opening balance	20,103,877.84	30,179,310.27
Reversal for the year	<u>(7,035,279.72)</u>	<u>(10,075,432.43)</u>
Closing balance	<u>13,068,598.12</u>	<u>20,103,877.84</u>

13. Long-term equity investments

2020

	Movements during the year								Closing carrying value
	Opening balance	Investment		under equity method	Other comprehensive income	Other changes in equity	Cash dividend declared	Provisions for impairment	
		Increase investment	Decrease investment						
Joint ventures									
BBMG-TUS Technology Incubator Co., Ltd.	5,133,661.88	-	-	45,822.15	-	-	-	-	5,179,484.03
BBMG Landao Commercial Operation Management Co., Ltd.	2,587,747.03	-	(2,587,747.03)	-	-	-	-	-	-
STAR-USG Building Materials Co., Ltd.	44,224,382.99	-	-	4,431,851.96	-	-	-	-	48,656,234.95
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	681,625,793.39	-	-	206,822,618.26	-	91,478.15	(225,000,000.00)	-	663,539,889.80
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	511,176,266.95	-	-	146,172,862.22	-	127,678.45	(168,385,000.00)	-	489,091,807.62
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	155,562,628.99	-	-	18,928,375.78	-	-	(7,500,000.00)	-	166,991,004.77
Anshan Jidong Cement Co., Ltd.	227,690,996.47	-	-	11,782,614.85	-	-	(5,000,000.00)	-	234,473,611.32
Cross Point Trading 274 (Pty) Ltd (RF)	135,993,387.14	-	-	43,030,411.27	-	-	-	-	179,023,798.41
Hebei Xiongan Zhitong Technology Co., Ltd. (河北雄安智皓科技有限公司)	-	10,200,000.00	-	-	-	-	-	-	10,200,000.00
	<u>1,763,994,864.84</u>	<u>10,200,000.00</u>	<u>(2,587,747.03)</u>	<u>431,214,556.49</u>	<u>-</u>	<u>219,156.60</u>	<u>(405,885,000.00)</u>	<u>-</u>	<u>1,797,155,830.90</u>

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long-term equity investments (continued)

2020 (continued)

	Movements during the year								Closing carrying value
	Opening balance	Increase investment	Decrease investment	Investment profits or losses under equity method	Other comprehensive income	Other changes in equity	Cash dividend declared	Provision for impairment	
Associates									
Changchun Light Rail Jidong Concrete Co., Ltd.	22,920,793.94	-	(20,936,076.81)	(1,984,717.13)	-	-	-	-	-
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,513,165.88	-	-	168,768.22	-	-	-	-	16,681,934.10
Beijing Cheryu Real Estate Development Co., Ltd.	978,392,370.60	-	-	(31,488,062.83)	-	-	-	-	946,904,307.77
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,545,810.00	-	-	(282,190.87)	-	-	-	-	1,263,619.13
Beijing Simobai Technology Co., Ltd.	16,154,165.61	-	-	1,702,671.80	-	-	-	-	17,856,837.41
Zehnder (China) Indoor Climate Co., Ltd.	103,037,341.89	-	-	3,853,216.51	-	-	-	-	106,890,558.40
OCV Reinforcements (Beijing) Co., Ltd.	71,385,513.95	-	-	739,094.02	-	-	-	-	72,124,607.97
Beijing Gaoqiang Concrete Co., Ltd.	26,284,093.76	-	(26,272,086.01)	(12,007.75)	-	-	-	-	-
Tangshan Conch Profiles Co., Ltd.	130,912,736.91	-	-	2,909,387.89	-	-	(2,200,000.00)	-	131,622,124.80
Toto Machinery (Beijing) Company Limited	127,711,909.27	-	-	22,203,762.26	-	-	-	-	149,915,671.53
Beijing Toto Co., Ltd.	145,045,601.14	-	-	(55,838.22)	-	-	-	(60,000,000.00)	84,989,762.92
Beijing Innovation Industry Investment Co., Ltd.	100,436,014.35	100,000,000.00	-	781,137.40	-	-	-	-	201,217,151.75
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	4,981,823.43	-	-	-	-	-	-	-	4,981,823.43
SINUI TRADING PTE LTD	4,683,074.05	-	-	(103,982.09)	-	-	-	-	4,579,091.96
Jilin Changjitu Investment Co., Ltd.	137,302,540.20	-	-	(3,422,189.97)	-	-	-	-	133,880,350.23
Liaoning Yunding Cement Group Co., Ltd.	1,317,804.07	-	-	(48,824.74)	-	-	-	-	1,268,979.33
Jidong Cement Fufeng Transportation Co., Ltd.	6,246,940.35	-	-	1,102,926.87	-	49,621.95	(950,000.00)	-	6,449,489.17
Jilin Cement (Group) Co., Ltd.	14,694,041.46	-	(9,964,224.05)	(4,729,817.41)	-	-	-	-	-
Tianjin Gangbei Concrete Industry Co., Ltd.	3,168,320.69	-	-	-	-	-	-	-	3,168,320.69
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	66,794.05	-	(66,794.05)	-	-	-	-	-	-
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	31,895,330.42	-	-	114,864.32	-	-	(2,400,000.00)	-	29,610,194.74
Tianjin Yaopi Glass Co., Ltd.	150,176,058.58	-	-	(3,052,107.82)	-	-	-	-	147,123,950.76
Tianjin Xinling Environmental Protection Engineering Co., Ltd.	-	-	-	-	-	-	-	-	-
Tianjin Binhai Jiantai Investment Co., Ltd.	129,664,427.82	-	-	(19,190,027.82)	-	-	-	-	110,474,400.00
	<u>2,224,536,672.42</u>	<u>100,000,000.00</u>	<u>(57,239,180.92)</u>	<u>(30,793,937.36)</u>	<u>-</u>	<u>49,621.95</u>	<u>(5,550,000.00)</u>	<u>(60,000,000.00)</u>	<u>2,171,003,176.09</u>
	<u>3,988,531,537.26</u>	<u>110,200,000.00</u>	<u>(59,826,927.95)</u>	<u>400,420,619.13</u>	<u>-</u>	<u>268,778.55</u>	<u>(411,435,000.00)</u>	<u>(60,000,000.00)</u>	<u>3,968,159,006.99</u>

Notes to Financial Statements (continued)

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

13. Long-term equity investments (continued)

2019

	Opening balance	Increase investment	Movements during the year					Closing carrying value
			Decrease investment	Investment profits or losses under equity method	Other comprehensive income	Other changes in equity	Cash dividend declared	
Joint ventures								
BBMG TUS Technology Incubator Co., Ltd.	5,100,805.28	-	-	32,856.60	-	-	-	5,133,661.88
BBMG Landao Commercial Operation Management Co., Ltd.	3,784,396.78	-	-	(760,470.21)	-	-	(436,179.54)	2,587,747.03
STAR-USG Building Materials Co., Ltd.	31,019,331.59	-	-	13,205,051.40	-	-	-	44,224,382.99
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	508,926,488.46	-	-	141,796,318.41	-	(27,539.92)	(139,519,000.00)	511,176,266.95
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	631,181,638.19	-	-	215,448,407.73	-	(4,252.53)	(165,000,000.00)	681,625,793.39
Anshan Jidong Cement Co., Ltd.	226,302,837.47	-	-	6,388,159.00	-	-	(5,000,000.00)	227,690,996.47
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	151,229,914.08	-	-	14,332,714.91	-	-	(10,000,000.00)	155,562,628.99
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	199.23	-	-	-	-	(199.23)	-	-
Cross Point Trading 274 (Pty) Ltd (RF)	113,644,903.27	-	-	17,464,546.56	-	4,883,937.31	-	135,993,387.14
	<u>1,671,190,514.35</u>	<u>-</u>	<u>-</u>	<u>407,907,584.40</u>	<u>-</u>	<u>4,851,945.63</u>	<u>(319,955,179.54)</u>	<u>1,763,994,864.84</u>

Notes to Financial Statements (continued)

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

13. Long-term equity investments (continued)

2019 (continued)

	Opening balance	Increase investment	Movements during the year					Closing carrying value	
			Decrease or losses under investment	Investment profits or losses under equity method	Other comprehensive income	Other changes in equity	Cash dividend declared		Provision for impairment
Associates									
Beijing Sinobaide Technology Co., Ltd.	14,336,074.25	-	-	2,508,091.36	-	-	(690,000.00)	-	16,154,165.61
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,364,723.95	-	-	148,441.93	-	-	-	-	16,513,165.88
Beijing Chenyu Real Estate Development Co., Ltd.	22,892,370.60	955,500,000.00	-	-	-	-	-	-	978,392,370.60
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,740,589.67	-	-	25,063.46	-	-	(219,843.13)	-	1,545,810.00
Zehnder (China) Indoor Climate Co., Ltd.	101,170,647.34	-	-	1,866,694.55	-	-	-	-	103,037,341.89
OCV Reinforcements (Beijing) Co., Ltd.	64,425,972.15	-	-	6,959,541.80	-	-	-	-	71,385,513.95
Beijing Gaoqiang Concrete Co., Ltd.	22,942,777.09	-	-	3,494,216.67	-	-	(152,900.00)	-	26,284,093.76
Tangshan Conch Profiles Co., Ltd.	136,669,380.49	-	-	(3,356,643.58)	-	-	(2,400,000.00)	-	130,912,736.91
Toto Machinery (Beijing) Company Limited	161,293,228.09	-	-	(27,181,318.82)	-	-	(6,400,000.00)	-	127,711,909.27
Beijing Toto Co., Ltd.	146,590,536.67	-	-	(1,544,935.53)	-	-	-	-	145,045,601.14
Beijing Innovation Industry Investment Co., Ltd.	-	100,000,000.00	-	436,014.35	-	-	-	-	100,436,014.35
Baogang Jidong Cement Co., Ltd.	104,107,413.65	-	(102,482,490.39)	(1,624,923.26)	-	-	-	-	-
Jilin Cement (Group) Co., Ltd.	14,285,000.00	-	-	409,041.46	-	-	-	-	14,694,041.46
Liaoning Yunding Cement Group Co., Ltd.	-	820,000.00	-	497,804.07	-	-	-	-	1,317,804.07
Jidong Cement Fufeng Transportation Co., Ltd.	6,727,093.29	-	-	707,347.06	-	-	(1,187,500.00)	-	6,246,940.35
Jilin Changtuo Investment Co., Ltd.	140,529,163.93	-	-	(3,226,623.73)	-	-	-	-	137,302,540.20
SINJI TRADING PTE LTD	4,727,694.10	-	-	(44,620.05)	-	-	-	-	4,683,074.05

Notes to Financial Statements *(continued)*

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

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

2019 *(continued)*

	Opening balance	Increase investment	Movements during the year					Closing carrying value
			Decrease investment	Investment profits or losses under equity method	Other comprehensive income	Other changes in equity	Cash dividend declared	
Associates <i>(continued)</i>								
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	4,982,054.25	-	-	(230.82)	-	-	-	4,981,823.43
Changchun Light Rail Jidong Concrete Co., Ltd.	33,188,543.22	-	-	(1,494,814.44)	-	-	(8,772,934.84)	22,920,793.94
Tianjin Gangbei Concrete Industry Co., Ltd.	3,133,485.90	-	-	34,834.79	-	-	-	3,168,320.69
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	2,063,640.66	-	(690,288.33)	(1,306,558.28)	-	-	-	66,794.05
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	31,260,986.45	-	-	634,343.97	-	-	-	31,895,330.42
Tianjin Yaopi Glass Co., Ltd.	160,244,985.32	-	-	(10,068,926.74)	-	-	-	150,176,058.58
Tianjin Xinling Environmental Protection Engineering Co., Ltd.	3,517,210.75	-	(3,517,210.75)	-	-	-	-	-
Tianjin Binhai Jiantai Investment Co., Ltd.	158,664,427.82	-	-	(29,000,000.00)	-	-	-	129,664,427.82
Tianjin Huanbohai Rock Materials Trading Centre Co., Ltd.	9,708,495.86	-	(7,700,000.00)	41,302,459.35	-	-	(43,310,955.21)	-
	<u>1,365,566,495.50</u>	<u>1,056,320,000.00</u>	<u>(114,389,989.47)</u>	<u>(19,825,700.43)</u>	<u>-</u>	<u>-</u>	<u>(63,134,133.18)</u>	<u>2,224,536,672.42</u>
	<u>3,036,757,009.85</u>	<u>1,056,320,000.00</u>	<u>(114,389,989.47)</u>	<u>388,081,883.97</u>	<u>-</u>	<u>4,851,945.63</u>	<u>(383,089,312.72)</u>	<u>3,988,531,537.26</u>

Impairment provision for long-term equity investments is as follows:

2020

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing Toto Co., Ltd.	-	60,000,000.00	-	60,000,000.00

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Investment in other equity instruments

2020

	Cost	Changes in fair value accumulated in other comprehensive income	Fair Value	Equity instruments held of dividend income for the year
Investments in shares of listed companies	450,201,827.20	(113,906,486.40)	336,295,340.80	–
Equity investments in non-listed companies	<u>289,169,589.64</u>	<u>(45,088,443.03)</u>	<u>244,081,146.61</u>	<u>6,173,733.41</u>
	<u>739,371,416.84</u>	<u>(158,994,929.43)</u>	<u>580,376,487.41</u>	<u>6,173,733.41</u>

2019

	Cost	Changes in fair value accumulated in other comprehensive income	Fair Value	Equity instruments held of dividend income for the year
Investments in shares of listed companies	450,201,827.20	(104,143,073.28)	346,058,753.92	–
Equity investments in non-listed companies	<u>91,891,856.43</u>	<u>(55,902,928.28)</u>	<u>35,988,928.15</u>	<u>557,619.93</u>
	<u>542,093,683.63</u>	<u>(160,046,001.56)</u>	<u>382,047,682.07</u>	<u>557,619.93</u>

15. Investment properties

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

2020

	Completed buildings	Buildings in progress	Total
Opening balance	27,539,607,674.53	2,092,637,075.00	29,632,244,749.53
Acquisition for the year	991,321,039.92	(890,137,763.08)	101,183,276.84
Transfer from construction in progress during the year	–	58,030,727.54	58,030,727.54
Transfer from intangible assets	–	31,297,318.25	31,297,318.25
Transfer from fixed assets	16,447,976.23	66,153,866.67	82,601,842.90
Disposal for the year	(16,760,119.59)	–	(16,760,119.59)
Other transfer out	(7,000,000.00)	–	(7,000,000.00)
Changes in fair value	<u>802,202,275.55</u>	<u>–</u>	<u>802,202,275.55</u>
Closing balance	<u>29,325,818,846.64</u>	<u>1,357,981,224.38</u>	<u>30,683,800,071.02</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. Investment properties *(continued)*

2019

	Completed buildings	Buildings in progress	Total
Opening balance	20,581,460,343.02	745,784,902.15	21,327,245,245.17
Acquisition for the year	5,602,837,661.53	–	5,602,837,661.53
Transfer from construction in progress during the year	552,767,476.61	836,658,950.85	1,389,426,427.46
Transfer from inventories during the year	311,241,471.35	510,193,222.00	821,434,693.35
Disposal	(71,349,033.47)	–	(71,349,033.47)
Other transfer out	(167,400,000.00)	–	(167,400,000.00)
Changes in fair value	730,049,755.49	–	730,049,755.49
Closing balance	<u>27,539,607,674.53</u>	<u>2,092,637,075.00</u>	<u>29,632,244,749.53</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 31 December 2020, the carrying value of investment properties without completing their procedures for the title certificates was RMB1,245,600,810.00 (31 December 2019: RMB1,248,341,430.00). 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. 68.

As at 31 December 2020, the investment properties without completing their procedures for the title certificates were as follows:

	Carrying value	Reasons for completing the procedures for the title certificates
Jianjin Building	245,100,000.00	In the process of handling the procedures for changing the relevant titles
Jinhuanyu Building	138,100,000.00	In the process of handling the procedures for changing the relevant titles
Tianjin Building Materials in Circum-Bohai Sea Golden Coast	862,400,810.00	In the process of handling the procedures for changing the relevant titles

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Fixed assets

2020

	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
Original price					
Opening balance	32,828,963,654.75	29,521,942,864.89	1,326,575,942.50	786,223,290.71	64,463,705,752.85
Purchase	49,057,061.53	494,994,295.28	164,971,423.07	119,325,342.34	828,348,122.22
Transfer from construction in progress	1,062,359,956.50	1,394,747,019.83	2,974,815.93	20,055,361.32	2,480,137,153.58
Disposal or retirement	(346,673,161.13)	(443,442,712.88)	(491,452,955.05)	(70,799,530.47)	(1,352,368,359.53)
Removed from upon disposal of subsidiaries	(2,348,203.16)	(2,373,298.95)	(1,226,110.78)	(359,326.19)	(6,306,939.08)
Other transfer out	(249,229,758.90)	(185,425,831.84)	(155,510,426.19)	(11,072,333.14)	(601,238,350.07)
Closing balance	<u>33,342,129,549.59</u>	<u>30,780,442,336.33</u>	<u>846,332,689.48</u>	<u>843,372,804.57</u>	<u>65,812,277,379.97</u>
Accumulated depreciation					
Opening balance	6,874,081,653.23	11,133,243,399.70	620,504,859.66	519,470,405.29	19,147,300,317.88
Provision	1,252,956,507.19	2,128,869,178.94	163,236,232.43	75,260,345.03	3,620,322,263.59
Disposal or retirement	(170,769,183.93)	(322,705,010.42)	(417,273,722.70)	(66,791,756.33)	(977,539,673.38)
Removed from upon disposal of subsidiaries	(1,149,616.21)	(1,636,193.26)	(733,661.99)	(260,254.53)	(3,779,725.99)
Other transfer out	(144,287,992.80)	(154,999,727.29)	(115,188,849.18)	(14,323,784.08)	(428,800,353.35)
Closing balance	<u>7,810,831,367.48</u>	<u>12,782,771,647.67</u>	<u>250,544,858.22</u>	<u>513,354,955.38</u>	<u>21,357,502,828.75</u>
Provision for impairment					
Opening balance	438,350,894.85	334,300,346.06	28,738,745.79	2,807,990.03	804,197,976.73
Provision	14,136,930.85	39,948,226.91	15,045,533.25	88,623.74	69,219,314.75
Disposal or retirement	(53,732,652.83)	(65,642,910.71)	(11,494,407.35)	(988,707.69)	(131,858,678.58)
Other transfer out	-	(1,232,194.28)	-	-	(1,232,194.28)
Closing balance	<u>398,755,172.87</u>	<u>307,373,467.98</u>	<u>32,289,871.69</u>	<u>1,907,906.08</u>	<u>740,326,418.62</u>
Carrying amount					
At the end of the year	<u>25,132,543,009.24</u>	<u>17,690,297,220.68</u>	<u>563,497,959.57</u>	<u>328,109,943.11</u>	<u>43,714,448,132.60</u>
At the beginning of the year	<u>25,516,531,106.67</u>	<u>18,054,399,119.13</u>	<u>677,332,337.05</u>	<u>263,944,895.39</u>	<u>44,512,207,458.24</u>

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Fixed assets (continued)

2019

	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
Original price					
Opening balance	30,714,134,322.93	28,567,409,083.37	1,817,409,277.34	749,960,619.99	61,848,913,303.63
Purchase	1,071,536,182.28	298,570,268.44	74,341,770.65	79,555,377.84	1,524,003,599.21
Transfer from construction in progress	1,043,007,688.30	888,926,547.75	16,424,383.42	17,023,858.78	1,965,382,478.25
Business combination not under common control	161,606,550.60	292,166,912.76	554,467.13	1,969,041.88	456,296,972.37
Other transfer in	132,767,200.05	-	-	-	132,767,200.05
Disposal or retirement	(233,643,708.24)	(457,724,355.16)	(530,414,455.47)	(57,462,876.47)	(1,279,245,395.34)
Removed from upon disposal of subsidiaries	(26,427,757.84)	(27,031,224.85)	(17,072,650.80)	(2,736,242.36)	(73,267,875.85)
Other transfer out	(34,016,823.33)	(40,374,367.42)	(34,666,849.77)	(2,086,488.95)	(111,144,529.47)
Closing balance	<u>32,828,963,654.75</u>	<u>29,521,942,864.89</u>	<u>1,326,575,942.50</u>	<u>786,223,290.71</u>	<u>64,463,705,752.85</u>
Accumulated depreciation					
Opening balance	5,761,397,429.37	9,331,909,491.75	829,414,709.27	506,872,273.91	16,429,593,904.30
Provision	1,242,789,761.54	2,031,689,001.31	248,948,632.50	66,421,406.39	3,589,848,801.74
Business combination not under common control	29,706,107.21	95,328,139.16	245,095.79	1,042,200.31	126,321,542.47
Disposal or retirement	(137,852,339.72)	(279,708,022.40)	(415,555,943.64)	(50,599,945.35)	(883,716,251.11)
Removed from upon disposal of subsidiaries	(10,222,578.89)	(21,166,859.31)	(14,317,756.12)	(2,384,890.69)	(48,092,085.01)
Other transfer out	(11,736,726.28)	(24,808,350.81)	(28,229,878.14)	(1,880,639.28)	(66,655,594.51)
Closing balance	<u>6,874,081,653.23</u>	<u>11,133,243,399.70</u>	<u>620,504,859.66</u>	<u>519,470,405.29</u>	<u>19,147,300,317.88</u>
Provision for impairment					
Opening balance	325,412,112.11	357,156,467.08	40,912,423.15	3,066,395.43	726,547,397.77
Provision	166,830,665.80	97,574,514.90	8,762,717.68	956,646.59	274,124,544.97
Disposal or retirement	(18,875,395.32)	(109,706,249.38)	(20,557,510.15)	(765,784.36)	(149,904,939.21)
Removed from upon disposal of subsidiaries	(16,205,178.95)	(2,626,423.59)	(378,884.89)	(270,670.49)	(19,481,157.92)
Other transfer out	(18,811,308.79)	(8,097,962.95)	-	(178,597.14)	(27,087,868.88)
Closing balance	<u>438,350,894.85</u>	<u>334,300,346.06</u>	<u>28,738,745.79</u>	<u>2,807,990.03</u>	<u>804,197,976.73</u>
Carrying value					
At the end of the year	<u>25,516,531,106.67</u>	<u>18,054,399,119.13</u>	<u>677,332,337.05</u>	<u>263,944,895.39</u>	<u>44,512,207,458.24</u>
At the beginning 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>

Notes to Financial Statements *(continued)*

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

16. Fixed assets *(continued)*

Fixed assets that are temporarily idle are as follows:

2020

	Original price	Accumulated depreciation	Provision for impairment	Carrying value
Buildings	140,599,031.53	45,396,696.81	-	95,202,334.72
Machinery and equipment	150,325,837.76	96,571,016.39	-	53,754,821.37
Transportation equipment	6,257,088.71	4,344,036.15	-	1,913,052.56
Office and other equipment	6,482,032.66	6,038,157.26	1,785.52	442,089.88
	303,663,990.66	152,349,906.61	1,785.52	151,312,298.53

2019

	Original price	Accumulated depreciation	Provision for impairment	Carrying value
Buildings	141,913,521.37	44,963,984.40	-	96,949,536.97
Machinery and equipment	160,674,089.30	97,770,643.66	321,958.13	62,581,487.51
Transportation equipment	24,684,524.91	20,677,829.08	-	4,006,695.83
Office and other equipment	7,181,248.44	6,682,735.74	1,785.52	496,727.18
	334,453,384.02	170,095,192.88	323,743.65	164,034,447.49

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Fixed assets *(continued)*

Fixed assets leased under operating leases are as follows:

2020

	Buildings	Machinery and equipment	Transportation equipment	Total
Original price				
Opening balance	372,728,585.84	12,070,316.67	326,588.00	385,125,490.51
Transfer from self-occupied	29,584,412.84	-	-	29,584,412.84
Transfer from construction in progress	677,733.00	-	-	677,733.00
Disposal or retirement	(2,881,693.50)	-	-	(2,881,693.50)
Closing balance	<u>400,109,038.18</u>	<u>12,070,316.67</u>	<u>326,588.00</u>	<u>412,505,942.85</u>
Accumulated depreciation				
Opening balance	122,533,255.59	5,143,709.31	310,258.60	127,987,223.50
Provision	11,994,917.56	165,450.40	-	12,160,367.96
Transfer from self-occupied	5,128,563.54	-	-	5,128,563.54
Disposal or retirement	(311,452.67)	-	-	(311,452.67)
Closing balance	<u>139,345,284.02</u>	<u>5,309,159.71</u>	<u>310,258.60</u>	<u>144,964,702.33</u>
Provision for impairment				
Opening and closing balance	<u>7,185,051.99</u>	<u>4,505,546.99</u>	-	<u>11,690,598.98</u>
Carrying value				
At the end of the year	<u>253,578,702.17</u>	<u>2,255,609.97</u>	<u>16,329.40</u>	<u>255,850,641.54</u>
At the beginning of the year	<u>243,010,278.26</u>	<u>2,421,060.37</u>	<u>16,329.40</u>	<u>245,447,668.03</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Fixed assets *(continued)*

Fixed assets leased under operating leases are as follows: *(continued)*

2019

	Buildings	Machinery and equipment	Transportation equipment	Total
Original price				
Opening balance	166,876,250.38	63,224,011.45	6,865,118.56	236,965,380.39
Purchase	1,288,230.18	-	-	1,288,230.18
Transfer from self-occupied	204,564,105.28	-	-	204,564,105.28
Transfer to self-occupied	-	(51,153,694.78)	(6,538,530.56)	(57,692,225.34)
Closing balance	<u>372,728,585.84</u>	<u>12,070,316.67</u>	<u>326,588.00</u>	<u>385,125,490.51</u>
Accumulated depreciation				
Opening balance	47,755,048.24	37,304,546.51	5,712,125.27	90,771,720.02
Provision	10,095,855.83	200,472.36	67,663.09	10,363,991.28
Transfer from self-occupied	64,682,351.52	-	-	64,682,351.52
Transfer to self-occupied	-	(32,361,309.56)	(5,469,529.76)	(37,830,839.32)
Closing balance	<u>122,533,255.59</u>	<u>5,143,709.31</u>	<u>310,258.60</u>	<u>127,987,223.50</u>
Provision for impairment				
Opening balance	7,185,051.99	4,855,893.90	-	12,040,945.89
Transfer to self-occupied	-	(350,346.91)	-	(350,346.91)
Closing balance	<u>7,185,051.99</u>	<u>4,505,546.99</u>	<u>-</u>	<u>11,690,598.98</u>
Carrying value				
At the end of the year	<u>243,010,278.26</u>	<u>2,421,060.37</u>	<u>16,329.40</u>	<u>245,447,668.03</u>
At the beginning of the year	<u>111,936,150.15</u>	<u>21,063,571.04</u>	<u>1,152,993.29</u>	<u>134,152,714.48</u>

As at 31 December 2020, the carrying amount for fixed assets pending completion of the procedures for the title certificates amounted to RMB395,989,167.13 (31 December 2019: RMB567,407,280.99). 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 fixed assets 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. 68.

Notes to Financial Statements *(continued)*

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

17. Construction in progress

	2020	2019
Construction in progress	2,414,844,736.57	2,228,559,450.02
Construction materials	45,588,105.38	50,672,350.73
	2,460,432,841.95	2,279,231,800.75

	31 December 2020			31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Badaling Hot Spring						
– Resort Upgrade and Renovation	421,906,417.13	-	421,906,417.13	173,067,568.08	-	173,067,568.08
Jidong Cement Tongchuan						
– New clinker cement production line	416,478,020.07	-	416,478,020.07	6,905,944.81	-	6,905,944.81
– Yangquanshan mine development project	55,631,484.46	-	55,631,484.46	25,243,662.65	-	25,243,662.65
– 6 million-tonne aggregate machined-made sand project (Phase II)	51,666,109.40	-	51,666,109.40	-	-	-
Huahai Wind Power						
– Caofeidian New Wind Power Project	108,462,903.07	-	108,462,903.07	108,462,903.07	-	108,462,903.07
Jidong Cement Panshi						
– Technical modification project of cement kiln for co-processing solid wastes	79,466,002.10	-	79,466,002.10	3,424,268.11	-	3,424,268.11
Jidong Development Group						
– Caofeidian Industrial Park	72,673,443.48	-	72,673,443.48	72,673,443.48	-	72,673,443.48
Tangshan Jidong Cement						
– Integrated management, control and operation information platform project	56,448,876.28	-	56,448,876.28	36,536,792.46	-	36,536,792.46
Jidong Cement Fengxiang						
– Project that co-processes hazardous wastes with a capacity of 100,000t/a through the cement kiln	53,683,601.96	-	53,683,601.96	1,093,396.21	-	1,093,396.21
– Phase II construction project of the mine	19,045,722.55	-	19,045,722.55	150,943.40	-	150,943.40
Lai shui Jidong Environmental Protection Technology						
– Residential building project	48,354,693.76	-	48,354,693.76	-	-	-

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

17. Construction in progress *(continued)*

	31 December 2020			31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Qinyang Jidong Environmental Protection Technology – Rely on the cement production line with a capacity of 2,500t/d to co-process hazardous wastes for 30,000 tonne/year	44,074,268.49	-	44,074,268.49	2,845,266.09	-	2,845,266.09
Shanxi Shuangliang Dingxin Cement – Technical modification project of Shuangliang's cement kiln for co-processing	38,588,174.70	-	38,588,174.70	14,378,618.00	-	14,378,618.00
Yangquan Jidong Cement – Project of collaborative disposal of hazardous waste using cement kiln	38,333,105.74	-	38,333,105.74	867,924.53	-	867,924.53
Xingtai Jidong Cement – Project for collaborative disposal of integrated solid waste	38,230,060.44	-	38,230,060.44	728,155.37	-	728,155.37
– Project of Xingtai BBMG grate coolers for energy conservation and efficiency improvement	20,454,165.96	-	20,454,165.96	-	-	-
Jianji Assets Management – Lock factory renovation	37,835,160.54	-	37,835,160.54	15,658,313.79	-	15,658,313.79
Jidong Haitian Cement Wenxi – Project that co-processes hazardous wastes through the cement kiln	37,495,341.73	-	37,495,341.73	1,293,685.68	-	1,293,685.68
BBMG (Dachang) Modern Industrial Park – Standard plant of Tiantan furniture project	46,444,616.59	-	46,444,616.59	25,226,379.16	-	25,226,379.16
Jidong Development Jingyang Building Materials – Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	34,103,925.81	-	34,103,925.81	80,000.00	-	80,000.00
Dachang BBMG Tiantan Furniture – Dachang project construction	24,693,735.78	-	24,693,735.78	46,341,727.58	-	46,341,727.58
Yantai Jidong Runtai Building Materials – Construction project that processes cements for 850,000t/a and fine ores for 600,000t/a	24,285,476.72	-	24,285,476.72	3,614,433.74	-	3,614,433.74
Jidong Cement (Tangshan) – Project that co-processes general solid wastes through the cement kiln of the second plant	21,756,880.00	-	21,756,880.00	-	-	-
– All-process flue gas standard treatment project of Tangshan Branch No.2 Plant	-	-	-	15,803,249.29	-	15,803,249.29

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

17. Construction in progress *(continued)*

	31 December 2020			31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Chengde Jidong Cement						
– Construction project of green mines	18,479,503.97	-	18,479,503.97	-	-	-
– Technical modification project of mines	17,994,065.22	-	17,994,065.22	18,064,065.22	-	18,064,065.22
Tangshan Jidong Qixin Cement						
– Ecological rehabilitation project	17,105,964.75	-	17,105,964.75	-	-	-
Tangshan Jidong Development Machinery and Equipment	-	-	-	6,787,641.12	-	6,787,641.12
– Equipment under installation						
Bo'ai BBMG Cement						
– Limestone used in the cement for sheepfolds in Zhaihuo Township, Boai County	14,191,509.37	-	14,191,509.37	14,097,169.75	-	14,097,169.75
Dingxin Cement						
– Technical modification project of first-line REDOX ultralow emission of the second branch in 2020	13,324,051.03	-	13,324,051.03	-	-	-
– Environmental protection technology improvement project for collaborative disposal of integrated solid waste	-	-	-	80,368,155.63	-	80,368,155.63
– Industrial Tour Project	-	-	-	50,585,972.09	-	50,585,972.09
BBMG Residential Industrialization (Tangshan)						
– BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	960,416.55	-	960,416.55	100,662,454.78	-	100,662,454.78
Handan Shexian BBMG Cement						
– Project of collaborative disposal of domestic waste using cement kiln	28,029.75	-	28,029.75	39,644,396.55	-	39,644,396.55
BBMG Tiantan (Tangshan) Wood Technology						
– BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	-	-	-	511,845,733.57	-	511,845,733.57
Jidong Equipment & Engineering						
– BBMG Intelligent Electric Manufacturing Base (phase I construction project)	-	-	-	106,112,789.23	-	106,112,789.23
– BBMG Intelligent Electric Manufacturing Base (civil works)	-	-	-	24,611,705.44	-	24,611,705.44
Beijing Chinafarge Cement						
– Chinafarge upgrading project	-	-	-	58,030,727.54	-	58,030,727.54

