



**北京金隅股份有限公司**  
**BBMG CORPORATION\***

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

Stock Code : 2009

Annual Report 2013

\*for identification purposes only

The image features a stylized logo for 'BBMG' centered on a white background. The logo is composed of the letters 'BBMG' in a bold, sans-serif font. The 'BB' is rendered in a dark red color, while the 'MG' is in a light orange or peach color. The letters are set against a background of two large, overlapping geometric shapes: a red shape on the left and a grey shape on the right, both with a diagonal line pattern. The red shape is a parallelogram-like form, and the grey shape is a larger, more complex polygon. The overall design is modern and minimalist.

**BBMG**

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# FINANCIAL HIGHLIGHTS

	2013	2012 (Restated)	Change	
Revenue (RMB'000)	<b>44,789,759</b>	34,054,096	10,735,663	31.5%
Gross profit margin from principal business (%)	<b>22.2</b>	24.0		a decrease of 1.8 percentage points
Net profit attributable to the shareholders of the parent company (RMB'000)	<b>3,215,183</b>	2,968,714	246,469	8.3%
Core net profit attributable to the shareholders of the parent company (excluding the after tax net gains on after tax fair value on investment property) (RMB'000)	<b>2,711,386</b>	2,266,563	444,823	19.6%
Basic EPS (RMB)	<b>0.75</b>	0.69	0.06	8.7%
Final dividend per share (RMB)	<b>0.078</b>	0.071	0.007	9.9%
Cash and bank balances (RMB'000)	<b>8,595,510</b>	5,906,095	2,689,415	45.5%
Total assets (RMB'000)	<b>98,839,550</b>	83,161,804	15,677,746	18.9%
Equity attributable to the shareholders of the parent company (RMB'000)	<b>26,280,140</b>	22,911,984	3,368,156	14.7%
Net profit margin (%)	<b>7.24</b>	9.26		a decrease of 2.02 percentage points
Return on total assets (%)	<b>3.25</b>	3.57		a decrease of 0.32 percentage point
Total debt to equity ratio (%)	<b>69.6</b>	69.9		a decrease of 0.3 percentage point
Net assets value per share attributable to the shareholders of the parent company (RMB)	<b>6.13</b>	5.35	0.78	14.6%

# CORPORATE INFORMATION

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

\* for identification purposes only

## CORPORATE INFORMATION

**The Supervisory Board***Supervisors*

Liu Yi (*Chairman*)  
Li Bichi  
Hu Jingshan  
Qian Xiaoqiang  
Zhang Dengfeng  
Zhang Yifeng  
Wang Xin

**Committees***Audit Committee*

Zhang Chengfu (*Chairman*)  
Hu Zhaoguang  
Yu Shiliang  
Xu Yongmo  
Yip Wai Ming

*Remuneration and**Nomination Committee*

Hu Zhaoguang (*Chairman*)  
Yu Shiliang  
Zhang Chengfu  
Xu Yongmo  
Shi Xijun

*Strategic Committee*

Jiang Weiping (*Chairman*)  
Jiang Deyi (*Vice Chairman*)  
Wang Hongjun  
Hu Zhaoguang  
Zhang Chengfu  
Xu Yongmo

**Authorised Representatives**

Wang Hongjun  
Lau Fai Lawrence

**Board Secretary**

Wu Xiangyong

**Company Secretary**

Lau Fai Lawrence

## CORPORATE INFORMATION

**Listing Information***A Shares*

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

*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 " <b>Hong Kong Stock Exchange</b> ")
Stock name	BBMG
Board lot	500 shares
Stock code	02009.HK

**Principal Bankers**

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

**Independent Auditor**

Ernst & Young Hua Ming LLP  
Certified Public Accountants

**Legal Advisers**

Paul Hastings  
*As to Hong Kong law*

Guantao Law Firm  
*As to PRC law*

# CORPORATE PROFILE

## BBMG Corporation

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



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

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

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

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



### 3. Property Development Segment

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



### 4. Property Investment and Management Segment

BBMG is the largest investor and manager of investment properties in Beijing holding over 760,000 sq.m. of real estates such as high-end office units and managing over 6 million sq.m. of properties (including residential communities and commercial units at low floors). The Company is leading the industry in Beijing and even the PRC for years in areas including specialized techniques, brand awareness, occupancy rate and revenue.

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

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

# BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Directors

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

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

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

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Yu Shiliang**, born in February 1954, being an executive director and chairman of China National Materials Co., Ltd (“**Sinoma**”), a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 01893) from 24 September 2012 to 5 February 2013, has been re-designated as the non-executive director of Sinoma on 5 February 2013. Mr. Yu served as an executive director and the president of Sinoma from July 2007 to March 2009, and was re-designated as a non-executive director from March 2009 to September 2012 and ceased to be the president of Sinoma since March 2009. Mr. Yu had served as the vice chairman of Sinoma from May 2011 to September 2012, and was re-designated as an executive director and served as the chairman from September 2012 to February 2013. Mr. Yu served as the general manager of the predecessor of the parent company of Sinoma from April 1997 to October 2000 and as the deputy general manager of the parent company of Sinoma from October 2002 to November 2007 and has served as the vice chairman of the board of the parent company of Sinoma since May 2009. Mr. Yu has worked over 30 years in the non-metal materials industry and has gained extensive operational and managerial experience as well as in-depth knowledge of the field. Mr. Yu held various positions in State Building Materials Bureau Xianyang Research & Design Institute of Ceramics (國家建材局咸陽陶瓷研究設計院), currently a subsidiary of the parent company of Sinoma, such as the deputy head and the head of the institute from July 1980 to April 1995 and served as the head of State Building Materials Bureau Synthetic Crystals Research Institute (國家建材局人工晶體研究所), currently a subsidiary of the parent company of Sinoma, from April 1995 to April 1997. Mr. Yu served as a director of Sinoma Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002080), from December 2001 to December 2004 and has been serving as its director since March 2008. Mr. Yu is entitled to a special government allowance provided by the State Council. In 2006, Mr. Yu was awarded the fifth National Outstanding Entrepreneur in Innovation. In 1999 and 2007, Mr. Yu was awarded as one of the Top Ten News Figures in the PRC Building Materials Industry (全國建材行業十大新聞人物). Mr. Yu also served as the vice chairman of Chinese Ceramic Society and the vice president of the China Mining Association (中國礦業聯合會). Mr. Yu was the representative of the 16th and 17th National People’s Congress of Chinese Communist Party. Mr. Yu graduated from Nanjing University of Technology (南京工業大學) in August 1978, majoring in ceramics. He is a professoriate senior engineer.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Hu Zhaoguang**, born in March 1939, has been an independent non-executive Director of the Company since 6 August 2008. Mr. Hu has extensive experience in corporate management and has authored publications in academic journals. Mr. Hu has been the chairman of the audit committee and an independent non-executive director of Digital China Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00861), since August 2006 and September 2004, respectively. He currently serves as an independent non-executive director (non-pay) of the board of China City Railway Transportation Technology Holdings Company Limited and China Ground Source Energy Limited. Mr. Hu had also served as the chairman of the board of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00392), the chairman of the board of Beijing Holdings Limited, an independent non-executive director of China Overseas Land & Investment Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00688), the vice-mayor of Beijing City, and the chief executive of Beijing Haidian District Government. Mr. Hu graduated from Tsinghua University in 1965.

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

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

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

### Supervisors

**Liu Yi**, born in June 1952, has been the chairman of the seventh office of Beijing State-owned Enterprises Supervisory Committee (leading role of departments or equivalents) since July 2009. He was the general manager and the secretary of the communist party committee of Beijing Engineering Consulting Corporation from January 1999 to June 2009. He served as the deputy head of the People's Government of Xuanwu District of Beijing from January 1991 to December 1998, and had served several positions in the government of Xuanwu District since September 1978, including the secretary of the Real Estate Administration Bureau, cadre of Urban Construction Department and the Youth League Secretary in the Environment Protection and Hygiene Bureau. Mr. Liu was a post-graduate student majoring in Jurisprudence in the Party School of the CPC Committee Central. He is a national registered engineering consultant.

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

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Hu Jingshan**, born in March 1959, has been a Supervisor of the Company since 6 August 2008. Mr. Hu has been the chairman and secretary of the communist party committee of Tianjin Building Materials (Holding) Co., Ltd since July 2009. He also served as the general manager and vice secretary of the communist party committee of the above mentioned company from August 2003 to July 2009. Since March 1994, he has been the office chief of the communist party committee, the head of the development department, the office chief and deputy general manager of Tianjin Building Materials Group Co., Ltd., a predecessor of Tianjin Building Materials (Holding) Co., Ltd. Mr. Hu is a senior engineer who graduated from Tianjin University in June 1998 with master's degree in business administration.

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

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

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



## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

### Senior Management

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

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



## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

# CHAIRMAN'S STATEMENT



**Jiang Weiping**  
Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual results of the Group for year ended 31 December 2013 (the “**Reporting Period**”), and the operating results of the Group during the said period for your review.

### Annual Results

During the Reporting Period, the Company’s operating revenue amounted to approximately RMB44,789.8 million, representing a year-on-year increase of approximately 31.5%; net profit attributable to the shareholders of the parent company was approximately RMB3,215.2 million, representing a year-on-year increase of approximately 8.3%; basic earnings per share attributable to the shareholders of the parent company was approximately RMB0.75.

### Business Environment

During the Reporting Period, the global economy saw a slowdown in its growth momentum and the risk for an economic downturn lingered. China’s economic growth slowed down, yet the overall national economy remained steady. Domestic economy achieved growth while maintaining stability. Against the slowdown of domestic economy, the sluggish major projects investment, the escalating conflict caused by excessive output capacity and the significant contraction of market space, the Company proactively took measures to advance the transformation and upgrade of production and effectively offset the adverse impact by improving the quality of economic operation, resulting in a steady and relatively fast overall development.

## CHAIRMAN'S STATEMENT

### Review

In face of the complex and grim economic landscapes abroad as well as the extremely fierce market competition, the Board seized development opportunities precisely by defining a clear direction for development, formulating development strategies in a scientific manner and fine-tuning the growth path, so as to effectively address the challenges. By further carrying forward the reform and promoting industrial transformation and upgrade, the Company stepped up efforts to draw upon its leading advantages in strategic planning, industrial chain, management integration and technological innovation, and maintained a steady and healthy growth in its operation results.

Adhering to the innovation-driven development model, the four major business segments of the Company overcame various challenges and difficulties during the Reporting Period as they adapted to macro-control and the drastic changes in the market. The Company, against the challenging industrial landscape, achieved steady progress in both economic growth and implementation of strategies, attaining sound results through parallel improvement in the pace and quality of development and grabbing development opportunities while continuously enhancing overall strengths.

The cement and ready-mixed concrete segment achieved record-breaking sales volume of both cement and concrete, progressively enhancing the comprehensive competitiveness and end-market controlling abilities in regions of strategic competition. The preliminary formation of BBMG Building Material Base in Southern Hebei (金隅冀南建材基地) demonstrated the stronger "epicenter" effect of regional core enterprises. Amid challenging market conditions, the property development segment deepened the adjustment to the "two structures" (兩個結構) and the strategy of "accelerating cash flow" (好水快流), enlarged its land reserve scale, and achieved remarkable business performance. The property investment and management segment adhered to the established guideline of "rooted in Beijing and extending the footprint orderly" (立足北京·有序拓展) and achieved asset appreciation and the improvement of service and management level, resulting in the high ranking on the list of China's Top 100 Property Management Enterprises. Capitalizing on the effect of industrial clusters and synergetic development, the modern building materials and commerce and logistics segment witnessed a further enhancement in industry maturity and market competitiveness. The commerce and logistics segment attained the turnover target of RMB10 billion two years in advance.

## CHAIRMAN'S STATEMENT

Drawn on more scientific development, more powerful innovation momentum and faster pace of strategic transformation, the Company delivered better results through its capital operations and furthered the improvement in internal control and management system, thus securing the overall growth with better synergy.

**Prospects**

Addressing the complex external economic landscapes, the PRC government upholds the economic policy of “making progress while maintaining stability” (穩中求進) and gradually pushes ahead the adjustment of the industrial structure and transformation of the economic growth model, which will bring forth market opportunities for the development of the Company. Along with the tightening pollution control measures taken by the State and the Beijing municipal government, the Company will accelerate its pace in transforming into an environmental friendly enterprise and further strengthen the evolution and upgrade of measures to achieve all-round green development. The Company will continue to encourage innovation in the finance and investment model and the building up of mechanisms, while studying and exploring new paths to improve its market competitiveness, so as to lay a solid foundation for sustainable development.

The Company will constantly carry forward industrial transformation and facilitate the new progress in core businesses through energy conservation and emission reduction, resources integration, research and development in technology, as well as innovation-driven operation. By taking measures such as system construction, mechanism innovation, technology reform and transformation and upgrade, the cement and ready-mixed concrete segment will further inspire the development drive and competition vitality and speed up the optimization of regional market layout, so as to continuously improve the market coverage and profitability of the regional core enterprises. With its steady business expansion in core cities in regions where a foothold has been established, expedited development and construction of owner-occupied commodity housing projects, and innovated mechanism in land acquisition, the property development segment will explore new models to integrate industrial capital and financial capital, so as to secure its land reserve and the rapid development of projects. Concentrating on Beijing, the property investment and management segment will continue to rationally increase the investment and holdings in tangible property through multiple approaches and channels, with an aim

## CHAIRMAN'S STATEMENT

to maintain its leading position and improve the service management level and brand image. With a focus on strengthening the cohesive effect of our "three bases" (三個基地) in industry adjustment and upgrading, the modern building materials and commerce and logistics segment will speed up the rationalization and improvement of the management mechanism to ensure that enterprises in the industrial park can operate efficiently and achieve a substantial growth in economic efficiency. It will also proactively explore and implement the optimization of management structure of traditional manufacturing and commerce and logistics enterprises against the backdrop of the internet age to underpin the overall development of the Company. The property investment and management segment will further enhance the brand image in property management by improving the operating efficiency and quality of the Company's commercial properties in a bid to generate greater benefits and effects.

The Company will continue to elevate the standards of internal control, and continuously improve its corporate governance structure featuring coordinated operation, effective implementation and scientific check and balance. The Company will spare no efforts in boosting its proprietary innovation capacity, and continue to develop its economic growth drivers. In light of the well-established development concept of "environmental friendly, resource saving, technologically advanced and urban servicing" (環境友好型、資源節約型、技術先進型、城市服務型), the Company will stick to the development principle of "a harmonious integration of economic, social and ecological benefits" (經濟效益、社會效益、生態效益和諧統一), and speed up the transformation process towards green development. The Company will also strengthen the building of the BBMG corporate cultural system, making it a cornerstone to preserve the spirit of humanities while we are continuously striving to secure business opportunities and sustainable development amid fierce competition.

## CHAIRMAN'S STATEMENT

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

**Jiang Weiping**

*Chairman of the Board*

Beijing, the PRC

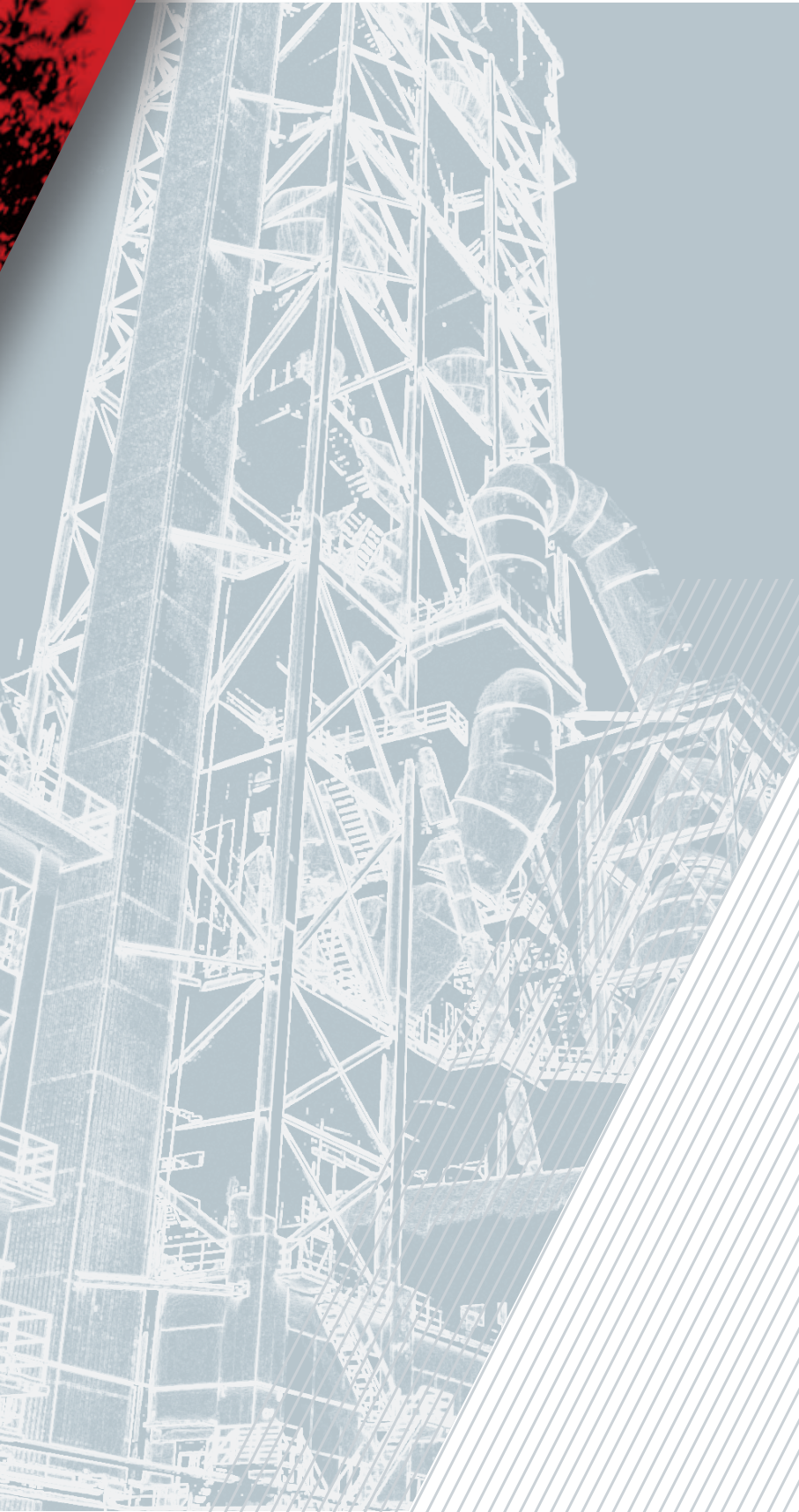
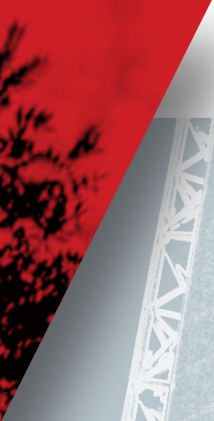
28 March 2014



A photograph of a large industrial facility, possibly a refinery or chemical plant, with a prominent red overlay. The image shows a tall, complex structure with scaffolding and pipes. The red overlay is semi-transparent, allowing the underlying structure to be visible. The sky is a deep red, and there are some trees visible on the right side. The overall composition is dynamic, with diagonal lines and a strong color palette.

# MANAGEMENT DISCUSSION & ANALYSIS





**PTT**



## MANAGEMENT DISCUSSION AND ANALYSIS

## Summary of Financial Information

	2013 RMB'000	2012 RMB'000 (Restated)	Change
Operating revenue	<b>44,789,759</b>	34,054,096	31.5%
Operating revenue from principal business	<b>44,345,880</b>	33,549,170	32.2%
Gross profit from principal business	<b>9,844,278</b>	8,054,256	22.2%
Gross profit margin from principal business	<b>22.2%</b>	24.0%	a decrease of 1.8 percentage points
Net profit attributable to the shareholders of the parent company	<b>3,215,183</b>	2,968,714	8.3%
Basic earnings per share attributable to the shareholders of the parent company	<b>RMB0.75</b>	RMB0.69	8.7%
Cash and banks balances	<b>8,595,510</b>	5,906,095	45.5%
Current assets	<b>60,157,226</b>	47,101,879	27.7%
Current liabilities	<b>52,059,972</b>	43,462,947	19.8%
Net current assets	<b>8,097,254</b>	3,638,932	122.5%
Non-current assets	<b>38,682,324</b>	36,059,925	7.3%
Non-current liabilities	<b>16,754,264</b>	14,666,087	14.2%
Total assets	<b>98,839,550</b>	83,161,804	18.9%
Equity attributable to the shareholders of the parent company	<b>26,280,140</b>	22,911,984	14.7%
Debt ratio (total liabilities to total assets) (%)	<b>69.6</b>	69.9	a decrease of 0.3 percentage point

## Summary of Business Information

## 1. Cement and Ready-mixed Concrete Segment

	2013	2012	Change
Sales volume:			
Cement (in thousand tonnes)	<b>38,890</b>	35,400	9.9%
Concrete (in thousand cubic meters)	<b>13,030</b>	9,020	44.5%

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	2013	2012	Change
Sales volume:			
Refractory materials (in thousand tonnes)	<b>209</b>	213	-1.9%

**3. Property Development Segment**

	2013	2012	Change
Booked GFA (in thousand sq.m.)	<b>1,177</b>	836	40.8%
Presales (sales) GFA (in thousand sq.m.)	<b>1,684</b>	1,294	30.1%

**4. Property Investment and Management Segment**

	2013	2012	Change
Gross GFA of investment properties (in thousand sq.m.)	<b>760</b>	760	0%

Given the complex and challenging market conditions and external influences in 2013, the Board of the Company adhered to scientific development as the main principle and accelerated transformation in development as the major direction, enabling the Company to make progress while maintaining stability and pursuing innovative development, as well as achieving a steady and relatively fast development in the overall economy of the Company.

During the Reporting Period, the Company recorded operating revenue of RMB44,789.8 million, among which operating revenue from principal business amounted to RMB44,345.9 million, representing a year-on-year increase of 32.2%; total profit amounted to RMB3,993.7 million, representing a year-on-year increase of 0.9%; net profit amounted to RMB3,243.2 million, representing a year-on-year increase of 2.8%; and net profit attributable to the shareholders of the parent company amounted to RMB3,215.2 million, representing a year-on-year increase of 8.3%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. *Cement and Ready-Mixed Concrete Segment*

The segment continued to optimize the industrial layout, extend the industrial chain, enrich the essence of the Company's "grand cross-shape" (大十字) strategy, so as to constantly consolidate and expand its influence over regional markets. By proactively developing new markets, the Company's production capacity in both cement and concrete hit record high. Meanwhile, the segment stepped up efforts in technology innovation with accelerated transformation and upgrading, so as to maintain the leading edge in the synergistic use of cement kiln for the disposal of urban wastes. In response to the government's 2013 Clean Air Action Plan, the Company took the initiative to terminate production at Beijing BBMG Shunfa Cement Co., Ltd. and Beijing BBMG Pinggu Cement Co., Ltd., with the two companies eventually withdrawing from the market, which resulted in a decrease in cement production capacity by 1.5 million tonnes. The majority of the Company's cement rotary kilns have been upgraded with denitrification ability, while cement enterprises in Beijing have all completed their transformation in material sealing. By stepping up efforts in technological improvements and upgrading of equipment, the Company have reduced energy consumption by 80,000 tonnes of standard coal equivalent and cut NOx emissions by more than 4,000 tonnes per year, demonstrating that the large state-owned industry group's commitment to serving as a role model in the uphill battle to improve the atmospheric environment.

The segment implemented a series of solid and effective measures, including expanding into new markets, extending its industrial chain, advancing internal control and accelerating structural adjustment, transformation and upgrading. As a result, the cement and ready-mixed concrete segment attained the region's leading position with its strong operating results, despite the fact that in the first half of 2013, production was fully suspended for two months, some enterprises reduced production capacity, and individual enterprises terminated production and eventually withdrew from the market.