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

17. Construction in progress *(continued)*

	31 December 2020			31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Zuoquan BBMG Cement						
– 1.5 million tonne per year limestone (for cement use) mine project	-	-	-	28,104,798.26	-	28,104,798.26
BBMG GEM Real Estate						
– Supply and installation of home appliances and furniture for public rental housing of Xisha West Project	-	-	-	26,070,452.64	-	26,070,452.64
Zanhuang BBMG Cement						
– Project of collaborative disposal of hazardous waste using cement kiln	-	-	-	23,606,622.35	-	23,606,622.35
Tianjin Zhenxing Environmental Protection Technology						
– Project that makes comprehensive utilization of industrial wastes	-	-	-	17,686,728.36	-	17,686,728.36
Jidong Luanzhou Environmental Protection Technology						
– All-process flue gas standard treatment project	-	-	-	27,005,898.60	-	27,005,898.60
Engineer materials	60,796,316.26	15,208,210.88	45,588,105.38	66,654,828.30	15,982,477.57	50,672,350.73
Others	631,597,041.54	88,948,032.37	542,649,009.17	629,716,819.10	88,839,355.71	540,877,463.39
Total	2,564,589,085.20	104,156,243.25	2,460,432,841.95	2,384,053,634.03	104,821,833.28	2,279,231,800.75

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

17. Construction in progress *(continued)*

Changes of major construction in progress in 2020 are as below:

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Beijing Chinefarge Cement – Chinefarge upgrading project	58,030.73	58,030,727.54	-	-	(58,030,727.54)	-	Source of funding	100.00%
Dachang BBMG Tiantan Furniture – Dachang project construction	558,600.00	46,341,727.58	31,331,739.82	(47,241,097.54)	(5,738,634.08)	24,693,735.78	Self-financing and state funding	89.97%
BBMG Tiantan (Tangshan) Wood Technology – BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	1,039,170.00	511,845,733.57	183,113,747.82	(694,959,481.39)	-	-	Self-financing and borrowing	66.88%
BBMG Residential Industrialization (Tangshan) – BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	218,917.00	100,662,454.78	66,358,010.72	(166,060,048.95)	-	960,416.55	Self-financing and borrowing	76.29%
BBMG (Dachang) Modern Industrial Park – Standard plant of Tiantan furniture project	46,444.62	25,226,379.16	21,218,237.43	-	-	46,444,616.59	Self-financing funds	100.00%
BBMG GEM Real Estate – Supply and installation of home appliances and furniture for public rental housing of Xisha West Project	28,401.37	26,070,452.64	2,330,916.36	-	(28,401,369.00)	-	Self-financing	100.00%
Badaling Hot Spring – Resort upgrade and renovation	698,670.00	173,067,568.08	278,104,969.43	(28,405,378.57)	(860,741.81)	421,906,417.13	Self-financing and borrowing	64.58%

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Construction in progress (continued)

Changes of major construction in progress in 2020 are as below: (continued)

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Beijing Jianji Assets Management								
– Lock factory renovation	74,000.00	15,658,313.79	22,176,846.75	-	-	37,835,160.54	Self-financing	51.13%
Jidong Development Group								
– Caofeidian Industrial Park	72,764.00	72,673,443.48	-	-	-	72,673,443.48	Self-financing and borrowing	99.99%
Tangshan Jidong Development Machinery and Equipment								
– Equipment under installation	272,070.00	6,787,641.12	62,608,339.47	(69,395,980.59)	-	-	Self-financing	25.51%
Huahai Wind Power								
– Caofeidian New Wind Power Project	230,000.00	108,462,903.07	-	-	-	108,462,903.07	Self-financing	47.16%
Jidong Equipment & Engineering								
– BBMG Intelligent Electric Manufacturing Base (phase I construction project)	198,000.00	106,112,789.23	50,004,947.51	(156,117,736.74)	-	-	Self-financing and borrowing	78.85%
Jidong Cement Tongchuan								
– New clinker cement production line project	1,800,000.00	6,905,944.81	409,572,075.26	-	-	416,478,020.07	Self-financing and borrowing	23.14%
– Yangquanshan mine development project	76,420.00	25,243,662.65	30,387,821.81	-	-	55,631,484.46	Self-financing and borrowing	72.80%
– 6 million-tonne aggregate machined-made sand project (phase II)	67,080.00	-	51,666,109.40	-	-	51,666,109.40	Self-financing	77.02%
Jidong Cement Panshi								
– Project of collaborative disposal of hazardous waste using cement kiln (CPS)	96,950.00	3,424,268.11	76,041,733.99	-	-	79,466,002.10	Self-financing	81.97%
Tangshan Jidong Cement								
– Integrated management, control and operation of information platform project	108,860.00	36,536,792.46	19,912,083.82	-	-	56,448,876.28	Self-financing	51.85%

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

17. Construction in progress *(continued)*

Changes of major construction in progress in 2020 are as below: *(continued)*

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Jidong Cement Fengxiang								
- Project that co-processes hazardous wastes with a capacity of 100,000t/a through the cement kiln	80,913.40	1,093,396.21	52,590,205.75	-	-	53,683,601.96	Self-financing	66.35%
Laishui Jidong Environmental Protection Technology								
- Residential building project	118,000.00	-	48,354,693.76	-	-	48,354,693.76	Self-financing	40.98%
Qinyang Jidong Environmental Protection Technology								
- Leverage on the cement production line with a capacity of 2,500t/d to co-process hazardous wastes for 30,000t/year	46,880.00	2,845,266.09	41,229,002.40	-	-	44,074,268.49	Self-financing	94.02%
Shanxi Shuangliang Dingxin Cement								
- Technical modification project of Shuangliang's cement kiln for co-processing	43,796.70	14,378,618.00	24,209,556.70	-	-	38,588,174.70	Self-financing	88.11%
Yangquan Jidong Cement								
- Project of collaborative disposal of hazardous waste using cement kiln	56,000.00	867,924.53	37,465,181.21	-	-	38,333,105.74	Self-financing	68.45%
Xingtai Jidong Cement								
- Project for collaborative disposal of integrated solid waste	93,830.00	728,155.37	37,501,905.07	-	-	38,230,060.44	Self-financing	40.74%
- Project of Xingtai BBMG grate coolers for energy conservation and efficiency improvement	24,000.00	-	20,454,165.96	-	-	20,454,165.96	Self-financing	85.23%
Jidong Haitian Cement Wenxi								
- Project of collaborative disposal of hazardous waste using cement kiln	68,200.00	1,293,685.68	36,201,656.05	-	-	37,495,341.73	Self-financing	54.98%
Jidong Development Jingyang Building Materials								
- Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	330,780.00	977,349.43	35,594,831.62	-	-	36,572,181.05	Self-financing	86.26%
Yantai Jidong Runtai Building Materials								
- Project that processes cements for 850,000t/a and fine ores for 600,000t/a	2,068,633.23	3,614,433.74	20,671,042.98	-	-	24,285,476.72	Self-financing and borrowing	1.17%
Jidong Cement (Tangshan)								
- Project that co-processes general solid wastes through the cement kiln of the second plant	54,040.00	-	21,756,880.00	-	-	21,756,880.00	Self-financing	40.26%
Lini Jidong Cement								
- Technical modification project for the upgrading and transformation of grate coolers	19,950.00	326,307.10	18,081,967.08	(17,051,862.35)	-	1,356,411.83	Self-financing	92.27%

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

17. Construction in progress *(continued)*

Changes of major construction in progress in 2020 are as below: *(continued)*

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Handan Shexian BBMG Cement								
- Project of collaborative disposal of domestic waste using cement kiln	65,140.00	39,644,396.55	21,581,105.90	(61,197,472.70)	-	28,029.75	Self-financing	93.99%
Jidong Cement Heilongjiang								
- Clinker silo project of Jidong Cement Heilongjiang Co., Ltd. with a capacity of 250,000t	45,220.00	2,412,789.81	41,995,439.79	(44,408,229.60)	-	-	Self-financing	98.20%
Zanhuang BBMG Cement								
- Project of collaborative disposal of hazardous waste using cement kiln	63,350.00	23,606,622.35	31,738,545.63	(55,345,167.98)	-	-	Self-financing	87.36%
Dingxin Cement								
- Environmental protection technology improvement project for collaborative disposal of integrated solid waste	117,830.00	80,368,155.63	28,415,261.33	(108,783,416.96)	-	-	Self-financing and borrowing	92.32%
Zuoquan BBMG Cement								
- 1.5 million tonne per year limestone (for cement use) mine project	42,227.00	28,104,798.26	6,886,062.67	(14,306,951.38)	(20,683,909.55)	-	Self-financing	82.86%
- Project of collaborative disposal of hazardous waste using cement kiln	35,950.00	7,253,048.50	25,832,791.08	(33,085,839.58)	-	-	Self-financing	94.65%

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

17. Construction in progress *(continued)*

Changes of major construction in progress in 2019 are as below:

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Transfer to investment properties during the year	Closing balance	Source of funding	Percentage of project investment in budget(%)
- Chinefarge upgrading project	58,031.00	41,179,676.84	16,851,050.70	-	-	58,030,727.54	Self-financing	100.00
- Logistics park project	1,367,600.00	644,884,628.11	64,418,269.73	-	(709,302,897.84)	-	Self-financing	51.86
- Xisanqi plant renovation	700,000.00	470,347,297.56	161,484,654.10	-	(631,831,951.66)	-	Self-financing	90.26
- Purchase of equipment	82,780.00	999,999.99	48,336,466.19	(37,129,989.05)	-	12,206,477.13	Self-financing	59.60
- BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	218,917.00	-	100,662,454.78	-	-	100,662,454.78	Self-financing and borrowing	45.98
- BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	848,117.00	97,201,771.99	414,643,961.58	-	-	511,845,733.57	Self-financing and borrowing	55.26
- Dachang project construction	558,600.00	42,150,752.38	31,473,090.19	(27,282,114.99)	-	46,341,727.58	Self-financing and state funding	84.00
- Caofeidian Project	170,930.00	79,222,364.42	63,506,823.00	(142,729,187.42)	-	-	Self-financing	83.50
- Resort upgrade and renovation	698,670.00	78,399,632.59	124,227,937.05	(28,912,349.12)	(647,652.44)	173,067,568.08	Self-financing and state funding	29.00
- Lock factory renovation	74,000.00	-	15,658,313.79	-	-	15,658,313.79	Self-financing	21.26
- Caofeidian new wind power project	230,000.00	107,045,976.72	1,416,926.35	-	-	108,462,903.07	Self-financing	47.16
- Caofeidian Industrial Park	1,430,000.00	71,168,497.32	1,630,417.72	-	(125,471.56)	72,673,443.48	Self-financing and borrowings	5.08
- Heavy equipment plant	276,328.00	108,753,967.02	585,380.02	(109,131,538.63)	-	207,808.41	Self-financing	100.01
- Equipment under installation	272,070.00	96,382,505.77	19,688,240.41	(109,283,105.06)	-	6,787,641.12	Self-financing	72.34
- Deferred expenditures	77,894.00	73,543,672.66	11,083,395.21	(79,894,290.39)	-	4,732,777.48	Self-financing	108.64
- Ancillary equipment plant	136,006.00	45,800,221.56	292,743.23	(45,885,156.37)	-	207,808.42	Self-financing	134.03
- Hotworking plant	24,000.00	18,486,280.34	361,988.84	(18,491,057.04)	-	357,212.14	Self-financing	78.53
- Dunshi machinery manufacturing project	286,000.00	14,057,435.08	-	-	(6,150,786.32)	7,906,648.76	Self-financing and borrowing	4.92
- Bid lot I (integrated warehouse, cafeteria, bathrooms, and heat exchange station, etc.)	33,829.00	25,198,916.61	399,618.94	(25,211,539.96)	-	386,995.59	Self-financing	0.76
- Construction project of heavy machinery hotworking center	64,144.00	41,247,964.46	2,131,087.64	(43,379,052.10)	-	-	Self-financing	67.63
- BBMG Intelligent Electric Manufacturing Base (phase I construction project)	198,000.00	-	106,112,789.23	-	-	106,112,789.23	Self-financing and borrowing	53.59

Notes to Financial Statements (continued)

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

17. Construction in progress (continued)

Changes of major construction in progress in 2019 are as below: (continued)

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Transfer to investment properties during the year	Closing balance	Source of funding	Percentage of project investment in budget(%)
- Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	330,780.00	46,809,915.30	12,240,138.03	(58,072,703.90)	-	977,349.43	Self-financing	75.21
- 6 million-tonne aggregate machined-made sand project	42,050.00	-	38,835,902.14	(38,835,902.14)	-	-	Self-financing	92.36
- Yangquanshan mine development project	76,420.00	2,083,094.79	23,160,567.86	-	-	25,243,662.65	Self-financing	33.03
- 1.5 million tonne per year limestone (for cement use) mine project	42,227.00	17,204,850.71	10,899,947.55	-	-	28,104,798.26	Self-financing	66.56
- Shed project of 0.3 million tonnes of clinker	25,481.00	2,800,701.56	18,901,667.04	(21,702,368.60)	-	-	Self-financing	85.17
- Project of collaborative disposal of domestic waste using cement kiln	65,140.00	2,787,418.76	36,856,977.79	-	-	39,644,396.55	Self-financing	60.86
- All-process flue gas standard treatment project	57,470.00	-	27,005,898.60	-	-	27,005,898.60	Self-financing	46.99
- Integrated management, control and operation of information platform project	108,860.00	-	36,536,792.46	-	-	36,536,792.46	Self-financing	33.56
- Construction waste resources optimization project	116,000.00	-	20,559,369.56	(20,559,369.56)	-	-	Self-financing	99.96
- Daily disposal of 500 tonne household garbage project	99,970.00	14,493,163.67	68,583,643.59	(83,076,807.26)	-	-	Self-financing and borrowing	83.10
- Environmental protection technology improvement project for collaborative disposal of integrated solid waste	117,830.00	132,075.47	80,236,080.16	-	-	80,368,155.63	Self-financing and borrowing	68.21
- Industrial tour project	81,000.00	194,174.76	50,391,797.33	-	-	50,585,972.09	Self-financing	62.45

Note: Other decreases were mainly due to that Xingfa's transformation project is transferred to investment properties, and the supply and installation project of electrical appliances and furniture in public rental housing of Xishaxi project and the project of limestone mines for cements with a capacity of 1.5 million tonnes/year are transferred to long-term unamortized expenses.

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:

2020

	Progress of works	Accumulated amount of interest capitalized	Including: Interest capitalized for the year	Capitalization rate of interest for the year
Jidong Development Group				
– Caofeidian Industrial Park	99.99	22,561,618.77	–	–
– Deep reform and treatment of mine	59.62	355,785.87	–	–
BBMG Residential Industrialization (Tangshan)				
– BBMG New Material Yutian Prefabricated Building Component Base Project Phase II	2.58	90,996.39	90,996.39	3.99
Badaling Hot Spring				
– Resort upgrade and renovation	64.58	8,948,698.93	7,612,205.82	3.18
Jidong Cement Tongchuan				
– New clinker cement production line project	23.14	15,959,694.21	15,959,694.21	4.45
– Yangquanshan mine development project	72.80	150,168.09	150,168.09	3.85
Yantai Jidong Runtai Building Materials				
– Project that processes cements for 850,000t/a and fine ores for 600,000t/a	1.17	234,000.00	234,000.00	4.05
Jilin BBMG Jidong Environmental Protection Technology				
– Construction project of limestone mines for cement in Qincaigou	12.29	797,805.54	797,805.54	3.86
		49,098,767.80	24,844,870.05	

Note: The amount of capitalized interests included in construction in progress for 2020 was RMB48,207,716.98 (2019: RMB28,516,793.52), RMB53,163,514.09 (2019: RMB7,981,871.64) 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:

2019

	Progress of works	Accumulated amount of interest capitalized	Including: Interest capitalized for the year	Capitalization rate of interest for the year
BBMG Tiantan (Tangshan) Wood				
– BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	55.26	24,428,418.55	19,508,313.20	4.58
Jidong Development Group				
– Caofeidian Industrial Park	5.08	22,561,618.77	–	–
– Deep reform and treatment of mine	59.62	355,785.87	109,724.96	6.6
Jidong Equipment project				
– BBMG Intelligent Electric Manufacturing Base (phase I construction project)	53.39	1,743,866.56	1,743,866.56	4.46
BBMG Residential Industrialization (Tangshan)				
– BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	45.98	3,241,756.69	3,241,756.69	4.53
Badaling Hot Spring				
– Resort upgrade and renovation	29	1,336,493.11	1,336,493.11	4.66
Jilin BBMG Jidong Environmental Protection Technology				
– Project concerning a change of exploration right to mining right of Qincaigou mine	6.8	319,925.36	99,743.92	4.45
Dingxin Cement				
– Environmental protection technology improvement project for collaborative disposal of integrated solid waste	68.21	66,700.00	66,700.00	3.48
		<u>54,054,564.91</u>	<u>26,106,598.44</u>	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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 in 2020:

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Jidong Group				
– Nanhu Yingbinguan	64,378,932.25	–	–	64,378,932.25
Jidong Cement				
Tongchuan				
– Conveyor belt project	8,217,768.42	2,422,302.52	–	10,640,070.94
Others	16,242,655.04	–	2,313,625.86	13,929,029.18
Provision for impairment of construction in progress	88,839,355.71	2,422,302.52	2,313,625.86	88,948,032.37
Provision for impairment of construction materials	15,982,477.57	2,214,390.00	2,988,656.69	15,208,210.88
Total	104,821,833.28	4,636,692.52	5,302,282.55	104,156,243.25

Provision for impairment of construction in progress in 2019:

	Opening balance	Increase in the year	Decrease in the year	Closing balance
– Nanhu Yingbinguan	63,699,404.55	679,527.70	–	64,378,932.25
– Conveyor belt project	6,401,041.53	1,816,726.89	–	8,217,768.42
Others	16,076,879.25	165,775.79	–	16,242,655.04
Provision for impairment of construction in progress	86,177,325.33	2,662,030.38	–	88,839,355.71
Provision for impairment of construction materials	16,283,929.47	1,020,000.00	1,321,451.90	15,982,477.57
	102,461,254.80	3,682,030.38	1,321,451.90	104,821,833.28

Note: The reason for making provision for impairment for the projects above is their suspension.

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Right-of-use assets

2020

	Lands	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost						
Opening balance	368,224,151.65	295,901,537.87	61,229,482.38	3,007,425.46	21,205,678.65	749,568,276.01
Increase	151,453,484.62	180,954,484.52	210,685.74	145,765.09	5,856.75	332,770,276.72
Disposal	<u>1,105,149.38</u>	<u>22,634,796.71</u>	<u>-</u>	<u>1,848,936.73</u>	<u>-</u>	<u>25,588,882.82</u>
Closing balance	<u>518,572,486.89</u>	<u>454,221,225.68</u>	<u>61,440,168.12</u>	<u>1,304,253.82</u>	<u>21,211,535.40</u>	<u>1,056,749,669.91</u>
Accumulated depreciation						
Opening balance	55,177,963.25	71,627,144.35	28,480,541.78	1,155,948.05	3,950,128.94	160,391,726.37
Provision	30,744,391.11	99,587,853.91	17,421,673.68	1,451,663.01	4,902,184.60	154,107,766.31
Disposal	<u>464,557.00</u>	<u>5,355,516.33</u>	<u>-</u>	<u>1,535,838.31</u>	<u>-</u>	<u>7,355,911.64</u>
Closing balance	<u>85,457,797.36</u>	<u>165,859,481.93</u>	<u>45,902,215.46</u>	<u>1,071,772.75</u>	<u>8,852,313.54</u>	<u>307,143,581.04</u>
Provision for impairment						
Opening balance	-	-	-	-	-	-
Provision	<u>464,557.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,557.00</u>
Closing balance	<u>464,557.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,557.00</u>
Carrying amount						
At the end of the year	<u>432,650,132.53</u>	<u>288,361,743.75</u>	<u>15,537,952.66</u>	<u>232,481.07</u>	<u>12,359,221.86</u>	<u>749,141,531.87</u>
At the beginning of the year	<u>313,046,188.40</u>	<u>224,274,393.52</u>	<u>32,748,940.60</u>	<u>1,851,477.41</u>	<u>17,255,549.71</u>	<u>589,176,549.64</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Right-of-use assets *(continued)*

2019

	Lands	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost						
Opening balance	353,479,438.54	852,513,746.92	60,340,539.34	1,520,525.42	21,016,535.40	1,288,870,785.62
Increase	47,017,430.56	48,971,010.00	888,943.04	2,023,478.50	189,143.25	99,090,005.35
Disposal	<u>32,272,717.45</u>	<u>605,583,219.05</u>	<u>-</u>	<u>536,578.46</u>	<u>-</u>	<u>638,392,514.96</u>
Closing balance	<u>368,224,151.65</u>	<u>295,901,537.87</u>	<u>61,229,482.38</u>	<u>3,007,425.46</u>	<u>21,205,678.65</u>	<u>749,568,276.01</u>
Accumulated depreciation						
Opening balance	20,921,553.35	113,870,737.96	-	-	-	134,792,291.31
Provision	34,256,409.90	71,627,144.35	28,480,541.78	1,155,948.05	3,950,128.94	139,470,173.02
Disposal	<u>-</u>	<u>113,870,737.96</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,870,737.96</u>
Closing balance	<u>55,177,963.25</u>	<u>71,627,144.35</u>	<u>28,480,541.78</u>	<u>1,155,948.05</u>	<u>3,950,128.94</u>	<u>160,391,726.37</u>
Carrying amount						
At the end of the year	<u>313,046,188.40</u>	<u>224,274,393.52</u>	<u>32,748,940.60</u>	<u>1,851,477.41</u>	<u>17,255,549.71</u>	<u>589,176,549.64</u>
At the beginning of the year	<u>332,557,885.19</u>	<u>738,643,008.96</u>	<u>60,340,539.34</u>	<u>1,520,525.42</u>	<u>21,016,535.40</u>	<u>1,154,078,494.31</u>

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Intangible assets

2020

	Computer software					Total
	Land use rights	licenses	Mining rights	Trademark rights	Others	
Original value:						
Opening balance	15,361,139,823.36	239,227,132.98	3,319,284,284.77	83,414,700.00	194,904,894.35	19,197,970,835.46
Purchase	413,917,489.96	34,650,395.64	171,116,928.61	-	20,842,831.94	640,527,646.15
Disposal	(297,771,876.76)	(495,729.96)	(65,484,402.73)	-	(7,161,904.18)	(370,913,913.63)
Other decrease	(134,052,003.33)	-	(58,746,549.00)	-	-	(192,798,552.33)
Closing balance	<u>15,343,233,433.23</u>	<u>273,381,798.66</u>	<u>3,366,170,261.65</u>	<u>83,414,700.00</u>	<u>208,585,822.11</u>	<u>19,274,786,015.65</u>
Accumulated amortization:						
Opening balance	1,579,260,647.08	123,587,567.85	659,226,341.78	-	72,822,761.56	2,434,897,318.27
Provision	390,561,530.80	39,601,031.39	132,047,571.01	-	20,052,401.87	582,262,535.07
Disposal	(56,355,938.84)	(445,668.06)	(13,074,713.31)	-	(966,618.68)	(70,842,938.89)
Other decrease	(41,240,886.28)	-	-	-	-	(41,240,886.28)
Closing balance	<u>1,872,225,352.76</u>	<u>162,742,931.18</u>	<u>778,199,199.48</u>	<u>-</u>	<u>91,908,544.75</u>	<u>2,905,076,028.17</u>
Provision for impairment :						
Opening balance	22,690,520.52	-	101,574,830.64	5,000,000.00	8,046,757.54	137,312,108.70
Provision	9,383,925.23	-	30,767,217.50	-	-	40,151,142.73
Disposal	-	-	(2,177,684.78)	-	-	(2,177,684.78)
Closing balance	<u>32,074,445.75</u>	<u>-</u>	<u>130,164,363.36</u>	<u>5,000,000.00</u>	<u>8,046,757.54</u>	<u>175,285,566.65</u>
Carrying value:						
At the end of the year	<u>13,438,933,634.72</u>	<u>110,638,867.48</u>	<u>2,457,806,698.81</u>	<u>78,414,700.00</u>	<u>108,630,519.82</u>	<u>16,194,424,420.83</u>
At the beginning of the year	<u>13,759,188,655.76</u>	<u>115,639,565.13</u>	<u>2,558,483,112.35</u>	<u>78,414,700.00</u>	<u>114,035,375.25</u>	<u>16,625,761,408.49</u>

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Intangible assets (continued)

2019

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Original value:						
Opening 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
Purchase	198,087,406.79	38,591,174.97	450,594,228.28	-	277,785.28	687,550,595.32
Disposal	(88,353,055.10)	(861,063.07)	(3,550,835.60)	-	-	(92,764,953.77)
Other decrease	(65,602,400.72)	-	-	-	-	(65,602,400.72)
Closing balance	<u>15,361,139,823.36</u>	<u>239,227,132.98</u>	<u>3,319,284,284.77</u>	<u>83,414,700.00</u>	<u>194,904,894.35</u>	<u>19,197,970,835.46</u>
Accumulated amortization:						
Opening balance	1,229,037,833.88	84,716,200.76	513,149,405.45	-	56,780,002.39	1,883,683,442.48
Provision	376,014,944.37	39,457,751.87	146,076,936.33	-	16,042,759.17	577,592,391.74
Disposal	(13,037,965.17)	(586,384.78)	-	-	-	(13,624,349.95)
Other decrease	(12,754,166.00)	-	-	-	-	(12,754,166.00)
Closing balance	<u>1,579,260,647.08</u>	<u>123,587,567.85</u>	<u>659,226,341.78</u>	<u>-</u>	<u>72,822,761.56</u>	<u>2,434,897,318.27</u>
Opening balance						
	12,359,130.01	-	67,943,968.48	5,000,000.00	8,046,757.54	93,349,856.03
Provision	16,428,997.10	-	33,630,862.16	-	-	50,059,859.26
Disposal	(6,097,606.59)	-	-	-	-	(6,097,606.59)
Closing balance	<u>22,690,520.52</u>	<u>-</u>	<u>101,574,830.64</u>	<u>5,000,000.00</u>	<u>8,046,757.54</u>	<u>137,312,108.70</u>
Carrying value:						
At the end of the year	<u>13,759,188,655.76</u>	<u>115,639,565.13</u>	<u>2,558,483,112.35</u>	<u>78,414,700.00</u>	<u>114,035,375.25</u>	<u>16,625,761,408.49</u>
At the beginning of the year	<u>14,075,610,908.50</u>	<u>116,780,820.32</u>	<u>2,291,147,518.16</u>	<u>78,414,700.00</u>	<u>129,800,349.14</u>	<u>16,691,754,296.12</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. 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:

	2020	2019
Less than 50 years	13,438,933,634.72	13,759,188,655.76

Details of pledge of intangible assets are set out in Note V.68.

As at 31 December 2020, the useful life of trademark rights with a carrying amount of RMB78,414,700.00 was indefinite (31 December 2019: 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 2020, the carrying value of intangible assets of the Group pending completion of the procedures for title certificates amounted to RMB39,385,701.98 (31 December 2019: RMB92,592,491.88). 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.

Notes to Financial Statements *(continued)*

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

20. Goodwill

	2020	2019
Hebei BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing Taihang Prospect Environmental Protection Technology Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	2,742,710.29
Tianjin BBMG Zhenxing Environmental Protection Technology Co., Ltd.	10,931,009.96	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	56,276,121.38	56,276,121.38
Jidong Cement Business	2,013,854,242.93	2,013,854,242.93
Jidong Equipment Business	477,549,380.23	477,549,380.23
Baogang Jidong Cement Co., Ltd.	1,181,333.25	1,181,333.25
	2,804,114,378.64	2,804,114,378.64
Less: Provision for impairment of goodwill	342,645,395.59	212,645,395.59
	2,461,468,983.05	2,591,468,983.05

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Goodwill *(continued)*

Movements in provision for impairment of goodwill are as follows:

2020

	Amount
Opening balance	212,645,395.59
Provision for the year	<u>130,000,000.00</u>
Closing balance	<u>342,645,395.59</u>

2019

	Amount
Opening balance	62,645,395.59
Provision for the year	<u>150,000,000.00</u>
Closing balance	<u>212,645,395.59</u>

For the purpose of impairment testing, the goodwill arising from the business combination has been allocated to a group of assets (being subsidiaries acquired in each acquisition). Such group of cash-generating units represents the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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 acquisition of equity interests of the listed companies by the Company was determined as the net amount of fair value less costs to sell based on the market value of the interests held by the Group in the RMB denominated ordinary shares of the listed companies issued by way of public issuance as at 31 December 2020 after adjustments.

The estimated future cash flows of the asset group are based on the five-year financial budget approved by the management at a discount rate of 9% -10% (2019: 9% -10%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%-3% (2019: 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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. Long-term deferred expenditures

2020

	Opening balance	Increase in the year	Amortisation for the year	Other decrease	Provision for impairment in the year	Closing balance
Decoration	112,984,664.44	37,513,373.21	35,891,956.65	8,539,609.88	-	106,066,471.12
Leasehold improvement for fixed assets rented	27,029,259.27	12,008,255.41	5,682,007.43	-	-	33,355,507.25
Land lease prepayments and compensation for land acquisition	168,151,641.58	102,363,159.86	24,657,430.74	548,350.00	-	245,309,020.70
Cost of stripping mines	737,669,639.09	64,447,261.33	94,973,491.00	-	-	707,143,409.42
Others	230,448,989.10	224,067,810.21	63,901,268.11	5,486,208.00	34,000,000.00	351,129,323.20
	1,276,284,193.48	440,399,860.02	225,106,153.93	14,574,167.88	34,000,000.00	1,443,003,731.69

2019

	Opening balance	Increase in the year	Amortisation for the year	Other decrease	Closing balance
Decoration	126,484,781.94	29,550,611.79	42,405,729.29	645,000.00	112,984,664.44
Leasehold improvement for fixed assets rented	35,771,776.31	1,122,094.66	9,864,611.70	-	27,029,259.27
Land lease prepayments and compensation for land acquisition	314,190,930.47	70,706,974.89	13,183,597.45	203,562,666.33	168,151,641.58
Cost of stripping mines	582,350,585.77	211,243,119.21	54,080,489.63	1,843,576.26	737,669,639.09
Others	183,907,779.68	90,772,795.94	41,267,941.28	2,963,645.24	230,448,989.10
	1,242,705,854.17	403,395,596.49	160,802,369.35	209,014,887.83	1,276,284,193.48

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Deferred income tax assets/liabilities

Deferred income tax assets not eliminated:

	2020		2019	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets				
Provision for LAT	5,396,865,150.00	1,349,216,287.50	5,062,550,235.28	1,265,637,558.82
Deductible losses	4,178,042,190.04	1,044,510,547.51	3,508,555,489.12	877,138,872.28
Provision for impairment of assets	1,913,412,599.00	478,353,149.75	2,604,674,639.00	651,168,659.75
Difference in accounting and tax of revenue recognition	35,210,212.48	8,802,553.12	50,226,212.96	12,556,553.24
Accrual of property development cost	3,024,146,243.16	756,036,560.79	2,811,167,735.00	702,791,933.75
Unrealised profits and losses of internal transactions	1,548,642,166.08	387,160,541.52	1,358,806,121.72	339,701,530.43
Changes in fair value of other equity instruments	113,906,486.40	28,476,621.60	104,143,073.28	26,035,768.32
Others	456,495,943.92	114,123,985.98	454,438,521.64	113,609,630.41
	16,666,720,991.08	4,166,680,247.77	15,954,562,028.00	3,988,640,507.00

Deferred income tax liabilities not eliminated:

	2020		2019	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities				
Valuation gains of investment properties	10,497,150,950.24	2,624,287,737.56	9,706,318,284.48	2,426,579,571.12
Assessment increase/decrease in business combination	11,912,498,651.56	2,978,124,662.89	12,459,311,258.80	3,114,827,814.70
Others	1,843,088,142.12	460,772,035.53	1,802,650,488.44	450,662,622.11
	24,252,737,743.92	6,063,184,435.98	23,968,280,031.72	5,992,070,007.93

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

	2020	2019
Deductible temporary differences	10,231,014,366.68	8,566,317,199.04
Deductible tax losses	9,700,148,476.39	9,031,770,210.90
	19,931,162,843.07	17,598,087,409.94

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

	2020	2019
2020	-	1,813,760,495.84
2021	949,960,677.26	1,360,673,245.72
2022	1,427,001,552.13	1,381,679,641.80
2023	1,311,264,936.73	1,817,170,872.17
2024	3,595,119,489.04	2,658,485,955.37
2025	2,416,801,821.23	-
	9,700,148,476.39	9,031,770,210.90

The Group's management prepares the cash flow forecast for the next 5 years based on the approved budget to assess the taxable income to be generated from the subsidiaries enjoying the deductible loss before the expiration of the deductible loss, and to recognize the deferred income tax assets for the deductible loss based on the assessment result.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. Other non-current assets

	2020	2019
Prepayment for projects, equipment and plants	208,455,232.26	136,262,442.04
Prepayment for lands	95,410,134.00	301,604,869.87
Prepayment for exploration rights	95,532,297.05	95,531,297.05
	399,397,663.31	533,398,608.96

24. Short-term loans

	2020	2019
Guaranteed loans (Note 1)	2,896,710,000.00	1,669,000,000.00
Credit loans	27,900,040,000.00	35,456,630,000.00
Pledged loans (Note 2)	26,638,385.20	92,052,474.50
	30,823,388,385.20	37,217,682,474.50

Note 1: As at 31 December 2020, the guaranteed loans were guaranteed by entities within the Group.

Note 2: As at 31 December 2020, details and value of collaterals corresponding to mortgaged and pledged loans of the Group are set out in Note V. 68.

As at 31 December 2020, the interest rates of the above loans were 2.54%-5.22% per annum (31 December 2019: 3.96%-7.00%).

As at the balance sheet date, the Group had no outstanding loans that were due.

Notes to Financial Statements *(continued)*

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

25. Bills payable

	2020	2019
Commercial acceptance bills	10,654,618.71	17,386,936.78
Bank acceptance bills	<u>1,768,672,188.76</u>	<u>1,958,755,385.87</u>
	<u>1,779,326,807.47</u>	<u>1,976,142,322.65</u>

As at 31 December 2020, there were had no outstanding bills payable (31 December 2019: Nil).

26. Accounts payable

Accounts payable are non-interest bearing and shall generally be paid within 30 to 360 days.

	2020	2019
Within 1 year (inclusive of 1 year)	14,283,022,159.33	14,362,144,476.30
1 to 2 years (inclusive of 2 years)	1,806,763,705.63	1,648,614,458.46
2 to 3 years (inclusive of 3 years)	485,780,194.35	828,401,100.74
Over 3 years	<u>1,506,887,507.28</u>	<u>862,788,506.95</u>
	<u>18,082,453,566.59</u>	<u>17,701,948,542.45</u>

As at 31 December 2020, significant accounts payable aging over 1 year of the Group are as follows:

	Relationship with the Group	Amount payable	Percentage of total other payables (%)	Reasons for non- repayment
First	Third party	1,232,447,312.89	6.82	Unsettled
Second	Third party	140,101,944.50	0.77	Unsettled
Third	Third party	53,144,898.50	0.29	Unsettled
Fourth	Third party	43,265,386.97	0.24	Unsettled
Fifth	Third party	<u>41,160,000.00</u>	<u>0.23</u>	Unsettled

Notes to Financial Statements *(continued)*

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

27. Receipts in advance

	2020	2019
Advances on rents	305,227,873.47	334,666,882.90

As at 31 December 2020, there were no significant receipts in advance aged over one year (31 December 2019: Nil).

28. Contract liabilities

	2020	2019
Advances on pre-sale of properties	26,973,508,752.49	22,674,040,221.21
Advances on sale of goods	1,378,129,234.31	1,321,001,097.44
Advances on construction costs	62,910,414.97	60,264,629.35
Advances on property fees	250,005,111.93	253,386,219.51
Others	241,764,506.09	248,455,206.73
	28,906,318,019.79	24,557,147,374.24

Notes to Financial Statements *(continued)*

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

28. Contract liabilities *(continued)*

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

Projects	Expected settlement date of the next batch	Proportion of the pre-sale (%)	2020	2019
Hefei – Nanqi Garden	December 2021	93.86%	428,109,873.58	3,704,683,288.89
Beijing – Treasures Mansion House	December 2021	95.00%	47,786,777.69	204,215,324.77
Qingdao-BBMG Hefu (金隅和府)	January 2021	100.00%	9,470,657.99	1,578,850,379.68
Beijing – Wangchuan Beiyuan	December 2021	88.89%	414,081,037.33	580,639,020.71
Shanghai – Juyuan	January 2023	100.00%	35,711,896.36	36,946,073.80
Beijing – Jinchengyu Garden (金成裕雅苑)	January 2021	88.22%	197,012,105.47	90,440,579.79
Beijing – Public Rental Apartments	-	100.00%	-	1,202,590,949.81
Beijing – Jin’gang Jiayuan	December 2021	66.94%	80,421,415.02	2,102,515,720.52
Chongqing – Nanshanjun	November 2021	85.87%	215,649,086.38	461,080,339.43
Hangzhou – Metro Forest (都會森林)	May 2021	64.83%	2,069,894,059.58	3,431,027,209.46
Beijing – Shangchengjun	December 2021	85.73%	702,898,747.85	397,585,056.76
Inner Mongolia – Jinyu Global Finance Centre	September 2021	91.00%	36,811,854.80	162,702,857.53
Haikou – Xixili	March 2021	92.39%	10,578,037.21	49,349,869.43
Chongqing – Times Metro	June 2021	92.27%	25,589,772.03	48,739,247.43
Tangshan-Jinyu Lefu	June 2021	100.00%	4,904,075.81	236,576,515.60
Tianjin – Qiaowanyuan	-	71.71%	-	190,733,554.00
Tangshan – Jin’an hongbao	June 2022	17.21%	470,536,105.47	958,745,439.99
Beijing – Changyang Polytechnic University Land No. 1	January 2021	89.96%	69,617,347.98	100,363,038.86
Haikou – Yangguangjun	October 2021	45.71%	370,936,510.23	223,886,455.10
Hangzhou – Jinyu Xuefu	June 2021	100.00%	1,401,792.81	12,941,679.65
Chongqing – Xinduhui	June 2021	16.52%	1,544,933,419.94	56,826,524.77
Beijing – Dacheng Shidai Center (大成時代中心)	December 2021	99.92%	3,498,504.76	83,869,523.82
Beijing- Jinlin Maison	January 2021	100.00%	387,026,125.87	784,231,271.37
Tianjin – Jinyu Yuecheng	June 2021	100.00%	326,997,945.61	186,323,898.21
Hangzhou – Guanlan Times	-	100.00%	-	16,557,904.40
Chengdu – Longxi Center (龍熙中心)	January 2021	100.00%	38,174,808.81	169,583,979.70
Ningbo – Ganjiang Shidai (瞰江時代)	December 2021	19.67%	39,996,317.31	36,583,270.11
Ningbo – Shengjunhuating (晟郡華庭)	March 2021	86.37%	54,918,662.19	1,208,521,687.37
Tianjin – Jinyu Mantang	June 2021	100.00%	29,733,041.66	32,109,463.58
Beijing – Kanghuiyuan	December 2021	97.00%	7,157,998.27	18,146,882.66
Chengdu – Longxijun	January 2021	100.00%	2,113,999.00	14,031,916.00
Inner Mongolia – Jinyu Elegancy City	June 2021	93.00%	1,657,523.13	16,729,743.86

Notes to Financial Statements *(continued)*

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

28. 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 (%)	2020	2019
Beijing – Chaoyang New City	December 2021	97.00%	626,340,657.34	664,752,946.71
Inner Mongolia – Jinyu Times City	June 2021	99.00%	5,931,359.62	4,978,709.81
Beijing-Jinlinjiayuan (金林嘉苑)	January 2021	86.72%	1,722,246,809.13	734,104,277.08
Nanjing– Zijingdieyuan (紫京疊院)	November 2021	39.37%	346,359,912.90	258,095,668.92
Hefei – Dachengjun	June 2022	31.40%	352,115,100.89	615,250,954.16
Hangzhou – Guanlan Commercial	December 2021	64.48%	607,679,161.40	274,779,510.09
Chengde – BBMG Demonstration	June 2021	39.34%	24,279,467.99	176,572,163.23
Beijing – Xuefu	December 2021	100.00%	1,934,218,376.22	340,214,588.99
Ningbo – Longyaohuating	March 2021	96.74%	2,686,383,345.37	502,723,527.99
Hefei – Jincheng Mansions	December 2021	73.27%	1,727,792,292.60	116,877,931.15
Tangshan – BBMG Dachengjun	June 2021	47.94%	291,441,429.36	98,265,013.00
Nanjing – Zijingxiyuan (紫京熙院)	June 2021	39.37%	1,102,820,365.10	191,998,895.09
Beijing – Shanglin Home	July 2022	100.00%	374,653,215.70	–
Beijing – Fengqi Home	July 2023	83.00%	2,605,923,204.87	–
Qingdao – Treasures Mansion House	November 2021	7.72%	127,014,750.67	–
Chengdu – Dachengjun	January 2021	100.00%	11,355,501.04	40,039,726.00
Shanghai – Dachenghuating (大成華庭)	June 2021	80.02%	935,261,762.70	21,832,730.28
Beijing – Jinyu Lanwan	December 2021	97.69%	21,464,539.72	506,190.48
Beijing – Jinyu Town-House	December 2021	96.14%	40,714,965.93	13,409,436.24
Tangshan – Treasures Mansion House	September 2021	30.47%	464,045,629.64	72,341,553.00
Hangzhou – Senlinlanfu	June 2023	59.74%	494,244,844.58	–
Nanjing – Zijingyunzhu	March 2021	30.00%	590,881,870.50	–
Chengdu – Jincheng Mansion	September 2021	74.52%	472,063,816.00	–
Chengdu – Shangchengjun	August 2021	21.24%	169,944,540.29	–
Ningbo – Ruizhenhuating	March 2021	77.77%	1,427,931,436.70	–
Beijing – Price-capped housing in Binheyuan	December 2021	95.93%	64,497,731.87	–
Others	–	–	118,283,164.22	149,167,731.93
			26,973,508,752.49	22,674,040,221.21

Notes to Financial Statements *(continued)*

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

29. Wages payable

2020

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	436,985,160.94	5,619,325,979.55	5,682,381,537.70	373,929,602.79
Post-employment benefits (defined contribution plan)	13,462,162.87	258,072,332.99	257,283,925.67	14,250,570.19
Termination benefits	40,445,572.64	33,185,795.91	31,825,984.50	41,805,384.05
	490,892,896.45	5,910,584,108.45	5,971,491,447.87	429,985,557.03

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	359,517,376.25	5,810,155,484.83	5,732,687,700.14	436,985,160.94
Post-employment benefits (defined contribution plan)	11,708,438.42	685,103,870.16	683,350,145.71	13,462,162.87
Termination benefits	22,614,488.63	71,944,674.23	54,113,590.22	40,445,572.64
	393,840,303.30	6,567,204,029.22	6,470,151,436.07	490,892,896.45

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

29. Wages payable *(continued)*

Short-term remunerations are as bellow:

2020

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	337,718,205.24	4,358,574,615.19	4,435,806,430.86	260,486,389.57
Staff welfare	968,555.81	384,505,107.62	383,902,492.58	1,571,170.85
Social insurance	13,073,994.08	284,101,249.93	284,013,160.66	13,162,083.35
<i>Including: Medical</i>				
<i>insurance</i>	11,191,050.50	266,056,766.43	266,458,410.10	10,789,406.83
<i>Work injury insurance</i>	1,191,403.60	11,849,543.85	11,726,275.65	1,314,671.80
<i>Maternity insurance</i>	691,539.98	6,194,939.65	5,828,474.91	1,058,004.72
Housing funds	29,973,693.91	433,312,347.31	432,853,429.20	30,432,612.02
Union fund and employee education fund	53,366,767.01	106,630,250.15	103,691,129.81	56,305,887.35
Other short-term remunerations	1,883,944.89	52,202,409.35	42,114,894.59	11,971,459.65
	436,985,160.94	5,619,325,979.55	5,682,381,537.70	373,929,602.79

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	243,385,243.77	4,466,159,431.99	4,371,826,470.52	337,718,205.24
Staff welfare	754,107.73	392,164,087.20	391,949,639.12	968,555.81
Social insurance	9,878,189.14	433,515,717.06	430,319,912.12	13,073,994.08
<i>Including: Medical</i>				
<i>insurance</i>	8,357,227.75	365,698,644.95	362,864,822.20	11,191,050.50
<i>Work injury insurance</i>	945,203.14	43,262,980.53	43,016,780.07	1,191,403.60
<i>Maternity insurance</i>	575,758.25	24,554,091.58	24,438,309.85	691,539.98
Housing funds	31,716,876.51	398,754,771.01	400,497,953.61	29,973,693.91
Union fund and employee education fund	54,062,170.98	105,086,988.11	105,782,392.08	53,366,767.01
Other short-term remunerations	19,720,788.12	14,474,489.46	32,311,332.69	1,883,944.89
	359,517,376.25	5,810,155,484.83	5,732,687,700.14	436,985,160.94

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

Notes to Financial Statements *(continued)*

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

29. Wages payable *(continued)*

Details of defined contribution plan are as follows:

2020

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	11,696,144.43	185,663,701.81	185,008,970.37	12,350,875.87
Unemployment insurance	724,540.91	5,433,973.27	5,482,647.62	675,866.56
Corporate annuity	1,041,477.53	66,974,657.91	66,792,307.68	1,223,827.76
	13,462,162.87	258,072,332.99	257,283,925.67	14,250,570.19

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	10,452,703.35	615,577,443.15	614,334,002.07	11,696,144.43
Unemployment insurance	828,261.97	24,765,752.72	24,869,473.78	724,540.91
Corporate annuity	427,473.10	44,760,674.29	44,146,669.86	1,041,477.53
	11,708,438.42	685,103,870.16	683,350,145.71	13,462,162.87

The Group participated in the pension insurance and unemployment insurance managed by local government, to which the Group and employees made contributions based on 16% and 0.7-0.8% 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. Due to the COVID-19 pandemic, some subsidiaries of the Group have enjoyed preferential social security policies such as exemption and half-reduction of basic pension, unemployment insurance and work-related injury insurance from February to December 2020.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

30. Tax payable

	2020	2019
VAT	532,245,965.41	636,498,220.38
Corporate income tax	1,372,266,058.10	1,404,307,009.53
Individual income tax	28,525,457.67	27,268,987.00
City maintenance and construction tax	43,798,794.41	33,336,065.82
Resource tax	46,805,603.60	10,839,625.94
Land appreciation tax	429,600,180.47	247,713,910.22
Education surcharges	34,229,483.69	25,831,318.50
Urban and rural land use tax	24,987,365.83	22,659,470.00
Real estate tax	38,701,299.30	44,361,788.09
Deed tax and others	76,957,463.78	62,816,654.54
	2,628,117,672.26	2,515,633,050.02

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31. Other payables

	2020	2019
Interests payable	1,492,797,039.93	1,325,247,208.26
Interests on borrowings	132,058,659.58	171,363,199.96
<i>Including: Interests on long-term borrowings</i>	<i>70,765,030.05</i>	<i>106,678,044.18</i>
<i>Interests on short-term borrowings</i>	<i>61,293,629.53</i>	<i>64,685,155.78</i>
Interests of corporate bonds	1,360,738,380.35	1,153,884,008.30
Dividends payable	312,091,740.42	267,517,744.80
Other shareholders	30,596,257.92	33,432,097.90
Interest on perpetual bonds	281,495,482.50	234,085,646.90
Other payables	6,090,677,191.37	6,924,658,708.59
Amounts collected on behalf and temporary receipts	2,624,777,077.42	3,272,977,666.14
Deposits	1,564,870,997.96	1,565,547,800.81
Payables for land use right	88,686,930.87	156,108,204.90
Construction costs payable	109,941,362.91	166,857,414.06
Payables for relocation compensation	557,682,612.93	437,230,015.66
Freight and miscellaneous charges payable	133,843,301.26	151,075,130.58
Payables for acquisition of equity investments	6,239,800.00	15,225,800.00
Payables to related companies	39,184,407.58	58,765,600.32
Utilities	10,054,725.93	40,550,355.15
Public maintenance fund payable	24,422,096.65	35,673,189.38
Current portion of net liabilities of defined benefit plan (Note V. 38)	58,070,571.60	62,702,595.71
Others	872,903,306.26	961,944,935.88
	7,895,565,971.72	8,517,423,661.65

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31. Other payables *(continued)*

As at 31 December 2020, significant other payables aging more than one year of the Group are as follows:

	Relationship with the Group	Amount payable	Percentage of total other payables (%)	Reasons for un-repayment
First	Third party	959,079,000.00	15.75	Unsettled
Second	Third party	300,033,343.80	4.93	Unsettled
Third	Third party	190,156,700.00	3.12	Unsettled
Fourth	Third party	114,109,329.37	1.87	Unsettled
Fifth	Third party	96,876,950.57	1.59	Unsettled

32. Non-current liabilities due within one year

	2020	2019
Long-term loans due within one year (Note V. 34)	5,837,256,826.00	13,229,616,201.98
Bonds payable due within one year (Note V. 35)	8,984,892,614.67	6,940,839,101.59
Long-term payables due within one year (Note V. 37)	39,567,383.08	39,567,383.08
Lease liabilities due with one year (Note V. 36)	106,062,842.41	109,508,175.92
	14,967,779,666.16	20,319,530,862.57

33. Other current liabilities

	2020	2019
Accrued expenses	10,208,145,297.41	9,840,401,927.79
<i>Including: Accrued development costs</i>	<i>3,395,472,382.10</i>	<i>3,340,717,883.13</i>
<i>Provision for LAT</i>	<i>5,367,137,566.95</i>	<i>5,028,726,969.09</i>
<i>Accrued costs for treatment of solid wastes</i>	<i>165,857,705.47</i>	<i>165,911,329.50</i>
<i>Charges from sale and repurchase</i>	<i>1,016,918,013.52</i>	<i>942,512,451.52</i>
<i>Other accrued expenses</i>	<i>262,759,629.37</i>	<i>362,533,294.55</i>
Tax to be written off	1,184,661,755.28	936,087,002.51
	11,392,807,052.69	10,776,488,930.30

Notes to Financial Statements *(continued)*

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

34. Long-term loans

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

	2020	2019
Guaranteed loans (Note 1)	7,855,232,916.00	14,220,056,660.00
Credit loans	19,358,248,263.18	15,247,569,349.97
Mortgaged loans (Note 2)	11,946,505,010.30	14,079,691,214.48
Pledged loans (Note 2)	4,454,600,000.00	5,444,700,000.00
Pledged/Mortgaged loans and guaranteed loans (Note 2)	-	25,000,000.00
	43,614,586,189.48	49,017,017,224.45
Less: Long-term loans due within one year	5,837,256,826.00	13,229,616,201.98
	37,777,329,363.48	35,787,401,022.47

Note 1: As at 31 December 2020, the guaranteed loans of the Group were guaranteed by entities within the Group.

Note 2: As at 31 December 2020, details and value of collaterals corresponding to mortgaged, pledged and pledged/mortgaged and guaranteed loans of the Group are set out in Note V. 68.

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

	2020	2019
Within 1 year	5,837,256,826.00	13,229,616,201.98
1-2 years	11,207,729,448.30	9,569,842,858.00
2-5 years	13,828,871,415.18	13,291,071,702.00
Over 5 years	12,740,728,500.00	12,926,486,462.47
	43,614,586,189.48	49,017,017,224.45

As at 31 December 2020, the annual interest rates of the above loans were 1.20%-7.20% (31 December 2019: 1.20%-10.34%).

Notes to Financial Statements *(continued)*

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

35. Short-term financing bonds payable and bonds payable

	2020	2019
Short-term financing bonds payable	1,599,273,452.96	3,298,801,089.25
Corporate bonds	29,556,738,698.04	23,401,835,819.73
Medium-term notes	11,000,000,000.00	11,000,000,000.00
Closing balance	40,556,738,698.04	34,401,835,819.73
Less: Bonds payable due within one year	8,984,892,614.67	6,940,839,101.59
Non-current portion	31,571,846,083.37	27,460,996,718.14

Analysis of maturity of bonds payable:

	2020	2019
Within 1 year (inclusive of 1 year)	8,984,892,614.67	6,940,839,101.58
1 to 2 years (inclusive of 2 years)	8,125,441,880.93	7,186,009,296.88
2 to 5 years (inclusive of 5 years)	21,969,331,341.18	18,779,591,863.34
Over 5 years	1,477,072,861.26	1,495,395,557.93
	40,556,738,698.04	34,401,835,819.73

Notes to Financial Statements (continued)For the year ended 31 December 2020
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)**35. Short-term financing bonds payable and bonds payable** (continued)

As at 31 December 2020, the balance of bonds payable is as follows:

Bonds payable	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Non-current portion:											
1) RMB900 million corporate bonds	RMB900 million	20 March 2012	5-3 years	900,000,000.00	418,315,330.01	-	-	379,669.99	(418,695,000.00)	-	-
2) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	798,262,481.01	-	48,000,000.00	606,877.08	-	-	798,869,358.09
3) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	3-2 years	3,200,000,000.00	3,189,708,833.39	-	124,217,455.38	1,986,833.61	-	(3,191,695,887.00)	-
3) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	5-2 years	1,800,000,000.00	1,795,173,893.04	-	62,825,000.00	766,895.22	-	(1,795,940,788.26)	-
4) RMB500 million corporate bonds	RMB500 million	19 May 2017	5-2 years	500,000,000.00	498,697,370.15	-	26,900,000.00	791,242.89	-	-	499,488,613.04
4) RMB3.5 billion corporate bonds	RMB3.5 billion	19 May 2017	3-2 years	3,500,000,000.00	3,493,070,972.35	319,107,000.00	145,626,666.66	3,533,674.96	(319,107,000.00)	-	3,496,604,647.31
5) RMB500 million corporate bonds	RMB500 million	3 July 2017	2-1 years	500,000,000.00	314,469,614.39	-	-	530,385.61	(315,000,000.00)	-	-
6) RMB1.25 billion corporate bonds	RMB1.25 billion	13 July 2017	2-1 years	1,250,000,000.00	468,655,975.73	-	9,032,032.26	344,024.27	(469,000,000.00)	-	-
6) RMB1.75 billion corporate bonds	RMB1.75 billion	13 July 2017	3-2 years	1,750,000,000.00	1,746,327,209.11	-	51,105,080.65	714,899.88	(1,670,000,000.00)	-	137,042,108.99
7) RMB2 billion medium-term notes	RMB2 billion	18 January 2018	5 years	2,000,000,000.00	2,000,000,000.00	-	117,000,000.00	-	(500,000,000.00)	-	2,000,000,000.00
8) RMB500 million debt financing plan	RMB500 million	27 February 2018	2-3 years	500,000,000.00	500,000,000.00	-	4,383,333.34	-	-	-	-
9) RMB2.5 billion debt financing plan	RMB2.5 billion	25 June 2018	3 years	2,500,000,000.00	2,500,000,000.00	-	157,062,500.00	-	(2,500,000,000.00)	-	-
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	3-2 years	1,500,000,000.00	1,496,300,463.49	-	70,304,166.67	955,675.92	-	(1,497,256,139.41)	-
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	5-2 years	1,500,000,000.00	1,495,853,170.05	-	74,791,666.67	650,596.20	-	-	1,496,503,766.25
11) RMB2.5 billion medium-term notes	RMB2.5 billion	9 August 2018	5 years	2,500,000,000.00	2,500,000,000.00	-	117,173,611.15	-	-	-	2,500,000,000.00
12) RMB500 million corporate bonds	RMB500 million	9 January 2019	3-2 years	500,000,000.00	498,566,229.88	-	18,650,000.00	324,338.34	-	-	498,890,568.22
12) RMB1.5 billion corporate bonds	RMB1.5 billion	9 January 2019	5-2 years	1,500,000,000.00	1,495,395,557.95	-	61,050,000.00	662,110.72	-	-	1,496,057,668.67
13) RMB2.5 billion medium-term notes	RMB2.5 billion	7 March 2019	5 years	2,500,000,000.00	2,500,000,000.00	-	108,447,916.67	-	-	-	2,500,000,000.00
14) RMB1.2 billion corporate bonds	RMB1.2 billion	21 March 2019	3 years	1,200,000,000.00	1,197,146,271.18	-	59,640,000.00	67,500.77	-	-	1,197,821,872.95
15) RMB2 billion medium-term notes	RMB2 billion	7 August 2019	5 years	2,000,000,000.00	2,000,000,000.00	-	78,581,111.15	-	-	-	2,000,000,000.00
14) RMB1.5 billion corporate bonds	RMB1.5 billion	29 October 2019	3 years	1,500,000,000.00	1,495,892,448.00	-	63,000,000.00	832,264.34	-	-	1,496,724,712.34
15) RMB2 billion medium-term notes	RMB2 billion	12 November 2019	5 years	2,000,000,000.00	2,000,000,000.00	-	82,599,999.96	-	-	-	2,000,000,000.00
16) RMB4.5 billion corporate bonds	RMB4.5 billion	10 January 2020	5-2 years	4,500,000,000.00	-	4,500,000,000.00	175,206,046.39	2,935,227.28	(157,500,000.00)	-	4,467,165,227.28
16) RMB2 billion corporate bonds	RMB2 billion	15 June 2020	3-2 years	2,000,000,000.00	-	2,000,000,000.00	35,100,000.00	1,166,668.22	(7,000,000.00)	-	1,994,166,668.22
16) RMB1.5 billion corporate bonds	RMB1.5 billion	13 August 2020	3-2 years	1,500,000,000.00	-	1,500,000,000.00	20,841,935.48	668,010.75	(5,250,000.00)	-	1,495,418,010.75
17) RMB2.82 billion corporate bonds	RMB2.82 billion	11 November 2020	6 years	2,820,000,000.00	-	1,463,876,018.19	783,333.31	13,196,843.07	-	-	1,477,072,861.26
				46,720,000,000.00	34,401,835,819.73	9,782,983,018.19	1,712,521,857.80	31,721,860.12	(3,639,002,000.00)	(8,984,892,614.67)	31,571,946,083.37

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Short-term financing bonds payable and bonds payable (continued)

As at 31 December 2020, the balance of bonds payable is as follows: (continued)

Bonds payable	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 bond:											
18) RMB800 million ultrashort financing bonds	RMB800 million	26 July 2019	270 days	800,000,000.00	798,394,083.19	-	8,103,606.56	605,916.81	(800,000,000.00)	-	-
18) RMB500 million ultrashort financing bonds	RMB500 million	25 September 2019	270 days	500,000,000.00	499,407,006.06	-	7,731,327.93	592,993.94	(500,000,000.00)	-	-
19) RMB2 billion ultrashort financing bonds	RMB2 billion	12 October 2019	177 days	2,000,000,000.00	2,000,000,000.00	-	15,244,444.46	-	(2,000,000,000.00)	-	-
20) RMB2 billion ultrashort financing bonds	RMB2 billion	12 March 2020	240 days	2,000,000,000.00	-	2,000,000,000.00	31,467,777.77	-	(2,000,000,000.00)	-	-
21) RMB800 million ultrashort financing bonds	RMB800 million	13 March 2020	270 days	800,000,000.00	-	798,490,566.04	15,859,726.03	1,509,433.96	(800,000,000.00)	-	-
21) RMB800 million ultrashort financing bonds	RMB800 million	19 March 2020	270 days	800,000,000.00	-	798,490,566.03	15,741,369.86	1,509,433.97	(800,000,000.00)	-	-
21) RMB800 million ultrashort financing bonds	RMB800 million	14 May 2020	270 days	800,000,000.00	-	798,490,566.04	10,497,049.18	1,387,264.14	-	-	799,877,830.18
21) RMB800 million ultrashort financing bonds	RMB800 million	5 August 2020	270 days	800,000,000.00	-	798,490,566.08	9,998,469.94	905,056.70	-	-	799,395,622.78
				8,500,000,000.00	3,298,801,089.25	5,193,962,264.19	114,643,771.73	6,510,099.52	(6,900,000,000.00)	-	1,599,273,452.96
				55,220,000,000.00	37,700,636,908.98	14,976,945,282.38	1,827,165,629.53	38,231,939.64	(10,599,002,000.00)	(8,984,892,614.67)	33,171,119,536.33

Notes to Financial Statements (continued)For the year ended 31 December 2020
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)
35. Short-term financing bonds payable and bonds payable (continued)

As at 31 December 2019, the balance of bonds payable is as follows:

Bonds payable	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Non-current portion:											
1) RMB900 million corporate bonds	RMB900 million	20 March 2012	5-3 years	418,695,000.00	416,817,322.70	-	23,363,181.00	1,498,007.31	-	(418,315,330.01)	-
RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	38,964,000.00	-	-	36,000.00	(39,000,000.00)	-	-
RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	449,599,298.96	-	21,018,750.00	400,741.04	(450,000,000.00)	-	-
2) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	797,641,931.84	-	48,000,000.00	620,549.17	-	-	798,262,481.01
RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	85,005,555.56	-	(2,000,000,000.00)	-	-
RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	70,225,000.00	-	(1,500,000,000.00)	-	-
3) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	3-2 years	3,200,000,000.00	3,192,447,592.89	-	123,076,336.21	3,526,240.50	(6,065,000.00)	-	3,189,708,833.39
3) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	5-2 years	1,800,000,000.00	1,793,773,035.20	-	64,400,857.84	1,400,857.84	-	-	1,795,173,893.04
4) RMB3.5 billion corporate bonds	RMB3.5 billion	19 May 2017	3-2 years	3,500,000,000.00	3,490,400,661.46	-	184,670,310.89	2,670,310.89	-	(3,493,070,972.35)	-
4) RMB500 million corporate bonds	RMB500 million	19 May 2017	5-2 years	500,000,000.00	498,439,876.79	-	27,157,493.36	257,493.36	-	-	498,697,370.15
5) RMB500 million corporate bonds	RMB500 million	3 July 2017	2-1 years	500,000,000.00	498,439,832.33	-	22,431,250.00	1,029,782.06	(185,000,000.00)	(314,469,614.39)	-
6) RMB1.25 billion corporate bonds	RMB1.25 billion	13 July 2017	2-1 years	1,250,000,000.00	1,247,423,819.22	-	44,731,123.19	2,322,156.51	(781,000,000.00)	(468,655,975.73)	-
6) RMB1.75 billion corporate bonds	RMB1.75 billion	13 July 2017	3-2 years	1,750,000,000.00	1,745,003,295.30	-	94,073,913.81	1,322,913.81	-	(1,746,327,209.11)	-
RMB500 million short-term bonds	RMB500 million	17 November 2017	2-3 years	500,000,000.00	500,000,000.00	-	24,215,277.78	-	(500,000,000.00)	-	-
7) RMB2 billion medium-term notes	RMB2 billion	18 January 2018	5 years	2,000,000,000.00	2,000,000,000.00	-	117,000,000.00	-	-	-	2,000,000,000.00
8) RMB500 million short-term bonds	RMB500 million	27 February 2018	2-3 years	500,000,000.00	500,000,000.00	-	29,000,000.00	-	-	(500,000,000.00)	-
9) RMB2.5 billion short-term bonds	RMB2.5 billion	25 June 2018	3 years	2,500,000,000.00	2,500,000,000.00	-	157,500,000.00	-	-	-	2,500,000,000.00
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	3-2 years	1,500,000,000.00	1,495,357,176.10	-	71,443,287.39	943,287.39	-	-	1,496,300,463.49
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	5-2 years	1,500,000,000.00	1,495,216,157.98	-	75,637,012.07	637,012.07	-	-	1,495,853,170.05
11) RMB2.5 billion medium-term notes	RMB2.5 billion	9 August 2018	5 years	2,500,000,000.00	2,500,000,000.00	-	117,500,000.00	-	-	-	2,500,000,000.00
12) RMB500 million corporate bonds	RMB500 million	9 January 2019	3-2 years	500,000,000.00	-	498,250,000.00	18,499,979.88	316,229.88	-	-	498,566,229.88
12) RMB1.5 billion corporate bonds	RMB1.5 billion	9 January 2019	5-2 years	1,500,000,000.00	-	1,494,750,000.00	60,169,307.95	645,557.95	-	-	1,495,395,557.95
13) RMB2.5 billion medium-term notes	RMB2.5 billion	7 March 2019	5 years	2,500,000,000.00	-	2,500,000,000.00	87,302,083.33	-	-	-	2,500,000,000.00
14) RMB1.2 billion corporate bonds	RMB1.2 billion	19 March 2019	3-2 years	1,200,000,000.00	-	1,196,603,773.58	49,700,000.00	542,497.60	-	-	1,197,146,271.18
15) RMB2 billion medium-term notes	RMB2 billion	7 August 2019	5 years	2,000,000,000.00	-	2,000,000,000.00	30,863,333.33	-	-	-	2,000,000,000.00
14) RMB1.5 billion corporate bonds	RMB1.5 billion	28 October 2019	3-2 years	1,500,000,000.00	-	1,495,754,716.98	11,008,064.62	137,731.02	-	-	1,495,892,448.00
15) RMB2 billion medium-term notes	RMB2 billion	12 November 2019	5 years	2,000,000,000.00	-	2,000,000,000.00	10,880,107.53	-	-	-	2,000,000,000.00
				40,668,695,000.00	28,659,323,960.77	11,053,598,490.56	1,668,872,225.74	182,163,568.40	(5,461,065,000.00)	(6,940,839,101.59)	27,460,996,718.14