During the Reporting Period, the cement and ready-mixed concrete segment recorded operating revenue from its principal business of RMB13,122.2 million, a year-on-year increase of 14.4%, with gross profit from principal business of RMB2,384.4 million, a year-on-year increase of 32.3%. The consolidated sales volume of cement and clinker reached 38.9 million tonnes, a year-on-year increase of 9.9%, among which cement sales volume amounted to 32.4 million tonnes, clinker sales volume amounted to 6.5 million tonnes, while the aggregated gross profit margin for cement and clinker was 20.75%, a year-on-year increase of 5.42 percentage points. Sales volume of concrete totaled 13.03 million cubic meters, a year-on-year increase of 44.5%, while the gross profit margin for concrete was 11.54%, a year-on-year decrease of 3.65 percentage points.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The segment proactively adjusted its product mix, accelerated the transfer of production capacity, thoroughly integrated marketing channels, focused on the enhancement of operation quality, with an aim to further expand the commerce and logistics business and achieve stable growth in the segment's industry scale, business efficiency and quality of development. The operation and development of the BBMG Dachang Modern Industrial Park and the BBMG Doudian Technology Park achieved the expected effects in industry clusters and advantages in synergistic development, leading to continuous enhancement of the industry matureness and market competitiveness. The commerce and logistics business realized the goal of generating revenue of over RMB10 billion. The planning and construction of the BBMG international logistics park has laid a solid foundation for the segment's further development.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB14,645.2 million, a year-on-year increase of 47.3%, while the gross profit from principal business amounted to RMB1,026.4 million, a year-on-year decrease of 3.4%.

**3. Property Development Segment**

By adhering to the adjustment to "two structures" (兩個結構) and the guideline of "accelerating cash flow" (好水快流), the segment firmly grasped market opportunity, innovated the land access mechanism, paid close attention to project development progress and quality management, proactively adjusted the sales strategy, and focused on the enhancement of project operating efficiency and profitability, thereby creating strong operating results. During the Reporting Period, the Company successfully won the rights to develop sizable commodity housing, affordable housing and owner-occupied housing projects in Beijing. It also obtained land for development in other cities, including Tianjin, Hangzhou, Nanjing, Chengdu and Maanshan. The Company's residential projects, such as BBMG GEM Property Development Co., Ltd.'s Phase 4 of "Ziyouzhu" (自由築) and Beijing BBMG Dacheng Development Co., Ltd. ("BBMG Dacheng")'s "Mark Beijing" (北京方向), "Chayuan Times" (茶園時代都匯) and "Shuangliu Dachengjun" (雙流大成郡) sold at a fast pace. The commercial portion of "Jincheng Center" (金城中心) and "Chayuan Times" (茶園時代都匯) sold as an integral unit, setting a perfect record. Beijing BBMG Chengyuan Property Development Co., Ltd.'s "Aigongguan" (愛公館) and "Bojuejun" (鉑爵郡) were sold out on the first day when the projects were released on the market.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the property development segment recorded operating revenue from its principal business of RMB14,952.9 million, a year-on-year increase of 36.7%, while the gross profit from principal business was RMB5,274.2 million, a year-on-year increase of 27.5%. The booked GFA for the year was 1,177 thousand sq.m., a year-on-year increase of 40.8%, among which booked GFA of commodity housing amounted to 722 thousand sq.m., a year-on-year increase of 21.3%, and booked GFA of affordable housing amounted to 454 thousand sq.m., a year-on-year decrease of 88.4%. Aggregated contracted sales area was 1,684 thousand sq.m., a year-on-year increase of 30.1%, among which contracted sales area for commodity housing amounted to 1,273 thousand sq.m., a year-on-year increase of 65.7%, and contracted sales area for affordable housing amounted to 411 thousand sq.m., a year-on-year decrease of 21.9%. As at the end of the Reporting Period, the Company had a land reserve totaling 5,041 thousand sq.m..

## Properties Held for Development by the Group as at 31 December 2013

No.	Project Name	Project Location	Date of Land Acquisition	Estimated Project Completion Date	Total Land Reserve as at 31 December 2013 (thousand sq.m.)	Percentage of the Group's interest to the total
<b>Total</b>					<b>5,041.3</b>	
<b>I. Commodity housing projects</b>					<b>4,315.4</b>	
1	Beijing-Huashijiang	Liyuan (Tuqiao), Tongzhou District	2009/5/25 2009/6/12	2015/6	40.0	100%
2	Beijing-Xi Hai'an (Jinyu Lanwan)	Dongshahe West Bank, Changping New District	2009/6	2015/5	67.0	100%
3	Beijing-Tuqiao Phase III	Liyuan, Tongzhou District	2010/11	2015/3	70.0	100%
4	Beijing-I Cube	Huang Village, Daxing District	2009/6	2014/10	26.0	100%
5	Beijing-Ziyouzhu	Tuqiao, Tongzhou District	2009/5 2009/6	2014/3	33.3	100%
6	Beijing-Jiaheyuan public building	Dongshahe, Changping District	2008/10	2015/12	48.0	100%
7	Beijing-Jinyu Feili	Eastern Jiancaicheng, Xisanqi, Haidian District	2009/12	2012/6	52.5	100%
8	Beijing-Guogongzhuang Site	Guogongzhuang, Fengtai District	2012/1	2014/10	119.0	100%
9	Beijing-Jincheng Center	Jiukeshu Village, Tongzhou District	2010/12	2013/10	27.4	100%
10	Beijing-Chaoyang New City BC	Dongba, Chaoyang District	2008/3	2015/6	97.0	100%
11	Chongqing-Nanshanjun	Nanshan, Nan'an District, Chongqing	2010/6	After 2017	477.9	51%
12	Chongqing-Shidaiduhui	Chayuan, Nan'an District, Chongqing	2010/12	After 2017	520.0	100%
13	Chengdu-Dachengjun	Xihanggangjiedao, Shuangliu, Chengdu	2011/12	2015/6	148.5	80%
14	Tianjin-Yuecheng Project	Zhangguizhuang, Dongli District, Tianjin	2010/6	2014/12	276.1	100%
15	Tianjin-Zhongbei Site	Zhongbei Town, Tianjin	2013/1	2015/12	154.9	100%
16	Hangzhou-Guanlan Times	Site No. 2 (Southeast of the river), Economic and Technology Development Zone, Hangzhou,	2007/5 2009/12	2015/3	427.9	100%

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Project Name	Project Location	Date of Land Acquisition	Estimated Project Completion Date	Total Land Reserve as at 31 December 2013 (thousand sq.m.)	Percentage of the Group's interest to the total
17	Hangzhou-Qianjiang New City Project	Shangcheng District, Hangzhou	2013/6	2017/8	64.4	100%
18	Hangzhou-Banshan Project	Gongshu District, Hangzhou	2010/11	2015/6	176.7	100%
19	Inner Mongolia-Jinyu Times City	Chilechuan Dajie, Saihan District, Huhhot	2007/5	2014/6	204.9	100%
20	Inner Mongolia-Jinyu Elegancy City	West of Zhonghai, Inner Mongolia	2012/6	2015/11	113.7	100%
21	Tangshan-Jinyu Lefu	Lubei District, Tangshan, Hebei	2010/8	2014/12	200.0	80%
22	Haikou-Haidian River Site	Haidian Island, Haikou	2012/12	2017/10	220.0	100%
23	Haikou-Meilinghu Villa	Lingshan Town, Meilan District, Haikou City	2004/3	2013/4	5.9	100%
24	Qingdao-Jinyu Elegancy City	Jinggang Mountain, Huanggang District, Qingdao	2012/7	2015/9	5.4	100%
25	Anhui-Ma'anshan Project	Huacheng District, Ma'anshan	2013/3	2015/6	114.0	75%
26	Beijing-Others				5.1	100%
27	Beijing-Commodity housing at Fangshan	Changyang Town, Fangshan District, Beijing	2013/8	2015/6	124.0	100%
28	Beijing-Site at Star Building Materials Factory	Chaoyang District, Beijing	2013/12	2016/6	225.0	100%
29	Beijing-Site west of Xijiao Sands and Stone Factory	Tiancunshan, Haidian District, Beijing	2013/12	2016/9	98.2	100%
30	Nanjing-Site at Jianye District	Jianye District, Nanjing	2013/10	2017/6	172.6	100%
<b>II. Affordable Housing Projects</b>					<b>725.9</b>	
1	Beijing-Yanshan Binheyuan	68 Jingyuanlu, Gucheng Jiedao, Shijingshan District (Binhejiayuan)	2011/7	2014/6	8.6	100%
2	Beijing-Kanghuiyuan	A1, Shuangqiaolu, Chaoyang District (Dongliu Housing Cluster)	2010/7	After 2017	20.0	100%
3	Beijing-Chaoyang New City Cluster D	Dongba, Chaoyang District	2012/7	2015/12	196.0	100%
4	Beijing-Beiao Site	Dahongmen, Beijing	2013/1	After 2017	246.0	100%
5	Others				31.7	100%
6	Beijing-Site at Nankou Quarry	Nankou Town, Changping District, Beijing	2013/12	After 2017	86.1	100%
7	Beijing-Fangshan housing with a price cap	Changyang Town, Fangshan District, Beijing	2013/8	2015/6	137.5	100%

#### 4. Property Investment and Management Segment

The segment's economic efficiency continued to grow, driven by efforts in further integration and adjustment in internal resources, and enhancement of operational project management and service quality. The Company adhered to its strategy of developing real estate projects in Beijing, resulting in continued asset appreciation and profitability growth. The Zhongguancun Global Trade Technology and Business Zone (中關村環貿科技商務區) was officially opened for operation. With its ever-enhancing service management quality, the Company's property management unit was successfully shortlisted and ranked among the best in top 100 property management service providers in China. The hotel and leisure sector proactively adapted to the market changes and timely adjusted its marketing strategies, thus reaping the expected operating results.



## MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging on continuous optimization and integration, both the industrial property leasing sector and the community property management sector further enhanced the consolidated service capability and gradually demonstrated the brand effects.

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB1,945.1 million, a year-on-year increase of 11.7%, while gross profit from principal business was RMB1,175.0 million, a year-on-year increase of 7.8%. As at the end of the Reporting Period, the Company held investment properties totaling 760 thousand sq.m. in the core districts of Beijing.

## Investment Properties held by the Group as at 31 December 2013

	Location	Usage	Property Gross		Rental	Average	Unit
			Area (thousand sq.m.)	Fair value (RMB million)	Unit Price (RMB/day)	Occupancy Rate (Note)	Fair Value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	Commercial	105	2,614.8	9.6	91%	24,980
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	Commercial	150	2,835.5	6.2	92%	18,890
Phase 3 of Global Trade Center (Ground Floor Commercial)	North Third Ring Road, Beijing	Retail	61	1,010.9	6.4	89%	16,553
Tengda Plaza	West Second Ring Road, Beijing	Commercial	78	1,335.2	7.2	96%	17,135
Jin Yu Building	West Second Ring Road, Beijing	Commercial	44	929.8	8.2	93%	21,153
Jianda Building/Jiancai Jingmao Building	East Second Ring Road, Beijing	Commercial	42	1,118.9	4.5	88%	26,800
Dacheng Building	East Fourth Ring Road, Beijing	Commercial	43	889.3	8.8	98%	20,801
		<b>Sub-total</b>	<b>523</b>	<b>10,734.4</b>			
Other properties	Beijing Municipality	Commercial and retail	237	2,811.5			
		<b>Total</b>	<b>760</b>	<b>13,545.9</b>			<b>17,925</b>

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



## MANAGEMENT DISCUSSION AND ANALYSIS

**Analysis of Assets and Liabilities**

Unit: RMB'000

	<b>As at 31 December 2013</b>	As at 31 December 2012 (Restated)	Change
Cash and bank balances	<b>8,595,510.3</b>	5,906,094.5	45.5%
Prepayments	<b>3,640,625.1</b>	909,415.1	300.3%
Dividends receivable	–	1,215.4	-100%
Inventories	<b>37,602,014.3</b>	32,286,890.7	16.5%
Available-for-sale financial assets	<b>505,404.3</b>	11,926.0	4,137.8%
Investment properties	<b>13,545,900.0</b>	12,840,400.0	5.5%
Fixed assets	<b>16,934,316.1</b>	15,331,150.6	10.5%
Construction in progress	<b>1,699,222.8</b>	2,146,494.6	-20.8%
Deferred income tax assets	<b>1,168,879.5</b>	1,205,767.3	-3.1%
Short-term loans	<b>13,516,500.0</b>	11,388,286.9	18.7%
Accounts payable	<b>8,516,698.3</b>	6,569,201.9	29.6%
Receipts in advance	<b>15,567,949.5</b>	14,206,950.3	9.6%
Tax payable	<b>750,894.1</b>	1,308,896.8	-42.6%
Other payables	<b>2,757,269.8</b>	2,483,124.8	11.0%
Short-term financing bonds payable	<b>3,000,000.0</b>	1,000,000.0	200.0%
Long-term loans	<b>6,879,920.0</b>	4,757,051.5	44.6%
Bonds payable	<b>6,305,600.0</b>	6,692,453.6	-5.8%
Accrued liabilities	<b>101,979.1</b>	100,077.2	1.9%

Cash and bank balances increased by RMB2,689,415,800, which was mainly attributable to increase in loans, the issuance of bonds and the capital contributions in cash from the minority shareholders of subsidiaries.

Prepayments increased by RMB2,731,210,000, which was mainly attributable to the increase in prepayments for materials during the Reporting Period.

Dividends receivable decreased by RMB1,215,400, which was mainly attributable to the receipt of dividends during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

Inventories increased by RMB5,315,123,600, which was mainly attributable to the increased investment in property development projects.

Available-for-sale financial assets increased by RMB493,478,300, which was mainly attributable to the purchase of trusted wealth management products of RMB500,000,000 from Jianxin Trust Co., Ltd. (“**CCB Trust**”) (建信信託有限責任公司).

Investment properties increased by RMB705,500,000, which was mainly attributable to the change in the fair value of investment properties.

Fixed assets increased by RMB1,603,165,500, which was mainly attributable to the acquisition and construction of projects as well as the transfer of construction in progress to fixed assets during the Reporting Period.

Construction in progress decreased by RMB447,271,800, which was mainly attributable to the transfer of construction in progress to fixed assets.

Deferred income tax assets decreased by RMB36,887,800, which was mainly attributable to the unrealized gains and losses of intra-group transactions and the increase in provision for impairment of assets.

Short-term loans increased by RMB2,128,213,100, which was mainly attributable to the additional loans.

Accounts payable increased by RMB1,947,496,400, which was mainly attributable to the increase in accounts payable for purchases of materials.

Receipts in advance increased by RMB1,360,999,200, which was mainly attributable to the presale of property projects.

Tax payable decreased by RMB558,002,700, which was mainly attributable to the reversal of the corresponding income tax of the revenue from relocation compensation from previous year according to annual clearance of income tax during the Reporting Period.

Other payables increased by RMB274,145,000, which was mainly attributable to the slowdown in payments turnover due to tightened liquidity of cement enterprises.

Short-term financing bonds payable increased by RMB2,000,000,000, which was mainly attributable to the issuance of short-term financing bonds during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

Long-term loans increased by RMB2,122,868,500, which was mainly attributable to the expansion of the business scope of the Group which leads to a higher demand of liquid fund and financing from banks.

Bonds payable decreased by RMB386,853,600, which was mainly attributable to the transfer of the bonds payable due within one year during the Reporting Period.

Accrued liabilities increased by RMB1,901,900, which was mainly attributable to the provision made by cement enterprises for mine rehabilitation expenses.

## Analysis of Financial Position for the Reporting Period

### 1. Principal business operations

Unit: RMB million

	Revenue from principal business	Cost of sales from principal business	Gross profit margin from principal business (%)	Increase or decrease in revenue from principal business compared with last year (%)	Increase or decrease in cost of sales from principal business compared with last year (%)	Increase or decrease in gross profit margin from principal business compared with last year
Cement and Ready- mixed Concrete	13,122.2	10,737.8	18.2	14.4	11.1	an increase of 2.5 percentage points
Modern Building Materials and Commerce and Logistics	14,645.2	13,618.8	7.0	47.3	53.3	a decrease of 3.7 percentage points
Property Development	14,952.9	9,678.7	35.3	36.7	42.4	a decrease of 2.6 percentage points
Property Investment and Management	1,945.1	770.1	60.4	11.7	18.4	a decrease of 2.2 percentage points
Elimination	-319.5	-303.8	-	-	-	-
<b>Total</b>	<b>44,345.9</b>	<b>34,501.6</b>	<b>22.2</b>	<b>32.2</b>	<b>35.3</b>	<b>a decrease of 1.8 percentage points</b>

### 2. Investment properties measured at fair value

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group were RMB671.7 million, accounting for 16.8% of the profits before tax. The fair value gains on investment properties during the Reporting Period were mainly due to an upward revision to the fair value of the investment properties of the Group by the valuer given the overall surge in rental of commercial properties in the open market in Beijing during the Reporting Period.

### 3. Expenses during the Reporting Period

- (1) Selling expenses were RMB1,566.2 million, an increase of RMB215.6 million year-on-year. Such increase was mainly due to increase in labor costs and marketing expenses.
- (2) Administrative expenses were RMB2,811.3 million, an increase of RMB625.9 million year-on-year. Such increase was mainly due to increase in labor costs, repair expenses and losses from suspension of production.
- (3) Finance costs were RMB1,017.5 million, an increase of RMB115.1 million year-on-year. Such increase was mainly due to the increase in interest expenses as a result of the expansion of the financing scale by the Group during the Reporting Period.

### 4. Cash flows

During the Reporting Period, a net increase of RMB2,308.8 million in cash and cash equivalents was recognized in consolidated financial statements of the Company. Such increase was the net result of (i) the net cash outflow generated from operating activities of RMB559.8 million, representing an increase in outflow of RMB4,870.6 million year-on-year, which was attributable to the increase in expenses for acquisition of land reserve during the Reporting Period; (ii) the net cash outflow generated from investment activities of RMB3,718.3 million, an increase in outflow of RMB324.4 million year-on-year, which was attributable to the increase in investment amount for the acquisition and construction of long-term assets, etc. during the Reporting Period; (iii) the net cash inflow generated from financing activities of RMB6,587.6 million, which was attributable to the issuance of bonds and expansion of the borrowing scale during the Reporting Period and (iv) the exchange realignment of RMB0.7 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

## Core Competence Analysis

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

The core competitiveness of the Company is detailed as follows:

1. **Competitive Edge in the Industrial Chain:** The Company develops a core industrial chain in the form of “cement and ready-mixed concrete – modern building materials and commerce and logistics – property development – property investment and management” resulting in a unique development model with all four major business segments incorporated. With acceleration of industrial transformation and upgrading, the cement industry has turned from a grey industry to a green one, while the industry’s development layout has shifted from single products to a comprehensive industrial chain. By leveraging the advantages accumulated in the manufacture of green building materials, the Company extends its industrial chain upward and downward and expands toward property development. While focusing on business collaboration and high-end development, the Company has developed toward the modern service sector, including modern property management services and financial services. The overall advantage stands out with prominent inter-segmental synergy.
2. **Competitive Edge in Technology R&D:** The Company continues to enhance its investment in technology R&D to ensure the smooth advancement of each technology innovation project. In respect of technologies, the Company has a sharp edge in the industry which provides the Company with an enduring momentum. The Company’s technology center passed re-evaluation with outstanding results to be recognized as a national enterprise technology center. BBMG Academia Sinica (金隅中央研究院) was approved as a post-doctoral scientific research workstation. Investing RMB730 million in technology R&D during the Reporting Period, the Company recorded sales revenue from new products of RMB2.48 billion, undertook 12 national science and technology projects, received 7 provincial and ministry-level technology awards, obtained 51 national patents, played a leading or supporting role in formulating 49 national and local standards, and received the government’s technology project funding of RMB12.75 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

3. **Competitive Edge in Sustainable Development of Green Operations:** Based on the integration of Beijing, Tianjin and Hebei Province and the objective of developing “people-oriented Beijing, high-tech Beijing and green Beijing” (人文北京、科技北京、綠色北京) the Company is putting more efforts in developing circular economy and low-carbon economy to embark on a sustainable path for green development. As one of the nation’s first pilot enterprises to develop the circular economy, the Company cooperates with the government to build a garbage pollution-free city by promoting the circular economy model with “resources-products-wastes-renewable resources” (資源－產品－廢棄物－再生能源) as its core procedure. The Company has accumulated a wealth of experience in the synergetic use of cement kiln for the disposal of waste and has developed a comprehensive scientific research system that focuses on hazard-free disposal of urban waste. In addition, the Company independently developed, built and operated a number of environmental protection facilities, including the nation’s first demonstration line of utilizing cement kiln for hazard-free disposal of industrial solid waste, the nation’s first production line of applying the synergetic use of cement kiln for the disposal of fly ashes from garbage incineration, and an integrated treatment center for hazardous waste which is equipped with the nation’s most advanced technology and facilities under the most comprehensive system. With the capacity to dispose of more than 200,000 tonnes of sludge, tens of thousands of tonnes of fly ashes and 43 types of hazardous waste per year, the Company is in charge of disposal of around 90% of hazardous waste in Beijing. The Company continues to launch new building material products, including ready-mixed mortar, modern unshaped refractories, heat-preservation materials in external walls such as glass wool and rock wool, and high-grade wooden doors and windows. These products are environment-friendly, energy-saving and low-carbon with heat-insulation, heat-preservation and fireproof features, which maximize the Company’s economic and resource usage efficiencies. As a result, the Company has made significant contributions to urban development, environmental safety and social harmony, and became the first cement enterprise which received the “China’s Environment Award” (中華環境獎), a distinctive honor in the environmental protection field. By greatly fulfilling the unique functions as “a city purifier and a good helper to government” (城市淨化器·政府好幫手), the Company was the only enterprise to win the “Green Ecology Media Award” in the Beijing Influence award- presentation ceremony during the Reporting Period.
4. **Competitive Edge in Industry-Finance Integration:** The establishment and operation of the building material industry’s second financial company by a state-owned enterprise marks a significant step for the Company as its capital operational capacity and capability enter a new stage. The finance company offers a new platform to enhance BBMG’s overall capital operational efficiency, diversify financing channels and prevent capital risks, facilitating the

## MANAGEMENT DISCUSSION AND ANALYSIS

organic integration between industry capital and financial capital. By broadly cooperating with banks and financial institutions, the Company explores and adopts a wide variety of financing methods, including non-public offering, corporate bonds and convertible bonds. The multi-level and multi-channel financing approach effectively improves capital operational capacity and management efficiency, and further reduces corporate financing costs. During the Reporting Period, the Company successfully issued short-term financing bonds of RMB3 billion and medium-term notes of RMB1.5 billion at relatively low interest rates which optimized the Company's debt structure and lowered financing costs. With BBMG Dacheng's Chongqing Times Duhui (重慶時代都匯) project as the target for financing purposes, the Company successfully brought in CCB Trust as its strategic investor, and obtained RMB1.5 billion in equity financing and RMB500 million in debt financing. The deal achieved the Company's consolidated goal of reducing its debt ratio and raising financing leverage.

5. **Competitive Edge in Corporate Culture and Branding:** The Company effectively achieves overall development by establishing a scientific model for the control and management of corporate culture and improving the management procedures of the same. Standing on the strategic highland, the Company reviews its corporate culture construction from a macro perspective and forms basic framework and pattern for culture construction which is in line with the principle of "showing personality while obtaining general acceptance among employees, embracing core tasks while delivering results as soon as possible" (突出自身特色·員工普遍認同·圍繞中心任務·儘快見到成效). The core essence of BBMG's corporate culture is composed of human spirits of "three emphasis and one endeavor" (三重一爭), "integration, communion, mutual benefit and prosperity" (共融·共用·共贏·共榮) and "eight specials" (八個特別). Following historical accumulation and innovation over more than half a century, the corporate culture is the philosophical summary of the entire BBMG employees' tremendous efforts and implementation of reform and development. During the Reporting Period, BBMG's brand value reached RMB21,543 million, ranking No. 77 in China. The unique culture raises the brand awareness and prestige of BBMG. The continuous growth in corporate culture has created a sound cultural atmosphere and intelligence support for the materialization of development vision and objectives of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Discussion and Analysis on Future Development

#### (I) Industry Competition Pattern and Development Trend

The profound and complex changes both in international environment and domestic conditions present both challenges and opportunities to China. On the one hand, it is still in a critical strategic period of opportunity as the economic fundamental upsides remain unchanged in the long run. On the other hand, the structural issue among other economic challenges poses a long-term task for the reform. According to its decisions at a meeting, the Central Government will adhere to the key note of “making progress while maintaining stability” for China’s economy in 2014, with a priority to stability and the focuses on accelerating reforms, restructuring, transformation and upgrading. The macro control policy orientation is still towards stabilizing growth, adjusting structure and promoting reforms.

**Cement Industry:** During the past year, new challenges including the overcapacity nationwide, the unprecedentedly heightened environmental pressure and the calls for firmer dominance and voice in regional market have become the keywords for regional cement markets. To address the issues of excessive production capacity and market competition, mergers and reorganizations will be the mainstream for the development of the industry; whereas a green and eco-friendly cement industry featuring energy conservation and emission reduction will be an inevitable trend for the development of the industry.