Notes to Financial Statements (continued)

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

35. Short-term financing bonds payable and bonds payable (continued)

As at 31 December 2019, the balance of bonds payable is as follows: (continued)

Bonds payable	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 bond:											
RMB1.5 billion ultrashort financing bonds	RMB1.5 billion	23 April 2018	270 days	1,500,000,000.00	1,500,000,000.00	-	3,442,500.00	-	(1,500,000,000.00)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	18 July 2018	270 days	2,000,000,000.00	2,000,000,000.00	-	25,364,444.44	-	(2,000,000,000.00)	-	-
RMB1 billion ultrashort financing bonds	RMB1 billion	16 November 2018	210 days	1,000,000,000.00	1,000,000,000.00	-	16,582,222.22	-	(1,000,000,000.00)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	11 December 2018	197 days	2,000,000,000.00	2,000,000,000.00	-	35,102,222.22	-	(2,000,000,000.00)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	21 February 2019	216 days	2,000,000,000.00	-	2,000,000,000.00	36,142,222.22	-	(2,000,000,000.00)	-	-
RMB800 million ultrashort financing bonds	RMB800 million	22 February 2019	270 days	800,000,000.00	-	798,981,132.08	19,528,767.12	1,018,867.92	(800,000,000.00)	-	-
17) RMB800 million ultrashort financing bonds	RMB800 million	26 July 2019	270 days	800,000,000.00	-	799,166,000.00	11,607,868.85	228,083.19	-	-	799,394,083.19
17) RMB500 million ultrashort financing bonds	RMB500 million	25 September 2019	270 days	500,000,000.00	-	499,056,603.77	4,440,803.23	350,402.29	-	-	499,407,006.06
18) RMB2 billion ultrashort financing bonds	RMB2 billion	12 October 2019	177 days	2,000,000,000.00	-	2,000,000,000.00	11,822,222.22	-	-	-	2,000,000,000.00
				12,600,000,000.00	6,500,000,000.00	6,097,203,735.85	164,033,272.52	1,597,353.40	(9,300,000,000.00)	-	3,298,801,089.25
				53,268,695,000.00	35,159,323,960.77	17,282,562,226.41	1,832,905,498.26	19,815,721.80	(14,761,065,000.00)	(6,940,839,101.59)	30,759,797,807.39

Notes to Financial Statements *(continued)*

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

35. Short-term financing bonds payable and bonds payable *(continued)*

- 1) Pursuant to the document (Zheng Jian Xu Ke [2011] No. 1179) (《證監許可[2011]1179號》文件) issued by the China Securities Regulatory Commission, Jidong Cement issued the second tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2011 on 20 March 2012 (hereinafter referred to as "11 Jidong 02"), totalling RMB900,000,000 with a term of 8 years (with the issuer's option to raise the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.58%. The total sale back amount as announced on 17 March 2017 was RMB481,305,000.00 (exclusive of interests) with the remaining amount of RMB418,695,000.00 (exclusive of interests) due on 20 March 2020.
- 2) Pursuant to the document (Fa Gai Cai Jin [2012] No. 2810) (發改財金[2012]2810號文件) issued by National Development and Reform Commission, Jidong Group issued the first tranche of corporate bonds of Jidong Development Group Co., Ltd. for 2012 on 15 October 2012 (hereinafter referred to as "12 Jidong Development Bond"), totalling RMB800,000,000 with a term of 10 years and a coupon rate of 6.3%.
- 3) 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) of BBMG Corporation for 2016 to qualified investors by way of public issuance on 14 March 2016 (hereinafter referred to as "16 BBMG 01"), totalling RMB3,200,000,000 with a term of 5 years (with the issuer's option to raise the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and an initial coupon rate of 3.12%. As announced on 22 January 2019, the coupon rate of the bonds was increased to 3.9% for the next two years (i.e., from 14 March 2019 to 13 March 2021). The sale back amount as announced on 12 March 2019 was RMB6,065,000 (exclusive of interests) with the remaining amount of RMB3,193,935,000 (exclusive of interests); The Company issued its first tranche of corporate bonds (type two) of BBMG Corporation for 2016 to qualified investors by way of public issuance on 14 March 2016 (hereinafter referred to as "16 BBMG 02"), totalling RMB1,800,000,000 with a term of 7 years (with the issuer's option to raise the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.5%.
- 4) 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) of BBMG Corporation for 2017 to qualified investors by way of public issuance on 19 May 2017 (hereinafter referred to as "17 BBMG 01"), totalling RMB3,500,000,000 with a term of 5 years (with the issuer's option to raise the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.2%. As announced on 25 March 2020, the coupon rate of the bonds was lowered to 3.2% for the next two years (i. e., from 19 May 2020 to 18 May 2022). The total sale back amount as announced on 19 May 2020 was RMB319,107,000 (exclusive of interests). As announced on 19 May 2020, part of the sale-back bonds were resold with an amount of RMB319,107,000 (exclusive of interests). The Company issued its first tranche of corporate bonds (type two) of BBMG Corporation for 2017 to qualified investors by way of public issuance on 19 May 2017 (hereinafter referred to as "17 BBMG 02"), totalling RMB500,000,000 with a term of 7 years (with the issuer's option to raise the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.38%.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

35. Short-term financing bonds payable and bonds payable *(continued)*

- 5) Pursuant to the No-objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Issuance of Corporate Bonds of Tangshan Jidong Cement Co., Ltd. for 2016 (Shen Zheng Han [2016] No. 471) (《關於唐山冀東水泥股份有限公司2016年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2016]471號)) issued by the Shenzhen Stock Exchange, Jidong Cement issued the first tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2017 by way of non-public issuance on 3 July 2017 (hereinafter referred to as "17 Jidong 01"), totalling RMB500,000,000 with a term of 3 years (with the issuer's option to adjust the coupon rate at the end of the second year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.98%. The sale back amount as announced on 25 May 2019 was RMB185,000,000 (exclusive of interests) with the remaining amount of RMB315,000,000 (exclusive of interests) was due for payment on 30 June 2020.
- 6) 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 to qualified investors by way of non-public issuance on 13 July 2017 (hereinafter referred to as "17 BBMG 03"), totalling RMB1,250,000,000 with a term of 3 years (with the issuer's option to raise the coupon rate at the end of the second year and the investors' entitlement to sell back the bonds) and coupon rate of 5.20%; the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2017 to qualified investors by way of non-public issuance on 13 July 2017 (hereinafter referred to as "17 BBMG 04"), totalling RMB1,750,000,000 with a term of 5 years (with the issuer's option to raise the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.30%.
- 7) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》(中市協註[2017]MTN512號)) issued by the National Association of Financial Market Institutional Investors (the "NAFMII"), the Company issued the first tranche of medium term notes of BBMG Corporation for 2018 on 18 January 2018 (hereinafter referred to as "18 Jidong MTN 001"), totalling RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.85%.
- 8) Pursuant to the Notice of Acceptance of Filing (Debt Financing Plan [2017] No. 0192) (《接受備案通知書》(債權融資計劃[2017]第0192號)) issued by Beijing Financial Assets Exchange Limited, the Company issued the first tranche of debt financing plan for 2018 on 27 February 2018 (hereinafter referred to as "18 BBMG ZR001"), totalling RMB500,000,000 with a term of 2+3 years and a coupon rate of 5.80%, which was due for payment maturity on 24 February 2020.
- 9) Pursuant to the Notice of Acceptance of Filing (Debt Financing Plan [2018] No. 0312) (《接受備案通知書》(債權融資計劃[2018]第0312號)) issued by Beijing Financial Assets Exchange Limited, the Company issued the second tranche of debt financing plan for 2018 on 25 June 2018 (hereinafter referred to as "18 Jidong ZR002") totalling RMB2,500,000,000 with a term of 3 years and 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)*

35. Short-term financing bonds payable and bonds payable *(continued)*

- 10) Pursuant to the document [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2018 to qualified investors by way of public issuance on 12 July 2018 (hereinafter referred to as "18 BBMG 01"), totalling RMB1,500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.7%; and the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2018 to qualified investors by way of public issuance on 12 July 2018 (hereinafter referred to as "18 BBMG 02"), totalling RMB1,500,000,000 with a term of 7 years (with the issuer's option to adjust the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.00%.
- 11) Pursuant to the Notice of Acceptance of Registration issued by the NAFMII, the Company issued the third tranche of medium term notes of BBMG Corporation for 2018 on 9 August 2018 (hereinafter referred to as "18 BBMG MTN003"), totalling RMB2,500,000,000 with a term of 5 years and a coupon rate of 4.70%.
- 12) Pursuant to the Zheng Jian Xu Ke document [2018] No. 884 (《證監許可[2018]884號》文件) issued by the China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2019 to qualified investors by way of public issuance on 9 January 2019 (hereinafter referred to as "19 BBMG 01"), totalling RMB500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.73%. The Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2019 to qualified investors by way of public issuance on 9 January 2019 (hereinafter referred to as "19 BBMG 02"), totalling RMB1,500,000,000 with a term of 7 years (with the issuer's option to adjust the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.07%.
- 13) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》中市協註[2017] MTN512號) issued by the NAFMII, the Company issued the first tranche of medium term notes of BBMG Corporation for 2019 on 7 March 2019 (hereinafter referred to as "19 BBMG MTN001"), totalling RMB2,500,000,000 with a term of 5 years and a coupon rate of 4.35%.

Notes to Financial Statements *(continued)*

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

35. Short-term financing bonds payable and bonds payable *(continued)*

- 14) Pursuant to the No Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange in the Non-Public Issuance of Corporate Bonds for 2018 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2018] No. 810) (《關於唐山冀東水泥股份有限公司2018年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2018]810號)) issued by the Shenzhen Stock Exchange, Jidong Cement issued the first tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2019 by way of non-public issuance on 19 March 2019 (hereinafter referred to as "19 Jidong 01"), totalling RMB1,200,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.97%. Jidong Cement issued the second tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2019 by way of non-public issuance on 28 October 2019 (hereinafter referred to as "19 Jidong 02"), totalling RMB1,500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.20%.
- 15) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DFI6) (《接受註冊通知書》(中市協註[2019]DFI6號)) issued by the NAFMII, the Company issued the second tranche of medium term notes of BBMG Corporation for 2019 on 7 August 2019 (hereinafter referred to as "19 BBMG MTN002"), totalling RMB2,000,000,000 with a term of 5 years and a coupon rate of 3.94%; and the Company issued the third tranche of medium term notes of BBMG Corporation for 2019 on 12 November 2019 (hereinafter referred to as "19 BBMG MTN003"), totalling RMB2,000,000,000 with a term of 5 years and a coupon rate of 4.13%.
- 16) Pursuant to the Replies (Zheng Jian Xu Ke [2019] No. 2255) (中國證券監督管理委員會出具的批復(證監許可[2019]2255號)) issued by the China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2020 to qualified investors by way of public issuance on 10 January 2020 (hereinafter referred to as "20 BBMG 02"), totalling RMB4,500,000,000 with a term of 7 years (with the issuer's option to adjust the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.99%; the Company issued the second tranche of corporate bonds of BBMG Corporation for 2020 to qualified investors by way of public issuance on 15 June 2020 (hereinafter referred to as "20 BBMG 03"), totalling RMB2,000,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.24%; the Company issued the third tranche of corporate bonds of BBMG Corporation for 2020 to qualified investors by way of public issuance on 13 August 2020 (hereinafter referred to as "20BBMG 04"), totalling RMB1,500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.64%.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

35. Short-term financing bonds payable and bonds payable *(continued)*

- 17) Pursuant to the Replies (Zheng Jian Xu Ke [2020] No. 2416) (中國證券監督管理委員會出具的批復(證監許可[2020]2416號)) issued by the China Securities Regulatory Commission, Tangshan Jidong Cement Co., Ltd. issued its convertible corporate bonds on 5 November 2020 (hereinafter referred to as "Jidong Convertible Bonds"), totally RMB2.82 billion with a term of 6 years, and the coupon rate was set as 0.20%, 0.40%, 0.80%, 1.20%, 1.50% and 2.00% for the first year, second year, third year, fourth year, fifth year and sixth year, respectively, with the redemption price at maturity of RMB106 (including the last payment of interests).
- 18) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP16) (《接受註冊通知書》(中市協註[2019]SCP16號)文件) issued by the NAFMII, Jidong Cement issued the second tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2019 on 26 July 2019 (hereinafter referred to as "19 Jidong SCP002"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 3.34%; and Jidong Cement issued the third tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2019 on 25 September 2019 (hereinafter referred to as "19 Jidong SCP003"), totalling RMB500,000,000 with a term of 270 days and a coupon rate of 3.30%.
- 19) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DFI6) (《接受註冊通知書》(中市協註[2019]DFI6號)) issued by the NAFMII, the Company issued the second tranche of ultrashort financing bonds of BBMG Corporation for 2019 on 12 October 2019 (hereinafter referred to as "19BBMG SCP002"), totalling RMB2,000,000,000 with a term of 177 days and a coupon rate of 2.80%.
- 20) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DFI6) (《接受註冊通知書》(中市協註[2019]DFI6號)) issued by the NAFMII, the Company successfully issued the first tranche of ultrashort financing bonds of BBMG Corporation for 2020 on 12 March 2020 (hereinafter referred to as "20 BBMG SCP001"), totalling RMB2,000,000,000 with a term of 240 days and a coupon rate of 2.54%.
- 21) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP 16) (《接受註冊通知書》(中市協註[2019]SCP16號)) issued by the NAFMII, Jidong Cement issued the first tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 13 March 2020 (hereinafter referred to as "20 Jidong SCP001"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.68% and Jidong Cement issued the second tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 19 March 2020 (hereinafter referred to as "20 Jidong SCP002"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.66%; and Jidong Cement successfully issued the third tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 14 May 2020 (hereinafter referred to as "20 Jidong SCP003"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.07%; Jidong Cement successfully issued the fourth tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 5 August 2020 (hereinafter referred to as "20 Jidong SCP004"), totalling RMB800,000,000 with a term of 270 days and a coupon rate of 3.07%

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36. Lease liabilities

	2020	2019
Principal of lease liabilities	738,044,085.90	528,120,698.61
Less: Unrecognised finance cost	173,651,593.89	101,415,669.17
Closing balance	564,392,492.01	426,705,029.44
Less: Lease liabilities due within one year	106,062,842.41	109,508,175.92
Non-current portion	458,329,649.60	317,196,853.52

37. Long-term payables

	2020	2019
Long-term payables	58,729,603.77	57,385,689.96
Less: Long-term payables due within one year	39,567,383.08	39,567,383.08
Non-current portion	19,162,220.69	17,818,306.88

Analysis of maturity of long-term payables:

	2020	2019
Within 1 year (inclusive of 1 year)	39,567,383.08	39,567,383.08
1 to 2 years (inclusive of 2 years)	–	7,556,101.88
2 to 5 years (over 2 years and inclusive of 5 years)	19,162,220.69	10,262,205.00
	58,729,603.77	57,385,689.96

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Long-term wages payable

	2020	2019
Net liabilities of defined benefit plan	529,547,335.17	647,490,892.12

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 2020 using the projected accumulated benefit units method.

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

	2020	2019
Discount rate (%)	3.00-4.00	3.00-4.00
Growth rate of benefit costs of retirees and early retirees (%)	2.5	3

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Long-term wages payable *(continued)*

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

2020

	Increase/ (decrease) of defined benefit		Increase/ (decrease) of defined benefit	
	Increase %	plan obligations	Decrease %	plan obligations
Discount rate (%)	0.25	(9,970,096.12)	0.25	10,336,361.72
Expected growth rate of future retiree benefit costs (%)	0.50	18,274,037.05	0.50	(16,970,951.10)

2019

	Increase/ (decrease) of defined benefit		Increase/ (decrease) of defined benefit	
	Increase %	plan obligations	Decrease %	plan obligations
Discount rate (%)	0.25	(15,209,092.29)	(0.25)	15,987,464.50
Expected growth rate of future retiree benefit costs (%)	0.50	21,828,074.82	(0.50)	(20,119,524.08)

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)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Long-term wages payable *(continued)*

The table below sets out the relevant costs recognised in profit or loss:

	2020	2019
Net interest expenses charged to finance expenses	20,581,342.00	23,085,257.26
Charged to management expenses	(63,379,000.00)	31,768,000.00
	(42,797,658.00)	54,853,257.26

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

	2020	2019
Opening balance	710,193,487.83	740,634,311.23
Interest expenses for the year	20,581,342.00	23,085,257.26
Service costs for the year	(34,719,000.00)	31,768,000.00
Previous service costs	(28,660,000.00)	–
Welfare benefits paid for the year	(52,882,167.06)	(56,700,657.66)
Actuarial gains recognised in other comprehensive income	(26,895,756.00)	(28,593,423.00)
Including: Actuarial changes arising from changes in financial assumptions	(3,481,000.00)	778,978.00
Including: Actuarial gains on difference in experience	(23,414,756.00)	(29,372,401.00)
Closing balance	587,617,906.77	710,193,487.83
Less: Current portion of net liabilities of defined benefit plan	58,070,571.60	62,702,595.71
Closing balance	529,547,335.17	647,490,892.12

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Long-term wages payable *(continued)*

Expected future payments to the defined benefit plan:

	2020	2019
Within 1 year	58,070,571.60	62,702,595.71
2 to 5 years	202,152,503.12	254,176,783.18
5 to 10 years	205,170,206.72	197,830,169.49
Over 10 years	685,330,185.57	634,763,958.33
Total expected deposit	1,150,723,467.01	1,149,473,506.71

39. Accrued liabilities

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Pending litigations or arbitration	-	11,943,914.92	-	11,943,914.92
Accrued concrete loss (Note 1)	49,197,555.83	6,043,074.54	7,700,583.14	47,540,047.23
Restoration cost of mines (Note 2)	566,785,861.25	10,717,487.59	45,605,570.88	531,897,777.96
Others (Note 3)	187,184,651.19	133,369,957.83	87,133,853.76	233,420,755.26
	803,168,068.27	162,074,434.88	140,440,007.78	824,802,495.37

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: Others include the estimated project compensation for subsidiaries of the Group.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Deferred income

	2020	2019
Opening balance	837,416,381.95	888,404,866.72
Increase in the year	75,971,189.15	37,907,716.82
Decrease in the year	80,636,645.85	88,896,201.59
Closing balance	832,750,925.25	837,416,381.95

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

	2020	2019
Government grants related to assets		
Environmental protection projects	416,672,814.52	442,094,288.87
Cogeneration projects	17,402,834.97	35,168,933.40
Relocation compensation	197,625,852.66	210,803,756.23
Specific funds	7,037,648.63	8,730,574.04
Others	189,028,263.77	136,688,089.97
Government grants related to income		
Research and development funds	4,983,510.70	3,930,739.44
	832,750,925.25	837,416,381.95

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Deferred income *(continued)*

As at 31 December 2020, the major items related to government grants were as follows:

	Opening balance	Increase in the year	Other transfer out during the year	Included in other income in the year	Closing balance	Related to assets/ gains
Asset subsidy for relocation compensation of Tiantan	157,757,241.75	-	-	6,953,370.96	150,803,870.79	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	126,163,285.46	-	-	15,189,051.44	110,974,234.02	Related to assets
Appropriation for mud project of Beijing Cement Plant	21,946,388.88	-	-	2,976,666.68	18,969,722.20	Related to assets
Tangshan Qixin Cement Industry Museum Project	47,726,666.30	-	-	1,480,873.20	46,245,793.10	Related to assets
Grant of liushui construction garbage project	38,550,666.64	-	4,260,000.00	2,449,333.32	31,841,333.32	Related to assets
Relocation compensation for Jianji	46,060,606.36	-	-	1,842,424.20	44,218,182.16	Related to assets
Replacement subsidy for Jianyuan	-	18,867,924.53	-	-	18,867,924.53	Related to assets
Zanhuang collaborative disposal of household garbage and sludge	14,425,500.00	-	-	1,062,000.00	13,363,500.00	Related to assets
Grant of Heilongjiang industrial production project	12,332,666.63	1,040,104.45	-	1,028,674.68	12,344,096.40	Related to assets
Project of the production line with a capacity of 4,600 tons of cement clinkers in Hechuan	-	12,589,100.00	-	107,369.72	12,481,730.28	Related to assets
Raw material storage tent of Zhenxing	7,392,000.00	-	-	80,666.66	7,311,333.34	Related to assets
Ground source heat pump construction project of BBMG Logistics Park	6,750,000.00	-	-	-	6,750,000.00	Related to assets
Heat supply renovation project of Liulihe	5,874,999.89	-	-	500,000.04	5,374,999.85	Related to assets
	484,980,021.91	32,497,128.98	4,260,000.00	33,670,430.90	479,546,719.99	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Deferred income *(continued)*

As at 31 December 2019, the major items related to government grants were as follows:

	Opening balance	Increase in the year	Included in other income in the year	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	168,506,737.22	–	10,749,495.47	157,757,241.75	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	141,539,203.10	–	15,375,917.64	126,163,285.46	Related to assets
Appropriation for mud project of Beijing Cement Plant	24,923,055.56	–	2,976,666.68	21,946,388.88	Related to assets
Tangshan Qixin Cement Industry Museum Project	49,207,539.50	–	1,480,873.20	47,726,666.30	Related to assets
Grant of liushui construction garbage project	41,000,000.00	–	2,449,333.36	38,550,666.64	Related to assets
Relocation compensation for Jianji	47,903,030.56	–	1,842,424.20	46,060,606.36	Related to assets
Zanhuang collaborative disposal of household garbage and sludge	15,487,500.00	–	1,062,000.00	14,425,500.00	Related to assets
Grant of Heilongjiang industrial production project	–	14,230,000.00	1,897,333.37	12,332,666.63	Related to assets
Raw material storage tent of Zhenxing	8,064,000.00	–	672,000.00	7,392,000.00	Related to assets
Ground source heat pump construction project of BBMG Logistics Park	–	6,750,000.00	–	6,750,000.00	Related to assets
Heat supply renovation project of Liulihe	6,374,999.93	–	500,000.04	5,874,999.89	Related to assets
Air pollution control project of Zanhuang	6,478,000.04	–	6,478,000.04	–	Related to assets
	<u>509,484,065.91</u>	<u>20,980,000.00</u>	<u>45,484,044.00</u>	<u>484,980,021.91</u>	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41. Other non-current liabilities

	2020	2019
Advance payment for rent	9,000,000.00	12,000,000.00
Others	-	10,488,938.80
	9,000,000.00	22,488,938.80

42. Share capital

2020 and 2019

	Opening and closing balance
I. Shares subject to lock-up restriction	
1. State-owned legal person shareholdings	-
2. Other domestic shareholdings	4,848,000.00
Total shares subject to lock-up restriction	4,848,000.00
II. Shares not subject to lock-up restriction	
1. RMB ordinary shares	8,334,158,264.00
2. Overseas listed foreign shares	2,338,764,870.00
Total shares not subject to lock-up restriction	10,672,923,134.00
Total share capital	10,677,771,134.00

Notes to Financial Statements *(continued)*

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

43. Other equity instruments

Perpetual bonds	Issuance date	2020	2019
2015 First Tranche of Medium-term Notes	15 October 2015	–	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	1,996,000,000.00
2018 Fourth Tranche of Medium-term Notes	18 September 2018	1,497,000,000.00	1,497,000,000.00
2018 Fifth Tranche of Medium-term Notes	17 October 2018	1,497,000,000.00	1,497,000,000.00
2020 First Tranche of Medium-term Notes	22 April 2020	1,500,000,000.00	–
2020 Second Tranche of Medium-term Notes	19 June 2020	1,050,000,000.00	–
		16,522,000,000.00	14,962,000,000.00

Notes to Financial Statements *(continued)*

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

43. 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	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: <ul style="list-style-type: none"> (1) distributing dividends to ordinary shareholders; (2) reducing the registered capital.
Redemption and purchase	The Company is entitled to redeem the medium-term notes at par value plus payable interest (including all deferred interest) on the third/fifth and each of the subsequent interest payment dates of the medium-term notes.
Interest rate determination	Medium-term notes carried fixed rate; <p>The coupon rate shall be reset every three/five years from the fourth/sixth year of interest calculation;</p> <p>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.</p>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43. 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 3.45%~5.99%, and as at 31 December 2020, the interest accrued was RMB846,609,835.60 and interest payable to specific investors amounted to RMB799,200,000.00.

44. Capital reserve

2020

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	<u>6,434,307,002.11</u>	<u>–</u>	<u>265,157,306.06</u>	<u>6,169,149,696.05</u>

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	<u>5,273,970,842.54</u>	<u>1,160,336,159.57</u>	<u>–</u>	<u>6,434,307,002.11</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 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

45. Other comprehensive income

Accumulated balance of other comprehensive income attributable to shareholders of the parent company in the consolidated balance sheet:

2020

	1 January 2020	Increase/(decrease)	31 December 2020
Changes arising from re-measurement of defined benefit plans	76,807,642.00	18,293,106.00	95,100,748.00
Changes in fair value of investment in other equity instruments	(28,712,389.60)	(1,616,913.97)	(30,329,303.57)
Other comprehensive income that may be reclassified to profit or loss under equity method	(1,008,660.75)	–	(1,008,660.75)
Exchange differences on foreign currency translation	8,459,245.41	(9,162,189.82)	(702,944.41)
The difference between the fair value and the carrying value of the self-occupied properties on the date when it changed to the investment properties measured with the fair value model	176,722,075.98	207,414,017.83	384,136,093.81
	232,267,913.04	214,928,020.04	447,195,933.08

2019

	1 January 2019	Increase/(decrease)	31 December 2019
Changes arising from re-measurement of defined benefit plans	53,361,769.00	23,445,873.00	76,807,642.00
The difference between the fair value and the carrying value of the self-occupied properties or inventories on the date when it changed to the investment properties measured with the fair value model	176,722,075.98	–	176,722,075.98
Other comprehensive income that may be reclassified to profit or loss under equity method	(1,008,660.75)	–	(1,008,660.75)
Exchange differences on foreign currency translation	4,115,841.18	4,343,404.23	8,459,245.41
Changes in fair value of investment in other equity instruments	(26,239,704.38)	(2,472,685.22)	(28,712,389.60)
	206,951,321.03	25,316,592.01	232,267,913.04

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

45. Other comprehensive income *(continued)*

Changes in other comprehensive income:

2020

	Amount before tax	Less: Income tax	Attributable to the shareholders of the parent company	Attributable to minority shareholders
Changes arising from re-measurement of defined benefit plans	26,895,756.00	-	18,293,106.00	8,602,650.00
The difference between the fair value and the carrying value of the self-occupied properties or inventories on the date when it changed to the investment properties measured with the fair value model	276,552,023.77	69,138,005.94	207,414,017.83	-
Exchange differences on translation of statements denominated in foreign currencies	(21,389,719.73)	-	(9,162,189.82)	(12,227,529.91)
Changes in fair value of investments in other equity instruments	<u>(9,321,338.25)</u>	<u>(2,440,853.28)</u>	<u>(1,616,913.97)</u>	<u>(5,263,571.00)</u>
	<u>272,736,721.79</u>	<u>66,697,152.66</u>	<u>214,928,020.04</u>	<u>(8,888,450.91)</u>

2019

	Amount before tax	Less: Income tax	Attributable to the shareholders of the parent company	Attributable to minority shareholders
Changes arising from re-measurement of defined benefit plans	28,593,423.00	-	23,445,873.00	5,147,550.00
Exchange differences on translation of statements denominated in foreign currencies	15,885,205.38	-	4,343,404.23	11,541,801.15
Changes in fair value of investments in other equity instruments	<u>(13,639,433.64)</u>	<u>(3,363,881.79)</u>	<u>(2,472,685.22)</u>	<u>(7,802,866.62)</u>
	<u>30,839,194.74</u>	<u>(3,363,881.79)</u>	<u>25,316,592.01</u>	<u>8,886,484.53</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

46. Specific reserve

2020

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Production safety cost	<u>32,250,174.13</u>	<u>116,941,990.17</u>	<u>97,806,186.72</u>	<u>51,385,977.58</u>

2019

	Opening balance	Equity transactions that do not affect control	Increase in the year	Decrease in the year	Closing balance
Production safety cost	<u>20,124,124.94</u>	<u>9,396,250.56</u>	<u>100,952,607.24</u>	<u>98,222,808.61</u>	<u>32,250,174.13</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.

47. Surplus reserve

2020

	Opening balance	Increase in the year	Closing balance
Statutory surplus reserve	<u>1,926,994,968.55</u>	<u>336,256,182.50</u>	<u>2,263,251,151.05</u>

2019

	Opening balance	Increase in the year	Closing balance
Statutory surplus reserve	<u>1,537,434,040.24</u>	<u>389,560,928.31</u>	<u>1,926,994,968.55</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

47. 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.

48. General risk reserve

2020

	Opening balance	Increase in the year	Closing balance
General risk reserve	<u>359,957,564.90</u>	<u>97,693,226.86</u>	<u>457,650,791.76</u>

2019

	Opening balance	Increase in the year	Closing balance
General risk reserve	<u>340,792,201.29</u>	<u>19,165,363.61</u>	<u>359,957,564.90</u>

The general risk reserve is made by the Company's subsidiary BBMG Finance Co., Ltd. based on a certain ratio of the balance of risk assets at the end of the year pursuant to the Administrative Measures on Provision of Reserves of Financial Enterprises (金融企業準備金計提管理辦法) issued by the Ministry of Finance.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

49. Retained earnings

	2020	2019
Retained earnings as at the beginning of the year	26,505,650,840.60	24,607,271,890.46
Net profit attributable to the shareholders of the parent company	2,843,772,517.94	3,693,582,654.45
Less: Interest of perpetual bonds	846,609,835.60	799,200,000.00
Less: Appropriation of surplus reserve	336,256,182.50	389,560,928.31
Less: Appropriation of general risk reserve	97,693,226.86	19,165,363.61
Less: Cash dividends payable (Note 1)	<u>1,281,332,536.08</u>	<u>587,277,412.39</u>
Retained earnings at the end of the year	<u>26,787,531,577.50</u>	<u>26,505,650,840.60</u>

Note 1: Upon the consideration and approval by the 2019 annual general meeting of the Company convened on 19 May 2020, profit distribution for the year 2019 was calculated based on total share capital of the Company of 10,677,771,134 shares before implementation of distribution plan, with the distribution of a cash dividend of RMB0.12 per share (tax inclusive) in an aggregate amount of cash dividends of RMB1,281,332,536.08.