**Property Industry:** The past year posed dual challenges to the property industry: while the first- and second-tier cities saw surging property development costs, the uncertainties in property market in the third- and fourth-tier cities were significantly amplified. The real estate regulatory policies are expected to remain stern throughout 2014. However, as the regional markets are to be further differentiated, the regulatory policies will be increasingly region- specific and efforts will be stepped up to establish a long-term mechanism conducive to healthy development of the property industry.

#### (II) Development Strategies of the Company

At the late “12th Five-Year Plan” period, China is experiencing a critical strategic period of opportunity in which a great deal can be achieved. While deepening the reforms on state-owned enterprises, the PRC will accelerate the change of economic growth model, continue to speed up the strategic adjustment of the industry structure and vigorously promote urbanization. In this regard, the Company will continue to build a stronger and bigger principal business by fully capitalizing on the advantages in management, scale and brand and sharpening its core competence and overall strengths, in order to ensure its on-going and robust development.



## MANAGEMENT DISCUSSION AND ANALYSIS

The strategies of each segment of the Company:

1. The cement and ready-mixed concrete segment will adhere to the regional “grand cross-shape” (大十字) layout through “seismic wave” (地震波) expansions. Keeping informed of the national regulatory policies, the Company will take initiatives through strategic interactions and regional coordination to build certain concentrated industry bases of enterprises in each region and keep consolidating and sharpening the added competitiveness, aiming at sustainable and healthy development of the cement segment amidst the transformation.
2. The modern building materials and commerce and logistics segment will stick to the “industrial park-based” (園區化) growth pattern with accelerated layout and transformation adjustment and make full play of its advantages in industry concentration and industry synergy. Seeking breakthroughs in bulk materials trade and the construction of international logistics park, the Company will aggressively expedite the leap-forward development of commerce and logistics business to build up a strategic commerce pillar in the value of over RMB100 billion.
3. The property development segment will continue the adjustment to “two structures” (兩個結構) and the strategy of “accelerating cash flow” (好水快流), and make the most of the macro control policies in a scientific approach. Based on the strengthened capabilities in prediction of policy information and capturing of market opportunities, the segment will boost its core competence and overall management and control capabilities to facilitate its growth on a healthier and faster basis.
4. The property investment and management segment will uphold the principle of “steady expansion, constant quality improvements, structure optimization and scientific management” (總量穩步增加、品質持續提升、結構更加優化、管理更加科學), pushing forward adjustment and integration, optimized resource allocation, improved asset operating and management quality, enhanced service quality and augmented soft and hard power to ensure its healthy and sustainable development.

### (III) Operating Planning

In 2014, the opening year for fully implementing the decisions of the Third Plenary Session of the Party’s 18th Congress, numerous challenges are to be tackled under the “12th Five-Year Plan” to advance the fundamental adjustments to China’s economy. Based on prudent judgments on macroeconomic conditions and industry dynamics, the Board will embrace new breakthroughs and developments to open a new leaf.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **(IV) Capital Requirement for the Company to Maintain Current Businesses and Complete the Construction-in-Progress Investment Projects**

In 2014, the Company will ensure normal manufacturing and operation by making overall plan to allocate capital and arranging for the proper use of capital. Meanwhile, the Company will further optimize the asset structure, intensify management over the progress of sales and settlement, strictly control various expenses and fully utilize various financial instruments to lower the costs of using capital, so as to ensure the benign circulation of cash flow to finance the Company's strategic development.

### **(V) Possible Risks**

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

Cement and property sectors are directly subject to macroeconomic development and macroeconomic control policies. Transformation and upgrade for sustainable development will become the main theme for cement companies, given the excessive production capacity across the cement industry and the heightened control of governments over overcapacity and environmental pollution. Before a long-term mechanism conducive to healthy development of the real estate industry is established, the existing regulatory model will still dominate and hence the regulatory policies on real estate market are expected to remain stringent in a prolonged period.

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

#### **2. Risks in Market Competition**

The regional market where the cement segment of the Company is operated features unbalanced demand and supply and fierce pricing competition among enterprises, with concentration in need of further improvement, which constrains and impedes the profitability of the cement segment of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 3. *Risks in Capital Operation*

Under the continued prudent monetary policies of the central bank in 2014, the credit and social financing scale will continue to grow steadily in the near term. However, there will be no longer an easing monetary and credit environment in a longer term amid the steady paces of financial reforms including interest rate marketization and exchange rate reform.

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

## **Liquidity and Financial Resources**

As at 31 December 2013, the Group's total assets amounted to RMB98,839.5 million, an increase of 18.9% from the beginning of the Reporting Period, of which liabilities amounted to RMB68,814.2 million, minority interests of RMB3,745.2 million and total equity attributable to the shareholders of the parent company of RMB26,280.1 million. The asset quality of the Group was significantly improved. Total equity attributable to shareholders amounted to RMB30,025.3 million, an increase of 19.9% from the beginning of the Reporting Period. As at 31 December 2013, the Group's net current assets were RMB8,097.3 million, an increase of RMB4,458.4 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2013 was 69.6%, a slight decrease of 0.3 percentage point from the beginning of the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2013, the Group's cash and bank balances amounted to RMB8,595.5 million, an increase of RMB2,689.4 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, corporate bonds, medium-term notes and banking facilities provided by its principal bankers in the PRC. As at 31 December 2013, the Group's interest-bearing bank borrowings amounted to RMB21,692.9 million (as at 31 December 2012: RMB18,721.4 million) and bore fixed interest rate. Of these borrowings, approximately RMB14,813.0 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB848.7 million from the beginning of the Reporting Period. Approximately RMB6,879.9 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB2,122.9 million from the beginning of the Reporting Period.

During the Reporting Period, the Company signed cooperation agreements with various banks to obtain credit facilities. The Company has sufficient capital for its operation. As at 31 December 2013, the Group has no future plans for material investments or capital assets.

### Material Acquisitions or Disposal of Subsidiaries

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

On 30 October 2013, BBMG Dacheng (a wholly-owned subsidiary of the Company), Chongqing BBMG Dacheng Shanshui Properties Co., Ltd. (the "**Project Company**") (a wholly-owned subsidiary of the Company through BBMG Dacheng) and CCB Trust entered into the Capital Increase Agreement, pursuant to which, CCB Trust agreed to make a capital contribution of no more than RMB1,500 million (being the amount raised under the a scheme of trust set-up by CCB Trust on 17 October 2013 for the purpose of raising funds to invest in the Project Company and the development of the large-scale residential property project to be developed by the Project Company located in Chayuan new district, Chongqing, the PRC) (the "**Chayuan Project**") to the Project Company, and BBMG Dacheng agreed to make a capital contribution of no more than RMB347.15 million to the Project Company. Upon completion of the Capital Increase, the equity interests in the Project Company were held as to 51% by BBMG Dacheng and as to 49% by CCB Trust, the equity interests of BBMG Dacheng in the Project Company decreased from 100% to 51%, which constituted a deemed disposal of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the Capital Increase Agreement, there will be an exit arrangement agreed between the Group and CCB Trust under the Capital Increase Agreement regarding the disposal of CCB Trust's equity interests in the Project Company upon occurrence of certain circumstances subject to the a right granted to BBMG Dacheng to firstly acquire CCB Trust's 49% equity interests in the Project Company under the Capital Increase Agreement (the "**Right of First Refusal**") to be exercised by BBMG Dacheng which may be triggered upon occurrence of certain events after two years from the establishment date of the Trust Scheme, and whereby CCB Trust is entitled to sell its equity interests in the Project Company to any other third party subject to the Right of First Refusal to be exercised by BBMG Dacheng.

On 24 September 2013, the Project Company and CCB Trust entered into a loan agreement (the "**Loan Agreement**") pursuant to which CCB Trust agreed to advance a loan of no more than RMB500 million to the Project Company which is secured by the Project Company's state-owned land use right and construction in progress in relation to the Chayuan Project. Upon completion of the Capital Increase, CCB Trust became a substantial shareholder of the Project Company and a connected person of the Company. Thus the transaction contemplated under the Loan Agreement, which was entered into between the Project Company and CCB Trust prior to the completion of the Capital Increase, became a continuing connected transaction to the Company.

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

### **Pledge of Assets**

As at 31 December 2013, certain of the Group's cash and bank balances, inventories, fixed assets and investment properties amounting to RMB5,791.8 million (as at 31 December 2012: RMB6,393.3 million) were pledged to certain banks for securing the loans granted to the Group and the corporate debenture issued by BBMG Group and accounted for approximately 5.9% of the total assets of the Group (as at 31 December 2012: 7.7%).

## MANAGEMENT DISCUSSION AND ANALYSIS

## Contingencies

		As at 31 December 2013	Unit: RMB As at 31 December 2012
Provision of guarantee to a related party	Note 1	<b>800,000,000.00</b>	800,000,000.00
Provision of guarantee to third parties	Note 2	<b>4,301,550,334.04</b>	3,885,136,892.77
		<b>5,101,550,334.04</b>	4,685,136,892.77

Note 1: Being the guarantee provided by BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Company, to BBMG Group.

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

## Commitments

		As at 31 December 2013	Unit: RMB As at 31 December 2012
Acquisition or construction of fixed assets which are contracted but not completed		<b>163,519,660.43</b>	600,880,577.76
Property development contracts which are contracted and being executed or will be executed		<b>5,767,254,870.36</b>	5,386,341,877.26
Equity investment contract which is contracted and being executed		-	216,500,000.00
		<b>5,930,774,530.79</b>	6,203,722,455.02

The significant commitments made by the Group as at 31 December 2012 have been duly performed as previously undertaken.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Significant Events After the Balance Sheet Date**

Save for the profit distribution proposal for 2013, whereby a cash dividend of RMB0.078 per share (inclusive of tax) will be distributed with a total amount of approximately RMB373.2 million and subject to the approval of the Company's shareholders at the forthcoming 2013 annual general meeting ("**2013 AGM**"), as at the date of the announcement, the Group did not have any significant event after the balance sheet date required to be disclosed.

On 26 March 2014, the issue of A Shares under the Proposed Placing of the Company was completed, under which BBMG Group and the Fund subscribed for 448,028,673 A Shares and 52,874,551 A Shares issued by the Company at a consideration of approximately RMB2,500,000,000 and RMB295,040,000, respectively.

On completion of the Proposed Placing, BBMG Group holds 2,292,854,099 A Shares, representing approximately 47.92% of the total issued share capital of the Company.

**Employees and Remuneration Policy**

As at 31 December 2013, the Group had 28,790 employees in total (as at 31 December 2012: 28,753). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB1,627.8 million (for the year ended 31 December 2012: RMB1,433.2 million), representing an increase of approximately of 13.6%.

The Company maximized the allocation of staff according to their areas of interest and creativity to give full play to synergistic growth between staff income and economic benefits, so as to maintain the stability of our staff team, attract and introduce talents to the Company, strengthening the core competitiveness and motivation for the development of the Company on an ongoing basis. The Company has established a fairer and more reasonable, scientific and standardized remuneration and benefit system for headquarters staff by making continuous improvement on the same. The adaptability and effectiveness of remuneration policy towards the Company's business development has played an active role in retaining talents. As the actual situation of the Company and the features of business developments of its subsidiaries varied, the Company's remuneration policy was mainly implemented in certain forms set out as follows.

The Company mainly adopted a yearly-based salary system for operation and management personnel and raised the proportion of performance-linked pay in the total remuneration, as well as implemented deferred payment of performance-linked pay within their tenure of service, expediting the senior management personnel to fulfill their obligations and responsibility diligently through its policies and systems and a position-linked salary system for general management, technicians and production personnel. The Company raised the proportion of fixed income to guarantee the stability of staff

## MANAGEMENT DISCUSSION AND ANALYSIS

team through a well-established position evaluation system. Meanwhile, the Company put greater efforts in performance assessment to develop a fairer and more scientific income distribution system so that all staff could be benefited from the development of the Company. Focusing on 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 further enhance the production efficiency by adopting piece rate for production staff.

In addition, the Company has also established a sound benefit system for employees by paying comprehensive social insurance and housing fund, adopting annuity system (to supplement the pension insurance) and supplemental medical insurance. The Company released the high temperature subsidy and full warm subsidy in a timely manner, showing comprehensive care for its staff in respect of their works as well as their living conditions.

### Training scheme

Approximately 80 training programs are included in the training scheme of the Company, such as induction training for college graduates, follow-up training for outstanding graduates, training for human resources managers, directors, supervisors and senior management of the Company, training for the chief financial officer, continuing education for legal advisers, continuing education in internal audit, training for special operations personnel, training in environmental energy-saving quality, technology and statistics, training in quality control, studying classes for party secretary and managers of the enterprise, training for secretary of Youth League, training for head of publicity department, training for discipline inspection and supervision cadres and trade union cadres, training for skilled workers in rotation at the continuing education training base of BBMG.

The statistics of the profession composition of the employee (as of 31 December 2013):

Employee profession	Number of employees
Production personnel	17,246
Sales personnel	2,991
Technical personnel	3,005
Financial personnel	1,055
Administrative personnel	3,435
Other personnel	1,058
Total	28,790



## MANAGEMENT DISCUSSION AND ANALYSIS

The statistics of the education level of the employee (as at 31 December 2013):

<b>Education level</b>	<b>Number of employees</b>
Postgraduate or higher	625
Undergraduate	7,928
Tertiary college graduate	5,811
Secondary vocational school graduates or lower qualifications	14,426
Total	28,790

### 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 over its cash and risk management. The Group's cash and bank balances are held mainly in RMB. Surplus cash is generally placed in short term deposits denominated in RMB.

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the shareholders their report and the audited financial statements of the Group for the year ended 31 December 2013. The Company was established and registered as a joint stock company with limited liability in the PRC under the Company Law of the PRC on 22 December 2005 and registered on 4 November 2008 as a non-Hong Kong company in Hong Kong under part XI of the Hong Kong Companies Ordinance. The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 29 July 2009. The A shares of the Company were listed on the Shanghai Stock Exchange on 1 March 2011.

## Principal Activities

The principal activities of the Company are investment holding and property investment. The Group is principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment and provision of property management services. The activities of the Group's principal subsidiaries are shown on pages 154 to 169. An analysis of the performance of the operating segments of the Group for the year by business segments is set out in Note X.3 to the financial statements.

## Results and Dividends

The results of the Company and the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 107 to 109 and 100 to 102 of this Annual Report.

No interim dividend has been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.078 per share (totaling approximately RMB373.2 million) for the year ended 31 December 2013 to the shareholders on or before 25 July 2014 subject to the approval of the shareholders of the Company at the forthcoming 2013 AGM.

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

## Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the Reporting Period are set out in Notes V.14 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 30.

## Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years is set out on page 336 of this Annual Report. This summary does not form part of the audited financial statements.

## Bank Loans, Corporate Bonds and Notes

Details of the Company's and the Group's bank loans, corporate bonds and notes as at 31 December 2013 are set out in Notes V.23, 24, 33, 35 and 36 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB567,926,056.58, details of which were set out in Note V.50 to the financial statements. Pursuant to the approval of a special resolution at the extraordinary general meeting of the Company held on 26 October 2012, the Company (1) completed the issuance of the first tranche of short-term financing bonds in the PRC in the amount of RMB2 billion between 13 March 2013 and 19 March 2013. The term of the short-term financing bonds is 365 days with a coupon rate of 4.27%; and (2) completed the issuance of the second tranche of short-term financing bonds in the PRC in the amount of RMB1 billion from 22 July 2013. The term of the short-term financing bonds is 365 days with a coupon rate of 5.2%. Pursuant to the approval of a special resolution at the 2012 annual general meeting ("**2012 AGM**") of the Company held on 21 May 2013, the Company completed the issuance of the first tranche of medium-term notes in the PRC in the amount of RMB1.5 billion on 14 October 2013. The term of the medium-term notes is five years with a coupon rate of 5.8%. The proceeds of the short-term financing bonds and medium-term notes were used for general working capital and including but not limited to the capital requirements for project investments and capital operations.

## Share Capital

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

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

## Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in Notes V.41, 42, 43, 44 and 45 to the financial statements, the consolidated statement of changes in equity and the statement of changes in equity.

## REPORT OF THE DIRECTORS

### Distributable Reserves of the Company

As at 31 December 2013, an amount of approximately RMB7,858,457,500 standing to the credit of the Company's reserve account is available for distribution, of which RMB373,201,900 has been proposed as a final dividend for the year.

### Directors and Supervisors

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

*Executive Directors:*

Jiang Weiping (Chairman)

Jiang Deyi (President)

Shi Xijun

Zang Feng

Wang Hongjun

Wang Shizhong

*Non-executive Director:*

Yu Shiliang

*Independent non-executive Directors:*

Hu Zhaoguang

Zhang Chengfu

Xu Yongmo

Yip Wai Ming

*Supervisors:*

Liu Yi

Li Bichi

Hu Jingshan

Qian Xiaoqiang

Zhang Dengfeng

Zhang Yifeng

Wang Xin

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

### **Directors', Supervisors' and Senior Management's Biographies**

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

### **Directors' and Supervisors' Service Contracts**

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

### **Directors' and Supervisors' Interests in Contracts**

No Director or Supervisor, either directly or indirectly, has any interests in any contract 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 II.29 and V.37 to the financial statements for details of the Group's employee retirement plan.

### **Management Contracts**

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

### **Directors' and Supervisors' Remunerations**

Details of the remunerations of the Directors and the Supervisors of the Company are set out in Note X.7 to the financial statements.

## REPORT OF THE DIRECTORS

**Senior Management's Remuneration**

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

For the year ended 31 December 2013, remuneration paid to the members of the senior management other than the Executive Directors is as follows:

	2013 RMB	2012 RMB
Total remuneration	<b>5,101,000</b>	4,543,500

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

	2013	2012
RMB0-1,000,000	<b>6</b>	6
RMB1,000,001-1,500,000	<b>1</b>	1
	<b>7</b>	7

**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 X.8 to the financial statements.

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

As at 31 December 2013, none of the Directors, the Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)) (the "SFO") that was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

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

## **Pre-Emptive Rights**

There is no provision regarding pre-emptive rights under the Articles of Association of the Company 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.

## **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

### **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 2013, the Group had no redeemable securities.

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

So far as was known to the Directors, as at 31 December 2013, 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 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:



## REPORT OF THE DIRECTORS

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 the issued share capital (%)	Percentage of total issued share capital (%)
A shares	BBMG Group Company Limited	Directly and beneficially owned	1,844,852,426	59.24	43.07
A shares	China National Materials Co., Ltd.	Directly and beneficially owned	239,580,000	7.69	5.59
H shares	JPMorgan Chase & Co.	Directly and beneficially owned	93,785,144	8.02	2.19
H shares	HSBC Global Asset Management (Hong Kong) Limited	Directly and beneficially owned	81,140,748	6.94	1.89
H shares	BlackRock, Inc.	Directly and beneficially owned	78,770,389	6.74	1.84
H shares	Sloane Robinson LLP	Directly and beneficially owned	70,497,000	6.03	1.65
H Shares	Schroders Plc	Directly and beneficially owned	69,993,000	5.99	1.63
H Shares	Neuberger Berman Group LLC	Directly and beneficially owned	59,006,000	5.05	1.38

## REPORT OF THE DIRECTORS

Short positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
A shares	BBMG Group Company Limited	Directly and beneficially owned	92,120,474	2.96	2.15
H shares	JPMorgan Chase & Co.	Directly and beneficially owned	980,000	0.08	0.02
H shares	BlackRock, Inc.	Directly and beneficially owned	1,632,000	0.14	0.04

Save as disclosed above, as at 31 December 2013, so far as was known to the Directors, there were no other parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### Major Customers and Suppliers

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

### Competition and Conflict of Interests

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

## Connected Transactions

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

### A. One-off Connected Transactions

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

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

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

## REPORT OF THE DIRECTORS

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

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

At the 2013 EGM, all the relevant resolutions regarding the Proposed Placing, the Parent Subscription, the Fund Subscription and the Whitewash Waiver were duly passed.

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

On 7 March 2014, the Company received approval from CSRC for the Proposed Placing and therefore, all of the conditions precedent to the Proposed Placing, the Parent Subscription and the Fund Subscription have been fulfilled. After completion of the requisite procedures, the issue of A Shares under the Proposed Placing, the Parent Subscription and the Fund Subscription was completed on 26 March 2014. The shareholding of BBMG Group in the Company has increased from 43.07% to 47.92%.

The net proceeds of approximately RMB2,774.7 million raised will be used for the development of the modern building materials and commerce and logistics segment of the Company.

## B. Continuing Connected Transactions

### (1) *Leasing of properties from the Parent Group*

On 28 October 2011, the Company and the Parent entered into a lease framework agreement (the "**Lease Framework Agreement**"), pursuant to which the Parent and its subsidiaries (the "**Parent Group**") leased to the Group certain land and properties owned by the Parent Group (including its associates) mutually identified by the parties from time to time during the term of the Lease Framework Agreement commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Lease Framework Agreement for the Reporting Period was RMB30,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB4,106,000.

### (2) *Purchase of services from the Parent Group*

On 28 October 2011, the Company and the Parent entered into a service purchase framework agreement (the "**Service Purchase Framework Agreement**"), pursuant to which the Group agreed to purchase services such as property management, quality control and checking, property demolishing and other services needed for the business operation of the Group from the Parent Group (including its associates) for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Service Purchase Framework Agreement for the Reporting Period was RMB47,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB2,788,000.

### (3) *Sale of goods to the Parent Group*

On 28 October 2011, the Company and the Parent entered into a sales framework agreement (the "**Goods Sales Framework Agreement**"), pursuant to which the Group agreed to supply goods such as cement, clinker, refractory materials, furniture, colour boards, toiletry, wooden products and other woods to the Parent Group (including its associates) for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Goods Sales Agreement for the Reporting Period was RMB60,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB940,000.

## REPORT OF THE DIRECTORS

**(4) Purchase of goods from the Parent Group**

On 28 October 2011, the Company entered into a goods purchase framework agreement with the Parent (the “**BBMG Group Goods Purchase Framework Agreement**”), pursuant to which the Parent Group (including its associates) agreed to supply to the Group goods including cement, cement clinker, limestone, stone, fuel, plastic-steel windows and other goods for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the BBMG Group Goods Purchase Agreement for the Reporting Period was RMB35,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB3,032,000.

**(5) Provision of services to the Parent Group**

On 28 October 2011, the Company entered into a service provision framework agreement with the Parent (the “**BBMG Group Service Provision Framework Agreement**”), pursuant to which the Group agreed to provide services such as property management, consultancy, conference services, accommodation services and other services needed for the operation of the Parent (including its associates) for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the BBMG Group Service Provision Framework Agreement for the Reporting Period was RMB70,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB7,144,000.

The independent non-executive Directors of the Company, Hu Zhaoguang, Zhang Chengfu, Xu Yongmo and Yip Wai Ming, have, for the purpose of Rule 14A.37 of the Listing Rules, reviewed the above continuing connected transactions and confirmed that such continuing connected transactions, for the Reporting Period, have been entered into:

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

## REPORT OF THE DIRECTORS

Ernst & Young Hua Ming LLP, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 – Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young Hua Ming LLP has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

**Independent Auditor**

The consolidated financial statements for the year ended 31 December 2013 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 2013 AGM.

On behalf of the Board

**Jiang Weiping**

*Chairman*

Beijing, the PRC

28 March 2014

# REPORT OF THE SUPERVISORY BOARD

During the Reporting Period, the Supervisory Board exercised supervision over the Company's financial conditions, lawful operation and the performance by the Board and the management with an aim to protect the interests of both of Company and the shareholders of the Company in accordance with the Company Law of the People's Republic of China, the Articles of Association of BBMG Corporation and the Rules of Procedures of the Supervisory Board of BBMG Corporation. All Supervisors exercised due diligence and care in discharging their duties and fulfill substantially all of the objectives of the Supervisory Board for year 2013.

## 1. Meetings of the Supervisory Board in 2013

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

### (I) The second meeting of the third session of the Supervisory Board

The second meeting of the third session of the Supervisory Board was convened on-site in Beijing on 20 March 2013. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

- a. The resolution for considering the annual report and its summary and the annual results announcement of the Company for 2012;
- b. The resolution for considering the audited accounts of the Company for 2012;
- c. The resolution for considering the preliminary profit distribution of the Company for 2012;
- d. The resolution for considering the corporate social responsibility report of the Company for 2012; and
- e. The resolution for considering the report of the Supervisory Board for 2012.



## REPORT OF THE SUPERVISORY BOARD

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

The third meeting of the third session of the Supervisory Board was convened on-site in Beijing on 24 April 2013. All seven eligible Supervisors attended the meeting. At the meeting, the resolution for considering the first quarterly report of the Company for 2013 was considered and approved.

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

The fourth meeting of the third session of the Supervisory Board was convened on-site in Beijing on 21 August 2013. Six out of seven eligible Supervisors attended the meeting. Chairman of the Supervisory Board Mr. Liu Yi entrusted Ms. Li Bichi, a Supervisor, to attend the meeting and exercise his voting rights. At the meeting, the resolution for considering the interim report, its summary and the interim results announcement for 2013 was considered and approved.

**(IV) The fifth meeting of the third session of the Supervisory Board**

The fifth meeting of the third session of the Supervisory Board was convened on-site in Beijing on 30 October 2013. All seven eligible Supervisors attended the meeting. At the meeting, the resolution for considering the third quarterly report of the Company for 2013 was considered and approved.

**(V) The sixth meeting of the third session of the Supervisory Board**

The sixth meeting of the third session of the Supervisory Board was convened on-site in Beijing on 30 December 2013. All seven eligible Supervisors attended the meeting. At the meeting, the resolution for considering the provision for impairment on assets of companies that ceased operations was considered and approved.

**2. Attendance of Members of the Supervisory Board at General Meetings and their In-attendance at Board Meetings in 2013**

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

## REPORT OF THE SUPERVISORY BOARD

### **3. Opinion of the Supervisory Board on Certain Issues of the Company for the Year 2013**

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, being in attendance at 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 2013. With respect to the business operations of the Company and the performance of duties by the Directors and the senior management, the Supervisory Board was not aware of any violation of laws, regulations, the Articles of Association and relevant protocols, rules of procedures, nor any power being abused or infringement of the interests of the shareholders of the Company and the legitimate rights of the employees.

#### **(II) Opinion on financial position of the Company**

During the Reporting Period, the Supervisory Board had duly supervised and inspected the financial system and financial position of the Company, and carefully considered the financial information of the Company as contained in the Audited Accounts of the Company for 2013, Preliminary Profit Distribution Plan for 2013 and the financial reports included in the regular reports (定期報告) in 2013, 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. The reporting accountant of the Company had audited the financial reports included in the regular reports and issued standard auditor's report without qualified opinions.

## REPORT OF THE SUPERVISORY BOARD

**(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 in 2013, and is of the opinion that such procedures are in compliance with laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company. The content and format of the regular reports are in line with all provisions of the regulatory authorities and the information contained therein gives a true, accurate and complete view of the business activities of the Company in 2013. No violation of the regulations regarding confidentiality, information disclosure and other aspects by personnel involved in preparation, review and disclosure of the regular reports has been found.

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

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

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

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

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

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

## REPORT OF THE SUPERVISORY BOARD

### **4. Work Plan of the Supervisory Board for 2014**

In 2014, the Supervisory Board will continue to discharge its duties diligently in strict compliance with the relevant requirements under applicable laws and regulations including the Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Board of the Company, thereby protecting the legitimate rights and interests of the Company and its shareholders as a whole.

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

In 2014, the Supervisory Board will exercise supervision over standardized operations and the performance of duties by the Directors and the senior management of the Company in strict compliance with the Company Law, the Articles of Association and relevant requirements. Firstly, it will procure the Company to further improve its corporate governance structure and governance practices according to the requirements of the modern enterprise systems. Secondly, it will continue to strengthen its supervisory functions by attending the general meetings and the Board meetings under the laws to keep informed of the Company's major decisions and the legitimacy of decision-making processes to better protect the rights and interests of the shareholders of the Company. Thirdly, it will implement the Rules of Procedures of the Supervisory Board and convene meetings of the Supervisory Board on a regular basis.

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

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

## REPORT OF THE SUPERVISORY BOARD

- (III) Enhancing communications of the Board and the management to facilitate rational and scientific decisions and management of the Company; enhancing communications with the staff to advance the Company's democratic management and harmonious development**
  
- (IV) Uplifting professional capabilities through self-improvements to better perform the supervisory duties of the Supervisory Board**

**Liu Yi**

*Chairman*

Beijing, the PRC

28 March 2014

# INVESTOR RELATIONS REPORT

## Overview

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

## Investor Relations Review

### 1. Meetings with Investors

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

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

## **2. Ongoing Communications with Shareholders, Investors and Analysts**

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

## **3. Results Announcement**

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

## **4. Maintaining Interactive Communications with Media**

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

## **5. Timely Dissemination of Latest Corporate Updates**

Company website is considered to be one of the quickest means to communicate with investors. The Group regularly updated the contents of the company's website ([www.bbmj.com.cn/listco](http://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	500 shares
Number of issued H shares	1,169,382,435 shares (as at 31 December 2013 and 28 March 2014)
Stock code	02009.HK

##### *A Shares*

Listing date	1 March 2011
Board lot	100 shares
Number of issued A shares	3,114,354,625 shares (as at 31 December 2013) and 3,615,257,849 shares (as at 28 March 2014)
Stock code	601992



## INVESTOR RELATIONS REPORT

2	Financial Calendar	
	2012 annual results announcement	published on 20 March 2013
	2013 first quarterly results announcement	published on 24 April 2013
	2013 interim results announcement	published on 21 August 2013
	2013 third quarterly results announcement	published on 30 October 2013
	2013 annual results announcement	published on 28 March 2014
	Closure of register of H shares members for attending the 2012 AGM	from 22 April 2013 to 21 May 2013
	2012 AGM	21 May 2013
	Closure of register of H shares members for attending the 2013 AGM	from 23 April 2014 to 22 May 2014
	2013 AGM	22 May 2014
	Financial year end	31 December
3	Dividends	
	2012 final dividend	RMB0.071 per share
	Closure of register of H shares members for 2012 final dividend	from 25 May 2013 to 29 May 2013
	Proposed 2013 final dividend	RMB0.078 per share
	Closure of register of H shares members for 2013 final dividend	from 29 May 2014 to 2 June 2014

For any queries, please contact:

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 Company website: [www.bbmg.com.cn/listco](http://www.bbmg.com.cn/listco)

# / CORPORATE GOVERNANCE REPORT





## CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2013.

### 1 Commitment to Corporate Governance

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

During the Reporting Period, the Company has 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 has applied the principles and complied with all the code provisions of the Corporate Governance Code (the "CG Code"), as amended from time to time, set out in Appendix 14 to the Listing Rules during the year ended 31 December 2013 and adopted as its own code of corporate governance practices. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

In the opinion of the Directors the Company has complied with the code provisions of the CG Code to the Listing Rules for year ended 31 December 2013.

## CORPORATE GOVERNANCE REPORT

In addition to the existing internal protocols and guidelines to ensure accurate and timely information disclosure in accordance with the requirements under the Listing Rules, in contemplating the listing of the A shares in 2011, the Board has further formulated additional rules of procedures to comply with the relevant requirements under the PRC laws and regulations. The Company has adopted: Continuing Connected Transactions Practical Guidelines (關連交易實施細則); System on Managing Investor Relationship (投資者關係管理制度); System on Managing Insiders and External Information (內幕資訊知情人和外部資訊使用人管理制度); Management Protocol on Information Disclosures (信息披露管理辦法); System on Managing Use of Proceeds (募集資金使用與管理制度); Securities Dealing Code for Management (管理層證券交易守則); Management Protocol on Related Party Transactions (關聯交易管理辦法); System on Managing External Guarantee (對外擔保管理制度); Management Protocol on External Investment (對外投資管理辦法); Working Guidelines for President (總經理工作細則); System on Internal Reporting on Material Information (重大資訊內部報告制度); System on Managing Fund Flow To And From Related Parties (與關聯方資金往來管理制度); Rules of Procedure for the Remuneration and Nomination Committee (薪酬與提名委員會議事規則); Rules of Procedure for the Meetings of the Board (董事會議事規則); Working System of Independent Directors (獨立董事工作制度); Rules of Procedure for General Meetings (股東大會議事規則); Rules of Procedure for the Strategic Committee (戰略與投融資委員會議事規則); Rules of Procedure for the Audit Committee (審計委員會議事規則); Rules of Procedure for the Supervisory Board (監事會議事規則); Guidelines on Identifying Connected Parties (關連人士確認細則); Working Guidelines for Board Secretary (董事會秘書工作細則); and Protocol on Internal Control Evaluation (內控評價辦法).

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

## CORPORATE GOVERNANCE REPORT

### 2 The Board

#### Duties and Functions of the Board

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

## CORPORATE GOVERNANCE REPORT

### Composition

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

#### **Executive Directors:**

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

#### **Non-executive Director:**

Yu Shiliang	Members of the Audit Committee and the Remuneration and Nomination Committee
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#### **Independent non-executive Directors:**

Hu Zhaoguang	Members of the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee
Zhang Chengfu	Chairman of the Audit Committee, members of the Remuneration and Nomination Committee and the Strategic Committee
Xu Yongmo	Members of the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee
Yip Wai Ming	Member of the Audit Committee

The biographical details of each Director are disclosed on pages 8 to 12 of this Annual Report.

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



## CORPORATE GOVERNANCE REPORT

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

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

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

### **Term of Office of Directors**

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term not exceeding three years commenced on 26 October 2012 and expiring on the date of the annual general meeting of the Company for the year of 2014.

## CORPORATE GOVERNANCE REPORT

**Company Secretary**

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

The company secretary is also in charge of preparing and keeping written resolutions and/or minutes of meetings of the Board and the Board committees together with any relevant documents. All matters under consideration including any enquiry and objection by Directors will be minuted in details. Within a reasonable timeframe 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 has taken no less than 15 hours of relevant professional training during the Reporting Period.

## CORPORATE GOVERNANCE REPORT

### Board Meetings

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

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

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

The Board held four regular Board meetings during the Reporting Period to review the financial performance of the Group. Between these regular meetings, the Board also met to discuss and consider major issues (whether or not required by the Listing Rules) and also on other occasions when Board decisions are required. With respect to regular meetings of the Board, Directors were given a formal written notice of the meeting and an agenda with supporting Board papers to the meeting in accordance with the Listing Rules and the CG Code. With respect to other meetings called, Directors were given as much notice as is reasonable and practicable in the circumstances. During the Reporting Period, the Board also convened the 2012 AGM on 21 May 2013 and the 2013 EGM on 30 October 2013. The number of meetings and attendance details of each Director during the Reporting Period are set out in the table below:

## CORPORATE GOVERNANCE REPORT

Name of Director	Number of attendance/ Number of meetings		
	Board Meetings	2012 AGM	2013 EGM
<i>Executive Directors</i>			
Jiang Weiping (Chairman)	6/6	1/1	1/1
Jiang Deyi (President)	6/6	1/1	1/1
Shi Xijun	6/6	1/1	1/1
Zang Feng	6/6	1/1	1/1
Wang Hongjun	6/6	1/1	1/1
Wang Shizhong	6/6	1/1	1/1
<i>Non-executive Director</i>			
Yu Shiliang	5/6	1/1	1/1
<i>Independent non-executive Directors</i>			
Hu Zhaoguang	5/6	1/1	1/1
Zhang Chengfu	6/6	1/1	1/1
Xu Yongmo	6/6	1/1	1/1
Yip Wai Ming	6/6	1/1	1/1

### Directors' Induction and Continuous Professional Development

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

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

## CORPORATE GOVERNANCE REPORT

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

	<b>Types of training</b>
<i>Executive Directors:</i>	
Jiang Weiping ( <i>Chairman</i> )	A/B/C
Jiang Deyi ( <i>President</i> )	A/B/C
Shi Xijun	A/C
Zang Feng	A/C
Wang Hongjun	A/C
Wang Shizhong	A/C
<i>Non-executive Director:</i>	
Yu Shiliang	A/C
<i>Independent non-executive Directors:</i>	
Hu Zhaoguang	A/C
Zhang Chengfu	A/C
Xu Yongmo	A/C
Yip Wai Ming	A/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 any suitable training to develop and refresh their knowledge and skills.

### Board Committees

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

### Audit Committee

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

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

During the Reporting Period, the Audit Committee convened 5 meetings. The senior management and external auditors were invited to attend these meetings.

## CORPORATE GOVERNANCE REPORT

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

Name of Director	Number of attendance/ Number of meetings
<i>Independent non-executive Directors</i>	
Zhang Chengfu ( <i>Chairman</i> )	4/5
Hu Zhaoguang	4/5
Xu Yongmo	5/5
Yip Wai Ming	5/5
<i>Non-executive Director</i>	
Yu Shiliang	4/5

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

- review of the external auditors' report in respect of the audited financial statements, annual report and results announcement for the year ended 31 December 2012;
- the proposed appointment of Ernst & Young Hua Ming LLP as the Company's independent auditor for the year ended 31 December 2013;
- review of the 2013 interim report and interim results announcement;
- review of the 2013 first quarter and third quarter results reports;
- review of the internal control system of the Group with the discussion of the internal auditors;
- review of the internal control report;
- review of the Company's audit planning report prepared by Ernst & Young Hua Ming LLP for the year ended 31 December 2013; and
- review of the connected transactions and continuing connected transactions of the Group.

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

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



### Remuneration and Nomination Committee

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

During the Reporting Period, the Remuneration and Nomination Committee convened 2 meetings. Key resolutions considered and approved at the meeting were:

- a. The resolution of determining the remuneration of executive Directors of the Board of the Company by the Remuneration and Nomination Committee;
- b. The proposals to the Board on 2012 Performance-based Remuneration Plan for the Company's senior management and 2012 Remuneration Plan;
- c. The consideration and review on the proposed appointment of the third session of the board of directors of the Company; and
- d. Reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

## CORPORATE GOVERNANCE REPORT

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

Name of Director	Number of attendance/ Number of meetings
<i>Executive Directors</i>	
Jiang Weiping	2/2
Shi Xijun	2/2
<i>Non-executive Director</i>	
Yu Shiliang	2/2
<i>Independent non-executive Directors</i>	
Hu Zhaoguang (Chairman)	2/2
Zhang Chengfu	1/2
Xu Yongmo	2/2

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

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

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

### 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. Up to the date of this Annual Report, the Strategic Committee consists of six members, three of whom are executive Directors, namely Jiang Weiping, Jiang Deyi and Wang Hongjun, with Jiang Weiping serving as its Chairman and Jiang Deyi as its Vice Chairmen together with three independent non-executive Directors, namely Hu Zhaoguang, Zhang Chengfu and Xu Yongmo.

During the Reporting Period, the Strategic Committee convened one meeting with an attendance rate of 100% to review the investment and financing proposals of the Company for 2013.

### 3 Statement of Financial Responsibility of the Board

It is the responsibility of the Board for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for (i) the preparation of the Company's financial statements; (ii) the completeness and legitimacy of the financial data; and (iii) the efficiency of the Company's internal control system and risk management process for the year ended 31 December 2013.

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 2013, the Directors have:

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

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

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 "Audit Report" on pages 98 to 99 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.

## CORPORATE GOVERNANCE REPORT

**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 price sensitive data that has not been disclosed. The Model Code is sent four times a year, namely, no less than 30 days prior to the Board meeting to approve the Company's interim and quarterly results and no less than 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice, to remind the Directors, the Supervisors and the specific employees who may have certain price sensitive information that they may not deal in the Shares until the publication of the results announcement.

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

All Directors confirmed that as at 31 December 2013, none of the Directors, the Supervisors and the specific employees who may have certain price sensitive information that has not been disclosed complied with the Model Code has interests or short positions which are required to notify the Company and the Hong Kong Stock Exchange, or incur any conduct in violation of regulations. Having made specific enquiries to all Directors and all Supervisors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

## 5 Internal Control and Audit

### Internal Control

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

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

## CORPORATE GOVERNANCE REPORT

**The Board's Statement on Its Responsibility for Internal Control**

The Board has conducted self-evaluation on the effectiveness of the design and implementation of the internal control of the Company as at 31 December 2013 pursuant to the requirements of fundamental standards, evaluation guidelines and other relevant laws and regulations.

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

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

**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 2013 is summarised as follows:

<b>Ernst &amp; Young Hua Ming LLP</b>	<b>RMB</b>
Annual results auditing services	9,500,000
Non-audit services	—
Total	9,500,000

## 6 Communications with Shareholders

The Board fully recognizes that effective communication with investors is the key to build 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.

## 7 Shareholders' Rights

### Procedure for shareholders to convene an extraordinary general meeting:

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

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

## CORPORATE GOVERNANCE REPORT

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

### **Procedure for election of directors nominated by shareholders**

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

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

Proposals at a general meeting shall meet the following requirements:

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

Vote 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.



## CORPORATE GOVERNANCE REPORT

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.

**Procedure for Shareholders to put forward proposals at a general meeting**

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

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

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

Proposals at a general meeting shall meet the following requirements:

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

## CORPORATE GOVERNANCE REPORT

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

### **8 Constitutional Documents**

There was no amendments to the Articles of Association of the Company during the Reporting Period. The most updated Articles of Association of the Company is available on the websites of the Company and the Hong Kong Stock Exchange.

On behalf of the Board

**Jiang Weiping**

*Chairman*

Beijing, the PRC

28 March 2014

**/ AUDIT  
REPORT**



# Audit Report



Ernst & Young Hua Ming (2014) Shen Zi No. 60667053\_A1

## To the shareholders of BBMG Corporation:

We have audited the accompanying financial statements of BBMG Corporation, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to the financial statements.

### 1. Management's responsibility for the financial statements

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

### 2. Auditor's Responsibility

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

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

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

## Audit Report

### 3. Opinion

In our opinion, the financial statements present fairly, in all material aspects, the consolidated and company's financial position of BBMG Corporation as at 31 December 2013 and their financial performance and cash flows for 2013 in accordance with Accounting Standards for Business Enterprises.

**Ernst & Young Hua Ming LLP**

*Chinese Certified Public Accountant:* **Meng Dong**

*Chinese Certified Public Accountant:* **Ma Yue**

Beijing, the People's Republic of China

28 March 2014

# Consolidated Balance Sheet

As at 31 December 2013

	Note V	31 December 2013 RMB	31 December 2012 RMB (Restated)
<b>Assets</b>			
Current assets			
Cash and bank balances	1	<b>8,595,510,330.36</b>	5,906,094,546.45
Bills receivable	2	<b>1,373,660,444.38</b>	1,028,662,688.14
Interests receivable	3	<b>2,641,275.74</b>	1,411,125.80
Dividends receivable	4	–	1,215,425.00
Accounts receivable	5	<b>5,005,865,494.62</b>	3,991,796,374.16
Other receivables	6	<b>2,639,819,809.34</b>	1,899,515,319.31
Advances to suppliers	7	<b>3,640,625,094.32</b>	909,415,140.77
Inventories	8	<b>37,602,014,262.50</b>	32,286,890,673.48
Other current assets	9	<b>1,297,088,888.16</b>	1,076,877,652.29
Total current assets		<b>60,157,225,599.42</b>	47,101,878,945.40
Non-current assets			
Available-for-sale financial assets	10	<b>505,404,297.22</b>	11,925,966.26
Long-term equity investments	12	<b>345,799,792.73</b>	407,942,404.33
Investment properties	13	<b>13,545,900,000.00</b>	12,840,400,000.00
Fixed assets	14	<b>16,934,316,116.16</b>	15,331,150,630.80
Construction in progress	15	<b>1,699,222,835.50</b>	2,146,494,608.43
Construction materials	16	<b>7,869,443.85</b>	14,281,785.80
Intangible assets	17	<b>3,962,675,437.19</b>	3,600,681,639.16
Goodwill	18	<b>307,562,412.28</b>	312,051,745.55
Long-term deferred expenditures	19	<b>204,694,176.91</b>	189,228,562.12
Deferred income tax assets	20	<b>1,168,879,507.62</b>	1,205,767,342.49
Total non-current assets		<b>38,682,324,019.46</b>	36,059,924,684.94
Total assets		<b>98,839,549,618.88</b>	83,161,803,630.34

The notes on pages 114 to 329 form an integral part of these financial statements.

## Consolidated Balance Sheet (continued)

As at 31 December 2013

	Note V	31 December 2013 RMB	31 December 2012 RMB (Restated)
<b>Liabilities and shareholders' equity</b>			
Current Liabilities			
Short-term loans	23	<b>13,516,500,000.00</b>	11,388,286,880.00
Bills payable	24	<b>506,106,696.49</b>	430,004,020.52
Accounts payable	25	<b>8,516,698,306.54</b>	6,569,201,907.77
Receipts in advance	26	<b>15,567,949,491.14</b>	14,206,950,304.93
Wages payable	27	<b>143,861,648.17</b>	153,463,306.96
Tax payable	28	<b>750,894,143.53</b>	1,308,896,782.25
Interest payable	29	<b>253,810,076.41</b>	155,274,711.13
Dividends payable	30	<b>45,192,199.03</b>	43,048,069.19
Other payables	31	<b>2,757,269,782.36</b>	2,483,124,813.60
Short-term financing bonds payable	36	<b>3,000,000,000.00</b>	1,000,000,000.00
Non-current liabilities due within one year	33	<b>3,199,218,336.70</b>	2,576,020,000.00
Other current liabilities	34	<b>3,802,471,794.62</b>	3,148,676,380.69
Total current liabilities		<b>52,059,972,474.99</b>	43,462,947,177.04
Non-current liabilities			
Long-term loans	35	<b>6,879,920,000.00</b>	4,757,051,545.34
Bonds payable	36	<b>6,305,600,000.00</b>	6,692,453,587.34
Long-term ages payable	37	<b>422,795,184.00</b>	509,336,565.00
Long-term payables	38	<b>22,414,048.18</b>	–
Accrued liabilities	32	<b>101,979,128.78</b>	100,077,202.17
Deferred income tax liabilities	20	<b>2,418,825,799.17</b>	1,989,993,217.02
Other non-current liabilities	39	<b>602,729,940.01</b>	617,175,147.70
Total non-current liabilities		<b>16,754,264,100.14</b>	14,666,087,264.57
Total liabilities		<b>68,814,236,575.13</b>	58,129,034,441.61
Equity			
Share Capital	40	<b>4,283,737,060.00</b>	4,283,737,060.00
Capital reserve	41	<b>5,851,047,176.44</b>	5,398,164,997.51
Specific reserve	42	<b>13,788,160.64</b>	9,552,984.58
Surplus reserve	43	<b>711,195,322.63</b>	580,908,595.02
Provision for general risks	44	<b>698,454.78</b>	–
Retained earnings	45	<b>15,419,803,804.11</b>	12,639,750,823.11
Exchange differences on foreign currency translation		<b>(130,382.81)</b>	(130,112.92)
Equity attributable to shareholders of the parent company		<b>26,280,139,595.79</b>	22,911,984,347.30
Minority interests		<b>3,745,173,447.96</b>	2,120,784,841.43
Total equity attributable to shareholders		<b>30,025,313,043.75</b>	25,032,769,188.73
Total liabilities and equity attributable to shareholders		<b>98,839,549,618.88</b>	83,161,803,630.34

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

# Consolidated Income Statement

For the year 2013

	Note V	2013 RMB	2012 RMB (Restated)
<b>Operating revenue</b>	46	<b>44,789,759,261.89</b>	34,054,096,003.32
Less: Operating costs	46	<b>34,799,883,524.55</b>	25,724,691,425.24
Tax and surcharges	47	<b>1,586,185,890.01</b>	1,675,101,274.28
Selling expenses	48	<b>1,566,232,335.03</b>	1,350,600,351.81
Administrative expenses	49	<b>2,811,322,533.52</b>	2,185,451,004.00
Finance costs	50	<b>1,017,497,260.29</b>	902,397,834.88
Asset impairment losses	53	<b>380,923,672.60</b>	47,719,354.20
Add: Gains from changes in fair value	51	<b>671,729,628.37</b>	936,201,275.04
Investment losses	52	<b>(34,746,071.77)</b>	(7,142,672.11)
Including: Share of losses of associates and jointly-controlled entities		<b>(34,333,852.32)</b>	(32,989,386.38)
Operating profit		<b>3,264,697,602.49</b>	3,097,193,361.84
Add: Non-operating income	54	<b>767,847,286.22</b>	931,016,234.14
Less: Non-operating expenses	55	<b>38,821,166.08</b>	70,607,884.18
Including: Loss on disposal of non-current assets		<b>20,305,299.15</b>	34,088,371.36
Total profit		<b>3,993,723,722.63</b>	3,957,601,711.80
Less: Income tax expenses	56	<b>750,565,753.75</b>	803,746,757.93
Net profit		<b>3,243,157,968.88</b>	3,153,854,953.87
Net profit attributable to shareholders of the parent company		<b>3,215,183,494.65</b>	2,968,713,628.74
Minority interests		<b>27,974,474.23</b>	185,141,325.13
Earnings per share	57		
Basic earnings per share (RMB/share)		<b>0.75</b>	0.69
Diluted earnings per share (RMB/share)		<b>0.75</b>	0.69
Other comprehensive income			
Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting period			
Changes arising from re-measurement of net liabilities or net assets of defined benefit plans		<b>70,770,401.00</b>	23,307,647.00
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting period			
Fixed assets/investment properties transferred from inventories		<b>9,144,791.28</b>	117,099,226.67
Disposal of available-for-sale financial assets		<b>-</b>	(73,706.25)
Exchange differences on foreign currency translation		<b>(269.89)</b>	(8,840.64)
Net other comprehensive income after deducting income tax effect	58	<b>79,914,922.39</b>	140,324,326.78
Total comprehensive income		<b>3,323,072,891.27</b>	3,294,179,280.65
Including:			
Total comprehensive income attributable to shareholders of the parent company		<b>3,295,098,417.04</b>	3,109,037,955.52
Total comprehensive income attributable to minority interests		<b>27,974,474.23</b>	185,141,325.13

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.