50. Operating revenue and costs

	2020		2019	
	Revenue	Costs	Revenue	Costs
Principal operations	107,333,851,103.15	86,117,007,800.32	90,935,860,015.15	66,853,646,561.76
Other operations	<u>671,033,248.20</u>	<u>398,829,191.13</u>	<u>893,451,081.90</u>	<u>548,593,572.82</u>
	<u>108,004,884,351.35</u>	<u>86,515,836,991.45</u>	<u>91,829,311,097.05</u>	<u>67,402,240,134.58</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

50. Operating revenue and operating costs *(continued)*

Operating revenue are as follows:

	2020	2019
Revenue from contracts with customers	105,887,522,351.22	89,580,358,684.47
Rental income	1,788,910,392.94	1,976,602,651.71
Including: Rental income from investment properties	1,626,860,912.00	1,777,881,775.95
Other rental income	162,049,480.94	198,720,875.76
Interest income	328,451,607.19	272,349,760.87
	108,004,884,351.35	91,829,311,097.05

Disaggregated operating revenue from contracts with customers is as follows:

Revenue recognition time	2020	2019
Revenue recognized at a point in time		
Sale of products	42,951,278,341.88	43,173,115,629.91
Bulk commodity trade	27,324,031,886.59	19,765,110,574.18
Sale of properties	30,931,485,171.17	21,673,760,978.62
Others	1,510,300,746.37	1,545,365,645.18
Revenue recognized over time		
Property management	874,491,158.82	951,660,048.92
Hotel operation	234,423,655.99	411,270,349.60
Income from decoration	305,866,207.65	594,900,433.97
Treatment of solid wastes	1,755,645,182.75	1,465,175,024.09
	105,887,522,351.22	89,580,358,684.47

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

51. Tax and surcharges

	2020	2019
City maintenance and construction tax	197,528,950.24	185,169,690.56
Education surcharges	161,874,518.30	159,556,851.81
Resource tax	98,233,559.35	65,191,799.18
Real estate tax	349,838,355.83	337,227,124.63
Land use tax	191,868,758.56	190,963,900.70
Stamp duty	92,701,448.20	90,553,899.03
Land appreciation tax	843,049,096.25	2,244,963,412.50
Green tax	76,660,232.35	90,800,946.87
Others	15,117,655.72	41,052,018.90
	<u>2,026,872,574.80</u>	<u>3,405,479,644.18</u>

52. Selling expenses

	2020	2019
Employee remuneration	903,178,940.77	979,339,136.12
Office expenses	417,716,510.27	361,559,228.47
Lease fee	39,339,544.35	72,042,739.79
Agency intermediary fee	498,596,740.34	419,911,565.97
Advertisement fee	341,118,543.09	322,474,958.37
Transportation expenses	1,018,308,743.53	860,511,142.06
Others	58,925,680.94	60,645,064.03
	<u>3,277,184,703.29</u>	<u>3,076,483,834.81</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

53. Administrative expenses

	2020	2019
Employee remunerations	2,402,899,798.82	2,800,165,692.88
Office expenses	1,098,244,905.88	1,130,399,958.32
Utilities	79,012,528.78	86,869,188.26
Intermediary service fees	286,211,256.47	339,585,155.54
Lease fee	94,963,902.67	75,649,865.17
Sewage and afforestation fees	58,416,896.06	57,517,915.36
Loss on shut down	741,943,287.04	799,239,796.44
Others	1,578,726,207.23	1,766,661,099.59
	6,340,418,782.95	7,056,088,671.56

54. Research and development expenses

	2020	2019
Employee remunerations	123,887,455.70	126,743,571.86
Material and equipment cost	60,851,225.40	33,144,983.17
Travel expenses	3,604,804.32	4,180,367.53
Others	80,809,324.25	68,819,900.32
	269,152,809.67	232,888,822.88

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

55. Finance costs

	2020	2019
Interest expense	6,483,111,314.92	6,836,733,107.83
<i>Including: Interests on bank loans and other loans to be fully repaid within 5 years</i>	3,642,288,316.48	6,753,197,751.10
<i>Interests on bank loans and other loans to be repaid over 5 years</i>	25,213,052.90	50,557,239.47
<i>Interest expense on lease liabilities</i>	31,867,256.86	32,978,117.26
Less: Interest income	276,069,216.98	712,519,742.58
Less: Amount of interest capitalized	3,327,814,079.35	2,966,468,446.68
Exchange gains	(874,035.64)	(89,812.42)
Handling charges	178,662,066.56	138,841,337.86
Others	103,490,978.15	100,546,302.60
	<u>3,160,507,027.66</u>	<u>3,397,042,746.61</u>

In 2020, the amount of capitalised borrowing costs has been included in construction in progress of RMB48,207,716.98 (2019: RMB28,516,793.52) and costs for properties under development of RMB3,279,606,362.37 (2019: RMB2,937,951,653.16).

56. Other gains

Government subsidies in relation to the ordinary activities are as follows:

	2020	2019	Related to assets/gains
Refunds of VAT	576,039,717.42	577,918,676.86	Related to gains
Income from other subsidies	297,890,961.94	158,559,863.87	Related to assets/gains
Grants of sale of heat	7,411,420.00	1,600,000.00	Related to gains
	<u>881,342,099.36</u>	<u>738,078,540.73</u>	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

57. Investment gains

	2020	2019
Gains from long-term equity investments under equity method	400,420,619.13	388,081,883.97
Investment gains from disposal of subsidiaries	234,945,279.56	11,105,117.95
Investment (losses)/gains from disposal of associates and joint ventures	(6,432,188.75)	2,766,984.35
Investment gains from financial assets held for trading during the holding Period	1,027,112.00	759,000.00
Investment gains from debt investments during the holding period	17,968,815.16	6,933,705.75
Investment loss from disposal of other debt investment	(3,424,873.83)	–
Dividend income from investment in other equity instruments during the holding period	6,173,733.41	570,951.93
Investment gains from disposal of financial assets held for trading	36,932,205.90	283,724,406.29
Losses on derecognition of financial assets measured at amortized cost	–	(443,184,451.58)
Gains on re-measurement of equity interests in the acquiree held before the date of acquisition at fair value	–	9,248,144.36
Others	(831,185.86)	(122,937.78)
	686,779,516.72	259,882,805.24

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2020. As at 31 December 2020, the investment income from listed share investment among the Group's investment income amounted to RMB796,950.00 (2019: net loss of RMB20,146,588.49).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

58. Gains from changes in fair value

	2020	2019
Financial assets held for trading	(5,257,665.09)	29,316,032.41
Investment properties measured at fair value	<u>525,650,251.77</u>	<u>730,049,755.49</u>
	<u>520,392,586.68</u>	<u>759,365,787.90</u>

59. Credit impairment losses

	2020	2019
Losses on bad debts of bills receivables	(10,442,166.66)	75,094,859.97
Losses on bad debts of accounts receivable	115,846,019.27	325,580,289.24
Losses on bad debts of other receivables	260,801,750.04	76,574,988.60
Losses on bad debts of long-term receivables	(7,035,279.72)	(10,075,432.43)
Losses on impairment of contract assets	-	732,264.57
	<u>359,170,322.93</u>	<u>467,906,969.95</u>

60. Asset impairment losses

	2020	2019
Losses on decline in value of inventory	363,320,221.79	155,530,616.35
Losses on impairment of contract assets	423,713.43	-
Losses on impairment of fixed assets	69,219,314.75	274,124,544.97
Losses on impairment of construction in progress	4,636,692.52	3,682,030.38
Losses on impairment of intangible assets	40,151,142.73	50,059,859.26
Losses on impairment of investment in long-term equity	60,000,000.00	-
Losses on impairment of goodwill	130,000,000.00	150,000,000.00
Others	<u>49,262,081.47</u>	<u>9,260,852.98</u>
	<u>717,013,166.69</u>	<u>642,657,903.94</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. (Losses)/gains on disposal of assets

	2020	2019
Gains on disposal of fixed assets	29,186,660.06	24,150,454.84
(Losses)/gains on disposal of intangible assets	(29,609,498.01)	15,282,708.75
Others	283,775.35	318.64
	(139,062.60)	39,433,482.23

62. Non-operating income

	2020	2019	Recognised in non-recurring profit and loss for 2020
Net gains from fines	69,489,456.49	139,783,448.15	69,489,456.49
Relocation compensation/government grants	453,863,482.70	111,663,451.47	453,863,482.70
Unpayable amounts	68,225,053.40	118,600,989.34	68,225,053.40
Others	83,279,662.67	152,528,001.94	83,279,662.67
	674,857,655.26	522,575,890.90	674,857,655.26

63. Non-operating expenses

	2020	2019	Recognised in non-recurring profit and loss for 2020
Losses on disposal of non-current assets	97,622,565.62	143,523,231.54	97,622,565.62
Including: Losses on disposal of fixed assets	97,615,780.62	142,147,754.65	97,615,780.62
Loss on disposal of other non-current assets	6,785.00	1,375,476.89	6,785.00
Abnormal losses	1,619,898.86	7,937,317.21	1,619,898.86
Expenses on charity donation	17,613,686.74	34,373,605.55	17,613,686.74
Losses on compensation, penalties and fines	116,357,317.78	312,617,568.37	116,357,317.78
Other expenses	74,344,038.87	35,587,105.48	74,344,038.87
	307,557,507.87	534,038,828.15	307,557,507.87

Notes to Financial Statements *(continued)*

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

64. 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:

	2020	2019
Consumption of raw materials	20,327,254,623.94	20,370,639,946.21
Procurement costs of tradable goods	28,398,508,833.63	20,874,212,437.81
Cost of sales of real estate	26,284,746,609.02	14,322,504,981.53
Changes in inventory of finished goods and work in progress	267,321,930.83	55,894,866.25
Employee remunerations	5,916,779,048.10	6,567,204,029.22
Depreciation and amortisation	4,581,798,718.90	4,467,713,735.85
Rentals	323,838,069.78	365,361,679.82
Maintenance expenses	1,381,717,736.96	1,554,305,562.57
Fuel and energy costs	3,400,623,017.43	2,927,321,090.66
Transportation fee	1,551,663,919.14	1,564,549,351.41
Advertisement fee	361,120,791.69	302,434,711.04
Office expenses	1,515,961,416.15	1,410,439,174.24
Intermediary fee	784,807,996.81	783,484,350.98
Others	1,306,450,574.98	2,201,635,546.24
	96,402,593,287.36	77,767,701,463.83

65. Income tax expense

	2020	2019
Current income tax expense	2,689,651,245.06	3,236,391,368.60
Deferred income tax expense	(51,153,557.14)	(480,718,990.99)
	2,638,497,687.92	2,755,672,377.61

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

65. Income tax expense *(continued)*

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

	2020	2019
Total profit	7,794,403,259.46	7,933,820,047.39
Income tax expense at the statutory income tax rate	1,904,486,712.85	1,983,455,011.85
Tax effect of different tax rates of some subsidiaries	(193,262,387.65)	(104,377,569.77)
Adjustments on the current income tax of previous periods	(5,699,724.21)	22,443,797.43
Share of profits and losses of joint ventures and associates	(84,386,334.80)	(66,360,611.06)
Income not subject to tax	(53,435,273.55)	(15,777,403.25)
Expenses not deductible	39,120,105.76	126,499,001.90
Effect of tax rate change on opening balance of deferred income tax	11,299,842.30	–
Deductible temporary difference and deductible losses not recognized	1,020,374,747.22	809,790,150.51
Income tax expense at the effective tax rate of the Group	2,638,497,687.92	2,755,672,377.61

66. Earnings per share

	2020 RMB/share	2019 RMB/share
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,843,772,517.94	3,693,582,654.45
Shares		
Weighted average number of ordinary shares in issue of the Company	10,677,771,134.00	10,677,771,134.00
Basic earnings per share – continuing operations	0.27	0.35

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 Company did not have potentially dilutive ordinary shares, and the diluted earning per share was consistent with basic earnings per share. For earnings per share excluding other equity instruments, please refer to Supplementary Information to Financial Statements. 2.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

67. Notes to items of statement of cash flows

	2020	2019
Cash received relating to other operating activities		
Deposits and other amounts received	20,698,353.09	111,343,897.39
Compensation received	678,529,218.79	1,185,814,870.44
Interest income received	309,951,419.54	564,254,842.17
Current accounts and other current account	1,116,266,752.21	1,422,235,669.11
	2,125,445,743.63	3,283,649,279.11
Cash paid relating to other operating activities		
Selling and administrative expenses etc. paid	4,875,883,608.90	4,804,628,434.00
Deposit and other amounts paid	60,848,356.08	-
Other current accounts	2,058,364,707.81	433,638,398.57
	6,995,096,672.79	5,238,266,832.57
Cash received from other investing activities		
Disposal of financial products such as short-term funds or bonds	2,036,932,205.90	5,064,282,223.08
Collection of the principal and interest of borrowings from Huanyu Real Estate	100,443,013.93	-
Recovery of equity transfer deposit	-	19,990,000.00
	2,137,375,219.83	5,084,272,223.08
Cash paid relating to other investing activities		
Payments for the purchase of trust products	2,691,410,864.43	4,993,999,991.78
Cash received relating to other financing activities		
Borrowings obtained from minority shareholder	720,300,000.00	-
Recovery of funding-related deposits	-	242,079,240.52
	720,300,000.00	242,079,240.52
Cash paid relating to other financing activities		
Repayment of minority borrowings paid to China Railway Construction Engineering Group	686,000,000.00	-
Payment for acquisition of minority interests	258,300,118.90	-
Repayment of borrowings from Kuishan Cement	-	766,928,044.08
Others	-	20,000,000.00
	944,300,118.90	786,928,044.08

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

67. Notes to items of statement of cash flows *(continued)*

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

Reconciliation of net profit to cash flows from operating activities:

	2020	2019
Net Profit	5,155,905,571.54	5,178,147,669.78
Add: Losses on credit impairment	359,170,322.93	467,906,969.95
Asset impairment losses	717,013,166.69	642,657,903.94
Depreciation of fixed assets	3,620,322,263.59	3,589,848,801.74
Depreciation of right-of-use assets	154,107,766.31	139,470,173.02
Amortisation of intangible assets	582,262,535.07	577,592,391.74
Amortisation of long-term deferred expenses	225,106,153.93	160,802,369.35
Gains from disposal of fixed assets, intangible assets and other long-term assets	(102,645,505.76)	(39,433,482.23)
Losses on retirement of non-current assets	97,622,565.62	137,861,321.24
Gains from changes in fair value	(520,392,586.68)	(759,365,787.90)
Finance costs	3,154,423,199.93	3,870,174,848.73
Investment income	(686,779,516.72)	(259,882,805.24)
(Increase) in deferred income tax assets	(178,039,740.77)	(530,263,775.28)
Increase in deferred income tax liabilities	4,417,275.38	32,555,305.17
Decrease/(increase) in inventories	3,900,143,815.76	(3,949,482,469.46)
(Increase)/decrease in operating receivables	(3,359,837,633.97)	1,356,962,420.75
Increase/(decrease) in operating payables	2,332,934,138.24	(1,093,870,567.49)
Net cash flows from operating activities	15,455,733,791.09	9,521,681,287.81

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

67. Notes to items of statement of cash flows *(continued)*

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

Material financing activities not involving cash:

	2020	2019
Endorsement and transfer of bank acceptance bills received from sale of goods or rendering of services	11,023,577,774.97	13,888,143,654.48

Net changes in cash and cash equivalents:

	2020	2019
Balance of cash at the end of the year	22,149,845,547.97	15,327,545,297.51
Less: Balances of cash equivalents at the beginning of the year	15,327,545,297.51	13,520,047,307.82
Net increase in cash	6,822,300,250.46	1,807,497,989.69

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

Information on disposal of subsidiaries and other operating units

	2020	2019
Price for disposal of subsidiaries and other business entities	38,049,457.00	44,390,000.00
Cash received from disposal of subsidiaries and other business entities	38,049,457.00	44,390,000.00
Cash and cash equivalents received during the year from disposal of subsidiaries and other operating units during the previous year (Note)	56,602,304.00	669,350,973.33
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	11,213,327.20	10,943,923.46
Net cash received from disposal of subsidiaries and other business entities	83,438,433.80	702,797,049.87

Note: During this year, the Group received the consideration in the amount of RMB52,569,816.00 and RMB4,032,488.00 respectively for disposal of equity interest in Jidong Cement Huludao Co., Ltd. and Kuishan Jidong Cement Lincheng Hengshi Co., Ltd. in 2019.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

67. Notes to items of statement of cash flows *(continued)*

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

Information on acquisition of subsidiaries and other operating units

	2020	2019
Price for acquisition of subsidiaries and other operating units	–	49,065,891.00
Cash and cash equivalents received from subsidiaries and other operating units acquired	–	49,065,891.00
Less: Cash and cash equivalents held by subsidiaries and other operating units acquired	–	644,853.35
	<hr/>	<hr/>
Net cash payments for acquisition of subsidiaries and other business units	–	48,421,037.65
	<hr/>	<hr/>

(3) *Cash and cash equivalents*

	2020	2019
Cash	22,149,845,547.97	15,327,545,297.51
Including: Cash on hand	351,001.90	423,863.04
Bank deposits on demand	21,675,922,072.57	14,835,045,569.36
Other monetary fund on demand	473,572,473.50	492,075,865.11
	<hr/>	<hr/>
Balance of cash and cash equivalents at end of the year	22,149,845,547.97	15,327,545,297.51
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Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

68. Assets with restricted titles or right to use

	Notes	2020	2019
Pledged assets			
Cash and bank balances		2,142,658,447.28	1,799,646,021.33
Statutory deposit reserve placement with central bank by Finance Company	(1)	1,668,998,245.72	1,246,559,989.54
Guarantee deposits for L/C	(1)	22,098,267.36	72,570,404.63
Quality/performance deposits	(1)	232,094,224.21	189,169,233.08
Guarantee deposits for acceptance bills	(1)	219,467,709.99	291,346,394.08
Inventories	(2)	26,004,434,604.65	33,915,878,899.67
Bills receivable	(3)	–	92,052,474.50
Receivables financing	(3)	106,689,856.49	–
Fixed assets	(2)	868,826,001.58	2,801,737,447.90
Investment properties	(2)	12,234,757,734.91	13,777,616,246.95
Equity interests	(2)	10,343,176,371.21	10,406,110,545.93
Land use rights	(2)	36,048,592.81	97,806,790.99
Restricted cash arising from pre-sales of properties	(4)	3,975,423,205.32	3,872,605,923.80
Others		375,958,331.76	325,245,335.73
		56,087,973,146.01	67,088,699,686.80

Note 1: As at 31 December 2020, the total amount of the Group's pledged cash and bank balances was RMB2,142,658,447.28 (31 December 2019: RMB1,799,646,021.33), of which the amount paid by BBMG Finance Co., Ltd. (金隅財務有限公司) to the People's Bank of China as statutory deposit reserve in accordance with relevant regulations which cannot be used for daily operations was RMB1,668,998,245.72 (31 December 2019: RMB1,246,559,989.54).

Note 2: As at 31 December 2020, the Group obtained short-term borrowings of RMB7,388,385.20 (31 December 2019: RMB0.00) and long-term borrowings of RMB16,401,105,010.30 (31 December 2019: RMB19,549,391,214.48) secured by inventories with a carrying amount of RMB26,004,434,604.65 (31 December 2019: RMB33,915,878,899.67), fixed assets with a carrying amount of RMB868,826,001.58 (31 December 2019: RMB2,801,737,447.90), investment properties with a carrying amount of RMB12,234,757,734.91 (31 December 2019: RMB13,777,616,246.95), land use rights with a carrying amount of RMB36,048,592.81 (31 December 2019: RMB97,806,790.99) and equity interests with a carrying amount of RMB10,343,176,371.21 (31 December 2019: RMB10,406,110,545.93).

Note 3: As at 31 December 2020, the Group obtained short-term borrowings of RMB19,250,000.00 by discounting bank acceptance bills with a carrying amount of RMB19,250,000.00 (31 December 2019: the Group obtained short-term borrowings of RMB92,052,474.50 by discounting bank acceptance bills with a carrying amount of RMB92,052,474.50). As at 31 December 2020, the Group pledged bank acceptance bills for invoicing of RMB87,439,856.49 (31 December 2019: RMB0.00).

Note 4: 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 2020, 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)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

69. Foreign currency monetary items

	31 December 2020			31 December 2019		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
USD	39,551,623.28	6.5249	258,070,386.75	28,297,213.35	6.9800	197,407,019.74
HKD	968,506.88	0.8416	815,095.39	1,051,607.60	0.9000	942,030.09
ZAR	20,204,382.15	0.4458	9,007,113.56	24,012,863.64	0.4900	11,869,558.50
MNT	-	-	-	41,620,778.09	-	107,021.80
Accounts receivable						
USD	862,191.63	6.5249	5,625,714.17	104,013,033.27	6.9800	725,615,722.70
ZAR	6,740,021.67	0.4458	3,004,701.66	11,050,626.44	0.4900	5,462,324.65
Accounts payable						
USD	11,715,689.50	6.5249	76,443,702.42	106,870,702.74	6.9800	745,551,396.42
ZAR	74,470.75	0.4458	33,199.06	43,094,143.42	0.4900	21,301,435.09
Other receivables						
USD	1,095,799.95	6.5249	7,149,985.10	4,414,494.77	6.9800	30,796,398.41
ZAR	328,534.00	0.4458	146,460.46	746,039.00	0.4900	368,767.08
HKD	325,240.00	0.8416	273,721.98	325,240.00	0.9000	291,349.99
Bills payable						
USD	93,738,746.54	6.5249	611,635,947.30	-	-	-
Long-term receivables						
USD	49,072,738.00	6.5249	320,194,708.18	45,483,261.37	6.9800	317,300,327.97
Long-term payables						
USD				8,286,088.00	6.9800	57,805,407.11
Other payables						
USD	54,733.94	6.5249	357,133.49	2,413,836.48	6.9800	16,839,406.05
ZAR	19,553.65	0.4458	8,717.02	5,411,693.82	0.4900	2,675,000.26
			1,292,766,586.54			2,134,333,165.86

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Hedging

Fair value hedge

The Group is engaged in trading of commodities such as non-ferrous metals and ferrous metals (including copper, iron ore, coke and thermal coal futures). These commodities are subject to the risk of price changes. Therefore, the Group uses futures contracts of futures exchanges to manage its exposure to commodity price risks arising from trading commodities it holds. The standard indicators for the industrial products sold by the Group are the same as the corresponding delivery grades in the futures contract. The basic variables of the hedging instrument (futures contract) and the hedged item (certain commodities held by the Group) are all standard parameter prices. Through qualitative analysis, the Group determines that the ratio of the number of hedging instruments to the number of hedged items was 1:1. The ineffective portion of hedging mainly arose from the basis risk, the risk of changes in supply and demand in the spot or futures market, and other risks of uncertainties in the spot or futures market. The amount of ineffective hedges recognized during the year was not significant. The Group adopted fair value hedge for such hedging.

The time distribution and average price of the nominal amount of the hedging instruments are as follows:

2020	Within 6 months	Total
Nominal amount of copper futures	112,162,200.75	112,162,200.75
Average price of copper futures	57,080.00	57,080.00
Nominal amount of iron ore futures	21,405,060.00	21,405,060.00
Average price of iron ore futures	1,070.25	1,070.25
Nominal amount of coke futures	38,430,000.00	38,430,000.00
Average price of coke futures	2,562.00	2,562.00
2019	Within 6 months	Total
Nominal amount of copper futures	52,686,621.00	52,686,621.00
Average price of copper futures	48,783.91	48,783.91
Nominal amount of iron ore futures	108,653,950.00	108,653,950.00
Average price of iron ore futures	603.63	603.63
Nominal amount of coke futures	44,135,100.00	44,135,100.00
Average price of coke futures	1,765.40	1,765.40
Nominal amount of thermal coal	22,030,000.00	22,030,000.00
Average price of thermal coal	550.75	550.75

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Hedging *(continued)*

Fair value hedge (continued)

Changes in the carrying amount and fair value of the hedging instruments are as follows:

	Nominal amounts of the hedging instruments	Carrying amounts of the hedging instruments		Items on the balance sheet that contain hedging instruments	Changes in fair value of hedging instruments used as a basis for recognizing the ineffective portion of hedging for the year
		Assets	Liabilities		
2020					
Commodity price risk-inventories	171,997,260.75	176,070,411.42	-	Inventories	-
2019					
Commodity price risk-inventories	227,505,671.00	239,240,500.00	-	Inventories	(14,921,600.00)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Hedging *(continued)*

Fair value hedge (continued)

The carrying amount of hedged items and related adjustments are as follows:

	Carrying amount of hedged items Assets	Cumulative amount of adjustments to fair value hedge of hedged items (included in carrying amount of hedged items) Assets	Items on the balance sheet that contain hedged items	Changes in fair value of hedged items used as a basis for recognizing the ineffective portion of hedging for the year
2020				
Commodity price risk-inventories	<u>164,852,412.02</u>	<u>5,290,106.25</u>	Inventories	<u>–</u>
2019				
Commodity price risk-inventories	<u>281,439,098.50</u>	<u>6,613,938.05</u>	Inventories	<u>(14,921,600.00)</u>

The ineffective portion of hedging in the changes in fair value of hedging instruments is set out below:

	Ineffective portion of hedging included in profit or loss	Ineffective portion of hedging included in other comprehensive income	Items on the income statement that contain ineffective portion of hedging
2019			
Inventory price risk	<u>(14,921,600.00)</u>	<u>–</u>	Profit or loss from changes in fair value

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

On 15 January 2020, Tianjin Building Materials (Holding) Co., Ltd. (hereinafter referred to as “Tianjin Building Materials”), a subsidiary of the Group, entered into an Equity Transfer Contract with Kunong Tianxia (Tianjin) Agricultural Technology Co., Ltd. (庫農天下(天津)農業科技有限公司) (hereinafter referred to as “Kunong Tianxia”), under which Tianjin Building Materials sold its 100% equity interest in Tianjin Jinya Market Management Co., Ltd. to Kunong Tianxia at a consideration of RMB37,821,005.00. On 20 January 2020, both parties completed the equity transfer procedures at Beijing Equity Exchange. The date when the Group lost its control over Tianjin Jinya Market Management Co., Ltd. is 20 January 2020. Therefore, the Group will no longer include Tianjin Jinya Market Management Co., Ltd. in the scope of consolidation since 20 January 2020. The financial information of Tianjin Jinya Market Management Co., Ltd. is set forth below:

	Carrying amount on 20 January 2020	Carrying amount on 31 December 2019
Current assets	18,999,283.73	18,999,283.73
Non-current assets	11,391,357.31	11,391,357.31
Current liabilities	(4,203,210.07)	(4,203,210.07)
	26,187,430.97	26,187,430.97
Profits or losses on disposal	11,633,574.03	
Consideration of disposal	37,821,005.00	

The operating results included in the scope of consolidation in the year:

	From 1 January to 20 January 2020
Operating revenue	-
Operating cost	-
Net profits	-

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Disposal of subsidiaries *(continued)*

On 14 January 2020, Tiancai Hongye (Tianjin) Building Materials Co., Ltd. (hereinafter referred to as "Tiancai Hongye"), a subsidiary of the Group, entered into an Equity Transfer Contract with Tianjin Yunjia Municipal Engineering Co., Ltd. (天津鑾嘉市政工程有限公司) (hereinafter referred to as "Tianjin Yunjia"), under which Tiancai Hongye sold its 55.56% equity interest in Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) to Tianjin Yunjia at a consideration of RMB228,452.00. The date when the Group lost its control over Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) is 19 January 2020. Therefore, the Group will no longer include Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) in the scope of consolidation since 19 January 2020. The financial information of Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) is set forth below:

	Carrying amount on 19 January 2020	Carrying amount on 31 December 2019
Current assets	695,822.61	695,822.61
Non-current assets	222,615.84	222,615.84
Current liabilities	<u>(320,518.53)</u>	<u>(320,518.53)</u>
	<u>597,919.92</u>	<u>597,919.92</u>
Minority interests	<u>265,715.61</u>	265,715.61
Profits or losses on disposal	<u>(103,752.31)</u>	
Consideration of disposal	<u>228,452.00</u>	

The operating results included in the scope of consolidation in the year:

	From 1 January to 19 January 2020
Operating revenue	—
Operating cost	—
Net profits	<u>—</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Disposal of subsidiaries *(continued)*

On 18 December 2019, Beijing Chaoyang District People's Court accepted the bankruptcy liquidation petition filed by Beijing Bengpu Construction Machinery Operation Co., Ltd. (北京泵普建築機械施工有限公司), a subsidiary of the Group, against Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司). On 21 May 2020, the handover between Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司) and its bankruptcy administrator was completed. The date when the Company lost its control over Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司) was 21 May 2020. Therefore, the Group no longer included Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司) in the scope of consolidation since 21 May 2020. The financial information of Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司) is set forth below:

	Carrying amount on 21 May 2020	Carrying amount on 31 December 2019
Current assets	80,428,220.48	80,038,171.72
Current liabilities	(90,317,665.45)	(87,909,949.80)
	(9,889,444.97)	(7,871,778.08)
Profits or losses on disposal	9,889,444.97	
Consideration of disposal	-	

The operating results included in the scope of consolidation in the year:

	From 1 January to 21 May 2020
Operating revenue	-
Operating cost	-
Net loss	(2,017,666.89)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Disposal of subsidiaries *(continued)*

The People's Court of Weiyang District, Xi'an City accepted the bankruptcy liquidation case filed by Shaanxi Qinling Cement Group (Xi'an) Co., Ltd. (陝西秦嶺水泥集團西安有限公司) (hereinafter referred to as "Qinling Xi'an"), a subsidiary of the Group, and designated the bankruptcy administrator for Qinling Xi'an on 29 April 2020. On 1 June 2020, The handover between Qinling Xi'an and its bankruptcy administrator was completed. The date when the Group lost its control over Qinling Xi'an was 1 June 2020. Therefore, the Group no longer included Shaanxi Qinling Cement Group (Xi'an) Co., Ltd. (陝西秦嶺水泥集團西安有限公司) in the scope of consolidation since 1 June 2020. The financial information of Shaanxi Qinling Cement Group (Xi'an) Co., Ltd. (陝西秦嶺水泥集團西安有限公司) is set forth below:

	Carrying amount on 1 June 2020	Carrying amount on 31 December 2019
Current liabilities	(11,239,804.69)	(11,239,804.69)
Non-current liabilities	(24,431.01)	(24,431.01)
	(11,264,235.70)	(11,264,235.70)
Minority interests	(2,252,847.14)	(2,252,847.14)
Profits or losses on disposal	9,011,388.56	
Consideration of disposal	-	

The operating results included in the scope of consolidation in the year:

	From 1 January to 1 June 2020
Operating revenue	-
Operating cost	-
Net profits	-

Notes to Financial Statements *(continued)*

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

1. Disposal of subsidiaries *(continued)*

The People's Court of Nankai District, Tianjin City accepted the bankruptcy liquidation petition filed by Tianjin Xinfengtai Building Materials Trading Co., Ltd. (天津市鑫豐泰建材貿易有限公司) (hereinafter referred to as "Xinfengtai Building Materials"), a subsidiary of the Group, and designated the bankruptcy administrator for Xinfengtai Building Materials on 30 July 2020. On 25 September 2020, the handover between Xinfengtai Building Materials and its bankruptcy administrator was completed. The date when the Group lost its control over Xinfengtai Building Materials was 25 September 2020. Therefore, the Group no longer included Tianjin Xinfengtai Building Materials Trading Co., Ltd. (天津市鑫豐泰建材貿易有限公司) in the scope of consolidation since 25 September 2020. The financial information of Tianjin Xinfengtai Building Materials Trading Co., Ltd. (天津市鑫豐泰建材貿易有限公司) is set forth below:

	Carrying amount on 25 September 2020	Carrying amount on 31 December 2019
Current assets	355,606.68	356,422.35
Current liabilities	(30,385,427.52)	(91,496,804.64)
Non-current liabilities	(22,000,000.00)	(22,000,000.00)
	(52,029,820.84)	(113,140,382.29)
Profits or losses on disposal	52,029,820.84	
Consideration of disposal	—	

The operating results included in the scope of consolidation in the year:

	From 1 January to 25 September 2020
Operating revenue	—
Operating cost	—
Net loss	(815.67)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Disposal of subsidiaries *(continued)*

The People's Court of Jingyang County, Shaanxi Province accepted the bankruptcy liquidation petition filed by Jingyang Jinhui Building Materials Co., Ltd. (涇陽縣金輝建材有限公司) (hereinafter referred to as "Jingyang Jinhui"), a subsidiary of the Group, and designated the bankruptcy administrator for Jingyang Jinhui on 4 June 2020. On 21 July 2020, the handover between Jingyang Jinhui and its bankruptcy administrator was completed. The date when the Group lost its control over Jingyang Jinhui was 21 July 2020. Therefore, the Group no longer included Jingyang Jinhui Building Materials Co., Ltd. (涇陽縣金輝建材有限公司) in the scope of consolidation since 21 July 2020. The financial information of Jingyang Jinhui Building Materials Co., Ltd. (涇陽縣金輝建材有限公司) is set forth below:

	Carrying amount on 1 July 2020	Carrying amount on 31 December 2019
Current assets	186,764.65	186,764.63
Non-current assets	405,464.52	437,971.14
Current liabilities	(13,154,227.13)	(48,980,607.44)
Non-current liabilities	(12,500.00)	(12,500.00)
	(12,574,497.96)	(48,368,371.67)
Profits or losses on disposal	12,574,497.96	
Consideration of disposal	-	

The operating results included in the scope of consolidation in the year:

	From 1 January to 1 July 2020
Operating revenue	-
Operating cost	-
Net loss	(806,336.30)

Notes to Financial Statements *(continued)*

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

1. Disposal of subsidiaries *(continued)*

Tianjin Second Intermediate People's Court accepted the bankruptcy liquidation petition filed by Tianjin Bodingmeite Import and Export Co., Ltd. (hereinafter referred to as "Tianjin Bodingmeite"), a subsidiary of the Group, and designated the bankruptcy administrator for Tianjin Bodingmeite on 27 October 2020. On 13 November 2020, the handover between Tianjin Bodingmeite and its bankruptcy administrator was completed. The date when the Group lost its control over Tianjin Bodingmeite was 13 November 2020. Therefore, the Group no longer included Tianjin Bodingmeite Import and Export Co., Ltd. in the scope of consolidation since 13 November 2020. The financial information of Tianjin Bodingmeite Import and Export Co., Ltd. is set forth below:

	Carrying amount on 13 November 2020	Carrying amount on 31 December 2019
Current assets	23,912.41	66,279.11
Non-current assets	95,737.43	1,659,690.82
Current liabilities	(137,873,659.67)	(237,045,112.42)
	(137,754,009.83)	(235,319,142.49)
Profits or losses on disposal	137,754,009.83	
Consideration of disposal	—	

The operating results included in the scope of consolidation in the year:

	From 1 January to 13 November 2020
Operating revenue	—
Operating cost	730,477.22
Net loss	(13,801,487.54)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Disposal of subsidiaries *(continued)*

The People's Court of Xiqing District, Tianjin City accepted the bankruptcy liquidation case filed by Tianjin Meisheng Crafts Co., Ltd. (天津美升工藝品有限公司) (hereinafter referred to as "Tianjin Meisheng"), a subsidiary of the Group, and designated the bankruptcy administrator for Tianjin Meisheng on 24 December 2019. On 14 July 2020, the handover between Tianjin Meisheng and its administrator was completed. The date when the Group lost its control over Tianjin Meisheng was 14 July 2020. Therefore, the Group no longer included Tianjin Meisheng Crafts Co., Ltd. (天津美升工藝品有限公司) in the scope of consolidation since 14 July 2020. The financial information of Tianjin Meisheng Crafts Co., Ltd. (天津美升工藝品有限公司) is set forth below:

	Carrying amount on 14 July 2020	Carrying amount on 31 December 2019
Current assets	16.09	16.09
Current liabilities	<u>(4,156,311.77)</u>	<u>(22,313,975.33)</u>
	<u>(4,156,295.68)</u>	<u>(22,313,959.24)</u>
Minority interests	<u>(2,000,000.00)</u>	<u>(2,000,000.00)</u>
Profits or losses on disposal	<u>2,156,295.68</u>	
Consideration of disposal	<u>—</u>	

The operating results included in the scope of consolidation in the year:

	From 1 January to 14 July 2020
Operating revenue	—
Operating cost	—
Net loss	<u>—</u>

Notes to Financial Statements *(continued)*

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

2. Deregistration of subsidiaries

The breakdown of deregistration of the Group's major subsidiaries during this year is as below:

	Proportion of shareholding of parent company before deregistration	Reason for not being subsidiary
Beijing Yongfeng Weiye Concrete Co., Ltd. (北京永豐偉業混凝土有限責任公司)	100.00%	Deregistration
Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司)	55.56%	Disposal
Tianjin Jinya Market Management Co., Ltd.	100.00%	Disposal
Baotou Shengda Concrete Co., Ltd. (包頭市盛達混凝土有限責任公司)	100.00%	Absorption and merge
BBMG Huitong (Dachang) Economic and Trade Co., Ltd. (金隅匯通(大廠)經貿有限公司)	100.00%	Deregistration
Beijing Tiantan Jingwei Furniture Co., Ltd.	60.00%	Deregistration
Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司)	70.00%	Transfer to the bankruptcy administrator
Shaanxi Qinling Cement Group (Xi'an) Co., Ltd. (陝西秦嶺水泥集團西安有限公司)	80.00%	Transfer to the bankruptcy administrator
Tianjin Xinfengtai Building Materials Trading Co., Ltd.	55.00%	Transfer to the bankruptcy administrator
Tangshan Jidong Vocational Training School	100.00%	Deregistration
Jingyang Jinhui Building Materials Co., Ltd.	90.00%	Transfer to the bankruptcy administrator
Shaanxi Xi Xian New Area Jidong Concrete Co., Ltd. (陝西西咸新區冀東混凝土有限公司)	100.00%	Absorption and merge
Beijing Dynea Chemical Industry Co., Ltd.	100.00%	Absorption and merge
Yantai Jidong Building Materials Co., Ltd.	51.00%	Deregistration
Shijiazhuang Dunshi Real Estate Development Co., Ltd.	65.00%	Deregistration
Tianjin Tiancai Dongsheng Commerce and Trade Co., Ltd.	100.00%	Absorption and merge
Tianjin Yuanyang Glass Industry Co., Ltd.	100.00%	Absorption and merge
Tangxian Jidong Logistics Services Co., Ltd. (唐縣冀東物流服務有限公司)	100.00%	Deregistration
BBMG Beijia Engineering Technology Co., Ltd. (北京金隅北加工程技術有限公司)	100.00%	Deregistration
Tianjin North Longfeng Properties Development Co., Ltd.	100.00%	Deregistration
BBMG Business and Trading Co., Ltd.	100.00%	Deregistration
Tianjin Bodingmeite Import and Export Co., Ltd.	100.00%	Transfer to the bankruptcy administrator
Tianjin Meisheng Crafts Co., Ltd. (天津美升工藝品有限公司)	51.00%	Transfer to the bankruptcy administrator

Notes to Financial Statements *(continued)*

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

3. Establishment of new subsidiaries

	Acquired method
Beijing BBMG Hotel Management Co., Ltd. (北京金隅酒店管理有限公司)	Establishment
Beijing BBMG Wangjing Real Estate Co., Ltd. (北京金隅望京置業有限公司)	Establishment
BBMG (Tianjin) Investment Partnership (Limited Partnership) (金隅(天津)投資合夥企業(有限合夥))	Establishment
Shanghai BBMG Jingpu Real Estate Development Co., Ltd. (上海金隅京浦房地產開發有限公司)	Establishment
BBMG Commerce and Trade (Langfang) Co., Ltd. (金隅商貿(廊坊)有限公司)	Establishment
BBMG Hongshulin Biomass Energy (Jingyang) Co., Ltd. (金隅紅樹林生物質能源(涇陽)有限公司)	Establishment
Huailai Jinyuan Mining Co., Ltd. (懷來金源礦業有限公司)	Establishment
Tianjin Binhai BBMG Concrete Co., Ltd. (天津濱海金隅混凝土有限公司)	Establishment
Jiangsu Trust- Longyuan No.2 Assemble Fund Trust Plan (江蘇信託-龍元二號集合資金信託計劃)	Establishment

Notes to Financial Statements *(continued)*

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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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment					
Beijing BBMG Mining Co., Ltd.	Beijing	Sale of metal ore and mining products etc.	500.00	100.00	–
Beijing BBMG Concrete Co., Ltd.	Beijing	Processing of commodity concrete etc.	46,541.04	–	100.00
Handan BBMG Taihang Shangtong Technology Co., Ltd.	Hebei	Manufacture and sale of concrete	6,600.00	–	100.00
Wei County BBMG Concrete Co., Ltd.	Hebei	Manufacture and sale of concrete	1,000.00	–	92.00
Handan Hanshan BBMG Concrete Co. Ltd.	Hebei	Manufacture and sale of commercial concrete and crushed stone	3,000.00	–	92.00
Handan Jinyu Chenxiang Concrete Co., Ltd.	Hebei	Manufacture and sale of concrete	3,000.00	–	92.00
Beijing BBMG Coating Co., Ltd.	Beijing	Manufacture of coating; professional contracting	8,900.00	100.00	–
Dachang BBMG Coating Co., Ltd.	Hebei	Manufacture and sale of coating	3,000.00	–	100.00
Xinjiang BBMG Coating Co., Ltd.	Xinjiang	Manufacture of coating; sale of building materials etc.	100.00	–	55.00
BBMG New Building Materials Industrialization Group Co., Ltd.	Beijing	Manufacture and sale of building materials	200,000.00	100.00	–
Beijing Sanchong Mirror Co., Ltd.	Beijing	Manufacture and sale of glass made spectacle lenses	5,766.00	–	100.00
Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd.	Hebei	Manufacture and sale of building materials	1,700.00	–	100.00
Beijing Jiandu Design and Research Institute Co., Ltd.	Beijing	Design of modern building materials etc.	6,000.00	–	100.00
Beijing Jinyu Aerated Concrete Co., Ltd.	Beijing	Manufacture and sale of aerated concrete products etc.	10,000.00	–	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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
Beijing BBMG Business and Trading Co., Ltd.	Beijing	Wholesale of building materials and metal materials etc	66,000.00	–	100.00
BBMG Mortar Co., Ltd.	Beijing	Manufacture and sale of dry and mixed mortar	25,410.52	–	100.00
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	Hebei	Manufacture of various modern building materials etc.	90,000.00	–	100.00
Beijing BBMG Tiantan Furniture Co., Ltd.	Beijing	Manufacture, processing, and sale of furniture etc.	26,080.48	–	97.26
BBMG Residential Industrialization (Tangshan) Co., Ltd.	Hebei	Manufacture and sale of building materials	35,000.00	–	100.00
BBMG Weiguan (Cangzhou) Chemical Co., Ltd.	Hebei	Manufacture of wood-based panels, resin for impregnated paper, etc.	6,000.00	–	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 general contracting and eco-friendly technology development etc.	1,000.00	–	100.00
Beijing Concrete World Magazine Co., Ltd. (北京《混凝土世界》雜誌社有限公司)	Beijing	Publishing of Concrete World Magazine; advertising design and production	30.00	–	100.00
Beijing Dacheng Changrun Properties Limited	Beijing	Property development and operation	1,000.00	–	91.00
Beijing BBMG Konggang Development Co., Ltd.	Beijing	Property development	10,000.00	–	95.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
BBMG Xingda Real Estate Development Co., Ltd.	Beijing	Property development and operation	5,000.00	–	100.00
Chongqing BBMG Dacheng Property Development Co., Ltd.	Chongqing	Property development and consultation etc.	20,000.00	–	100.00
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd.	Chongqing	Property development and sale 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	–	100.00
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.	Anhui	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 Co., Ltd.	Ningbo	Property development	20,000.00	–	100.00
Beijing Longyuan Real Estate Development Co., Ltd.	Beijing	Property development and operation	5,000.00	–	100.00
Qingdao Jinyu Chuang Real Estate Development Co., Ltd.	Qingdao	Property development and operation	1,000.00	–	100.00
Tianjin Jinyu Jinli Real Estate Development Co., Ltd.	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	39,000.00	–	100.00
BBMG Jindian (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and operation	80,000.00	–	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

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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
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.	Anhui	Property development and commodity housing sales etc.	5,000.00	–	100.00
BBMG Real Estate Development (Hefei) Co., Ltd.	Anhui	Property development and operation	150,000.00	–	100.00
BBMG Properties (Anhui) Co., Ltd.	Anhui	Property development and property management, etc.	50,000.00	–	100.00
Hefei BBMG Jingyun Real Estate Development Co., Ltd.	Anhui	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 Jiaying Nanjing Real Estate Development Co., Ltd.	Nanjing	Property development	10,000.00	–	70.00
Beijing BBMG Dongcheng Real Estate Co., Ltd.	Beijing	Property development	30,000.00	–	91.00
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 Noble (Hangzhou) Property Development Co., Ltd.	Hangzhou	Property development and operation, etc.	50,000.00	–	51.00
Shanghai BBMG Jingcheng Property Development Co., Ltd.	Shanghai	Property development	5,000.00	–	100.00
BBMG GEM Real Estate Development Co., Ltd.	Beijing	Property development and operation, etc.	650,000.00	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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
Beijing BBMG Property Development Co., Ltd.	Beijing	Property development and sale etc.	5,000.00	–	100.00
BBMG Vanke Property Development Co., Ltd.	Beijing	Property development and sale of housing, etc.	19,000.00	–	51.00
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.	Inner Mongolia	Property development and operation etc.	20,000.00	–	100.00
Tangshan BBMG Julong Property Development Co., Ltd.	Hebei	Property development and operation etc.	5,000.00	–	80.00
Beijing Jinyexincheng Property Management Co., Ltd.	Beijing	Property management	50.00	–	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 enterprise	170,000.00	100.00	–
BBMG Property 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 Commercial Management Co., Ltd.	Beijing	Business management	1,000.00	–	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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
BBMG Property Management Co., Ltd.	Beijing	Property management	2,000.00	–	100.00
Beijing Jinhaiyan Property Management Co., Ltd.	Beijing	Property management	1,370.00	–	100.00
Beijing Keshi Hardware Co., Ltd.	Beijing	Manufacture of new products such as construction hardware	6,595.92	–	100.00
BBMG Fengshan Hot Spring Resort Co., Ltd.	Beijing	Accommodation and catering services, etc.	36,818.91	–	100.00
Beijing Jianji Assets Management Co., Ltd.	Beijing	Self-owned property rental, property management etc.	78,732.79	–	100.00
Beijing Aerated Concrete Co., Ltd.	Beijing	Manufacture and sales of aerated concrete panel	27,480.00	55.68	–
Beijing Woodworking Factory Co., Ltd.	Beijing	Manufacture and sale of woodbased panels, etc.	5,455.63	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
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	Henan	Manufacture and distribution of refractory materials	1,050.00	–	100.00
Yangquan BBMG Tongda Refractory Materials Co., Ltd.	Yangquan	Manufacture and sale of refractory ceramic etc.	6,000.00	–	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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
Cheng'an BBMG Taihang Concrete Co., Ltd. (成安金隅太行混凝土有限公司)	Hebei	Manufacture and sale of commodity concrete	1,000.00	–	100.00
Daming BBMG Taihang Concrete Co., Ltd. (大名縣金隅太行混凝土有限公司)	Hebei	Sales of concrete and mortar	1,000.00	–	90.00
Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司)	Hebei	Sales of prefabricated part	1,000.00	–	100.00
Jinyu Han Chao (Hangzhou) Real Estate Development Co., Ltd.	Hangzhou	Property development and operation, etc.	5,000.00	–	100.00
Beijing Yucheng Real Estate Co., Ltd.	Beijing	Property development and operation, etc.	1,000.00	–	100.00
Beijing Jianyuan Hotel Co., Ltd.	Beijing	Accommodation and catering services	1,000.53	–	100.00
BBMG Badaling Hot Spring Resort Co., Ltd.	Beijing	Room rental	65,420.00	–	100.00
Beijing Chengyuan Real Estate Co., Ltd. (北京程遠置業有限公司)	Beijing	Property development	10,000.00	–	100.00
Tangshan Jinyu Tiancai Pipe Technology Co., Ltd. (唐山金隅天材管業科技有限責任公司)	Tianjin	Manufacturing and sales of steel and iron pipes	50,000.00	–	100.00
Huanbohai (Tianjin) International Economic and Trade Co., Ltd. (環渤海(天津)國際經貿有限公司)	Tianjin	Import or export of goods or technologies	5,000.00	–	100.00
Tianjin Jinyu Jinchen Real Estate Development Co., Ltd. (天津金隅津辰房地產開發有限公司)	Tianjin	Property development and operation, etc.	50,000.00	–	100.00
Beijing BBMG Wangjing Real Estate Co., Ltd. (北京金隅望京置業有限公司)	Beijing	Property management	5,000.00	–	100.00
Beijing BBMG Hotel Management Co., Ltd. (北京金隅酒店管理有限公司)	Beijing	Hotel management	1,000.00	–	100.00
BBMG (Tianjin) Investment Partnership (Limited Partnership) (金隅(天津)投資合夥企業(有限合伙))	Beijing	Investment	800,000.00	–	20.00

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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Chengde BBMG Real Estate Development Co., Ltd. (承德金隅房地產開發有限公司)	Chengde	Property development and operation	5,000.00	–	100.00
Jiangsu Trust- Longyuan No.2 Assemble Fund Trust Plan (江蘇信託-龍元2號集合資金信託計劃)	Beijing	Investment	2,500,000.00	20.00	–
Subsidiaries acquired in business combination not under common control					
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67.00	–
Tianjin BBMG Concrete Co., Ltd.	Tianjin	Concrete project construction and manufacturing, etc.	39,590.51	–	100.00
Beijing BBMG Xingfa Science and Technology Co., Ltd. (北京金隅興發科技有限公司)	Beijing	Manufacture of cement and clinker, etc.	31,500	95.7	0
Krono (Beijing) Woods Co., Ltd.	Beijing	Production of fibreboard and other decorative plates, etc	44,987.38	100.00	–
BBMG Sports Culture Co., Ltd.	Beijing	Project operation of Sports	300.00	67.00	–
Beijing Doors and Windows Co., Ltd.	Beijing	Manufacture and process of plastics-steel doors and windows	100	100	0
Guantao BBMG Taihang Concrete Co., Ltd. (館陶縣金隅太行混凝土有限公司)	Hebei	Manufacture and sale of commodity concrete	4,000.00	–	100.00
Jidong Development Group Co., Ltd.	Hebei	Building materials industry	247,950.41	55.00	–
Tangshan Jidong Cement Co., Ltd.	Hebei	Manufacture and sales of cement, clinker, relevant building materials and cement equipment	134,752.29	7.00	30.00

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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control (continued)					
Jidong Sand Gravel Aggregate Co., Ltd.	Hebei	Aggregate	25,000.00	–	100.00
Hebei Jidong Development Group Mining Engineering Co., Ltd.	Hebei	Other construction and installation industry	2,000.00	–	85.00
Tangshan High Voltage Porcelain Insulator Works Co., Ltd. (唐山高壓電瓷有限公司)	Hebei	Manufacture and sales of High Voltage Porcelain Insulator	5,000.00	–	100.00
Hebei Building Material Industry Design & Research Institution	Hebei	Building materials industry engineering design	11,550.60	–	100.00
Tangshan Qixin Cement Industry Museum	Hebei	Cultural relic collection and exhibition to promote national culture, etc.	6,724.00	–	100.00
Tangshan Qixin Jiye Property Services Co., Ltd.	Hebei	Property service, basic commodity retail, etc	100.00	–	100.00
Tangshan Jidong Equipment & Engineering Co., Ltd.	Hebei	Machinery equipment and spare parts and civil installation	22,700.00	–	30.00
Tangshan Jidong Development Machinery and Equipment Manufacturing Co., Ltd.	Hebei	Manufacture and sales of machinery equipment and accessories	60,000.00	–	100.00
Jidong Rizhang Energy-Conserving Fan Manufacture Co., Ltd.	Hebei	State-owned enterprise (machinery manufacturing industry)	8,400.00	–	100.00
Tangshan Jidong Development Yan Dong Construction Co., Ltd.	Hebei	Construction industry	20,000.00	–	59.00
Jidong Development International Trading Co., Ltd.	Beijing	Import and export and bulk commodity trade	23,000.00	–	100.00
Tangshan Jixin Cement Transition Co., Ltd.	Hebei	Loading, offloading and handling	USD600	–	60.00
Jidong Development (HK) International Co., Ltd.	Hong Kong	Commodities trading	6,294.36	–	100.00
Tangshan Dunshi Real Estate Development Co., Ltd.	Hebei	Real estate	30,000.00	–	100.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control <i>(continued)</i>					
Tangshan Jidong Cement Nanhu Property Development Co., Ltd.	Hebei	Real estate	75,000.00	–	100.00
Jidong Development Logistics Co., Ltd.	Hebei	Storage and operation of general goods as well as coal trade	10,000.00	–	100.00
Tangshan Jidong Property Services Co., Ltd.	Hebei	Property service	300.00	–	100.00
Huahai Wind Power Development Co., Ltd.	Hebei	Wind power equipment manufacturing	15,000.00	–	70.00
Tangshan Qixin Building Materials Co., Ltd.	Hebei	Manufacture of cement and cement products	16,747.00	–	100.00
Tangshan Qixin Cement Co., Ltd.	Hebei	Manufacture of limestone, cement and cement clinker, etc.	23,544.00	–	100.00
Jidong Development Group Tangshan Xinxing Knitting Factory	Hebei	Knitting processing	4,171.00	–	100.00
BBMG Jidong Caofeidian Supply Chain Management Co., Ltd. (金隅冀東曹妃甸供應鏈管理有限公司)	Hebei	Supply chain management services	2,000.00	–	90.00
Tangshan Jinyu Dunshi Real Estate Development Co., Ltd.	Hebei	Real estate development and operation and property management services, etc.	35,000.00	–	100.00
China-Africa Jidong Building Materials Investment Co., Ltd.	Hebei	Investment in building materials industry	34,830.00	–	60.00
Tianjin Building Materials (Holding) Co., Ltd.	Tianjin	Manufacture and sales of building and decorative materials	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)*

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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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control (continued)					
Tianjin Bodingmeite Import and Export Co., Ltd.	Tianjin	Building materials and commerce and logistics	3,200.00	–	100.00
Tianjin Tiancai Hengye 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	–	51.66
Tianjin Xincai Property Development Co., Ltd.	Tianjin	Real estate	27,649.81	–	100.00
Tianjin North Longfeng Properties Development Co., Ltd.	Tianjin	Real estate	4,900.00	–	100.00
Tianjin Building Materials Scientific Study Co., Ltd.	Tianjin	Property investment management	16,129.64	–	100.00
Tianjin Tiancaiweiye Building Materials Co., Ltd.	Tianjin	Cement and ready-mixed concrete	26,275.03	–	100.00
Tianjin Hengtong Industry and Trade Development Co., Ltd.	Tianjin	Building materials and commerce and logistics	5,231.48	–	90.17
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 Tiancai New Industry Assets Management Co., Ltd.	Tianjin	Property investment management	31,973.79	–	100.00
Tianjin Yuanyang Longda Glass Products Co., Ltd.	Tianjin	Property investment management	8,258.73	–	100.00
Tianjin Cement Stone Mine Co., Ltd.	Tianjin	Cement and ready-mixed concrete	119,937.67	–	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
Beijing Bengpu Construction Machinery Operation Co., Ltd. (北京泵普建築機械施工有限責任公司)	Beijing	Professional contracting; construction general contracting	6,450.00	–	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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control <i>(continued)</i>					
Tianjin Binhai New Area Haoyu Investment Co., Ltd. (天津濱海新區昊昱投資有限公司)	Tianjin	Real estate development and operation and property management	10,000.00	–	100.00
Tianjin Tianxia Doors and Window Co., Ltd.	Tianjin	Building materials and commerce and logistics	2,107.80	–	100.00
Tianjin Tiancai Chenrun Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	1,752.33	–	100.00
Tianjin Xingmingtai Plastic Products Co., Ltd.	Tianjin	Property investment management	6,492.95	–	100.00
Subsidiaries acquired in business combination under common control					
Beijing Building Decoration and Design Engineering Co., Ltd.	Beijing	Design of projects' decoration and furniture decoration, etc.	8,500.00	–	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
Beijing BBMG Property Development Group Co., Ltd.	Beijing	Property development and operation	600,000.00	100.00	–
Haikou Dacheng Property Investment Co., Ltd.	Haikou	Property development etc.	1,600.00	–	100.00
BBMG Dacheng Property Management Co., Ltd.	Beijing	Property management	500.00	–	100.00
BBMG Hongye Ecological Science and Technology Co., Ltd.	Beijing	Rental and property management, etc.	200.00	–	100.00
BBMG Hong Kong Limited	Hong Kong	Self-owned property rental	HK\$100.00	100.00	–
Beijing Yanshui Asset Management Co., Ltd.	Beijing	Production of concrete	6,266.85	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	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired in business combination under common control <i>(continued)</i>					
Beijing BBMG Tongda Fire-resistant Technology Co., Ltd. (北京金隅通達耐火技術有限公司)	Beijing	Development and manufacture of various new refractory materials etc.	28,517.14	100.00	–

Subsidiaries with significant minority interests are as follows:

2020

	Percentage of minority shareholding	Profit or loss attributable to minority shareholders	Dividend payment to minority shareholders	Accumulated equity attributable to minority shareholders at the end of the year
Jidong Development Group Co., Ltd.	45%	2,287,762,600.17	689,044,577.91	17,857,720,340.97
Tianjin Building Materials (Holding) Co., Ltd.	45%	(7,551,729.62)	9,351,634.48	4,760,558,844.81

2019

	Percentage of minority shareholding	Impact of the New Lease Standard on opening minority interests	Profit or loss attributable to minority shareholders	Dividend payment to minority shareholders	Accumulated equity attributable to minority shareholders at the end of the year
Jidong Development Group Co., Ltd.	45%	(13,952,229.84)	1,768,520,239.82	484,807,414.33	16,322,949,877.06
Tianjin Building Materials (Holding) Co., Ltd.	45%	(57,147,236.95)	(278,496,511.04)	9,490,483.58	4,825,167,684.31

Notes to Financial Statements *(continued)*

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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:

2020

	Jidong Development Group Co., Ltd.	Tianjin Building Materials (Holding) Co., Ltd.
Current assets	27,371,904,743.43	6,378,139,658.90
Non-current assets	52,133,779,285.77	12,275,622,976.37
Total assets	79,505,684,029.20	18,653,762,635.27
Current liabilities	31,405,462,835.80	7,707,313,060.01
Non-current liabilities	13,701,942,150.96	1,386,844,324.21
Total liabilities	45,107,404,986.76	9,094,157,384.22
Operating revenue	59,224,452,944.68	6,865,690,580.20
Net profit/(loss)	4,704,047,284.97	(32,483,399.99)
Total comprehensive income	4,699,966,930.02	(32,483,399.99)
Net cash flows from operating activities	8,218,108,407.38	(3,151,294,848.14)

Notes to Financial Statements *(continued)*

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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: *(continued)*

2019

	Jidong Development Group Co., Ltd.	Tianjin Building Materials (Holding) Co., Ltd
Current assets	27,497,025,631.33	4,700,897,818.02
Non-current assets	<u>52,897,254,904.52</u>	<u>12,430,527,837.69</u>
Total assets	<u>80,394,280,535.85</u>	<u>17,131,425,655.71</u>
Current liabilities	34,518,648,171.65	6,066,370,764.85
Non-current liabilities	<u>14,345,822,715.01</u>	<u>1,771,268,322.50</u>
Total liabilities	<u>48,864,470,886.66</u>	<u>7,837,639,087.35</u>
Operating revenue	52,849,938,813.85	6,240,472,472.64
Net profit/(loss)	3,764,670,469.03	(688,345,828.34)
Total comprehensive income	3,764,670,469.03	(689,128,734.81)
Net cash flows from operating activities	8,534,238,259.01	141,026,007.35

2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

- a. On 20 February 2020, the Company entered into an Equity Transfer Contract with Sinoma International Engineering Co. Ltd. and Beikong High-Tech Development Co. Ltd. (北控高科技發展有限公司), under which Sinoma International Engineering Co. Ltd and Beikong High-Tech Development Co. Ltd. (北控高科技發展有限公司) agreed to transfer 8,645,700 shares (representing 3% of the total share capital) and 11,906,000 shares (representing 4.17% of the total share capital) of Tongda Refractory Technology Co., Ltd. (hereinafter referred to as "Tongda Refractory") to the Company respectively at the total transfer price of RMB39,390,817.25. Upon completion of the equity transfer, Tongda Refractory became a wholly-owned subsidiary of the Company. The net assets of the Group decreased by RMB39,390,817.25 as a result of such transaction.

Notes to Financial Statements *(continued)*

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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 *(continued)*

- b. On 1 June 2020, Tangshan Jidong Cement Co., Ltd. (hereinafter referred to as "Jidong Cement"), Shaanxi Province Wubu County Yellow River Cement Co., Ltd. (陝西省吳堡縣黃河水泥有限公司) (hereinafter referred to as "Yellow River Company") and Shandong Linqu Shengwei Special Cement Co., Ltd. (山東臨朐勝濰特種水泥有限公司) (hereinafter referred to as "Shengwei Company") entered into an Equity Transfer Contract, under which Jidong Cement agreed to purchase 30.72% equity interest in Wubu Jidong Special Cement Co., Ltd. (吳堡冀東特種水泥有限公司) (hereinafter referred to as "Wubu Cement") held by Yellow River Company at a consideration of RMB36,977,141.76 and 11.40% equity interest in Wubu Cement held by Shengwei Company at a consideration of RMB13,721,986.20. Upon completion of the transaction, Wubu Cement became a wholly-owned subsidiary of Jidong Cement. The net asset of the Group decreased by RMB50,699,127.96 as a result of such transaction.
- c. On 17 September 2020, BBMG Jidong Cement (Tangshan) Co., Ltd. (hereinafter referred to as "BBMG Jidong Cement") and Tianjin Jintou Jinsha Real Estate Development Co., Ltd. (hereinafter referred to as "Tianjin Jintou"), Tianjin Jinrong Investment Services Group Co., Ltd. (hereinafter referred to as "Tianjin Jinrong"), Tianjin Anju Development Co., Ltd. (hereinafter referred to as "Tianjin Anju") and China Cinda Assets Management Co., Ltd. (hereinafter referred to as "China Cinda Assets Management") entered into an Equity Transfer Contract, under which BBMG Jidong Cement will acquire 2.55% equity interests of Tianjin BBMG Zhenxing Environmental Technology Co., Ltd (hereinafter referred to as "Tianjin BBMG Zhenxing") held by Tianjin Jintou at a transaction consideration of RMB24,352,435, 4.35% equity interests held by Tianjin Jinrong at a transaction consideration of RMB41,464,820, 6.90% equity interests held by Tianjin Anju at a transaction consideration of RMB65,816,979, and 0.02% equity interests held by China Cinda Assets Management at a transaction consideration of RMB164,943. Upon completion of the transaction, BBMG Jidong Cement holds 75.91% equity interests in Tianjin BBMG Zhenxing. Such transaction resulted in a decrease in net assets of the Group by RMB131,799,177.00.
- d. On 13 July 2020, BBMG Jidong Cement entered into an Equity Transfer Contract with China MCC22 Group Corporation LTD. (hereinafter referred to as "MCC22 Group"), under which BBMG Jidong Cement will acquire 9% equity interests of Tianjin Jidong Cement Co., Ltd. (hereinafter referred to as "Tianjin Jidong Cement") held by MCC 22 Group at a transaction consideration of RMB16,100,993.70. Upon completion of the transaction, Tianjin Jidong Cement became a wholly-owned subsidiary of BBMG Jidong Cement. Such transaction resulted in a decrease in net assets by RMB16,100,993.70.