# Consolidated Statement of Changes in Equity

For the year 2013

	Equity attributable to shareholders of the parent company										Total equity RMB
	Share capital RMB	Capital reserve RMB	Specific reserve RMB	Surplus reserve RMB	Provision for general risks RMB	Retained earnings RMB	Exchange differences on foreign currency translation RMB	Subtotal RMB	Non-controlling interests RMB		
1. Balance at the beginning of the year (restated) (Note II.2)	4,283,737,060.00	5,398,164,997.51	9,552,984.58	580,908,595.02	-	12,639,750,823.11	(130,112.92)	22,911,984,347.30	2,120,784,841.43	25,032,769,188.73	
2. Movements during the year	-	-	-	-	-	3,215,183,494.65	-	3,215,183,494.65	27,974,474.23	3,243,157,968.88	
(1) Net profit	-	79,915,192.28	-	-	-	-	(269.89)	79,914,922.39	-	79,914,922.39	
(2) Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income	-	79,915,192.28	-	-	-	3,215,183,494.65	(269.89)	3,295,098,417.04	27,974,474.23	3,323,072,891.27	
(3) Capital contribution and reduction from shareholders	-	403,960,934.52	-	-	-	-	-	403,960,934.52	2,086,968,324.21	2,490,929,258.73	
1. Capital contribution from minority interests	-	338,743.82	-	-	-	-	-	338,743.82	(338,743.82)	-	
2. Unilateral capital increase for subsidiaries	-	(31,332,691.69)	-	-	-	-	-	(31,332,691.69)	(439,829,412.31)	(471,162,104.00)	
3. Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	10,401,718.00	10,401,718.00	
4. Business combination not under common control	-	-	-	-	-	-	-	-	-	-	
(4) Profit distribution	-	-	-	130,886,727.61	-	(130,886,727.61)	-	-	-	-	
1. Appropriation of surplus reserve	-	-	-	130,886,727.61	-	(130,886,727.61)	-	-	-	-	
2. Dividend to shareholders	-	-	-	-	-	(304,145,331.26)	-	(304,145,331.26)	(61,491,962.51)	(365,637,293.77)	
3. Appropriation of provision for general risks	-	-	-	-	698,454.78	(698,454.78)	-	-	-	-	
(5) Specific reserve	-	-	26,575,853.06	-	-	-	-	26,575,853.06	4,261,512.71	30,837,365.77	
1. Appropriated during the year	-	-	(22,340,677.00)	-	-	-	-	(22,340,677.00)	(3,557,303.98)	(25,897,980.98)	
2. Paid during the year	-	-	-	-	-	-	-	-	-	-	
3. Balance at the end of the year	4,283,737,060.00	5,851,047,176.44	13,788,160.64	711,195,322.63	698,454.78	15,419,003,804.11	(130,392.81)	26,280,139,595.79	3,745,173,447.96	30,025,313,043.75	

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity (continued)

For the year 2012

	Equity attributable to shareholders of the parent company							Total equity RMB
	Share capital RMB	Capital reserve RMB	Specific reserve RMB	Surplus reserve RMB	Retained earnings RMB	Exchange differences on foreign currency translation RMB	Subtotal RMB	
I. Balance at the end of the previous year	4,283,737,060.00	5,311,872,199.72	-	340,879,231.86	10,217,411,951.85	(121,272.28)	20,153,779,171.15	21,715,616,210.83
Add: Changes in accounting policies (Note II.2)	-	(20,935,643.00)	-	141,839.80	1,941,834.20	-	(18,851,969.00)	(18,851,969.00)
II. Balance at the beginning of the year (restated)	4,283,737,060.00	5,290,936,556.72	-	341,021,071.66	10,219,353,786.05	(121,272.28)	20,134,927,202.15	21,696,764,241.83
III. Movements during the year								
(1) Net Profit	-	-	-	-	2,968,713,628.74	-	2,968,713,628.74	185,141,325.13
(2) Other comprehensive income	-	140,333,167.42	-	-	-	(8,840.64)	140,324,326.78	140,324,326.78
Total comprehensive income	-	140,333,167.42	-	-	2,968,713,628.74	(8,840.64)	3,109,037,955.52	3,294,179,280.65
(3) Capital contribution and reduction from shareholders								
1. Capital contribution from shareholders	-	-	-	-	-	-	-	587,876,310.80
2. Unilateral capital increase for subsidiaries	-	(63,104,726.63)	-	-	-	-	(63,104,726.63)	33,104,726.63
3. Disposal of subsidiaries	-	-	-	-	-	-	-	(5,749,106.45)
(4) Profit distribution								
1. Appropriation of surplus reserve	-	-	-	239,887,523.36	(239,887,523.36)	-	-	-
2. Dividend to shareholders	-	-	-	-	(308,429,068.32)	-	(308,429,068.32)	(550,554,735.12)
(5) Specific reserve								
1. Appropriated during the year	-	-	57,730,015.85	-	-	-	57,730,015.85	1,188,692.06
2. Paid during the year	-	-	(48,177,031.27)	-	-	-	(48,177,031.27)	(48,665,510.89)
IV. Balance at the end of the year	4,283,737,060.00	5,398,164,997.51	9,559,984.58	580,908,595.02	12,639,750,823.11	(130,112.92)	22,911,984,347.30	25,032,769,188.73

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

## Consolidated Statement of Cash Flows

For the year 2013

	Note V	2013 RMB	2012 RMB
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		45,854,208,629.77	35,535,974,753.80
Refunds of taxes		443,874,166.56	291,914,460.62
Cash received from other operating activities	59	1,203,301,244.50	542,542,656.14
Subtotal of cash inflows from operating activities		47,501,384,040.83	36,370,431,870.56
Cash paid for goods and services		38,604,295,558.22	24,788,965,427.11
Cash paid to and on behalf of employees		2,622,883,628.56	2,385,977,077.29
Cash paid for all types of taxes		3,327,003,735.59	3,141,628,616.22
Cash paid for other operating activities	59	3,507,038,479.25	1,743,102,001.61
Subtotal of cash outflows from operating activities		48,061,221,401.62	32,059,673,122.23
Net cash flows from operating activities	60(1)	(559,837,360.79)	4,310,758,748.33
II. Cash flows from investing activities			
Cash received from redemption of investments		–	49,349.57
Cash received from return on investments		5,629,321.93	19,474,059.84
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		190,311,670.52	127,106,077.50
Net cash received from disposal of subsidiaries and other business entities	60(2)	12,147,873.99	7,878,929.34
Cash received from other investing activities	59	3,737,927.34	4,993,601.29
Subtotal of cash inflows from investing activities		211,826,793.78	159,502,017.54
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,437,698,444.15	3,528,217,840.81
Cash paid for acquisition of investments		500,000,000.00	25,167,600.00
Net cash paid for acquisition of subsidiaries and other business entities	60(2)	(7,590,520.08)	–
Subtotal of cash outflows from investing activities		3,930,107,924.07	3,553,385,440.81
Net cash flows from investing activities		(3,718,281,130.29)	(3,393,883,423.27)

The notes on pages 114 to 329 form an integral part of these financial statements.

## Consolidated Statement of Cash Flows (continued)

For the year 2013

	Note V	2013 RMB	2012 RMB
III. Cash flows from financing activities			
Cash received from capital contributions		2,380,750,037.03	409,550,000.00
Including: Cash received by subsidiaries			
from minority interests		2,380,750,037.03	409,550,000.00
Cash received from borrowings		17,551,844,359.27	15,535,244,913.69
Cash received from issue of bonds		4,500,000,000.00	3,000,000,000.00
Subtotal of cash inflows from financing activities		24,432,594,396.30	18,944,794,913.69
Cash paid for repayment of borrowings		14,580,306,880.00	19,477,469,211.60
Cash paid for distribution of dividends and profits			
or for interest expenses		1,855,009,123.70	1,951,804,163.02
Including: Dividends and profits paid by			
subsidiaries to minority interests		59,557,424.67	18,211,968.51
Cash paid for redemption of bonds		1,000,000,000.00	–
Cash paid for other financing activities		409,662,104.00	–
Subtotal of cash outflows from financing activities		17,844,978,107.70	21,429,273,374.62
Net cash flows from financing activities		6,587,616,288.60	(2,484,478,460.93)
IV. Effect of changes in exchange rate on cash			
and cash equivalents		(708,606.05)	(1,165,125.32)
V. Net increase/(decrease) in cash and cash equivalents		2,308,789,191.47	(1,568,768,261.19)
Add: Cash and cash equivalents at the beginning			
of the year		3,557,703,110.20	5,126,471,371.39
VI. Cash and cash equivalents at the end of the year	60(3)	5,866,492,301.67	3,557,703,110.20

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

## Balance Sheet

As at 31 December 2013

	Note XI	31 December 2013 RMB	31 December 2012 RMB (Restated)
<b>Assets</b>			
Current assets			
Cash and bank balances		1,890,829,405.71	998,549,054.78
Bills receivable		–	8,100,000.00
Accounts receivable		60,332.04	60,332.04
Interest receivable		182,081,098.70	250,729,781.21
Dividends receivable		974,975,154.14	1,134,198,882.17
Other receivables	1	19,705,837,953.34	14,837,697,277.39
Total current assets		22,753,783,943.93	17,229,335,327.59
Non-current assets			
Available-for-sale financial assets		500,200,000.00	6,528,450.01
Long-term equity investments	2	19,666,506,383.12	17,026,792,186.40
Investment properties		8,257,191,000.00	7,778,292,087.37
Fixed assets		1,323,329,966.27	1,427,916,220.95
Construction in progress		4,980,000.00	157,397,881.58
Intangible assets		466,580,823.46	481,328,244.82
Total non-current assets		30,218,788,172.85	26,878,255,071.13
Total assets		52,972,572,116.78	44,107,590,398.72
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Short-term loans		12,818,500,000.00	10,222,500,000.00
Accounts payable		5,050,771.04	5,620,311.33
Receipts in advance		64,497,785.03	279,335,584.99
Wages payable		374,749.52	564,620.38
Tax payable		30,850,868.54	163,908,577.54
Interest payable		246,525,930.56	149,247,229.17
Dividends payable		21,101,776.09	20,962,235.89
Other payables		3,336,506,200.51	2,064,413,590.02
Short-term financing bonds payable		3,000,000,000.00	1,000,000,000.00
Non-current liabilities due within one year		2,324,228,475.57	1,635,000,000.00
Total current liabilities		21,847,636,556.86	15,541,552,149.32

The notes on pages 114 to 329 form an integral part of these financial statements.

## Balance Sheet (continued)

As at 31 December 2013

	<b>31 December 2013</b>	31 December 2012
	<b>RMB</b>	RMB
		(Restated)
Non-current liabilities		
Long-term loans	<b>4,220,000,000.00</b>	2,510,000,000.00
Bonds payable	<b>6,305,600,000.00</b>	6,692,453,587.34
Long-term payables	<b>414,142,674.22</b>	499,109,260.36
Deferred income tax liabilities	<b>1,578,510,245.70</b>	1,327,185,517.53
	<b>12,518,252,919.92</b>	11,028,748,365.23
Total non-current liabilities		
	<b>34,365,889,476.78</b>	26,570,300,514.55
Total liabilities		
Shareholders' equity		
Share capital	<b>4,283,737,060.00</b>	4,283,737,060.00
Capital reserve	<b>5,753,292,746.85</b>	5,682,621,935.85
Surplus reserve	<b>711,195,322.63</b>	580,908,595.02
Retained earnings	<b>7,858,457,510.52</b>	6,990,022,293.30
	<b>18,606,682,640.00</b>	17,537,289,884.17
Total shareholders' equity		
	<b>52,972,572,116.78</b>	44,107,590,398.72
Total liabilities and shareholders' equity		

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

# Income Statement

For the year 2013

	Note XI	2013 RMB	2012 RMB (Restated)
Operating revenue	3	<b>710,756,819.19</b>	2,972,649,963.41
Less: Operating costs	3	<b>132,070,922.52</b>	1,239,631,433.87
Business tax and surcharges		<b>39,802,382.19</b>	143,216,903.19
Selling expenses		<b>13,629,691.60</b>	12,756,689.00
Administrative expenses		<b>212,985,872.78</b>	190,590,877.78
Finance costs		<b>404,896,433.06</b>	396,812,224.04
Asset impairment reversal		–	(30,791,765.10)
Add: Gain from changes in fair value		<b>478,898,912.63</b>	(100,577,945.25)
Investment income	4	<b>875,688,992.34</b>	1,081,986,241.10
Including: Share of losses of associates and jointly-controlled entities		<b>(38,375,746.03)</b>	(36,677,615.25)
Operating profit		<b>1,261,959,422.01</b>	2,001,841,896.48
Add: Non-operating income		<b>176,874,230.03</b>	509,382,939.81
Less: Non-operating expenses		<b>350,270.85</b>	648,210.31
Including: Loss on disposal of non-current assets		<b>128,531.65</b>	–
Total profit		<b>1,438,483,381.19</b>	2,510,576,625.98
Less: Income tax expenses		<b>135,616,105.10</b>	111,701,392.42
Net profit		<b>1,302,867,276.09</b>	2,398,875,233.56
Other comprehensive income			
Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting period			
Changes arising from re-measurement of net liabilities or net assets of defined benefit plans		<b>70,670,811.00</b>	20,754,554.00
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting period			
Fixed assets/investment properties transferred from inventories		–	(45,068,306.25)
Net other comprehensive income after deducting income tax effect		<b>70,670,811.00</b>	(24,313,752.25)
Total comprehensive income		<b>1,373,538,087.09</b>	2,374,561,481.31

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

## Statement of Changes in Equity

For the year 2013

	Share capital RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. Balance at the beginning of the year (restated) (Note II.2)	4,283,737,060.00	5,682,621,935.85	580,908,595.02	6,990,022,293.30	17,537,289,884.17
II. Movements during the year					
(1) Net profit	-	-	-	1,302,867,276.09	1,302,867,276.09
(2) Other comprehensive income	-	70,670,811.00	-	-	70,670,811.00
Total comprehensive income	-	70,670,811.00	-	1,302,867,276.09	1,373,538,087.09
(3) Profit distribution					
1. Appropriation of surplus reserves	-	-	130,286,727.61	(130,286,727.61)	-
2. Dividend to shareholders	-	-	-	(304,145,331.26)	(304,145,331.26)
III. Balance at the end of the year	4,283,737,060.00	5,753,292,746.85	711,195,322.63	7,858,457,510.52	18,606,682,640.00

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.



## Statement of Changes in Equity (continued)

For the year 2012

	Share capital RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. Balance at the end of the previous year	4,283,737,060.00	5,724,155,727.37	340,879,231.86	4,355,311,616.36	14,704,083,635.59
Add: Changes in accounting policies (Note II.2)	—	(17,186,608.00)	141,839.80	1,276,558.20	(15,768,210.00)
II. Balance at the beginning of the year (restated)	<u>4,283,737,060.00</u>	<u>5,706,969,119.37</u>	<u>341,021,071.66</u>	<u>4,356,588,174.56</u>	<u>14,688,315,425.59</u>
III. Movements during the year					
(1) Net profit	—	—	—	2,398,875,233.56	2,398,875,233.56
(2) Other comprehensive income	—	(24,313,752.25)	—	—	(24,313,752.25)
Total comprehensive income	<u>—</u>	<u>(24,313,752.25)</u>	<u>—</u>	<u>2,398,875,233.56</u>	<u>2,374,561,481.31</u>
(3) Merger of subsidiaries	—	(33,431.27)	—	782,875,476.86	782,842,045.59
(4) Profit distribution					
1. Appropriation of surplus reserves	—	—	239,887,523.36	(239,887,523.36)	—
2. Dividend to shareholders	—	—	—	(308,429,068.32)	(308,429,068.32)
IV. Balance at the end of the year	<u>4,283,737,060.00</u>	<u>5,682,621,935.85</u>	<u>580,908,595.02</u>	<u>6,990,022,293.30</u>	<u>17,537,289,884.17</u>

The financial statements have been signed by:

Legal representative:  
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CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

# Statement of Cash Flows

For the year 2013

	Note XI	2013 RMB	2012 RMB
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		734,145,715.68	556,465,967.05
Cash received from other operating activities	5	49,151,581,305.24	40,314,471,651.72
Subtotal of cash inflows from operating activities		49,885,727,020.92	40,870,937,618.77
Cash paid for goods and services		79,488,665.26	27,835,037.54
Cash paid to and on behalf of employees		70,994,891.72	53,291,580.63
Cash paid for all types of taxes		138,810,280.70	207,546,742.35
Cash paid for other operating activities	5	50,651,524,148.28	42,267,263,285.64
Subtotal of cash outflows from operating activities		50,940,817,985.96	42,555,936,646.16
Net cash flows from operating activities	6	(1,055,090,965.04)	(1,684,999,027.39)
II. Cash flows from investing activities			
Cash received from redemption of investments		2,845,425.00	20,044,200.00
Cash received from return on investments		70,659,332.52	87,783,670.64
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		39,100,000.00	2,578,105,620.48
Net cash received from disposal of subsidiaries and other business entities		61,247,700.00	–
Subtotal of cash inflows from investing activities		173,852,457.52	2,685,933,491.12
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		109,650,138.85	248,886,660.32
Cash paid for acquisition of investments		3,149,341,492.75	1,345,977,600.00
Net cash paid for acquisition of subsidiaries and other business entities		–	623,655,609.36
Subtotal of cash outflows from investing activities		3,258,991,631.60	2,218,519,869.68
Net cash flows from investing activities		(3,085,139,174.08)	467,413,621.44

The notes on pages 114 to 329 form an integral part of these financial statements.

## Statement of Cash Flows (continued)

For the year 2013

	Note XI	2013 RMB	2012 RMB
III. Cash flows from financing activities			
Cash received from borrowings		<b>15,538,500,000.00</b>	13,132,500,000.00
Cash received from issue of bonds		<b>4,500,000,000.00</b>	3,000,000,000.00
Subtotal of cash inflows from financing activities		<b>20,038,500,000.00</b>	16,132,500,000.00
Cash paid for repayment of borrowings		<b>12,443,500,000.00</b>	14,410,500,000.00
Cash paid for distribution of dividends and profits or for interest expenses		<b>1,585,446,068.56</b>	1,573,548,608.90
Cash paid for redemption of bonds		<b>1,000,000,000.00</b>	—
Subtotal of cash outflows from financing activities		<b>15,028,946,068.56</b>	15,984,048,608.90
Net cash flows from financing activities		<b>5,009,553,931.44</b>	148,451,391.10
IV. Effect of changes in exchange rate on cash and cash equivalents		<b>406,558.61</b>	17,132.49
V. Net increase/(decrease) in cash and cash equivalents		<b>869,730,350.93</b>	(1,069,116,882.36)
Add: Cash and cash equivalents at the beginning of the year		<b>998,549,054.78</b>	2,067,665,937.14
VI. Cash and cash equivalents at the end of the year	6	<b>1,868,279,405.71</b>	998,549,054.78

The financial statements have been signed by:

Legal representative:  
Jiang Weiping

CFO:  
Wang Hongjun

Head of the accounting department:  
Hu Juan

The notes on pages 114 to 329 form an integral part of these financial statements.

# Notes to Financial Statements

As at 31 December 2013

## I. BASIC INFORMATION OF THE GROUP

BBMG Corporation (the “Company”) is a joint stock company with limited liability incorporated in Beijing, the People’s Republic of China. It was established on 22 December 2005 jointly by BBMG Group Company Limited (“BBMG Group”), China National Materials Company Limited (“Sinoma”), Beifang Real Estate Development Co., Ltd. (“Beifang Real Estate”), Tianjin Building Materials (Holding) Co., Ltd. (“Tianjin Building Materials”) and Hopeson Holdings Limited (“Hopeson Holdings”), pursuant to the Approval on Reorganisation Scheme of BBMG Group Company Limited (Jing Guo Zi Gui Hua Zi [2005] No. 48) issued by Beijing Municipal State-owned Assets Supervision and Administration Commission (“Beijing SASAC”) and the Circular of Approval on Establishment of BBMG Corporation (Jing Fa Gai [2005] No. 2682) issued by Beijing Municipal Development and Reform Commission. It was registered with Beijing Municipal Administration of Industry and Commerce (corporate business license number: 110000410285245). The Renminbi-denominated ordinary shares (A shares) and H shares of the Company are listed on the Shanghai Stock Exchange (“Shanghai Stock Exchange”) and the Stock Exchange of Hong Kong Limited (“Stock Exchange of Hong Kong”), respectively. The Company’s headquarters is located at No. 36, North Third Ring East Road, Dongcheng District, Beijing. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacture and sale of cement and building materials, real estate development, property investment, and the provision of property management services

The Company’s original registered capital was RMB1,800,000,000, comprising a total of 1,800,000,000 shares in issue. The Company’s shares were issued at a par value of RMB1 each. The capital contributions were verified by the Capital Verification Reports ((2005) Jing Jian Kuai Yan Zi No. 004, (2006) Jing Jian Kuai Wai Yan Zi No. 002, (2007) Jing Jian Kuai Wai Yan Zi No. 002) prepared by Beijing Jianhongxin Certified Public Accountants Company Limited.

Pursuant to the approval by the Ministry of Commerce of the People’s Republic of China (Shang Zi Pi [2008] No. 1001), the Company completed a capital increase in 2008 and increased its total share capital to 2,800,000,000 shares in issue, of which 2,279.02 million shares or 81.39% are state-owned legal person shares (held by BBMG Group, Sinoma, China Cinda Asset Management Co., Ltd.(“Cinda Asset”) and Tianjin Building Materials), 182.50 million shares or 6.52% are non state-owned legal person shares (held by Hua Xi Xin Yu Investment Co., Ltd.(“Hua Xi Xin Yu”), Runfeng Investment Group Co., Ltd.(“Runfeng Investment”), and Beijing Taihong Investment (Group) Co., Ltd.), and 338.48 million shares or 12.09% are foreign shares (held by Hopeson Holdings and Tai’an Pinghe Investment Co., Ltd.(“Tai’an Pinghe”). The capital increase was verified by the Capital Verification Reports (Zhong Xing Hua Yan Zi (2008) No. 007, Zhong Xing Hua Yan Zi (2008) No. 016) prepared by Zhongxinghua Certified Public Accountants Company Limited.

As resolved by the Company’s second extraordinary general meeting in 2008 and under the approval (Zheng Jian Xu Ke [2009] No. 550) of China Securities Regulatory Commission (“CSRC”), the Company issued 933,333,000 H shares on 17 July 2009 and 139,999,500 H shares on 29 July 2009 through the exercise of over-allotment option. The issued H shares were listed respectively on 29 July 2009 and 6 August 2009 on the Main Board of the Stock Exchange of Hong Kong. As a result, the Company’s registered capital was increased to RMB3,873,332,500. The capital increase was verified by the Capital Verification Report ((2009) Jing Kuai Xing Yan Zi No. 2-026) prepared by Beijing Xinghua Certified Public Accountants Company Limited.

# Notes to Financial Statements

As at 31 December 2013

## I. BASIC INFORMATION OF THE GROUP *(continued)*

As resolved by the Company's third extraordinary general meeting in 2010 and under the approvals (Zheng Jian Xu Ke [2011] No. 166 and Zheng Jian Xu Ke [2011] No. 168) of CSRC on 28 January 2011, the Company issued 410,404,560 Renminbi-denominated ordinary shares (A shares) through initial public offering, all of which were used to finance the merger of Hebei Taihang Cement Co., Ltd. ("Taihang Cement"). Upon completion of the merger through share exchange, the former Taihang Cement was deregistered. The A shares were registered with China Securities Depository and Clearing Corporation Limited, Shanghai Branch on 22 February 2011 and listed on the Shanghai Stock Exchange on 1 March 2011. The fund raise through public offering of A-shares was verified by the Capital Verification Report ((2011) Jing Kuai Xing Yan Zi No. 4-007) prepared by Beijing Xinghua Certified Public Accountants Company Limited.