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	Legal entity	Registered capital	Percentage of shareholding (%)	
					Direct	Indirect
Joint ventures						
STAR-USG Building Materials Co., Ltd.	Dachang County	Production of mineral wool acoustic board, etc.	Contractual joint venture	USD54,520	50.00	–
BBMG TUS Technology Incubator Co., Ltd.	Beijing	Incubating technology business, enterprise management, etc.	Contractual joint venture	8,000.00	–	50.00
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Baoji	Manufacture and sales of cement and clinker, etc.	Contractual joint venture	489,875.00	–	48.11
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Xianyang	Manufacture and sales of cement and clinker, etc.	Contractual joint venture	458,960.00	–	50.00
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	Tangshan	Manufacture and sales of slag fine powder and by-product	Contractual joint venture	200,000.00	–	50.00
Anshan Jidong Cement Co., Ltd.	Anshan	Manufacture and sales of cement and clinker, etc.	Contractual joint venture	300,000.00	–	50.00
Cross Point Trading 274 (Pty) Ltd (RF)	South Africa	Investment in building materials industry	Contractual joint venture	ZAR300,000.00	–	56.10
BBMG Landao Commercial Operation Management Co., Ltd.	Beijing	Enterprise management service: Educational counseling, etc	Contractual joint venture	6,000.00	–	50.00
Hebei Xiong'an Zhitong Technology Co., Ltd. (河北雄安智通科技有限公司)	Baoding	New material technology promotion service and concrete technology development, etc	Contractual joint venture	20,000.00	–	51.00

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	Percentage of shareholding (%)	
				Direct	Indirect
Associates					
Beijing Gaojiang Concrete Co., Ltd.	Beijing	Production of concrete, pumping, etc.	55,000.00	25.00	–
Zehnder (China) Indoor Climate Co., Ltd.	Beijing	Production of radiators, etc.	USD27,500	26.70	–
OCV Reinforcements (Beijing) Co., Ltd.	Beijing	Complete non-standard control of concrete and pumping	276,000.00	20.00	–
Beijing Sinobaide Technology Co., Ltd.	Beijing	Design and production of equipment	10,000.00	–	23.00
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Chengde	Technology research and testing for comprehensive utilization of solid waste, etc.	46,000.00	–	34.78
Tangshan Conch Profiles Co., Ltd.	Tangshan	Manufacture and sales of architectural profiles	160,000.00	40.00	–
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Beijing	Education technology promotion services, etc	10,000.00	–	30.00
Beijing Chenyu Real Estate Development Co., Ltd.	Beijing	Property development and operation, etc.	200,000.00	–	49.00
Toto Machinery (Beijing) Company Limited	Beijing	Production of sanitary ceramics	USD24,000	20.00	–
Beijing Toto Co., Ltd.	Beijing	Production of sanitary ceramics	USD15,000	30.00	–
SINJI TRADING PTE LTD	Singapore	Wholesale and sales of metal and metallic mineral, etc.	SGD800,000	–	40.00
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	Tangshan	Property development and operation, etc.	10,000.00	–	40.00
Changchun Light Rail Jidong Concrete Co., Ltd.	Changchun	Manufacture and sales of commercial concrete, etc.	10,000.00	–	49.00
Jidong Cement Fufeng Transportation Co., Ltd.	Baoji	Automobile transportation, etc.	16,000.00	–	23.75
Jilin Changjitu Investment Co., Ltd.	Jilin	Service industry, etc.	500,000.00	–	30.00
Jilin Cement (Group) Co., Ltd.	Jilin	Manufacture and sales of clinker, cement, etc.	50,000.00	–	28.60
Tianjin Gangbei Concrete Industry Co., Ltd.	Tianjin	Manufacture of cement, ready-mixed concrete and concrete products, etc	20,000.00	–	30.00
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Tianjin	Undertaking the construction of various types of projects, etc.	100,000.00	–	30.00
Tianjin Yaopi Glass Co., Ltd	Tianjin	Manufacture and sale of various types of plate glass, etc	736,166.00	–	22.75
Tianjin Binhai Jiantai Investment Co., Ltd.	Tianjin	Investments in high-tech industry, etc.	156,250.00	–	48.00
Beijing Innovation Industry Investment Co., Ltd. (Note 1)	Beijing	Investment management, asset management, etc.	2,000,000.00	10.00	–
Liaoning Yunding Cement Group Co., Ltd. (遼寧雲鼎水泥集團股份有限公司) (Note 2)	Shenyang	Production and sales of cement clinker	32,990.00	–	3.47

Notes to Financial Statements *(continued)*

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates *(continued)*

The Group adopts the equity method for interests in joint ventures and associates.

Note 1: The Group holds 10% equity interests in Beijing Innovation Industry Investment Co., Ltd., therefore, the Group has a significant influence on it. According to the Articles of Association, the Board of Directors of Beijing Innovation Industry Investment Co., Ltd. consists of 9 directors, of which 2 directors are nominated by State-owned Assets Management Center and the director appointed by State-owned Assets Management Center serves as the Chairman, so it is concluded that the Group has a significant influence.

Note 2: The Group holds 3.47% equity interests in Liaoning Yunding Cement Group Co., Ltd., therefore, the Group has a significant influence on it. According to the Articles of Association, Tangshan Jidong Cement Co., Ltd., a subsidiary of the Group, may dispatch a director to Liaoning Yunding Cement Group Co., Ltd., who can participate in supervisor rotation and appointment. Meanwhile, Tangshan Jidong Cement Co., Ltd. may recommend a deputy general manager to Liaoning Yunding Cement Group Co., Ltd., whom will be hired by Liaoning Yunding Cement Group Co., Ltd. Therefore, it is concluded that the Group has a significant impact.

The following table sets forth the consolidated financial information on joint ventures and associates which are not individually significant to the Group:

	2020	2019
Joint ventures		
Total carrying amount of investments	1,797,155,830.90	1,763,994,864.84
Total amount calculated based on shareholding		
Net profit	431,214,556.49	407,907,584.40
Total comprehensive income	<u>431,214,556.49</u>	<u>407,907,584.40</u>
Associates		
Total carrying amount of investments	2,171,003,176.09	2,224,536,672.42
Total amount calculated based on shareholding		
Net loss	(30,793,937.36)	(19,825,700.43)
Total comprehensive income	<u>(30,793,937.36)</u>	<u>(19,825,700.43)</u>

Notes to Financial Statements *(continued)*

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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:

2020

	Financial assets at fair value with through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Cash and bank balances	-	28,643,885,532.33	-	28,643,885,532.33
Financial assets held for trading	1,117,646,125.53	-	-	1,117,646,125.53
Bills receivable	-	909,259,922.98	-	909,259,922.98
Accounts receivable	-	7,658,458,756.67	-	7,658,458,756.67
Receivables financing	-	-	5,588,223,348.91	5,588,223,348.91
Other receivables	-	6,080,602,255.25	-	6,080,602,255.25
Debt investments	-	782,487,853.43	-	782,487,853.43
Long-term receivables	-	1,078,930,249.19	-	1,078,930,249.19
Investment in other equity instruments	-	-	580,376,487.41	580,376,487.41
	<u>1,117,646,125.53</u>	<u>45,153,624,569.85</u>	<u>6,168,599,836.32</u>	<u>52,439,870,531.70</u>

Notes to Financial Statements *(continued)*

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

2019

	Financial assets at fair value with through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Cash and bank balances	–	21,325,042,578.37	–	21,325,042,578.37
Financial assets held for trading	1,015,278,286.73	–	–	1,015,278,286.73
Bills receivable	–	5,202,609,351.30	–	5,202,609,351.30
Accounts receivable	–	8,001,473,532.63	–	8,001,473,532.63
Receivables financing	–	–	501,846,392.39	501,846,392.39
Other receivables	–	7,636,127,559.99	–	7,636,127,559.99
Debt investments	–	206,933,697.53	–	206,933,697.53
Long-term receivables	–	1,021,971,024.22	–	1,021,971,024.22
Investment in other equity instruments	–	–	382,047,682.07	382,047,682.07
	<u>1,015,278,286.73</u>	<u>43,394,157,744.04</u>	<u>883,894,074.46</u>	<u>45,293,330,105.23</u>

	2020 Financial liabilities at amortised costs	2019 Financial liabilities at amortised costs
Short-term loans	30,823,388,385.20	37,217,682,474.50
Bills payable	1,779,326,807.47	1,976,142,322.65
Accounts payable	18,082,453,566.59	17,701,948,542.45
Other payables	7,141,060,053.62	7,913,766,387.50
Non-current liabilities due within one year	14,967,779,666.16	20,319,530,862.57
Long-term borrowings	37,777,329,363.48	35,787,401,022.47
Bonds payable	31,571,846,083.37	27,460,996,718.14
Short-term financing bonds payable	1,599,273,452.96	3,298,801,089.25
Long-term payables	19,162,220.69	17,818,306.88
Lease liabilities	458,329,649.60	317,196,853.52
	<u>144,219,949,249.14</u>	<u>152,011,284,579.93</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets

Financial assets transferred but not yet fully derecognised

As at 31 December 2020, the Group endorsed undue bank acceptance bills and commercial acceptance bills with a carrying amount of RMB1,870,804,890.44 and RMB418,961,031.57 respectively (31 December 2019: RMB473,681,992.67 and RMB430,996,203.28) to its suppliers for settlement of accounts payable, and discounted bank acceptance bills with a carrying amount of RMB19,250,000.00 (31 December 2019: bank acceptance bills of RMB92,052,474.50) to the banks. 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 in full and the settled accounts payable or short-term loans associated therewith. 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 2020, the carrying amount of accounts payable settled or short-term loans secured by the Group through these financial assets amounted to RMB2,289,765,922.01 and RMB19,250,000.00 respectively (31 December 2019: RMB904,678,195.95 and RMB92,052,474.50).

Transferred financial assets fully derecognised but with continuing involvement

As at 31 December 2020, the carrying amount of undue bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks by the Group was RMB7,515,622,642.80 (31 December 2019: RMB11,120,570,111.16, including the portion included in bills receivable and receivables financings). As at 31 December 2020, 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 2020, 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 period.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

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. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control of the Group.

As the counterparties of cash and bank balances and bank acceptance bills receivable are banks with good reputations and higher credit ratings, 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.

The maximum credit risk exposure of the Group on each balance sheet date is the total amount charged to customers less the amount after deducing impairment provision.

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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

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:

- (1) 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;
- (2) 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:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) 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;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

Definition of credit-impaired asset *(continued)*

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.

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.

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.

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 RMB76.11 billion as at 31 December 2020, of which approximately RMB35.89 billion remained unused.

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Financial Instruments Risks (continued)

Liquidity risk (continued)

The table below summarises the maturity analysis of financial liabilities based on the undiscounted contractual cash flows:

2020

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable	1,779,326,807.47	-	-	-	1,779,326,807.47
Accounts payable	18,082,453,566.59	-	-	-	18,082,453,566.59
Other payables	7,141,060,053.62	-	-	-	7,141,060,053.62
Long-term payables	39,567,383.08	-	-	19,162,220.69	58,729,603.77
Short-term loans	31,386,755,506.19	-	-	-	31,386,755,506.19
Long-term loans	7,739,339,339.72	12,605,990,040.87	16,146,399,916.46	15,748,508,591.23	52,240,237,888.27
Short-term financing bonds	1,630,334,426.23	-	-	-	1,630,334,426.23
Bonds payable	7,386,198,465.00	5,855,840,000.00	25,648,380,000.00	9,296,550,000.00	48,186,968,465.00
Lease liabilities	128,636,546.31	156,218,989.99	174,769,308.06	277,772,746.82	737,397,591.18
	75,313,672,094.21	18,618,049,030.86	41,969,549,224.52	25,341,993,558.74	161,243,263,908.33

2019

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable	1,976,142,322.65	-	-	-	1,976,142,322.65
Accounts payable	17,701,948,542.45	-	-	-	17,701,948,542.45
Other payables	7,913,766,387.50	-	-	-	7,913,766,387.50
Long-term payables	39,567,383.08	7,556,101.88	-	10,262,205.00	57,385,689.96
Short-term loans	37,225,539,829.39	-	-	-	37,225,539,829.39
Long-term loans	13,248,627,751.40	9,584,887,308.67	13,304,893,096.27	12,971,215,195.90	49,109,623,352.24
Short-term financing bonds	3,332,030,611.11	-	-	-	3,332,030,611.11
Bonds payable	7,417,923,877.71	8,382,138,465.00	20,898,480,833.33	1,562,576,250.00	38,261,119,426.04
Lease liabilities	123,067,596.23	97,142,312.07	170,773,016.39	136,568,493.08	527,551,417.77
	88,978,614,301.52	18,071,724,187.62	34,374,146,945.99	14,680,622,143.98	156,105,107,579.11

Notes to Financial Statements *(continued)*

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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.

2020

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	100.00	(23,664,729.27)	-	(23,664,729.27)

2019

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	100.00	(29,026,984.96)	-	(29,026,984.96)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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 and ZAR.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of USD against RMB, with all other variables held constant, with respect to the impact on net profit or loss and net other comprehensive income after tax.

2020

	Increase/ (decrease) in exchange rate%	Increase/ (decrease) in net profit or loss	Increase/(decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
USD appreciation against RMB	1.00	3,449,536.96	-	3,449,536.96

2019

	Increase/ (decrease) in exchange rate%	Increase/ (decrease) in net profit or loss	Increase/(decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
USD appreciation against RMB	1.00	3,381,924.44	-	3,381,924.44

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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. The Group is not subject to any externally imposed capital requirements. During 2020 and 2019, 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:

	2020	2019
Total liabilities	196,896,196,534.25	199,592,405,277.06
Total assets	291,352,383,389.90	282,123,755,708.33
Debt ratio	67.58	70.75

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

Hierarchies of fair value

2020

	Input used for the measurement of fair value			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held for trading	11,334,400.00	1,106,311,725.53	–	1,117,646,125.53
Receivables financing	–	5,588,223,348.91	–	5,588,223,348.91
Investment in other equity instruments	336,295,340.80	–	244,081,146.61	580,376,487.41
Investment properties	–	943,927,250.00	28,381,891,596.64	29,325,818,846.64
	347,629,740.80	7,638,462,324.44	28,625,972,743.25	36,612,064,808.49

2019

	Input used for the measurement of fair value			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held for trading	14,243,900.00	1,001,034,386.73	–	1,015,278,286.73
Receivables financing	–	501,846,392.39	–	501,846,392.39
Investment in other equity instruments	346,058,753.92	–	35,988,928.15	382,047,682.07
Investment properties	–	943,498,270.00	26,596,109,404.53	27,539,607,674.53
	360,302,653.92	2,446,379,049.12	26,632,098,332.68	29,438,780,035.72

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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, accounts receivable, receivables financing, 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, lease liabilities 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 2020, the Group's exposure to non-performance risk associated with the long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables is assessed as insignificant.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Assets and Liabilities disclosed at fair value *(continued)*

2020

	Input used for the measurement of fair value			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Debt investment	–	–	782,487,853.43	782,487,853.43
Long-term receivables	–	–	1,078,930,249.19	1,078,930,249.19
Long-term loans	–	–	37,777,329,363.48	37,777,329,363.48
Bonds payable	–	–	31,571,846,083.37	31,571,846,083.37
Lease liabilities	–	–	458,329,649.60	458,329,649.60
Long-term payables	–	–	19,162,220.69	19,162,220.69
	–	–	71,688,085,419.76	71,688,085,419.76

2019

	Input used for the measurement of fair value			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Debt investments	–	–	206,933,697.53	206,933,697.53
Long-term receivables	–	–	1,021,971,024.22	1,021,971,024.22
Long-term loans	–	–	35,787,401,022.47	35,787,401,022.47
Bonds payable	–	–	27,460,996,718.14	27,460,996,718.14
Lease liabilities	–	–	317,196,853.52	317,196,853.52
Long-term payables	–	–	17,818,306.88	17,818,306.88
	–	–	64,812,317,622.76	64,812,317,622.76

The fair values of listed equity instruments are determined on the basis of market prices. The fair values of investments in unlisted available-for-sale equity instruments have been estimated using a market multiple approach.

Notes to Financial Statements *(continued)*

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IX. DISCLOSURE OF FAIR VALUE *(continued)*

3. Valuation of fair value

Following is a comparison between carrying values and fair values of various categories of financial instruments of the Group other than the financial instruments with a minor difference between carrying value and fair value:

The following table sets forth the changes in Level 2 and Level 3 fair value of the investment properties of the Group in 2020:

	Commercial properties Level 2	Commercial properties Level 3
Value as at 31 December 2019	943,498,270.00	26,596,109,404.53
Acquisition for the year	–	991,321,039.92
Transfer from fixed-assets	–	16,447,976.23
Disposal for the year	–	(16,760,119.59)
Removed from investment properties	–	(7,000,000.00)
Changes in fair value	<u>428,980.00</u>	<u>801,773,295.55</u>
Closing balance	<u>943,927,250.00</u>	<u>28,381,891,596.64</u>

Details of removed from investment properties are set out in Note V. 15.

In 2020, 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 2020:

Valuation method	Significant unobservable inputs	Range of variation
Income approach	Unit rental (RMB/sq.m./day)	0.55-7.62
	Return on investment within the lease term	1.5%-8%
	Return on investment outside the lease term	1.5%-8.5%

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.

Notes to Financial Statements (continued)

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IX. DISCLOSURE OF FAIR VALUE (continued)

4. Adjustment on fair values measurement

Information on adjustment of persistent measurement of level-3 fair value is as follows:

2020

	Opening balance	Transfer into level 3	Transfer out of level 3	Total profit or loss for the current period		Purchase	Sale	Closing balance
				Included in profit or loss	Included in other comprehensive income			
Equity instrument investment	35,988,928.15	-	-	-	442,074.87	215,283,117.42	(7,632,973.83)	244,081,146.61
Investment properties	26,596,109,404.53	16,447,976.23	(7,000,000.00)	801,773,295.55	-	991,321,039.92	(16,760,119.59)	28,381,891,596.64
	26,632,098,332.68	16,447,976.23	(7,000,000.00)	801,773,295.55	442,074.87	1,206,604,157.34	(24,393,093.42)	28,625,972,743.25

2019

	Opening balance	Transfer into level 3	Transfer out of level 3	Total profit or loss for the current period		Purchase	Sale	Closing balance
				Included in profit or loss	Included in other comprehensive income			
Equity instrument investment	37,110,477.63	-	-	-	(1,121,549.48)	-	-	35,988,928.15
Investment properties	19,626,765,933.02	864,008,947.96	(167,400,000.00)	741,245,895.49	-	5,602,837,661.53	(71,349,033.47)	26,596,109,404.53
	19,663,876,410.65	864,008,947.96	(167,400,000.00)	741,245,895.49	(1,121,549.48)	5,602,837,661.53	(71,349,033.47)	26,632,098,332.68

Notes to Financial Statements *(continued)*

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

Parent company name	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	35,000,000.00	44.93	44.93

2. Subsidiaries

For details on the subsidiaries, please refer to Note VII. 1. Interests in the subsidiaries.

3. Joint ventures and associates

For details on the joint ventures and associates, please refer to Note VII.3.

4. Other related parties

	Relationship with related parties
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	Associates
Beijing XinYuan Concrete Co., Ltd.	Associates
Fuxin Jidong Xianghe Concrete Co., Ltd.	Associates
Tianjin Shengxiang Plastic Business Management Co., Ltd.	Associates
Xianyang Jidong High-New Concrete Co., Ltd.	Associates
Zhangjiakou Xingpai Youshiji Building Materials Co., Ltd. (張家口星牌優時吉建築材料有限公司)	Associates
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Joint venture
Mamba Cement Company (Pty) Ltd (RF)	Subsidiary of a joint venture
Tianjin Binhai New Area Daxin Investment Co., Ltd.	Subsidiary of an associate

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

(1) Transactions concerning goods and services with related parties

Purchase of goods and receipt of services from related parties

	Type of goods or services	2020	2019
Purchase of goods and receipt of services from related parties			
Transactions with joint ventures and associates			
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	Purchase of raw materials	18,928,255.19	9,849,112.93
Tangshan Conch Profiles Co., Ltd.	Purchase of raw materials	12,613,150.41	–
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Purchase of raw materials	5,606,940.00	1,360,000.00
Anshan Jidong Cement Co., Ltd.	Purchase of raw materials	4,672,031.44	38,912,831.87
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Purchase of raw materials	4,325,281.57	3,339,010.90
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Purchase of raw materials	3,103,064.81	2,552,085.16
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Receipt of services	2,833,405.32	5,714,295.41
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Purchase of raw materials	2,477,397.01	1,038,827.09
Jidong Cement Fufeng Transportation Co., Ltd.	Purchase of raw materials	1,214,334.71	2,778,276.64
Jilin Cement (Group) Co., Ltd.	Purchase of raw materials	–	21,732,091.70
Zehnder (China) Indoor Climate Co., Ltd.	Purchase of commodities	–	2,030,041.24
Tianjin Yaopi Glass Co., Ltd	Purchase of raw materials	–	443,637.42
		55,773,860.46	89,750,210.36
Transactions with other related parties			
Beijing Jinyu Scien-tech School	Receipt of training services	–	865,822.19
Beijing Jianmao Property Management Co., Ltd.	Receipt of services	–	696,000.00
		–	1,561,822.19

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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)*

Sale of goods and rendering of services to related parties

	Type of goods or services	2020	2019
Transactions with joint ventures and associates			
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Sale of goods/rendering of services	244,065,479.99	251,360,027.60
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Sale of goods/rendering of services	267,030,872.67	231,207,404.69
Anshan Jidong Cement Co., Ltd.	Sale of goods/rendering of services	76,086,018.85	80,804,034.05
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Sale of goods/rendering of services	10,596,866.63	6,261,759.15
Mamba Cement Company (Pty) Ltd (RF)	Sale of goods	9,090,433.85	7,382,659.67
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	4,885,883.17	34,586,256.35
Jidong Cement Fufeng Transportation Co., Ltd.	Sale of goods/rendering of services	4,100,744.06	8,093,103.30
Tangshan Caofeidian Dunshi New Building Material Co., Ltd	Sale of goods/rendering of services	1,990,241.49	19,180,605.59
Changchun Light Rail Jidong Concrete Co., Ltd.	Sale of goods/rendering of services	476,953.86	3,463,315.35
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Sale of goods/rendering of services	138,301.74	2,253,698.14
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	5,000.00	7,656,314.09
STAR-USG Building Materials Co., Ltd.	Sale of goods	2,654.87	445,114.09
Jilin Cement (Group) Co., Ltd.	Sale of goods	-	660,772,533.26
Beijing Xinyuan Concrete Co., Ltd.	Sale of goods	-	599,400.00
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Rendering of services	-	75,000.00
Tangshan Conch Profiles Co., Ltd.	Sale of goods	-	57,454.86
		618,469,451.18	1,314,198,680.19
Transactions with other related parties			
Beijing Dacheng Real Estate Development Co., Ltd.	Property service	-	18,867.93
Beijing BBMG Assets Management Co., Ltd.	Property service	-	-
Handan Hanni Building Materials Co., Ltd.	Sale of goods	-	-
		-	18,867.93

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 2020
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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	2020 Rental income	2019 Rental income
STAR-USG Building Materials Co., Ltd.	Building	9,054,129.84	5,285,596.63
Zhangjiakou Xingpai Youshiji Building Materials Co., Ltd. (張家口星牌優時吉建築材料有限公司)	Building	783,163.83	978,553.92
Beijing Dacheng Real Estate Development Co., Ltd.	Building	–	1,763,705.72
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Building	–	382,801.68
Changchun Light Rail Jidong Concrete Co., Ltd.	Equipment	–	6,607.80
		9,837,293.67	8,417,265.75

As lessee

Name of the lessor	Category of leased assets	2020 Leasing expenses	2019 Leasing expenses
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Building	506,895.57	–
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Building	400,000.00	–
Jidong Cement Fufeng Transportation Co., Ltd.	Building	75,663.66	–
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Building	29,734.50	–
Beijing Xisha Assets Management Co., Ltd.	Site	–	923,466.67
Beijing Dacheng Real Estate Development Co., Ltd.	Building	–	33,333.33
		1,012,293.73	956,800.00

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 2020
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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

2019

	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
	Beijing BBMG Assets Management Co., Ltd.	600,000,000.00	20 April 2017	19 April 2022	No
	Beijing BBMG Assets Management Co., Ltd.	200,000,000.00	27 May 2017	26 May 2022	No
		<u>800,000,000.00</u>			

The above-mentioned related parties provide guarantees in respect of borrowings for the Group at nil consideration.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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 by related parties

2020

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	25 November 2020	25 November 2021	No
Jidong Cement	Anshan Jidong Cement	32,000,000.00	31 December 2020	30 July 2021	No
		<u>52,000,000.00</u>			

2019

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement	2,400,000.00	31 July 2019	31 January 2020	No
Jidong Cement	Anshan Jidong Cement	3,600,000.00	13 August 2019	13 February 2020	No
Jidong Cement	Anshan Jidong Cement	20,000,000.00	12 November 2019	11 November 2020	No
Jidong Cement	Anshan Jidong Cement	18,000,000.00	17 December 2019	16 December 2020	No
Jidong Cement	Anshan Jidong Cement	14,000,000.00	18 December 2019	17 December 2020	No
		<u>58,000,000.00</u>			

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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

Borrowings

2020

	Amount of lending/borrowing	Commencement date	Maturity date
BSCOMC	40,000,000.00	29 July 2020	29 July 2021
BSCOMC	130,500,000.00	29 December 2020	29 December 2021
BSCOMC	12,000,000.00	28 December 2020	28 December 2021
BSCOMC	20,550,000.00	20 October 2020	20 October 2021
BSCOMC	110,000,000.00	28 June 2020	27 June 2021
BSCOMC	99,600,000.00	23 November 2020	23 November 2021
	412,650,000.00		

2019

	Amount of lending/borrowing	Commencement date	Maturity date
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	30 January 2019	25 January 2020
BSCOMC	110,000,000.00	27 June 2019	27 June 2020
BSCOMC	40,000,000.00	30 July 2019	29 July 2020
BSCOMC	99,600,000.00	22 November 2019	21 November 2020
BSCOMC	20,550,000.00	12 October 2019	12 October 2020
BSCOMC	12,000,000.00	27 December 2019	27 December 2020
	363,150,000.00		

Lending:

As at 31 December 2020, the outstanding lending to Beijing Chenyu Real Estate Development Co., Ltd. amounted to RMB2,745,690,887.15 at an interest rate of 6.50% per annum (2019: RMB2,718,779,938.43, at an interest rate of 6.50% per annum) during the first three quarters of the year. The fourth quarter was bearing no interest.

In 2020, there was no new lending to Cross Point Trading 274 (Pty) Ltd (RF). As at 31 December 2020, the outstanding lending amounted to RMB222,613,029.16, and the interest rate was 9%-10.5% per annum (2019: RMB218,837,214.27 at an annual interest rate of 9%-10.5%).

In 2020, there was no new lending to Mamba Cement Company (Pty) Ltd (RF). As at 31 December 2020, the outstanding lending amounted to RMB99,541,884.87 at an interest rate of 9%-10.5% per annum (2019: RMB98,463,113.00 at an annual interest rate of 9%-10.5%).

As at 31 December 2020, the Group's outstanding lending to STAR-USG Building Materials Co., Ltd. was RMB49,461,972.00 (31 December 2019: RMB81,315,040.00) at an annual interest rate of 4.35% (2019: 4.35%).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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:

	2020	2019
Beijing Chenyu Real Estate Development Co., Ltd.	132,869,094.24	289,016,905.30
Cross Point Trading 274 (Pty) Ltd (RF)	15,008,672.94	21,808,919.44
Mamba Cement Company (Pty) Ltd (RF)	6,661,931.53	9,687,426.01
STAR-USG Building Materials Co., Ltd.	3,086,145.43	2,617,846.55
	157,625,844.14	323,131,097.30

Interest expenses from borrowing:

	2020	2019
BSCOMC	9,089,967.83	6,140,189.33
Beijing Dacheng Real Estate Development Co., Ltd.	-	6,940,957.03
Beijing BBMG Assets Management Co., Ltd.	-	3,536,774.61
	9,089,967.83	16,617,920.97

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties

(1) Financing receivable

	2020	2019
Due from joint ventures		
Jidong Cement Fufeng Transportation Co., Ltd.	–	2,700,000.00
Jilin Cement (Group) Co., Ltd.	–	200,000.00
	–	2,900,000.00
Due from associates		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	495,939.00	16,337,972.66
Anshan Jidong Cement Co., Ltd.	300,000.00	3,320,418.58
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	–	8,792,000.00
	795,939.00	28,450,391.24
	795,939.00	31,350,391.24

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(2) Accounts receivable

	2020	2019
Due from associates		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	20,470,206.44	12,783,060.19
Tianjin Gangbei Concrete Industry Co., Ltd.	10,606,551.29	10,606,551.29
Beijing Gaoqiang Concrete Co., Ltd.	2,193,762.85	–
Jidong Cement Fufeng Transportation Co., Ltd.	435,660.94	426,756.44
Beijing Xinyuan Concrete Co., Ltd.	359,590.47	1,306,417.15
Xianyang Jidong High-New Concrete Co., Ltd.	10,000.00	10,000.00
OCV Reinforcements (Beijing) Co., Ltd.	2,180.00	2,180.00
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	–	4,230,282.84
Changchun Light Rail Jidong Concrete Co., Ltd.	–	2,650.00
Fuxin Jidong Xianghe Concrete Co., Ltd.	–	2,000.00
	34,077,951.99	29,369,897.91
Due from joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	7,775,565.20	9,808,864.39
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	6,741,436.60	7,997,539.76
Mamba Cement Company (Pty) Ltd (RF)	4,374,318.67	2,154,341.81
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	1,929,746.27	4,380,708.90
Anshan Jidong Cement Co., Ltd.	423,065.56	2,570,692.18
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	14,050.94	222,174.56
STAR-USG Building Materials Co., Ltd.	3,780.00	–
	21,261,963.24	27,134,321.60
	55,339,915.23	56,504,219.51

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(3) Prepayments

	2020	2019
Prepayments to associates		
Zehnder (China) Indoor Climate Co., Ltd.	747,941.26	880,677.17
Tianjin Yaopi Glass Co., Ltd	–	195,869.35
	747,941.26	1,076,546.52
Prepayments to joint ventures		
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	1,376,480.77	167,726.09
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	106,871.50	3,581,384.80
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	66,859.14	167,618.90
Anshan Jidong Cement Co., Ltd.	2,060.00	1,923,031.53
	1,552,271.41	5,839,761.32
	2,303,086.27	6,916,307.84

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(4) Other receivables

	31 December 2020	31 December 2019
Due from associates		
Beijing Chenyu Real Estate Development Co., Ltd.	2,483,873,584.16	2,607,821,533.18
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	442,813,797.00	450,900,606.98
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	10,353,000.00	11,537,617.00
Beijing Xinyuan Concrete Co., Ltd.	96,015.25	97,630,638.43
Zehnder (China) Indoor Climate Co., Ltd.	9,500.00	9,500.00
Fuxin Jidong Xianghe Concrete Co., Ltd.	-	84,298,723.45
Tianjin Binhai New Area Daxin Investment Co., Ltd.	-	28,152,625.36
Changchun Light Rail Jidong Concrete Co., Ltd.	-	5,840,137.34
Beijing Sinobaide Technology Co., Ltd.	-	690,000.00
Beijing Toto Co., Ltd.	-	85,120.54
Jilin Cement (Group) Co., Ltd.	-	2,627.43
	2,937,145,896.41	3,286,969,129.71
Due from joint ventures		
STAR-USG Building Materials Co., Ltd.	49,538,070.68	81,419,303.40
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	3,595,324.20	22,000.00
BBMG Landao Commercial Operation Management Co., Ltd.	1,162,500.00	1,162,500.00
Anshan Jidong Cement Co., Ltd.	20,000.00	-
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	-	50,000.00
	54,315,894.88	82,653,803.40
	2,991,461,791.29	3,369,622,933.11

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(5) Long-term receivables

	2020	2019
Due from an associate		
Beijing Chenyu Real Estate Development Co., Ltd.	–	110,958,405.25
Due from joint ventures		
Cross Point Trading 274 (Pty) Ltd (RF)	222,613,029.16	218,837,214.27
Mamba Cement Company (Pty) Ltd (RF)	99,541,884.87	98,463,113.70
	322,154,914.03	317,300,327.97
	322,154,914.03	428,258,733.22

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(6) Accounts payable

	2020	2019
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	3,352,685.07	307,067.88
Zehnder (China) Indoor Climate Co., Ltd.	738,214.70	96,000.00
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	417,628.95	150,000.00
Beijing Chenyu Real Estate Development Co., Ltd.	307,067.88	9,158.17
Jidong Cement Fufeng Transportation Co., Ltd.	201,872.61	17,428.53
Beijing Xinyuan Concrete Co., Ltd.	96,015.25	96,015.25
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	-	2,229,605.11
OCV Reinforcements (Beijing) Co., Ltd.	-	3,800.00
	5,113,484.46	2,909,074.94
Due to joint ventures		
Anshan Jidong Cement Co., Ltd.	1,139,027.94	6,167,951.56
STAR-USG Building Materials Co., Ltd.	91,854.22	1,365,228.70
Sinoma International Engineering Co. Ltd.	70,000.00	-
Sinoma (Henan) Environmental Protection Co., Ltd.(河南中材環保有限公司)	50,000.00	-
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	3,641.09	844,212.06
	1,354,523.25	8,377,392.32
	6,468,007.71	11,286,467.26

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(7) Contract liabilities

	2020	2019
Associates		
Beijing Gaoqiang Concrete Co., Ltd.	10,306,697.56	8,112,934.71
OCV Reinforcements (Beijing) Co., Ltd.	5,400.00	5,400.00
	10,312,097.56	8,118,334.71
Joint ventures		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	3,693,767.69	1,330,747.86
Anshan Jidong Cement Co., Ltd.	1,062,429.52	1,615,149.25
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	1,594,221.27	367,364.85
Jidong Cement Fufeng Transportation Co., Ltd.	3,000.00	3,000.00
	6,353,418.48	3,316,261.96
	16,665,516.04	11,434,596.67

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(8) Other payables

	2020	2019
Due to associates		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	28,530,000.00	52,237,279.00
Tianjin Shengxiang Plastic Business Management Co., Ltd.	1,286,323.95	4,916,172.95
OCV Reinforcements (Beijing) Co., Ltd.	164,200.00	159,200.00
Beijing Sinobaide Technology Co., Ltd.	8,342.79	–
Tianjin Gangbei Concrete Co., Ltd.	–	1,400,000.00
Tangshan Conch Profiles Co., Ltd.	–	2,967.00
Beijing Xinyuan Concrete Co., Ltd.	–	2,200.25
Xianyang Jidong High-New Concrete Co., Ltd.	–	282.12
	29,988,866.74	58,718,101.32
Due to joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	93,788.58	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	46,730.98	47,499.00
	140,519.56	47,499.00
	30,129,386.30	58,765,600.32

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(9) Short-term loans

	2020	2019
BSCOMC	412,650,000.00	282,150,000.00
Beijing BBMG Assets Management Co., Ltd.	–	81,000,000.00
	412,650,000.00	363,150,000.00

Except for the balances of short-term loans and of due from STAR-USG Building Materials Co., Ltd. and Beijing Chenyu Real Estate Development 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.

7. Transactions with other related parties

In 2020, upon approval of the Board of the Company, the Company donated RMB10,000,000 to BBMG Foundation, and Tangshan Jidong Cement Co., Ltd. donated RMB5,000,000 to BBMG Foundation. The Group 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.

8. Remuneration for key management personnel

	2020	2019
Remuneration for key management personnel	6,470,261.46	5,085,778.86

Notes to Financial Statements (continued)

For the year ended 31 December 2020
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XI. CONTINGENCIES

		2020	2019
Provision of guarantee on housing mortgage to third parties	Note 1	9,895,528,540.97	8,583,893,305.90
Provision of guarantee on loans and others to third parties	Note 2	935,000,000.00	1,000,000,000.00
		10,830,528,540.97	9,583,893,305.90

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: Jidong Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB935,000,000.00 for Tangshan Culture & Tourism Investment Group Co., Ltd. (唐山市文化旅遊投資集團有限公司). The Guarantee will expire on 21 May 2029.

XII. COMMITMENTS

		2020	2019
Asset acquisition or construction contracts entered into but not completed		1,086,398,279.13	149,181,143.13
Property development contracts entered into and being executed or will be executed		7,261,767,509.25	2,638,777,513.45
		8,348,165,788.38	2,787,958,656.58

XIII. EVENTS AFTER BALANCE SHEET DATE

- As considered and approved by the thirty-first meeting of the fifth session of the Board of Directors held on 25 March 2021, the Company intended to distribute a cash dividend of RMB0.06 (tax inclusive) per share, amounting to RMB640,666,268.04 in total, to all shareholders based on total share capital of 10,677,771,134 shares as at the end of 2020.
- As considered and approved by the second meeting of the ninth session of the Board of Directors held on 16 March 2021, Tangshan Jidong Cement Co., Ltd., a subsidiary of the Company, intended to distribute a cash dividend of RMB5 (tax inclusive) per 10 shares, amounting to RMB673,761,457 in total, to all shareholders based on total share capital of 1,347,522,914 shares as at the end of 2020.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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XIV. OTHER SIGNIFICANT MATTERS

1. Lease

(1) *As lessor*

Operating leases

Operating leases: according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable leases are as follows:

	2020	2019
Within 1 year (inclusive of 1 year)	159,326,261.64	473,682,439.35
1 to 2 years (inclusive of 2 years)	388,278,819.78	346,714,675.07
2 to 3 years (inclusive of 3 years)	307,437,327.48	308,103,367.60
3 to 4 years (inclusive of 4 years)	296,331,704.37	297,978,941.97
4 to 5 years (inclusive of 5 years)	277,881,791.53	228,728,028.12
Over 5 years	1,084,129,944.18	999,506,395.46
	2,513,385,848.98	2,654,713,847.57

Please refer to Note V. 15 and 16 for details of investment properties and fixed assets leased under operating leases.

(2) *As lessee*

Supplementary information on lease expenses

The Group adopted simplified treatment on short-term leases and leases of low-value assets, and did not recognize the right-of-use assets and lease liabilities. The short-term leases, low-value assets and variable lease payments not included in the measurement of lease liabilities are included in the expenses in the current period as follows:

	2020	2019
Interest expense of leasing liabilities	33,321,044.75	22,515,981.12
Expenses relating to short-term leases accounted for current profit or loss under the simplified approach	287,452,655.06	42,685,962.77
Lease expenses relating to low value asset accounted for current profit or loss under the simplified approach (other than short-term leases)	36,385,414.72	1,567,372.83
Income from sub-leasing right-of-use assets	6,325,720.56	6,311,343.90
Total cash outflow for leases	479,663,196.64	576,390,576.87

Renewal option and termination option

In 2020, the Group recognized decrease in lease liabilities of RMB25,588,882.82(2019: decrease of RMB88,402,512.16), which was due to changes in lease term resulting from changes in the evaluation results or actual exercise of the renewal option or termination option.

Notes to Financial Statements *(continued)*

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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting

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 2020
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

2020

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/Liabilities/Expenses of the Headquarters	Adjustment and set-off	Total
Revenue from external transactions	41,316,648,584.79	31,437,454,229.12	31,350,979,592.74	3,899,801,944.70	-	-	108,004,884,351.35
Revenue from inter-segment transactions	1,132,418,329.76	1,738,033,872.37	974,484.00	736,975,520.92	-	(3,608,402,207.05)	-
	42,449,066,914.55	33,175,488,101.49	31,351,954,076.74	4,636,777,465.62	-	(3,608,402,207.05)	108,004,884,351.35
Gains on investment in joint ventures and associates	374,611,841.96	29,080,766.57	(31,488,062.83)	28,216,073.45	-	-	400,420,619.15
Asset impairment losses	(262,373,463.94)	(48,115,030.82)	(253,544,273.12)	(152,980,398.81)	-	-	(717,013,166.69)
Credit impairment losses	(280,690,129.92)	(38,129,772.54)	(5,547,539.47)	(34,802,881.00)	-	-	(359,170,322.93)
Depreciation and amortisation costs	3,763,658,244.44	304,803,647.08	36,971,328.97	393,008,568.96	83,356,929.41	-	4,581,798,718.86
Total profits	5,982,342,511.92	10,765,040.63	1,089,612,818.14	2,248,848,345.32	(1,450,767,115.44)	(86,398,341.11)	7,794,403,259.46
Income tax expense	1,613,859,481.53	42,591,609.92	724,308,453.26	664,245,993.67	(362,691,778.86)	(43,816,071.60)	2,638,497,687.92
Total assets	77,204,464,946.35	14,052,494,191.88	142,716,441,542.71	78,802,742,216.08	1,370,388,971.59	(22,794,148,478.71)	291,352,383,389.90
Total liabilities	39,070,442,756.60	9,991,156,701.74	123,476,237,081.74	21,450,961,451.32	23,671,288,277.09	(20,763,889,734.24)	196,896,196,534.25
Long-term equity investment in joint ventures and associates	2,084,235,170.58	95,596,194.99	951,886,131.20	838,549,010.22	-	-	3,968,159,006.99
Increase in other current assets, excluding long-term equity investment	3,904,029,211.53	708,024,911.05	78,711,250.90	576,845,038.47	-	-	5,267,610,411.95

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

2019

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/Liabilities/Expenses of the Headquarters	Adjustment and set-off	Total
Revenue from external transactions	40,596,553,417.73	24,498,816,331.59	22,190,751,212.69	4,543,190,135.04	-	-	91,829,311,097.05
Revenue from inter-segment transactions	1,232,748,739.60	2,179,611,418.41	-	811,101,639.97	-	(4,223,461,797.98)	-
	41,829,302,157.33	26,678,427,750.00	22,190,751,212.69	5,354,291,775.01	-	(4,223,461,797.98)	91,829,311,097.05
Gains on investment in joint ventures and associates	376,762,482.66	24,406,187.94	(230.82)	(13,086,555.80)	-	-	388,081,883.98
Asset impairment losses	483,278,805.88	131,134,751.56	(1,754,891.35)	29,999,237.85	-	-	642,657,903.94
Credit impairment losses	222,749,107.96	319,839,751.53	762,760.02	(75,444,649.56)	-	-	467,906,969.95
Depreciation and amortisation costs	3,786,616,361.92	268,954,805.31	45,365,270.13	281,300,453.30	85,476,845.19	-	4,467,713,735.85
Total profits	5,483,611,811.33	(1,149,095,057.32)	3,396,936,049.14	2,047,020,534.49	(1,841,987,149.42)	(2,666,140.83)	7,933,820,047.39
Income tax expense	1,324,061,434.39	84,223,312.22	953,604,349.84	854,946,603.72	(460,496,787.35)	(666,535.21)	2,755,672,377.61
Total assets	81,070,517,884.87	14,109,126,858.19	143,937,289,841.84	91,267,880,110.43	1,783,137,260.29	(50,044,196,247.29)	282,123,755,708.33
Total liabilities	44,744,914,691.92	10,467,396,033.06	123,914,643,139.59	50,443,413,837.62	20,009,356,799.53	(49,987,319,224.66)	199,592,405,277.06
Long-term equity investment in joint ventures and associates	2,190,218,086.28	(5,305,654.90)	983,374,194.03	820,244,911.85	-	-	3,988,531,537.26
Increase in other non-current assets (excluding long-term equity investments)	3,283,118,150.87	1,219,077,074.00	60,021,601.56	7,099,792,542.37	-	-	11,662,009,368.80

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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. 50.

Geographic information

	2020	2019
Asia	107,668,850,610.03	91,592,678,583.02
Europe	135,950,487.22	180,604,927.59
Africa	23,915,414.86	31,582,804.82
Others	176,167,839.24	24,444,781.62
	108,004,884,351.35	91,829,311,097.05

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 2020 and 2019, none of the sales income arising from any single customer of the Group exceeds 10% of the Group's revenues.

3. Remuneration for key management personnel

Directors' and supervisors' remuneration for the period, 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:

	2020	2019
Fees	600,000.00	600,000.00
Salaries, allowances and benefits in kind	1,696,464.00	1,401,960.00
Performance related bonuses	3,962,029.62	2,916,437.50
Pension scheme contributions	211,767.84	167,381.36
	6,470,261.46	5,085,778.86

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Remuneration for key management personnel *(continued)*

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the Year are as follows:

	2020	2019
Mr. Wang Guangjin	150,000.00	150,000.00
Mr. Tian Lihui	150,000.00	150,000.00
Mr. Tang Jun	150,000.00	150,000.00
Mr. Ngai Wai Fung	150,000.00	150,000.00
	600,000.00	600,000.00

(2) Executive directors, non-executive directors and supervisors 2020

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors				
Mr. Zeng Jin*	79,064.00	79,064.00	8,493.12	166,621.12
Mr. Jiang Deyi*	133,036.00	543,204.00	13,196.40	689,436.40
Mr. Wu Dong	187,516.00	553,994.90	24,050.88	765,561.78
Mr. Zheng Baojin	187,516.00	534,634.28	24,050.88	746,201.16
	587,132.00	1,710,897.18	69,791.28	2,367,820.46
Non-executive directors				
Mr. Wang Zhaojia*	187,516.00	543,239.00	24,050.88	754,805.88
	187,516.00	543,239.00	24,050.88	754,805.88
Supervisors				
Mr. Guo Yanming*	187,516.00	503,505.44	24,050.88	715,072.32
Mr. Zhang Qicheng*	198,000.00	381,260.00	24,050.88	603,310.88
Mr. Gao Jinliang*	15,500.00	9,300.00	2,123.28	26,923.28
Mr. Zhang Guoliang	192,000.00	342,940.00	24,050.88	558,990.88
Ms. Jiang Yu	136,800.00	147,816.00	19,598.88	304,214.88
Mr. Zhuang Zhenguo*	192,000.00	323,072.00	24,050.88	539,122.88
	921,816.00	1,707,893.44	117,925.68	2,747,635.12
	1,696,464.00	3,962,029.62	211,767.84	5,870,261.46

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Remuneration for key management personnel *(continued)*

(2) Executive directors, non-executive directors and supervisors *(continued)*

2019

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Mr. Jiang Deyi*	244,400.00	629,500.00	23,503.68	897,403.68
Mr. Wu Dong	195,520.00	523,977.50	23,503.68	743,001.18
Mr. Zheng Baojin	195,520.00	528,300.00	23,503.68	747,323.68
	<u>635,440.00</u>	<u>1,681,777.50</u>	<u>70,511.04</u>	<u>2,387,728.54</u>
Mr. Guo Yanming	195,520.00	508,540.00	23,503.68	727,563.68
Mr. Zhang Guoliang	192,000.00	259,680.00	23,503.68	475,183.68
Mr. Zhuang Zhenguo	192,000.00	269,680.00	23,503.68	485,183.68
Ms. Jiang Yu	132,000.00	112,400.00	18,341.28	262,741.28
Ms. Song Lifeng*	55,000.00	84,360.00	8,018.00	147,378.00
	<u>571,000.00</u>	<u>726,120.00</u>	<u>73,366.64</u>	<u>1,370,486.64</u>
	<u>1,401,960.00</u>	<u>2,916,437.50</u>	<u>167,381.36</u>	<u>4,485,778.86</u>

* Mr. Zeng Jin is the chairman of the Company and served as the executive director of the Company since August 2020.

* Mr. Jiang Deyi was transferred out in August 2020 and his salary was paid til August 2020.

* Mr. Wang Zhaojia has served as a non-executive director of the Company since August 2020.

* Mr. Guo Yanming has served as a supervisor of the Company since August 2020.

* Mr. Zhang Qicheng has served as a supervisor of the Company since August 2020.

* Mr. Gao Jingliang has served as a supervisor of the Company since November 2020.

* Mr. Zhuang Zhenguo was transferred to another position in November 2020 and his salary was paid til November 2020.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Remuneration for key management personnel *(continued)*

(3) *Five highest paid employees*

During the year, five highest paid employees are all non-director employees (2019: five non-director employees), the remuneration details of whom are as follows:

	2020	2019
Salaries, allowances and benefits in kind	1,620,000.00	1,487,300.00
Performance related bonuses	6,842,472.32	3,787,923.21
Pension scheme contributions	112,282.56	117,518.40
	8,574,754.88	5,392,741.61

The remuneration distribution of the non-director highest paid employees was as follows:

Remuneration amount of employees	2020	2019
Hong Kong dollar 1,000,001 – 1,500,000	–	5
Hong Kong dollar 1,500,001 – 2,000,000	3	–
Hong Kong dollar 2,000,001 – 2,500,000	1	–
Hong Kong dollar 2,500,001 – 3,000,000	1	–
	5	5

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

	2020	2019
Interests receivable	2,687,490,689.78	2,823,010,176.24
Dividends receivable	1,248,253,769.39	1,210,008,522.92
Amounts due from subsidiaries	73,337,554,703.65	67,638,851,137.31
Due from associates and joint ventures	2,793,747,796.61	2,745,552,948.53
Other current account	269,764,660.61	218,040,900.66
	80,336,811,620.04	74,635,463,685.66
Less: Provision for bad debts of other receivables	23,606,351.62	23,606,351.62
	80,313,205,268.42	74,611,857,334.04

An aging analysis of other receivables is as follows:

	2020	2019
Within 1 year	46,325,631,819.47	30,325,255,793.47
1 to 2 years	16,762,143,905.02	19,282,756,717.59
2 to 3 years	6,834,121,246.02	24,660,015,132.38
3 to 4 years	10,281,906,065.97	193,166,486.78
4 to 5 years	8,176,295.36	50,998,001.96
Over 5 years	124,832,288.20	123,271,553.48
	80,336,811,620.04	74,635,463,685.66
Less: Provision for bad debts of other receivables	23,606,351.62	23,606,351.62
	80,313,205,268.42	74,611,857,334.04

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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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 measured based on the lifetime expected credit loss are as follows:

2020:

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit-impaired financial assets (lifetime expected credit loss)	Total
Opening and closing balance	–	–	23,606,351.62	23,606,351.62

2019:

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit-impaired financial assets (lifetime expected credit loss)	Total
Opening balance	–	–	21,049,616.08	21,049,616.08
Provision for the year	–	–	2,556,735.54	2,556,735.54
Closing balance	–	–	23,606,351.62	23,606,351.62

As at 31 December 2020, 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 for provision
First	49,461,972.00	9,113,985.00	20.05	Partly uncollectible

As at 31 December 2019, 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 for provision
First	81,315,040.00	9,113,985.00	27.08	Partly uncollectible

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables *(continued)*

As at 31 December 2020, the top five of other receivables were as follows:

	Closing balance	Percentage of Proportion (%)	Nature	Aging
First	6,920,000,000.00	8.61	Amounts due from subsidiaries	Within 1 year
Second	6,574,190,800.00	8.18	Amounts due from subsidiaries	Within 1 year, 1-2 years
Third	5,342,364,186.00	6.65	Amounts due from subsidiaries	1-2 years
Fourth	4,375,000,000.00	5.45	Amounts due from subsidiaries	3-4 years
Fifth	3,858,000,000.00	4.80	Amounts due from subsidiaries	Within 1 year, 1-2 years
	27,069,554,986.00	33.69		

As at 31 December 2019, the top five of other receivables were as follows:

	Closing balance	Percentage of Proportion (%)	Nature	Aging
First	5,342,364,186.00	7.15	Amounts due from subsidiaries	Within 1 year
Second	4,375,000,000.00	5.85	Amounts due from subsidiaries	2-3 years
Third	4,289,500,800.00	5.74	Amounts due from subsidiaries	Within 1 year
Fourth	3,964,650,000.00	5.30	Amounts due from subsidiaries	1-2 years
Fifth	3,847,100,000.00	5.15	Amounts due from subsidiaries	1-2 years; 2-3 years
	21,818,614,986.00	29.19		

Notes to Financial Statements (continued)

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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other current assets

	2020	2019
Entrusted loans	1,282,550,000.00	-
Others	2,321,214.75	2,321,214.75
	1,284,871,214.75	2,321,214.75

3. Long-term equity investments

Cost method:

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	0.67	0.67	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	1.00	1.00	-
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	0.96	0.96	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.17	54,556,261.16	-	54,556,261.16	1.00	1.00	-
Tongda Refractory Technology Co., Ltd.	537,421,261.73	498,030,444.48	39,390,817.25	537,421,261.73	0.93	1.00	15,000,000.00
BBMG New Building Materials Industrialization Group Co., Ltd.	3,428,029,200.49	3,428,029,200.49	175,358,791.69	3,603,387,992.18	1.00	1.00	-
Beijing BBMG Xinggang Technology Development Co., Ltd. (北京金隅興港科技發展有限公司)	166,166,021.38	166,166,021.38	-	166,166,021.38	0.68	0.68	1,861,500.00
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	1.00	1.00	7,000,000.00
Beijing Building Materials Academy Co., Ltd.	194,167,784.68	194,167,784.68	-	194,167,784.68	1.00	1.00	-
Beijing Dynea Chemical Industry Co., Ltd.	95,358,791.69	95,358,791.69	(95,358,791.69)	-	1.00	1.00	-
BBMG GEM Real Estate Development Co., Ltd.	6,165,138,411.45	6,165,138,411.45	-	6,165,138,411.45	1.00	1.00	1,375,000,000.00
Krono (Beijing) Woods Co., Ltd.	287,445,693.34	287,445,693.34	-	287,445,693.34	0.30	0.30	-
BBMG Property Management Co., Ltd.	2,746,329,327.93	2,746,329,327.93	-	2,746,329,327.93	1.00	1.00	-
Beijing BBMG Property Development Group Co., Ltd.	6,608,721,838.38	6,608,721,838.38	-	6,608,721,838.38	1.00	1.00	786,000,000.00
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	1.00	1.00	37,000,000.00
BBMG Hong Kong Limited	288,057,387.91	288,057,387.91	-	288,057,387.91	1.00	1.00	61,000,000.00
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	1,000,000,048.47	1,000,000,048.47	700,000,000.00	1,700,000,048.47	1.00	1.00	-
BBMG Finance Co., Ltd.	3,000,000,000.00	3,000,000,000.00	-	3,000,000,000.00	1.00	1.00	283,000,000.00
BBMG Finance Lease Co., Ltd.	393,876,000.00	393,876,000.00	-	393,876,000.00	0.30	0.30	102,000,000.00
Jidong Development Group Co., Ltd.	5,225,000,000.00	5,225,000,000.00	-	5,225,000,000.00	0.55	0.55	-
Beijing Doors and Windows Co., Ltd.	430,370,700.00	430,370,700.00	-	430,370,700.00	1.00	1.00	6,000,000.00
BBMG Sports Culture Co., Ltd.	25,359,900.00	25,359,900.00	-	25,359,900.00	0.67	0.67	-
Tangshan Jidong Cement Co., Ltd.	1,091,264,397.20	1,091,264,397.21	-	1,091,264,397.21	0.24	0.24	47,163,250.50
Tianjin Building Materials (Holding) Co., Ltd.	5,118,176,371.21	5,118,176,371.21	-	5,118,176,371.21	0.55	0.55	-
BBMG Jidong Cement (Tangshan) Co., Ltd.	8,171,903,569.59	8,171,903,569.59	26,264,700.00	8,198,168,269.59	0.56	0.56	1,036,921,800.00
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd.	80,000,000.00	80,000,000.00	(80,000,000.00)	-	1.00	1.00	-
BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd.	1,419,515,156.27	1,419,515,156.27	-	1,419,515,156.27	0.45	0.45	-
Jiangsu Trust-Longyuan No.2 Assemble Fund Trust Plan (江蘇信託-龍元2號集合資金信託計劃)	500,000,000.00	-	500,000,000.00	500,000,000.00	0.20	0.75	11,835,312.06
Total under cost method	47,692,327,584.24	47,152,936,766.99	1,265,655,517.25	48,418,592,284.24			3,769,781,862.56

Notes to Financial Statements *(continued)*

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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

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

Equity method:

	Movements during the year							Carrying amount at the end of the year	
	Opening balance	Increase investment	Decrease investment	Investment profit or loss under equity method	Other comprehensive income	Other changes in equity	Cash dividend declared		Provisions for impairment
Joint ventures									
STAR-USG Building Materials Co., Ltd.	44,224,382.99	-	-	4,431,851.96	-	-	-	-	48,656,234.95
Associates									
Zehnder (China) Indoor Climate Co., Ltd.	103,037,341.90	-	-	3,853,216.51	-	-	-	-	106,890,558.41
OCV Reinforcements (Beijing) Co., Ltd.	71,385,513.95	-	-	739,094.02	-	-	-	-	72,124,607.97
Beijing Gaoqiang Concrete Co., Ltd.	26,284,093.75	-	26,272,086.00	(12,007.75)	-	-	-	-	-
Tangshan Conch Profiles Co., Ltd.	183,608,805.39	-	-	2,909,387.89	-	-	(2,200,000.00)	-	184,318,193.28
Toto Machinery (Beijing) Company Limited	127,711,909.27	-	-	22,203,762.26	-	-	-	-	149,915,671.53
Beijing Toto Co., Ltd.	145,045,601.14	-	-	(55,838.22)	-	-	-	(60,000,000.00)	84,989,762.92
Beijing Innovation Industry Investment Co., Ltd.	100,436,014.35	100,000,000.00	-	781,137.40	-	-	-	-	201,217,151.75
Subtotal for associates	757,509,279.75	100,000,000.00	26,272,086.00	30,418,752.11	-	-	(2,200,000.00)	(60,000,000.00)	799,455,945.86
Total under equity method	801,733,662.74	100,000,000.00	26,272,086.00	34,850,604.07	-	-	(2,200,000.00)	(60,000,000.00)	848,112,180.81

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
RMB

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

4. Investment properties

Measured subsequently through fair value model:

2020

	Buildings
Opening balance	11,839,906,198.63
Transfer from fixed assets	293,000,000.00
Changes in fair value	<u>320,817,113.43</u>
Closing balance	<u>12,453,723,312.06</u>

2019

	Buildings
Opening balance	10,487,725,592.87
Changes in fair value	108,500,605.76
Absorption and merge of subsidiaries	<u>1,243,680,000.00</u>
Closing balance	<u>11,839,906,198.63</u>

All the above investment properties are located in the PRC, and leased out in form of operating leases.

As at 31 December 2020 and 31 December 2019, there was no investment property for which the procedures for obtaining title certificates were incomplete.

5. Operating revenue and cost

	2020		2019	
	Revenue	Cost	Revenue	Cost
Rental income	910,361,730.24	99,596,423.80	1,040,407,676.41	71,892,806.59
Others	<u>4,883,946.77</u>	<u>1,282,611.51</u>	<u>8,062,283.77</u>	<u>1,015,646.31</u>
	<u>915,245,677.01</u>	<u>100,879,035.31</u>	<u>1,048,469,960.18</u>	<u>72,908,452.90</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
RMB

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

6. Investment gains

	2020	2019
Gains from long-term equity investments under cost method	3,769,781,862.56	3,640,017,989.03
Gains/(loss) from long-term equity investments under equity method	34,850,604.07	(6,121,379.16)
Investment gains from absorption and merge of subsidiaries	–	1,225,998,009.51
Investment gains from disposal of subsidiaries	–	23,336,097.61
	<u>3,804,632,466.63</u>	<u>4,883,230,716.99</u>

7. Notes to items of statement of cash flows

	2020	2019
Cash received from other operating activities		
Cash received from superior units	46,407,871,372.32	28,981,108,702.88
Cash received from internal borrowings among subsidiaries	35,326,584,216.87	24,847,641,859.06
Interest income	<u>175,433,996.11</u>	<u>99,387,446.98</u>
	<u>81,909,889,585.30</u>	<u>53,928,138,008.92</u>
Cash paid for other operating activities		
Cash paid to subordinate units	37,029,134,835.38	25,551,152,600.00
Current accounts of subsidiaries	46,559,862,139.02	32,070,161,066.32
Expenses of the headquarters	<u>1,113,257,538.67</u>	<u>652,762,611.45</u>
	<u>84,702,254,513.07</u>	<u>58,274,076,277.77</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2020
RMB

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

8. Supplemental information to statement of cash flows

(1) Reconciliation of net profit to cash flows from operating activities:

	2020	2019
Net profit	3,390,370,227.28	3,867,800,880.75
Add: Asset impairment losses	60,000,000.00	–
Add: Depreciation of fixed assets	68,633,554.90	70,931,956.90
Amortisation of intangible assets	14,723,374.51	19,193,186.60
Amortisation of long-term deferred expenses	2,449,398.24	–
Gains from disposal of fixed assets, intangible assets and other long-term assets	(1,244,545.22)	(450.00)
Losses on retirement of fixed assets	48,424.00	8,469.42
Gains from changes in fair value	(347,860,516.13)	(108,500,605.76)
Finance costs	4,452,288,461.82	4,392,189,209.54
Investment gains	(3,804,632,466.63)	(4,883,230,716.99)
(Increase)/decrease in deferred tax assets	(97,206,080.35)	45,108,147.50
Increase in deferred tax liabilities	80,204,278.36	27,125,151.44
Increase in operating receivables	(6,784,456,278.97)	(3,536,058,599.23)
Increase/(decrease) in operating payables	821,344,670.02	(3,474,163,623.66)
Net cash flows from operating activities	<u>(2,145,337,498.17)</u>	<u>(3,579,596,993.49)</u>

(2) Cash and cash equivalents

	2020	2019
Cash	12,663,529,448.63	8,577,069,332.94
Including: Bank deposits on demand	<u>12,663,529,448.63</u>	<u>8,577,069,332.94</u>

Supplementary Information to Financial Statements

(continued)

2020

RMB

I. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-recurring Profit and Loss Item

	2020
Net loss from disposal of non-current assets	(97,761,628.22)
Investment gains from disposal of subsidiaries, associates and joint ventures	228,513,090.80
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)	379,375,444.64
Capital occupancy fee from non-financial enterprises recognized through profit or loss for the current period	21,670,604.47
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	(2,909,500.00)
Reversal of provisions for impairment of receivables that are individually tested for impairment	42,738,041.41
Profit and loss from fair value change of investment properties measured subsequently through fair value model	525,650,251.77
Other non-operating income and expenses other than the above items (Note)	383,438,230.31
Other profit or loss items falling within the definition of non-recurring profit or loss	<u>(5,500,000.00)</u>
Total non-recurring profit and loss	1,475,214,535.18
Less: Impact of income tax	256,609,752.54
Less: Impact of minority interests	<u>308,452,357.06</u>
	910,152,425.58

Note: Other non-operating income and expenses excluding the above items include RMB372,379,000.00 of land relocation compensation

Supplementary Information to Financial Statements

(continued)

2020

RMB

I. SUPPLEMENTARY INFORMATION (continued)

2. Return on Net Assets and Earnings per Share

2020

	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	4.48	0.27	0.27
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	3.05	0.18	0.18
Excluding other equity instrument indicators:			
Net profit attributable to ordinary shareholders of the Company	4.43	0.19	0.19
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	2.41	0.10	0.10

2019

	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	6.22	0.35	0.35
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.40	0.30	0.30
Excluding other equity instrument indicators:			
Net profit attributable to ordinary shareholders of the Company	6.57	0.27	0.27
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.46	0.23	0.23

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.

Five Years 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

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
OPERATING REVENUE	108,004,884	91,829,311	83,116,733	63,678,331	47,738,773
NET PROFIT	5,155,906	5,178,148	4,281,425	2,950,349	2,690,348
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	2,843,773	3,693,583	3,260,449	2,836,665	2,686,654
DIVIDEND	640,666	1,281,333	587,277	512,533	491,177
DIVIDEND PER SHARE	RMB0.060	RMB0.120	RMB0.055	RMB0.048	RMB0.046
BASIC EARNINGS PER SHARE	RMB0.27	RMB0.35	RMB0.31	RMB0.27	RMB0.25

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS	108,682,751	107,627,898	99,118,153	88,618,220	88,918,392
CURRENT ASSETS	182,669,632	174,495,858	169,157,938	143,589,262	119,478,725
TOTAL ASSETS	291,352,383	282,123,756	268,276,092	232,207,482	209,397,117
CURRENT LIABILITIES	118,810,244	127,706,358	129,202,330	110,434,361	94,964,190
NON-CURRENT LIABILITIES	78,085,953	71,886,047	59,859,259	51,855,311	50,523,416
TOTAL LIABILITIES	196,896,197	199,592,405	189,061,589	162,289,672	145,487,606
MINORITY INTERESTS	31,080,251	21,400,151	21,549,031	18,754,962	18,709,022
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	63,375,936	61,131,200	57,665,471	51,162,848	44,200,489

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