As at 31 December 2013, the Company's registered capital is RMB4,283,737,060, comprising a total of 4,283,737,060 shares in issue, details of which are set out in Note V.40.

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

The Group's parent and ultimate holding company is BBMG Group, a company established in the PRC.

These financial statements were approved by a resolution of the board of directors of the Company on 28 March 2014. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Basis of preparation of the financial statements

The financial statements are prepared in accordance with Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance (the "MOF") in February 2006 as well as specific accounting standards, the implementation guidance, interpretations and other relevant provisions issued and revised subsequently (collectively referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 2. Adoption of certain revised/new accounting standards

Between January and March 2014, the Ministry of Finance formulated the Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement and Accounting Standards for Business Enterprises No. 40 – Joint Arrangements; and revised and issued the Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements, Accounting Standards for Business Enterprises No. 9 – Employee Benefits, Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements and Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments. All of the above 6 accounting standards will be effective from 1 July 2014, but overseas-listed enterprises are encouraged to early adopt them. As an overseas-listed enterprise, the Company has adopted the above 6 accounting standards and conducted accounting treatment in accordance with relevant transitional requirements when preparing the financial statements for 2013.

For the purpose of these financial statements, changes in the above accounting standards which resulted in changes in the Company's corresponding accounting policy, accounting treatment was made in accordance with relevant transitional requirements, and relevant retroactive adjustments to comparative figures were made where required.

Pursuant to the Accounting Standards for Business Enterprises No. 9 – Employee Benefits, remeasurements due to establishment of the defined benefit pension fund, including actuarial gains or losses, movements arising from assets cap (net of amounts included in net interest) and return on plan assets (net of amounts included in net interest) are all immediately recognised in the balance sheet, and are included in shareholders' equity through other comprehensive income during the period they are incurred. They will not be reversed to profit or loss in subsequent periods.

Pursuant to the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment, the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments is applicable to equity investments in subsidiaries, which are not included in the consolidated financial statements, and other equity investments (except those in subsidiaries, associates and joint ventures) made by investment entities are recognised as available-for-sale financial assets.

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 2. Adoption of certain revised/new accounting standards *(continued)*

The retrospective adjustments arising from the above change in accounting policy had the following major impacts on the annual financial statements for 2013 and 2012:

##### The Group

##### 2013

	Balance at the beginning of the year before change in accounting policy	Amount effected by change in accounting policy	Balance at the beginning of the year after change in accounting policy
Capital reserve	5,395,792,993.51	2,372,004.00	5,398,164,997.51
Surplus reserve	580,552,232.22	356,362.80	580,908,595.02
Retained earnings	12,634,399,124.91	5,351,698.20	12,639,750,823.11
Long-term equity investments	419,868,370.59	(11,925,966.26)	407,942,404.33
Available-for-sale financial assets	–	11,925,966.26	11,925,966.26

##### 2012

	Balance at the beginning of the year/Amount incurred for the year before change in accounting policy	Amount effected by change in accounting policy	Balance at the beginning of the year/Amount incurred for the year after change in accounting policy
Capital reserve	5,311,872,199.72	(20,935,643.00)	5,290,936,556.72
Surplus reserve	340,879,231.86	141,839.80	341,021,071.66
Retained earnings	10,217,411,951.85	1,941,834.20	10,219,353,786.05
Administrative expenses	2,189,075,391.00	(3,624,387.00)	2,185,451,004.00

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 2. Adoption of certain revised/new accounting standards *(continued)*

##### The Company

##### 2013

	Balance at the beginning of the year before change in accounting policy	Amount effected by change in accounting policy	Balance at the beginning of the year after change in accounting policy
Capital reserve	5,679,053,989.85	3,567,946.00	5,682,621,935.85
Retained earnings	6,986,815,028.10	3,207,265.20	6,990,022,293.30
Surplus reserve	580,552,232.22	356,362.80	580,908,595.02
Long-term equity investment	17,033,320,636.14	(6,528,450.01)	17,026,792,186.40
Available-for-sale financial assets	–	6,528,450.01	6,528,450.01

##### 2012

	Balance at the beginning of the year/ Amount incurred for the year before change in accounting policy	Amount effected by change in accounting policy	Balance at the beginning of the year/ Amount incurred for the year after change in accounting policy
Capital reserve	5,724,155,727.37	(17,186,608.00)	5,706,969,119.37
Surplus reserve	340,879,231.86	141,839.80	341,021,071.66
Retained earnings	4,355,311,616.36	1,276,558.20	4,356,588,174.56
Administrative expenses	192,736,107.78	(2,145,230.00)	190,590,877.78



## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 3. 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 2013 and their financial performance and cash flows for the year then ended.

#### 4. Accounting period

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

#### 5. Functional currency

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

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

#### 6. Business combinations

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

##### *Business combinations under common control*

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

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 6. Business combinations *(continued)*

#### *Business combinations not under common control*

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

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

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

For a business combination not under common control achieved in stages, the equity interest in the acquiree before the acquisition date will be remeasured at fair value on the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously held equity interests in the acquiree is reclassified as investment income for the period in which the acquisition date falls.

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 7. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements as at 31 December 2013 of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural body controlled by the Company, etc.) that is controlled by the Company.

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

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

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

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

Where change in relevant facts and conditions lead to the change in one or more control elements, the Group will re-evaluate its control over the investee.

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

### 8. 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.

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

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

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

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

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 10. 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 as specified 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

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 10. Financial Instruments *(continued)*

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

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

The subsequent measurement of financial assets depends on its category as follows:

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

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

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

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

#### *Loans and receivables*

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 10. Financial Instruments *(continued)*

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

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

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

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

##### *Classification and measurement of financial liabilities*

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

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

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

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 10. Financial Instruments *(continued)*

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

##### *Other financial liabilities*

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

#### *Impairment of financial assets*

The Group assesses at the balance sheet date the carrying amount of every financial asset. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset.

##### *Financial assets carried at amortised cost*

If impairment on a financial asset has incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows (excluding future credit losses that have not been incurred). Impairment is recognised in profit or loss for the current period. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral.

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

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



## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 10. Financial Instruments *(continued)*

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

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

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

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

###### *Financial assets carried at cost*

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

##### *Transfers of financial assets*

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

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 11. Receivables

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

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

**(2) *Receivables that are assessed for bad debt provision by group***

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

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

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

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 12. Inventories

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

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

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

The Group adopts perpetual inventory system.

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

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 13. Long-term equity investments

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

A long-term equity investment is initially measured at its initial investment cost on acquisition. The initial investment cost of the long-term equity investment is the acquirer's share of the owner's equity of the party being acquired at the combination date for a business combination under common control; 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. The amount recognised in other comprehensive income relating to the previously held equity interests in the acquiree is reclassified as investment income for the period on disposal of the investment. 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; (2) if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; (iii) if contributed by the investors, the initial investment cost is the value stipulated in the investment contract or agreement, except where the value stipulated in the investment contract or agreement is not fair.

For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost method accounting in the Company's 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. Except for the cash dividend or profit distribution declared but unpaid that is included in the price or consideration paid upon acquisition of a long-term equity investment, the Company recognises its share of cash dividends or profit distributions declared by the investee as investment income in the current period, and considers whether the long-term equity investment is impaired according to the policies related to asset impairment.

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 in the financial and operating policies of the investee but is not the power to control or joint control with other parties over those policies.

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

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

On disposal of a long-term equity investment, the difference between the carrying amount and the proceeds actually received is recognised in profit or loss for the current period. For a long term equity investment accounted for using the equity method, any change in the shareholders' equity of the investee included in the shareholders' equity of the Group is transferred to profit or loss for the current period on a pro-rata basis according to the proportion disposed of.

For long-term equity investments in subsidiaries, jointly-controlled entities or associates, refer to Note II.28 for the test for impairment and recognition of provision for impairment.

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 14. Investment properties

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

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

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

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

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

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

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

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 15. Fixed assets

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

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

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

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

Different depreciation rates are used for fixed assets components that have different useful lives or financially benefit the Company in different ways.

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

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

For the test for impairment and recognition of provision for impairment related to fixed assets, refer to Note II.28.

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 16. Construction in progress

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

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

For the test for impairment and recognition of provision for impairment related to construction in progress, refer to Note II.28.

### 17. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. 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 recognized as an expense during the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

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

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

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



## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 17. Borrowing costs *(continued)*

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

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

#### 18. Intangible assets

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

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

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

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 18. Intangible assets *(continued)*

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

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

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

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

For the test for impairment and recognition of provision for impairment related to an intangible asset, refer to Note II.28.

### 19. Long-term deferred expenditures

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 20. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

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

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

#### 21. Revenue

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

##### ***Revenue from the sales of goods***

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 21. Revenue *(continued)*

#### *Revenue from the sales of properties*

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

#### *Revenue from the rendering of services*

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

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

#### *Interest income*

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

#### *Lease income*

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 22. Government grants

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

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

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

#### 23. Income tax

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

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

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

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

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

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

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

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

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

#### 24. Maintenance and quality guarantee funds

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

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

#### 25. Lease

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. An operating lease is a lease other than a finance lease.

##### *In the case of being the lessee of an operating lease*

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

##### *In the case of being the lessor of an operating lease*

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

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

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 26. Non-current assets held for sale

Save for financial assets, deferred income tax assets and investment properties measured under the fair value model, the integral part of an enterprise (or non-current assets) that meet all of the following conditions are classified as held for sale:

- (1) The integral part of an enterprise (or non-current assets), in current status, can be readily sold only on usual terms of disposal the integral part of such type;
- (2) The Group has made a resolution regarding the disposal of the integral part (or non-current assets) and has obtained relevant approval at a general meeting where required;
- (3) A non-cancellable transfer agreement has been signed with the transferee; and
- (4) The transfer is expected to be completed within one year.

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

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

For changes in the accounting policies during the year, please refer to Note II.2. Adoption of certain revised/new accounting standards.

### 28. Impairment of assets

The Group determines impairment of assets, other than impairment of inventories, investment properties measured under the fair value model, deferred income taxes 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 at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.



## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 28. Impairment of assets *(continued)*

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

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

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

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

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 29. Employee benefits

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

#### *Post-employment benefits (the defined contribution plan)*

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

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

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

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

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

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

#### *Termination benefits*

Where the Group provides termination benefits to employees, the employee remuneration liabilities arising from termination benefits are recognised and accounted for in profit or loss for the current period upon the occurrence of the earlier of the following: termination benefits provided as a result of termination of employment plan or downsizing proposal cannot be unilaterally withdrawn; or cost or expenses related to payment of termination benefits are recognised.

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 30. Distribution of profit

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

#### 31. Production safety cost

Production safety cost appropriated pursuant to the related regulations is recognised in the cost of the relevant products or in profit or loss for the current period, and also in the specialized reserve. The cost shall be handled according to whether a fixed asset is formed. The cost incurred through expenditure will be reduced from the specialized 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 specialized reserve and recognised as accumulated depreciation.

#### 32. Measured at fair value

The Group's investment properties are measured at fair value at each balance sheet date. The fair value refers to the price to be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants as at the date of measurement. The Group's relevant assets or liabilities are measured at fair value, assuming that the transaction involving sale of assets or transfer of liabilities is carried out in the main market of relevant assets or liabilities in an orderly manner; or, where there is no such main market, assuming that the transaction is conducted in the market which is most favourable for relevant assets or liabilities. The main market (or the most favourable market) refers to the market which is accessible to the Group for transaction purpose. The Group employs such assumptions which market participants use to maximize their economic benefits when they determine the price of such assets or liabilities.

When measuring non-financial assets at fair value, the Group will consider market participants' ability to generate economic benefits by making best use of such assets, or its own ability to dispose such assets to other market participants who can generate economic benefits by making best use of such assets.

The Group employs such valuation techniques that are applicable in the current conditions and supported by sufficient available data and other information, and first use relevant observable inputs. Unobservable inputs will be used only when observable inputs are not available or practical to be obtained.

The hierarchies for fair value measurement of the assets and liabilities measured or disclosed at fair value in the financial statements are determined based on the lowest level of inputs that are significant to the overall measurement of fair value. Level 1 inputs refer to the unadjusted quoted prices in active markets for identical assets or liabilities available as at the measurement date. Level 2 inputs refer to the directly or indirectly observable inputs, observable either of the underlying assets or liabilities other than Level 1 inputs; Level 3 inputs refer to unobservable inputs of the underlying assets or liabilities.

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 32. Measured at fair value *(continued)*

As at each balance sheet date, the Group re-evaluates the assets and liabilities which are continuously measured at fair value in the financial statements so as to determine whether there is conversion between the hierarchies for the measurement of fair value.

### 33. Significant accounting judgments and estimates

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, 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, the management has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements:

#### *Operating lease – as lessor*

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

#### *Classification between investment properties and inventories*

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 33. 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 purpose. The Group accounts for the portion that is held to earn rentals or for capital appreciation separately if such portion can be sold or leased out separately. Otherwise, the property is classified as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose. The Group's judgment is made on an individual basis when determining whether ancillary services are so significant that a property does not qualify as an investment property.

##### *Uncertainty of estimation*

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

##### *Deferred income tax assets*

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

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

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

# Notes to Financial Statements

As at 31 December 2013

## II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

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

##### *Impairment of goodwill*

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

##### *Land appreciation tax*

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

##### *Recognition and allocation of development costs on properties under construction*

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

##### *Fair value of investment properties*

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

## Notes to Financial Statements

As at 31 December 2013

### II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

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

###### *Impairment of accounts receivable and other receivables*

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

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

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

###### *Supplementary retirement subsidies and early retirement benefits*

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

###### *Useful lives and residual value of fixed assets*

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

# Notes to Financial Statements

As at 31 December 2013

## III. TAXATION

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

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



## Notes to Financial Statements

As at 31 December 2013

### III. TAXATION *(continued)*

#### (2) Tax preferential policies and relevant approvals

##### 1. Value-added tax (VAT)

Certain subsidiaries of the Group enjoy the following VAT preferences pursuant to the Notice on VAT Policy for Integrated Use of Resources and Other Products (Cai Shui [2008] No. 156) and the Supplementary Notice on VAT Policy for Integrated Use of Resources and Other Products (Cai Shui (2009) No. 163):

- (1) Upon the approval of the tax authorities, some of the Group's subsidiaries engaged in cement production enjoyed the VAT refund upon collection preferential policy in 2013 in respect of their eligible cement products. Such subsidiaries include Beijing Liulihe Cement Co., Ltd., Beijing BBMG Pinggu Cement Co., Ltd., Luquan BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang BBMG Cement Co., Ltd., Beijing Taihang Qianjing Cement Co., Ltd., Baoding Taihang Heyi Cement Co., Ltd., Beijing Qianglian Cement Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Zanhuan BBMG Cement Co., Ltd., Zhuolu Jinyu Cement Co., Ltd., Siping BBMG Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd., Nanxian BBMG Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., Beijing Cement Plant Co., Ltd., Beijing Xingfa Cement Co., Ltd., Beijing BBMG Shunfa Cement Co., Ltd., Boai BBMG Cement Co., Ltd. and Quyang Jinyu Cement Co., Ltd.
- (2) Some of the Group's subsidiaries engaged in concrete production enjoyed the VAT exemption preferential policy in 2013 in respect of their eligible concrete products. Such subsidiaries include Beijing Jianhua-Bulangni Concrete Co., Ltd., Beijing BBMG Concrete Co., Ltd., Guantao BBMG Taihang Concrete Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Tianjin BBMG Concrete Co., Ltd., Shijiazhuang BBMG Xucheng Concrete Co., Ltd., Shijiazhuang BBMG Beiyue Concrete Co., Ltd. and Handan Danshan BBMG Concrete Co., Ltd.
- (3) The Group's subsidiaries Beijing Aerated Concrete Co., Ltd., Beijing BBMG Aerated Concrete Co., Ltd. and BBMG Mortar Co., Ltd. enjoyed the VAT exemption preferential policy in respect of their selected building materials in 2013.

Upon the approval of the tax authorities, the Group's subsidiaries Beijing Jinhaiyan Property Management Co., Ltd., Beijing Xisanqi Heating Co., Ltd., and BBMG Dacheng Property Management Co., Ltd. enjoy the VAT exemption for their revenue from the heating services to individual residents in the period from the heating season of 2011 to 31 December 2015 pursuant to the Notice on Continuing Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heating Enterprises (Cai Shui [2011] No. 118).

# Notes to Financial Statements

As at 31 December 2013

## III. TAXATION *(continued)*

### (2) Tax preferential policies and relevant approvals *(continued)*

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

According to the relevant value-added tax provisions of the PRC and upon verification by the relevant government departments and approval of the tax authorities, some subsidiaries of the Group enjoy other preferential enterprise value-added tax as follows:

- (1) Handan Taihang Cement Co., Ltd. complies with the policy of VAT refund upon collection (with a cap) for units accommodating disabled persons by tax authorities according to the number of disabled persons actually accommodated by the unit, and enjoys VAT refund upon collection.
- (2) Beijing Bio-Island Science and Technology Co., Ltd. complies with the policy of utilising waste mineral oil for the production of integrated utilisation products and Clause 5 of Article 5 of Cai Shui (2011) No. 115 on Products of Integrated Utilisation of Resources Utilising Waste Lead Acid Batteries, and enjoys refund upon collection of value-added tax.

#### 2. Business tax

Upon the approval of the tax authorities, the Group's subsidiaries Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd., BBMG Mangrove Environmental Protection Technology Co., Ltd. and Beijing Bio-Island Science and Technology Co., Ltd. are exempted from business tax on revenue from disposal of hazardous wastes pursuant to the Reply of the State Administration of Taxation of the PRC regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes (Guo Shui Han [2009] No. 587), the Notice on Circulating the "Reply of the State Administration of Taxation of the PRC regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes" issued by Beijing Local Taxation Bureau (Jing Di Shui Han [2009] No. 80) and the Reply of Sanhe Local Taxation Bureau regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes (San Di Shui Fa [2011] No. 30).

#### 3. Corporate income tax

Certain subsidiaries of the Group are certified as high-tech enterprises by relevant governmental authorities and enjoyed a preferential corporate income tax rate of 15% for high-tech enterprises in 2013 pursuant to the implementation rules of the Law on Enterprise Income Tax of the People's Republic of China and the Notice of the State Administration of Taxation of the PRC regarding Corporate Income Tax Preferences for High-tech Enterprises (Guo Shui Han [2009] No. 203). Such subsidiaries include BBMG Tiantan Furniture Co., Ltd., Tongda Refractory Technology Co., Ltd, Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd., Beijing Building Materials Academy Co., Ltd., Beijing Building Material Test Center Co., Ltd., Beijing Jiandu Design and Research Institute Co., Ltd., Beijing Alavus Building Energy Saving Components Co., Ltd., Beijing BBMG Cement Energy Saving Technology Co., Ltd., and BBMG Mangrove Environmental Protection Technology Co., Ltd.

## Notes to Financial Statements

As at 31 December 2013

### III. TAXATION *(continued)*

#### (2) Tax preferential policies and relevant approvals *(continued)*

##### 3. Corporate income tax *(continued)*

Upon certification of the relevant governmental authorities and the approval of the tax authorities, certain subsidiaries of the Group enjoy other corporate income tax preferences as follows pursuant to the implementation rules of the Law on Enterprise Income Tax of the People's Republic of China and relevant requirements:

- (1) Beijing BBMG Aerated Concrete Co., Ltd. was levied corporate income tax based on 90% of total revenue from its products that are qualified for the national industrial policies on integrated use of resources in the period from 1 January 2013 to 31 December 2013.
- (2) Dachang BBMG Coating Co., Ltd. enjoys a partial relief on corporate income tax for enterprises in ethnic autonomous locality in the period from 1 January 2010 to 31 December 2014, with a preferential corporate income tax rate of 15%.
- (3) Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. complies with the income tax preferential conditions set for energy and water efficient environmental friendly enterprises, and enjoys the preferential corporate income tax policy of 50% reduction.
- (4) Beijing Bio-Island Science and Technology Co., Ltd. complies with the income tax preferential conditions set for energy saving and water efficient environmental friendly enterprises, and enjoys the preferential corporate income tax policy of full exemption from 1 January 2012 to 31 December 2014.
- (5) Hetian Yuhe Sand Stone Company Limited complies with the enterprise policy of supporting certain types of enterprises in Western China, and enjoys a preferential tax rate of 15% from 1 January 2013 till 31 December 2013.
- (6) Cheng'an BBMG Taihang Cement Co., Ltd. and Cheng'an BBMG Taihang Concrete Co., Ltd. complied with the identified condition of integrated use of resources and were levied corporate income tax based on 90% of sales revenue.
- (7) Handan Taihang Cement Co., Ltd. complies with the policy for units accommodating disabled persons by tax authorities, and enjoys the preferential corporate income tax policy of bonus deduction of payroll for the accommodated disabled persons.
- (8) Zanhuang BBMG Cement Co., Ltd. was approved to deduct its corporate income tax with 10% of total investment in energy conservation and environmental friendly equipment.

## Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

## 1. Major subsidiaries:

Subsidiaries acquired through establishment, investment or other ways	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
<b>Subsidiaries acquired through establishment, investment or other ways</b>												
Beijing Juihite Cement Co., Ltd. (北京市瑞祥亨水泥有限公司)	Limited liability	Beijing	Zhao Xiangdong	Manufacture of cement, mining and sale of sandstone etc.	60,000.00	1027464807	62,940.51	100.00	-	100.00	Y	-
Beijing Jianhua-Bulangni Concrete Co., Ltd. (北京建华邦尼混凝土有限公司)	Limited liability	Beijing	Hao Zhao	Manufacture and sale of commercial concrete	1,269.80	6259083609	1,333.62	-	100.00	100.00	Y	-
Beijing BBMG Concrete Co., Ltd. (北京金隅混凝土有限公司)	Limited liability	Beijing	Liu Wenjian	Processing of commodity concrete etc.	31,541.04	1011234005	35,923.59	100.00	-	100.00	Y	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅红树林环境技术有限责任公司)	Limited liability	Beijing	Zheng Baojin	Disposal of hazardous waste etc.	169,815.09	7839567405	109,344.44	51.00	-	51.00	Y	68,262.57
Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅红树林环境技术有限责任公司)	Limited liability	Same	Tian Wei	Treatment and disposal of hazardous waste	1,000.00	694667950X	510.00	-	51.00	51.00	Y	1,157.15
Beijing Jinyu Pinggu Cement Co., Ltd. (北京金隅平谷水泥有限公司)	Limited liability	Beijing	Gu Licheng	Manufacture and sale of cement etc.	15,000.00	598566909	15,000.00	100.00	-	100.00	Y	-
Gangzhou Lingang Jinyu Cement Co., Ltd. (沧州临港金隅水泥有限公司)	Limited liability	Gangzhou	Zhou Chengyao	Manufacture and sale of cement and cement product	15,000.00	674184580X	15,000.00	-	100.00	100.00	Y	-
Cheng'an BBMG Taihang Concrete Co., Ltd. (成安金隅太行混凝土有限公司)	Limited liability	Cheng'an County	Li Huijiang	Manufacture and sale of commercial concrete	6,000.00	5767807509	1,000.00	-	71.00	71.00	Y	36.18
Daming BBMG Taihang Concrete Co. Ltd. (大名金隅太行混凝土有限公司)	Limited liability	Daming County	Li Huijiang	Sales of concretes and mortar	1,000.00	05097223-8	900.00	-	85.20	85.20	Y	136.12
Zanhuang BBMG Cement Co., Ltd. (赞皇金隅水泥有限公司)	Limited liability	Zanhuang County	Tian Dachun	Manufacture and sale of cement and clinker	60,000.00	672162520X	60,000.00	100.00	-	100.00	Y	-
BBMG Cement Trading Co., Ltd. (北京金隅水泥贸易有限公司)	Limited liability	Beijing	Jiang Changlu	Wholesale of cement and cement product etc.	5,000.00	6787533201	5,000.00	100.00	-	100.00	Y	-

## Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Sanhe Jiling Mining Co., Ltd. (三河市金礦業有限公司)	Limited liability	Sanhe	Chen Changshu	Processing and sale of rock materials for construction	500.00	6920731406	475.00	-	95.00	95.00	Y	20.85
Beijing BBMG Cement Energy Technology Co., Ltd. (北京金隅水泥節能科技有限公司)	Limited liability	Beijing	Zhang Zengshou	Development and transfer of cement and concrete technology	2,500.00	6950455308	2,500.00	100.00	-	100.00	Y	-
Spijing BBMG Cement Co., Ltd. (四平金隅水泥有限公司)	Limited liability	Spijing	Jiang Changlu	Manufacture and sale of cement and cement product etc.	30,000.00	6961369205	15,600.00	52.00	-	52.00	Y	17,233.00
Shijiazhuang Jinyu Beiyue Concrete Co., Ltd. (石家莊金隅北源混凝土有限公司)	Limited liability	Shijiazhuang	Li Fuhai	Sales of concretes	10,000.00	05945166-9	7,000.00	-	68.46	68.46	Y	2,663.78
Lanxian BBMG Cement Co., Ltd. (瀋陽金隅水泥有限公司)	Limited liability	Lan County	Liu Wenyan	Manufacture and sale of cement and cement product	20,030.00	5514780403	16,024.00	80.00	-	80.00	Y	2,833.61
Qinyang BBMG Cement Co., Ltd. (沁陽金隅水泥有限公司)	Limited liability	Qinyang	Jiang Changlu	Manufacture and sale of cement and clinker etc.	16,645.00	553167610X	14,414.51	86.60	-	86.60	Y	1,749.19
Lingchuan BBMG Cement Co., Ltd. (陵川金隅水泥有限公司)	Limited liability	Lingchuan County	Zhao Jun	Manufacture and sale of cement and clinker	18,000.00	5613345303	18,000.00	100.00	-	100.00	Y	-
Beijing BBMG Mining Co., Ltd. (北京金礦業有限公司)	Limited liability	Beijing	Zhang Jun	Sale of metal and other mining material products	500.00	5603555505	500.00	100.00	-	100.00	Y	-
Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司)	Limited liability	Zuoquan county	Li Qiang	Technical consultation service on cement clinker	21,550.00	573961380X	21,530.00	100.00	-	100.00	Y	-
Xuanhua BBMG Cement Co., Ltd. (宣化金隅水泥有限公司)	Limited liability	Xuanhua County	Jiang Changlu	Manufacture and sale of cement and clinker	500.00	575518290X	325.00	65.00	-	65.00	Y	(959.54)
Bo'ai BBMG Cement Co., Ltd. (博愛金隅水泥有限公司)	Limited liability	Bo'ai County	Liu Wenyan	Manufacture and sale of cement and clinker	30,000.00	5860455302	34,650.00	95.00	-	95.00	Y	1,545.54
Guangjing Jinyu Cement Co., Ltd. (廣金隅水泥有限公司)	Limited liability	Guangjing County	Wei Weidong	Manufacture and sale of cement clinker	30,000.00	05626630-X	30,000.00	100.00	-	100.00	Y	-

## Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
<b>Subsidiaries acquired through establishment, investment or other ways (continued)</b>											
BBMG Mortar Co., Ltd. (北京金隅砂浆有限公司)	Limited liability	Beijing	Cai Luhong	Manufacture and sale of dry mix mortar	10,000.00	05136722-4	8,000.00	20.00	100.00	Y	-
Tianjin Jinyu Treasure Bright Mortar Co., Ltd. (天津金隅耀砂浆有限公司)	Limited liability	Tianjin	Cai Luhong	Manufacture and sale of mortar	4,900.00	05870889-5	3,430.00	70.00	70.00	Y	1,557.09
* Fengfeng BBMG Concrete Co. Ltd. (峰峰金隅混凝土有限公司)	Limited liability	Handan	Li Huijiang	Manufacture and sale of prepared components and processing of concrete	3,000.00	06571549-5	3,000.00	-	100.00	Y	-
* Handan Hanshan BBMG Concrete Co. Ltd. (邯郸市邯山金隅混凝土有限公司)	Limited liability	Handan	Li Huijiang	Manufacture and sale of commercial concrete and crushed stone	3,000.00	06703702-7	2,760.00	-	92.00	Y	292.23
* Wei County BBMG Concrete Co. Ltd. (魏县金隅混凝土有限公司)	Limited liability	Handan	Li Huijiang	Manufacture and sale of concrete	1,000.00	06570518-3	920.00	-	92.00	Y	82.56
* Handan BBMG Concrete Co., Ltd. (邯郸市金隅混凝土有限公司)	Limited liability	Handan	Li Huijiang	Manufacture and sale of concrete	3,000.00	06571994-8	2,760.00	-	92.00	Y	306.62
* Handan BBMG Taihang Building Materials Co., Ltd. (邯郸市金隅太行建材有限公司)	Limited liability	Handan	Li Huijiang	Manufacture and sale of slag powder	8,109.00	06704174-7	7,676.79	94.67	94.67	Y	(0.13)
Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天坛家具股份有限公司)	Limited liability	Beijing	Guo Yanming	Manufacture, processing, and sale of furniture etc	20,916.49	7002402309	46,430.60	0.15	97.26	Y	1,544.85
Beijing Tiantan-Jingwei Furniture Co., Ltd. (北京天坛京威家具有限公司)	Limited liability	Beijing	He Jianbei	Manufacture of wooden furniture	600.00	6000564003	360.00	-	58.36	Y	285.84
Foshan BBMG Tiantan Furniture Co., Ltd. (佛山金隅天坛家具有限公司)	Limited liability	Foshan	Yang Jincui	Processing and sale of furniture and wooden products	500.00	5536632609	500.00	-	97.26	Y	15.43
Beijing Tiantan Faram Decorative Materials Co., Ltd. (北京天坛法拉母装饰材料有限公司)	Limited liability	Beijing	Yang Jincui	Manufacture of office cube partition boards and furniture etc.	4,138.60	7400706405	-	97.26	97.26	Y	12.68

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## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand	
							Direct (%)	Indirect (%)				
<b>Subsidiaries acquired through establishment, investment or other ways (continued)</b>												
Beijing Tiantan Decoration and Engineering Co., Ltd. (北京天壇裝飾工程有限責任公司)	Limited liability	Beijing	Yang Yiwen	Building decoration and design consultation	600.00	7259828804	409.89	-	97.26	97.26	Y	20.84
Beijing Great Wall Furniture Co., Ltd. (北京長城傢俱有限公司)	Limited liability	Beijing	Tang Yiming	Manufacture and sale of wooden furniture etc.	6,613.58	1011246904	6,613.58	-	100.00	100.00	Y	-
Beijing Great Wall Furniture Decorative Materials Co., Ltd. (北京長城傢俱裝飾材料有限公司)	Limited liability	Beijing	Shi Feng	Manufacture and sale of furniture, decorative materials and wooden floorboards	320.00	6000060305	152.42	-	97.26	97.26	Y	(29.20)
Beijing Quimette Great Wall Seats Co., Ltd. (北京奇耐特威盛座椅有限公司)	Limited liability	Beijing	Antoine	Manufacture of seats for opera houses and auditoriums etc.	1,597.04	7552588209	299.87	-	58.15	58.15	Y	363.23
Beijing Woodworking Factory Co., Ltd. (北京市木材廠有限責任公司)	Limited liability	Beijing	Sun Deyang	Manufacture and sale of wood-based panels etc.	5,455.63	1011773007	5,455.63	100.00	-	100.00	Y	-
Beijing Tongda Refractory Engineering Technology Co., Ltd. (北京通達耐火工程技術有限公司)	Limited liability	Beijing	Feng Yunsheng	Development and manufacture of new refractory materials etc.	1,000.00	7560017302	1,000.00	-	92.83	92.83	Y	134.71
Gongyi Tongda Zhonguan Refractory Technology Co., Ltd. (鞏義通達耐火技術有限公司)	Limited liability	Gongyi	Feng Yunsheng	Manufacture and sale of refractory materials	1,050.00	1705000607	1,620.13	-	92.83	92.83	Y	128.99
Gongyi Tongda Zhonguan Refractory Testing Centre Co., Ltd. (鞏義通達耐火材料檢測中心有限公司)	Limited liability	Gongyi	Li Ping	Testing of refractories	30.00	6987001200	30.13	-	92.83	92.83	Y	2.55
Beijing Jinyu Energy-Saving Technology Co., Ltd. (北京金譽節能保溫科技有限責任公司)	Limited liability	Beijing	Li Hubin	Manufacture and sale of building materials	31,496.77	1011240503	34,245.06	100.00	-	100.00	Y	-
Zhangjiakou Star-Building Materials Co., Ltd. (張家口市星牌建材有限責任公司)	Limited liability	Beijing	Li Hubin	Manufacture, processing and sale of rockwool products	500.00	5896893200	500.00	-	100.00	100.00	Y	-

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As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand		Percentage of equity	Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)				
Beijing Jianzong Building, Installation and Engineering Co., Ltd. (北京建總建築安裝工程有限公司)	Limited liability	Beijing	Zhang Qian	Construction contracting	2,001.12	1011320307	2,001.12	-	100.00	100.00	Y	-
Beijing Aerated Concrete Co., Ltd. (北京市加氣混凝土有限責任公司)	Limited liability	Beijing	Zhang Xiangliang	Manufacture and sale of aerated concrete panels	8,681.75	1019575703	11,010.78	100.00	-	100.00	Y	-
Beijing Jinyu Aerated Concrete Co., Ltd. (北京金裕加氣混凝土有限責任公司)	Limited liability	Beijing	Jin Xuefeng	Manufacture and sale of aerated concrete products etc.	4,000.00	102292609	4,794.64	100.00	-	100.00	Y	-
Beijing Jinghua Glass Fiber Products Co., Ltd. (北京京華玻璃纖維製品有限公司)	Limited liability	Beijing	Yang Chaoying	Manufacture of glass fiber and its products	300.66	1020108607	300.66	-	100.00	100.00	Y	-
Beijing BBMG Coating Co., Ltd. (北京金標塗料有限責任公司)	Limited liability	Beijing	Chen Jun	Manufacture of coating, professional contracting	8,900.00	7817340703	9,542.12	100.00	-	100.00	Y	-
Dachang BBMG Coating Co., Ltd. (大廠金標塗料有限責任公司)	Limited liability	Dachang County	Chen Jun	Manufacture and sale of coating	3,000.00	5648915704	3,000.00	-	100.00	100.00	Y	-
Xinjiang BBMG Coating Co., Ltd. (新疆金標塗料有限公司)	Limited liability	Urumqi	Qiu Feng	Manufacture of coating, sale of building materials etc.	100.00	6734073704	55.00	-	55.00	55.00	Y	112.38
Beijing Building Materials Academy Co., Ltd. (北京建築材料科學研究院有限公司)	Limited liability	Beijing	Wang Zhaopia	Development, manufacture and sale of building materials etc.	12,000.00	400709490X	12,246.78	100.00	-	100.00	Y	-
Beijing Building Materials Testing Centre Co., Ltd. (北京建築材料檢驗中心有限公司)	Limited liability	Beijing	Wang Zhaopia	Testing for building material quality etc.	1,000.13	7951149204	1,000.13	-	100.00	100.00	Y	-
Beijing Keshi Hardware Co., Ltd. (北京市科賽五金有限責任公司)	Limited liability	Beijing	Liu Guosheng	Manufacture of modern products like construction hardware	2,552.13	1011231703	10,337.64	100.00	-	100.00	Y	-
Beijing BBMG Dongjun Construction Materials Co., Ltd. (北京金標東軍建材有限公司)	Limited liability	Beijing	Liu Guozhi	Wholesale of building materials etc.	2,000.00	6900160009	1,023.97	-	51.00	51.00	Y	1,185.15



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As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand	
							Direct (%)	Indirect (%)				
<b>Subsidiaries acquired through establishment, investment or other ways (continued)</b>												
Beijing BBMT-Xinke Building Materials Co., Ltd. (北京建新科建材有限公司)	Limited liability	Beijing	Cao Zhanjing	Purchase and sale of building materials etc.	17,000.00	7002424300	17,000.00	-	100.00	100.00	Y	-
Qingdao BBMT-Xinke Building Materials Co., Ltd. (青岛建新科建材有限公司)	Limited liability	Qingdao	Cao Zhanjing	Wholesale and retail of building materials etc.	100.00	7335337306	66.08	-	60.00	60.00	Y	19.19
BBMG Home Furnishing Co., Ltd. (北京金鹰家居有限公司)	Limited liability	Beijing	Kou Yingyue	Purchase and sale of building materials and metals etc.	600.00	6651036706	600.00	-	100.00	100.00	Y	-
Beijing BBMG Decoration and Engineering Co., Ltd. (北京金鹰装饰工程有限公司)	Limited liability	Beijing	Cao Yuhai	Design and construction of building decoration	3,000.00	6002553302	3,000.00	-	100.00	100.00	Y	-
Beijing Jianduo Design and Research Institute Co., Ltd. (北京建都设计研究院有限公司)	Limited liability	Beijing	Zhang Sicheng	Design of modern building materials etc.	954.12	4008419401	940.53	100.00	-	100.00	Y	-
Beijing Jiantuo Engineering Management Co., Ltd. (北京建拓工程管理有限公司)	Limited liability	Beijing	Shen Yonggang	Agent for construction tendering	300.00	600370206	300.00	-	100.00	100.00	Y	-
Beijing Sanchong Mirror Co., Ltd. (北京三重镜业有限公司)	Limited liability	Beijing	Wang Youbin	Manufacture and sale of glass-made spectacle lenses	5,766.00	600322804	5,766.00	-	100.00	100.00	Y	-
BBMG (Dacheng) Modern Industrial Park Management Co., Ltd. (大诚金鹰现代工业园管理有限公司)	Limited liability	Dechang County	Jiang Hangjun	Manufacture of various modern building materials etc.	50,000.00	6636835207	50,000.00	100.00	-	100.00	Y	-
Yangquan Tongda BBMG Refractory Materials Co., Ltd. (阳泉金鹰通达高温材料有限公司)	Limited liability	Yangquan	Feng Yunsheng	Manufacture and sale of refractory ceramic etc.	6,000.00	6942918902	3,311.49	-	92.83	92.83	Y	146.57

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As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Beijing BBMG Business and Trading Co., Ltd. (北京金隅商貿有限公司)	Limited liability	Beijing	Kou Yingyue	Wholesale of building materials and metals etc.	41,000.00	5585089700	41,000.00	100.00	-	100.00	Y	-
Dechang BBMG Jintaiyan Glass Wool Co., Ltd. (大廠金隅金帶蒸玻璃有限公司)	Limited liability	Dechang County	Zhao Yanjun	Manufacture and sale of glass wool products	8,000.00	678506540X	8,000.00	-	100.00	100.00	Y	-
BBMG Material Industrial (Shanghai) Co., Ltd. (金隅物產上海有限公司)	Limited liability	Shanghai	Kou Yingyue	Import and export of coke, iron ore and metal materials	8,000.00	59971945-9	4,080.00	51.00	-	51.00	Y	4,183.32
* Tangshan Jinyu Aeraled Concrete Co., Ltd. (唐山金隅加氣混凝土有限公司)	Limited liability	Tangshan	Jin Xuefeng	Manufacture and sale of aeraled concrete panels	6,860.00	06048276-9	4,996.20	-	67.00	67.00	Y	2,072.13
BBMG GEM Real Estate Development Co., Ltd. (北京金隅業房地產開發有限公司)	Limited liability	Beijing	Huang An' nan	Property development and management etc.	200,000.00	1017180907	166,513.84	100.00	-	100.00	Y	-
BBMG (Qingdao) Property Development Co., Ltd. (金隅青島房地產開發有限公司)	Limited liability	Qingdao	Huang An' nan	Property development and trading agent	5,000.00	5912837500	5,000.00	-	100.00	100.00	Y	-
Inner Mongolia BBMG Property Investment Co., Ltd. (內蒙古金隅地產開發有限公司)	Limited liability	Hohhot	Huang An' nan	Property development and management etc.	20,000.00	7901884500	20,000.00	-	100.00	100.00	Y	-
BBMG (Hangzhou) Property Development Co., Ltd. (金隅杭州房地產開發有限公司)	Limited liability	Hangzhou	Huang An' nan	Property development and management etc.	60,000.00	6680245102	63,482.70	-	100.00	100.00	Y	-
Hangzhou BBMG Mountain Villa Property Development Co., Ltd. (杭州金隅山墅房地產開發有限公司)	Limited liability	Hangzhou	Huang An' nan	Property development and others	10,000.00	5667961001	10,000.00	-	100.00	100.00	Y	-
BBMG (Tianjin) Property Development Co., Ltd. (金隅天津房地產開發有限公司)	Limited liability	Tianjin	Huang An' nan	Property development and sales etc.	80,000.00	5509542604	80,000.00	-	100.00	100.00	Y	-

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As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand	
							Direct (%)	Indirect (%)				
<b>Subsidiaries acquired through establishment, investment or other ways (continued)</b>												
Tangshan BBMG Julong Property Development Co., Ltd. (唐山金隅七龍房地產開發有限公司)	Limited liability	Tangshan	Huang Aih nan	Property development and management etc.	5,000.00	5553091200	4,000.00	-	80.00	80.00	Y	1,015.86
Beijing BBMG Property Development Co., Ltd. (北京金隅豐地房地產開發有限公司)	Limited liability	Beijing	Huang Aih nan	Property development and sales etc.	5,000.00	5548780304	5,000.00	-	100.00	100.00	Y	-
BBMG Vanke Property Development Co., Ltd. (北京金隅萬科房地產開發有限公司)	Limited liability	Beijing	Huang Aih nan	Property development and sales etc.	19,000.00	6656051305	3,251.38	-	51.00	51.00	Y	23,654.49
Beijing Xisanli High Tech New Building Material City Management and Development Co., Ltd. (北京西三旗高新材料經營開發有限公司)	Limited liability	Beijing	Chang Yuanhong	Property rental and development etc.	6,129.76	1011439607	12,358.04	100.00	-	100.00	Y	-
Chengdu BBMG Dacheng Property Development Co., Ltd. (成都金隅大成房地產開發有限公司)	Limited liability	Chengdu	Zhang Xiaobing	Property development etc.	5,000.00	5875634304	4,000.00	-	80.00	80.00	Y	342.68
Chongqing BBMG Dacheng Property Development Co., Ltd. (重慶金隅大成房地產開發有限公司)	Limited liability	Chongqing	Zhang Xiaobing	Property development and consultation etc.	20,000.00	5540632104	20,000.00	-	100.00	100.00	Y	-
Beijing BBMG Chengyuan Property Development Co., Ltd. (北京金隅程遠房地產開發有限公司)	Limited liability	Beijing	Chang Yuanhong	Property development and sale of commodity housing etc.	45,944.06	5636560003	47,350.99	100.00	-	100.00	Y	-
Beijing Jiaming Property Development Co., Ltd. (北京建宏房地產開發有限公司)	Limited liability	Beijing	Zhou Jiayi	Renovation of dilapidated buildings etc.	10,500.00	60001885-3	-	100.00	-	100.00	Y	-
Beijing Jinyuecheng Property Management Co., Ltd. (北京市金業新物業管理有限責任公司)	Limited liability	Beijing	Liu Shucai	Property management	50.00	7609198209	50.00	-	100.00	100.00	Y	-

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As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Inner Mongolia BBMG Dacheng Property Management Co., Ltd. (內蒙古大成物業管理有限公司)	Limited liability	Hohhot	Xu Shan	Property management	200.00	6769102704	200.00	-	100.00	100.00	Y	-
BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司)	Limited liability	Beijing	Xu Chuathui	Property management	1,000.00	6338669700	8,926.45	100.00	-	100.00	Y	-
Beijing Jintuyuan Property Management Co., Ltd. (北京錦園物業管理有限公司)	Limited liability	Beijing	Xu Chuathui	Property management	50.00	7001721209	50.00	-	100.00	100.00	Y	-
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司)	Limited liability	Beijing	Liu Weiyu	Provision of accommodation and dining services etc.	19,998.91	1026918903	20,248.04	100.00	-	100.00	Y	-
Beijing Jiayuan Hotel Co., Ltd. (北京市建華賓館有限公司)	Limited liability	Beijing	Li Mian	Provision of accommodation and dining services etc.	1,000.53	101129680X	1,000.53	-	100.00	100.00	Y	-
Beijing Jianji Assets Management Co., Ltd. (北京建機資產管理有限公司)	Limited liability	Beijing	An Zhiqiang	Self-owned property rental, property management etc.	6,273.39	1016498209	26,387.61	100.00	-	100.00	Y	-
Beijing Jimahyan Assets Management Co., Ltd. (北京金海燕資產管理有限責任公司)	Limited liability	Beijing	An Zhiqiang	Self-owned property rental, property investment and management etc.	8,292.36	101124580X	7,847.98	100.00	-	100.00	Y	-
Beijing Jimahyan Property Management Co., Ltd. (北京金海燕物業管理有限公司)	Limited liability	Beijing	Ma Hong	Property management	500.00	101850160X	563.33	100.00	-	100.00	Y	-
BBMG Property Operation Management Co., Ltd. (北京金隅物業管理有限責任公司)	Limited liability	Beijing	Xu Chuathui	Commercial housing rental, property and hotel management etc.	9,900.00	6691139407	9,900.00	100.00	-	100.00	Y	-
Beijing BBMG Real Estate Agency Co., Ltd. (北京金隅房地產經紀有限公司)	Limited liability	Beijing	Chang Yuanhong	Property agency business and consultation	500.00	589084550X	500.00	-	100.00	100.00	Y	-
Beijing Kacheng Cinda Property Management Co., Ltd. (北京凱誠信達物業管理有限公司)	Limited liability	Beijing	Chen Xu	Property management	300.00	78170528-0	318.11	-	100.00	100.00	Y	-

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## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity	Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)		
<b>Subsidiaries acquired through establishment, investment or other ways (continued)</b>										
Beijing Wancheng Tasing Property Management Co., Ltd. (北京華成信泰商業物業管理有限公司)	Limited liability	Beijing	Chen Xu	Property management	78861032-1	385.52	-	100.00	Y	-
* Jinyu Ligang (Tianjin) Property Development Co., Ltd. (金隅聯君天津房地產開發有限公司)	Limited liability	Tianjin	Huang An'nan	Property development and operation etc.	06123361-7	5,000.00	-	100.00	Y	-
* Beijing Jinyu Chaixin Tiandi Property Investment Co., Ltd. (北京金隅新天地理業有限公司)	Limited liability	Beijing	Huang An'nan	Property development and management etc.	06491200-9	1,000.00	-	100.00	Y	-
* Beijing Jinyu Shiji Jiaye Property Development Co., Ltd. (北京金隅世紀嘉業房地產開發有限公司)	Limited liability	Beijing	Huang An'nan	Property development and management etc.	06282874-3	1,000.00	-	100.00	Y	-
* Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd. (金隅夢城馬鞍山房地產開發有限公司)	Limited liability	Ma'anshan	Huang An'nan	Property development and sale of commodity housing etc.	06653447-8	3,750.00	-	75.00	Y	1,191.70
* Beijing BBMG Farce Co., Ltd. (北京金隅聯君房地產開發有限公司)	Limited liability	Beijing	Wang Hongjun	Operation of finance business and financing advisory business etc.	L01814211000001	100,000.00	100.00	-	Y	-
* Hangzhou BBMG Guanchao Real Estate Development Co., Ltd. (杭州金隅聯君房地產開發有限公司)	Limited liability	Hangzhou	Huang An'nan	Property development and operation etc.	07431015-9	30,000.00	-	100.00	Y	-
* Beijing BBMG Changyong Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業房地產開發有限公司)	Limited liability	Beijing	Huang An'nan	Property development and sale of commodity housing etc.	08282523-2	1,000.00	-	100.00	Y	-
* BBMG Nanjing Real Estate Development Co., Ltd. (金隅南京房地產開發有限公司)	Limited liability	Nanjing	Huang An'nan	Property development and operation etc.	06867974-2	1,000.00	-	100.00	Y	-

## Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
<b>Subsidiaries acquired through establishment, investment or other ways (continued)</b>												
* Dachang BBMG Alkalis Energy Saving Components Co., Ltd. (大碱金隅梁星建築節能製品有限公司)	Limited liability	Dachang County	Meng Xiangbin	Provision of timber for construction purpose and processing of timber products	3,000.00	07749427-7	3,006.08	-	82.00	100.00	Y	540.97
* Beijing Tongda New Green High-temperature Materials Engineering Research Center Co., Ltd. (北京通達綠色高溫新材料工程研究中心有限公司)	Limited liability	Beijing	Feng Yunsheng	Research, experiments and development of engineering and technology	1,000.00	08052319-3	980.00	-	92.83	100.00	Y	71.68
* Beijing Daicheng Changrun Properties Limited (北京大成昌置業有限公司)	Limited liability	Beijing	Zhang Xiaobing	Property development and operation	1,000.00	07853103-9	820.00	-	82.00	100.00	Y	180.00
<b>Subsidiaries acquired through business combination under common control</b>												
Beijing Livushangke Science and Technology Co., Ltd. (北京綠尚高科技有限公司)	Limited liability	Beijing	Fu Qitao	Sale of building materials and provision of technical services etc.	2,784.85	102664109	4,574.17	100.00	-	100.00	Y	-
Beijing Yanshui Assets Management Co., Ltd. (北京燕水資產管理有限公司)	Limited liability	Beijing	An Zhiqiang	Manufacture of cement	6,266.85	1011004006	27,504.04	100.00	-	100.00	Y	-
Zhangjiakou Jinyu Cement Co., Ltd. (張家口金隅水泥有限公司)	Limited liability	Zhangjiakou County	Zheng Baojin	Manufacture and sale of cement and cement products	30,000.00	6870473605	30,000.00	100.00	-	100.00	Y	-
Zhuolu Jinyu Cement Co., Ltd. (涿鹿金隅水泥有限公司)	Limited liability	Zhuolu County	Zhao Qiang	Manufacture and sale of cement and cement products	30,000.00	731423470X	30,000.00	100.00	-	100.00	Y	-
Qiyang Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司)	Limited liability	Qiyang County	Fan Guoliang	Manufacture and sale of cement and cement products	28,000.00	6827760400	24,933.35	90.00	-	90.00	Y	3,368.96

# Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
<b>Subsidiaries acquired through business combination under common control (continued)</b>											
Beijing Bio-land Science and Technology Co., Ltd. (北京生态岛科技有限责任公司)	Beijing	Liu Xiaoyu	Development of technologies for waste disposal, comprehensive utilization and environmental protection	5,000.00	7877525309	5,000.00	-	51.00	51.00	Y	2,247.05
Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司)	Tianjin	Jiang Changlu	Manufacture of cement	55,811.02	1030713003	40,010.14	60.64	-	60.64	Y	28,174.58
Tongda Refractory Technology Co., Ltd. (通達耐火技術股份有限公司)	Beijing	Feng Yunshen	Research and development, and manufacture of new refractory materials etc.	28,517.14	7886140704	31,715.15	92.83	-	92.83	Y	4,724.85
Shanghai Samming Building Materials Co., Ltd. (上海三暉三聯建材有限公司)	Shanghai	Xu Haifeng	Manufacture and sale of modern building materials	2,700.00	6074059208	2,700.00	-	100.00	100.00	Y	-
BBMG Human Resources Management Co., Ltd. (北京金隅人力資源管理有限公司)	Beijing	Liu Shengli	Dispatch of labour	50.00	690001270X	49.45	-	100.00	100.00	Y	-
BBMG Badaling Hot Spring Resort Co., Ltd. (北京金隅八達峯溫泉度假村有限公司)	Beijing	Liu Weiye	Provision of travelling service and accommodation etc.	28,600.00	600657005	12,256.23	-	100.00	100.00	Y	-
Beijing Oakland Building Waterproofing Materials Co., Ltd. (北京奧克蘭建築防水材料有限公司)	Beijing	Sun Yan'an	Processing and sale of waterproof materials	500.00	6000054003	-	-	100.00	100.00	Y	-
Beijing Xisani Heating Co., Ltd. (北京西三聯熱力有限公司)	Beijing	Wang Haitao	Manufacture of low to medium pressure steam and distilled water etc.	7,560.00	6330695402	6,691.07	-	100.00	100.00	Y	-

## Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

Subsidiaries acquired through business combination under common control (continued)	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
BBMG Hongye Ecological Science and Technology Co., Ltd. (北京金隅宏業生態科技有限責任公司)	Limited liability	Beijing	Xu Chuathui	Property rental and management etc.	200.00	6675186902	85,299.24	100.00	-	100.00	Y	-
BBMG Dacheng Property Management Co., Ltd. (北京金隅大成物業管理有限公司)	Limited liability	Beijing	Xue Guomin	Property management	500.00	1018504500	1,186.08	100.00	-	100.00	Y	-
Beijing BBMG Dacheng Property Development Co., Ltd. (北京金隅大成開發有限公司)	Limited liability	Beijing	Zhang Xiaobing	Property development etc.	150,000.00	7226160402	226,277.12	100.00	-	100.00	Y	-
Beijing Hengxing Land Real Estate Co., Ltd. (北京恒興置地房地產有限公司)	Limited liability	Beijing	Zhang Xiaobing	Property development etc.	4,635.00	7553002000	11,542.01	-	100.00	100.00	Y	-
Haikou Dacheng Property Investment Co., Ltd. (海口大成置業有限公司)	Limited liability	Haikou	Zhang Xiaobing	Property development etc.	1,600.00	2012958307	1,142.21	-	100.00	100.00	Y	-
BBMG Hong Kong Limited (金隅香港有限公司)	Limited liability	Hong Kong	Xu Chuathui	Self-owned property rental	(HKD) 100.00	N/A	598.49	100.00	-	100.00	Y	-
Beijing Building Decoration and Design Engineering Co., Ltd. (北京市建築裝飾設計工程有限責任公司)	Limited liability	Beijing	Zhang Qian	Decoration of design projects and furniture decorations etc.	8,500.00	101123790X	27,504.04	100.00	-	100.00	Y	-
Beijing Building Decoration and Design Institute Co., Ltd. (北京市建築裝飾設計院有限公司)	Limited liability	Beijing	Zhang Qian	Decorative design service	2,000.00	1018876204	2,000.00	-	100.00	100.00	Y	-



# Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity	Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand	
							Direct (%)	Indirect (%)			
<b>Subsidiaries acquired through business combination under common control (continued)</b>											
Beijing Longshuncheng Chinese Style Furniture Co., Ltd. (北京市龍成中式傢具有限公司)	Beijing	Wang Zhijun	Manufacture of furniture etc.	1,292.40	1011231801	1,292.40	-	97.26	97.26	Y	62.59
Crane (Beijing) Building Material Co., Ltd. (阿思北京建材有限公司)	Beijing	Kou Yingyue	Wholesale of building materials etc.	500.00	6699036606	500.00	-	67.50	67.50	Y	96.10
Beijing BBMG Doudian Technology Corporate Management Co., Ltd. (北京博豐益科技企業管理有限公司)	Beijing	Zhou Zhilao	Manufacture of insulate and energy-saving building materials etc.	15,037.66	1012091307	21,193.66	100.00	-	100.00	Y	-
<b>Subsidiaries acquired through business combination not under common control</b>											
Hetan Yuhong Sand Stone Company Limited (和田市玉環砂石有限公司)	Hetian	Jiang Changlu	Manufacture and sale of concrete	2,040.80	6722864809	1,428.19	-	51.00	51.00	Y	1,356.92
Luquan BBMG Dingxin Cement Co., Ltd. (鹿泉博豐鑫水泥有限公司)	Luquan	Zhou Chengyao	Manufacture and sale of cement and clinker etc.	130,000.00	7454157902	145,440.00	100.00	-	100.00	Y	-
Hebei Taihang Huaxin Building Materials Co., Ltd. (河北太行華信建材有限責任公司)	Handan	Wang Nan	Mining of limestone and sale of cement products	22,800.00	7373777500	19,195.21	100.00	-	100.00	Y	-
Beijing Taihang Qianjing Cement Co., Ltd. (北京太行前景水泥有限公司)	Beijing	Zheng Baojin	Manufacture and sale of cement and cement products etc.	10,000.00	600945006	6,760.00	67.00	-	67.00	Y	8,116.14
Baoding Taihang Xingsheng Cement Co., Ltd. (保定太行興盛水泥有限公司)	Baoding	Wang Zhao	Manufacture and sale of cement and cement products etc.	2,000.00	7634494102	-	-	61.50	61.50	Y	(974.58)

## Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 1. Major subsidiaries: (continued)

	Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand		Percentage of equity	Voting right (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)				
<b>Subsidiaries acquired through business combination not under common control (continued)</b>												
Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司)	Limited liability	Yi county	Jiang Changlu	Manufacture and sale of cement and cement products etc.	16,000.00	745431402	12,000.00	75.00	-	75.00	Y	8,230.84
Yixian Tenghui Mineral Building Materials Company Limited (易县腾辉建材有限公司)	Limited liability	Yi county	Wang Chao	Sale of lime and rock materials etc.	2,100.00	796572302	2,500.00	-	75.00	75.00	Y	562.90
Handan Taihang Cement Co., Ltd. (邯郸市太行水泥有限责任公司)	Limited liability	Handan	Li Huijiang	Manufacture of cement	500.00	730279550X	703.80	-	48.28	48.28	Y	(21.31)
Beijing Qionglian Cement Co., Ltd. (北京强联水泥有限公司)	Limited liability	Beijing	Zhao Xiangdong	Manufacture of cement	2,000.00	7461002806	3,796.41	-	60.00	60.00	Y	1,215.27
Handan BBMG Taihang Cement Co., Ltd. (邯郸金隅太行水泥有限责任公司)	Limited liability	Handan	Li Huijiang	Manufacture of cement	65,000.00	5560754101	71,998.66	94.67	-	94.67	Y	5,242.90
Cheng'an BBMG Taihang Cement Co., Ltd. (咸安金隅太行水泥有限公司)	Limited liability	Cheng'an	Li Huijiang	Manufacture of cement	6,000.00	5548466008	4,500.00	-	71.00	71.00	Y	1,691.19
Guantao BBMG Taihang Concrete Co., Ltd. (衡水金隅太行混凝土有限公司)	Limited liability	Guantao	Li Huijiang	Manufacture and sale of commodity concrete	1,000.00	5738935402	1,000.00	-	94.67	94.67	Y	53.07
Handan Sheyuan BBMG Cement Co., Ltd. (邯郸涉县金隅水泥有限公司)	Limited liability	She county	Li Huijiang	Manufacture and sale of cement	10,000.00	6652936808	18,167.87	91.00	-	91.00	Y	1,692.65
** Tianjin BBMG Concrete Co., Ltd. (天津金隅混凝土有限公司)	Limited liability	Tianjin	Jiang Changlu	Concrete construction and manufacturing	31,765.13	7548416007	34,745.47	88.79	-	100.00	Y	4,717.51
Shijiazhuang BBMG Xuocheng Concrete Co., Ltd. (石家庄金隅旭成混凝土有限公司)	Limited liability	Shijiazhuang	Liu Wenyan	Manufacture and sale of concrete	20,000.00	7573535006	20,204.70	97.80	-	97.80	Y	503.06

# Notes to Financial Statements

As at 31 December 2013

## IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration /Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at the end of the year RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
<b>Subsidiaries acquired through business combination not under common control (continued)</b>											
Limited liability	Beijing	Liu Wenyan	Manufacture of cement and mining of limestone etc.	96,346.28	6343918302	53,348.42	-	51.00	51.00	Y	52,953.76
Limited liability	Beijing	Jiang Changlu	Manufacture of cement and clinker etc.	31,500.00	6000229509	46,474.09	95.70	-	95.70	Y	2,172.65
Limited liability	Beijing	Jiang Changlu	Manufacture of cement and clinker etc.	15,000.00	6000968501	11,068.11	70.00	-	70.00	Y	1,086.95
Limited liability	Beijing	Sai Bao	Manufacture, sale and repair of energy efficient doors and windows	(EUR)400.00	7177440105	2,998.07	82.00	-	82.00	Y	686.73
Limited liability	Chongqing	Zhang Xiaobing	Property development and sale etc.	96,568.61	5567783807	96,569.00	-	51.00	51.00	Y	106,446.10
Limited liability	Chengde	Jiang Changlu	Manufacture of cement and clinker etc.	30,000.00	78865130-X	24,000.00	80.00	-	80.00	Y	5,997.40
Limited liability	Beijing	Wang Dazhang	Manufacture of wood-based panels, resin for impregnated paper, etc.	1,808.61	700007422-2	-	100.00	-	100.00	Y	-

\* Newly-founded subsidiaries during the year.

\*\* In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted the shareholder's rights (within the meaning of the Company Law and the Articles of Association) as represented by the 11.25% equity interests held in Tianjin BBMG Concrete Co., Ltd. to the Company with a term of 8 years. As at 31 December 2013, the Company held 88.79% equity interests in Tianjin BBMG Concrete Co., Ltd. with 100% voting rights.

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 2. Investee that the Group holds half or more of its shareholdings but fails to control it

Investee	Registration		Register capital (RMB10,000)	Investment amount (RMB10,000)	Shareholding percentage (%)	Voting right (%)	Reason for the voting right failing to control
	location	Business nature					
Beijing Beizhuan Gas Station	Beijing	Retail refined oil product	80.00	64.83	62.50	-	Contracted operation
Hainan Dihao Furniture Co., Ltd.	Haikou	Furniture manufacturing	900.00	264.54	55.00	-	Withdrawal from operation in 2004
Beijing Xinjianxinyuan Farmer's Market Co., Ltd.	Beijing	Retail agricultural product	40.00	38.00	95.00	-	Contracted operation

#### 3. Change in scope of consolidation

Apart from the newly established subsidiaries during the year and as stated in Note IV.4 and Note IV.5, the scope of consolidation for the financial statements remains the same as last year.

#### 4. Entities newly included into or excluded from the scope of consolidation during the Year

Entities newly included into the scope of consolidation for the year are as follows:

	<b>As at 31 December 2013 Net assets</b>	From the date of purchase to the end of the year Loss
Chengde BBMG Cement Co., Ltd.	<b>299,869,828.08</b>	(1,410,627.73)
Beijing Dynea Chemical Industry Co., Ltd.	<b>26,619,445.61</b>	(506,813.71)

Subsidiary no longer included into the scope of consolidation for the year are as follows:

	<b>As at date of disposal Net assets</b>	From the beginning of the year to date of disposal Loss
Inner Mongolia BBMG Daihai Resort Co., Ltd.	12,053,804.96	(96,195.04)

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 5. Business combinations not under common control during the year

	Amount of Goodwill	Calculation of Goodwill
Chengde BBMG Cement Co., Ltd.	–	Indirect measurement method
Beijing Dynea Chemical Industry Co., Ltd.	–	Indirect measurement method

On 14 July 2011, the Company acquired 12.52% equity interest in Chengde BBMG Cement Co., Ltd. ("Chengde Cement") at a cash consideration of RMB6,328,450.01. According to the Articles of Association, the Company has neither common control nor significant influence over Chengde Cement, and the equity interest in Chengde Cement does not have a quoted price in the active market. Therefore, the equity interest in Chengde Cement was accounted for using the cost method and recognized as a long-term equity investment.

In 2013, the Company acquired 83.33% equity interest in Chengde BBMG Cement Co., Ltd. by way of capital increase at a cash consideration of RMB233,671,549.99. As such, the Company holds 95.85% equity interest in that company. According to the revised Articles of Association, Chengde Cement is a subsidiary of the Company. The acquisition date was determined as 16 April 2013.

As at the acquisition date, the fair value of the originally acquired 12.52% equity interest was RMB6,274,599.84, and the relevant loss arising from remeasurement based on fair value was RMB53,850.17.

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 5. Business combinations not under common control during the year *(continued)*

As at the acquisition date, the fair value of the identifiable assets and liabilities of Chengde BBMG Cement Co., Ltd. approximated to their carrying value, details of which are as follows:

	<b>16 April 2013</b>
	<b>Fair value</b>
Cash and bank balances	236,854,305.39
Accounts receivable	150,000.00
Other receivables	76,777.17
Fixed assets	16,985,490.47
Less:	
Tax payable	(31,915.41)
Other payables	3,750,620.61
	<u>250,347,867.83</u>
Minority interests	<u>(10,401,718.00)</u>
	239,946,149.83
Goodwill arising from acquisition	<u>—</u>
Consideration for combination (Note)	<u>239,946,149.83</u>

Note: Such amount included the cash consideration of RMB233,671,549.99 paid by the Company for business combination and the assessed fair value of RMB6,274,599.84 of the 12.52% equity interest held in Chengde Cement prior to the acquisition date.

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 5. Business combinations not under common control during the year *(continued)*

The operating results and cash flows of Chengde BBMG Cement Co., Ltd. from the acquisition date to the end of the year are set out as below:

	<b>For the period from 16 April 2013 to 31 December 2013</b>
Operating revenue	–
Net Loss	(1,410,627.73)
Net cash flows	(208,982,467.90)

Beijing Dynea Chemical Industry Co., Ltd. (“Dynea Chemical”) was jointly established by the Company and Finland-based Dynea Chemicals Oy (“Finland Dynea Chemicals”). As its equity interest was owned by the Company as to 45.00%, Dynea Chemical was accounted for as an associate of the Company according to the Articles of Association.

In 2013, the Company acquired 55.00% equity interest in Dynea Chemical held by Finland Dynea Chemicals at a cash consideration of RMB22,550,000.00. As such, the Company holds 100.00% equity interest in Dynea Chemical. According to the revised Articles of Association, Dynea Chemical has become a subsidiary of the Company. The acquisition date was determined as 30 November 2013.

As at the acquisition date, the original fair value of the 45.00% equity interest originally held by the Company was RMB12,206,816.69, and no gains were generated from the remeasurement based on fair value.

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 5. Business combinations not under common control during the year *(continued)*

As at the acquisition date, details of the fair value and carrying value of the identifiable assets and liabilities of Dynea Chemical are as follows:

	30 November 2013 Fair value	30 November 2013 Carrying value
Cash and bank balances	4,407,764.68	4,407,764.68
Bills receivable	6,858,000.00	6,858,000.00
Accounts receivable	9,732,110.43	9,732,110.43
Prepayments	1,561,283.48	1,561,283.48
Other receivables	1,779,639.72	1,779,639.72
Inventories	2,811,091.25	2,811,091.25
Other current assets	109,096.56	109,096.56
Fixed assets	14,425,489.92	6,550,789.92
Construction in progress	29,992.00	29,992.00
Less:		
Accounts payable	3,624,847.73	3,624,847.73
Tax payable	249,166.95	249,166.95
Receipts in advance	2,300.00	2,300.00
Other payables	502,095.59	502,095.59
Wages payable	365,997.18	365,997.18
Other current liabilities	244,568.90	244,568.90
Deferred income tax liabilities	1,968,675.00	–
	<b>34,756,816.69</b>	28,850,791.69
Goodwill arising from acquisition	–	
Consideration for combination (Note)	<b>34,756,816.69</b>	

Note: Such amounts included the cash consideration of RMB22,550,000.00 payable by the Company for business combination and the assessed fair value of RMB12,206,816.69 of the 45.00% equity interest held in Dynea Chemical prior to the acquisition date.



## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 5. Business combinations not under common control during the year *(continued)*

The operating results and cash flows of Dynea Chemical from the acquisition date to the end of the year are set out as below:

	<b>For the period from 30 November 2013 to 31 December 2013</b>
Operating revenue	3,767,443.76
Net Loss	(506,813.71)
Net cash flows	(1,172,689.38)

#### 6. Reduction of subsidiaries due to loss of control during the year

	Place of registration	Principal activities	Percentage of shareholding (%)	Percentage of voting rights (%)	Reasons for ceasing to be a subsidiary	Date of disposal	Note
Inner Mongolia BBMG Daihai Resort Co., Ltd. (內蒙古金隅岱海旅遊 度假有限責任公司)	Ulanqab	Provision of accommodation and dining services	100.00	100.00	Disposal	28 February 2013	Note 1

Note 1: BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司), a subsidiary of the Group, entered into an equity transfer agreement with Xinghe County Muzi Carbon Co., Ltd. (興河縣木子炭素有限責任公司) to dispose its 100% equity interest in Inner Mongolia BBMG Daihai Resort Co., Ltd. (內蒙古金隅岱海旅遊度假有限公司) at a consideration of RMB12,150,000.00 in cash. The date of disposal was 28 February 2013. Therefore, since 28 February 2013, the Group has ceased to include Inner Mongolia BBMG Daihai Resort Co., Ltd. into the scope of consolidation.

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 6. Reduction of subsidiaries due to loss of control during the year *(continued)*

Related financial information of Inner Mongolia BBMG Daihai Resort Co., Ltd. is as follows:

	<b>28 February 2013</b>	31 December 2012
	<b>Carrying value</b>	Carrying value
Current assets	<b>2,126.01</b>	5,365.61
Non-current assets	<b>12,053,109.45</b>	12,146,064.89
Current liabilities	<b>1,430.50</b>	1,430.50
Net assets	<b>12,053,804.96</b>	12,150,000.00
Consideration for disposal	<b>12,150,000.00</b>	
Gains from disposal	<b>96,195.04</b>	
		<b>For the period from</b>
		<b>1 January 2013 to</b>
		<b>28 February 2013</b>
Operating revenue		–
Operating costs		–
Net Loss		(96,195.04)

#### 7. Exchange rate for major statement items of foreign operating entities of the Group

	Average exchange rate		Exchange rate at the end of the year	
	<b>2013</b>	2012	<b>31 December 2013</b>	31 December 2012
HKD	<b>0.7927</b>	0.8134	<b>0.7808</b>	0.8109

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 8. Significant minority shareholdings

The Group had the following subsidiaries with significant minority shareholdings: BBMG Vanke Property Development Co., Ltd. (“BBMG Vanke”), Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (“BBMG Mangrove”) and Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd. (“Chongqing BBMG Dacheng Shanshui”).

	2013	2012
Percentage of minority interests:		
BBMG Vanke	49.00%	49.00%
BBMG Mangrove	49.00%	20.59%
Chongqing BBMG Dacheng Shanshui	49.00%	–
Profit or loss attributable to minority interests:		
BBMG Vanke	14,502,553.01	140,671,740.14
BBMG Mangrove	42,916,501.92	–
Chongqing BBMG Dacheng Shanshui	–	–
Dividend paid to minority interests:		
BBMG Vanke	6,460,656.27	209,272,323.56
BBMG Mangrove	–	–
Chongqing BBMG Dacheng Shanshui	–	–
Accumulative balance of minority interests as at the balance sheet date:		
BBMG Vanke	236,544,914.27	228,503,017.53
BBMG Mangrove	1,246,205,332.33	334,033,797.57
Chongqing BBMG Dacheng Shanshui	1,064,460,982.72	–

## Notes to Financial Statements

As at 31 December 2013

### IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 8. Significant minority shareholdings *(continued)*

The following table sets forth the major financial information on the above-mentioned subsidiaries. Relevant figures represent amounts before intragroup offsetting conducted by the Group:

	Chongqing BBMG		
	BBMG Vanke	BBMG Mangrove	Dacheng Shanshui
Revenue	380,306,854.21	1,117,816,971.61	–
Total expenses	29,695,061.44	213,994,478.19	50,128,401.98
Net profit/(loss)	29,597,046.96	87,584,697.79	(38,069,850.67)
Total comprehensive income	<u>29,597,046.96</u>	<u>87,584,697.79</u>	<u>(38,069,850.67)</u>
Current assets	2,644,035,547.87	1,668,796,938.67	3,933,020,043.44
Non-current assets	72,324,026.27	1,595,948,451.43	13,674,109.88
Current liabilities	2,172,949,200.86	437,284,734.44	1,274,324,800.82
Non-current liabilities	<u>60,665,650.27</u>	<u>284,184,467.22</u>	<u>500,000,000.00</u>
Net cash flows from operating activities	(14,639,797.23)	65,345,138.87	(146,489,597.47)
Net cash flows from investing activities	(3,025,119.03)	(77,126,252.35)	(77,774.00)
Net cash flows from financing activities	<u>(84,383,082.49)</u>	<u>(254,645,006.46)</u>	<u>722,531,571.52</u>
Net increase/(decrease) in cash and cash equivalents	<u>(102,047,998.75)</u>	<u>(266,426,119.94)</u>	<u>575,964,200.05</u>

## Notes to Financial Statements

As at 31 December 2013

### V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

	31 December 2013			31 December 2012		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash on hand						
RMB	2,564,221.39		2,564,221.39	3,459,018.74		3,459,018.74
IDR	1,820,000.00	0.0005	910.00	1,820,000.00	0.0006	1,092.00
			<u>2,565,131.39</u>			<u>3,460,110.74</u>
Cash at banks						
RMB	8,324,426,848.62		8,324,426,848.62	5,822,702,449.51		5,822,702,449.51
USD	300,232.90	6.0543	1,817,700.05	715,751.81	6.2855	4,498,858.00
EUR	55,266.66	8.3217	459,912.56	85,023.83	8.3176	707,194.21
HKD	5,074,948.54	0.7808	3,962,519.82	13,032,786.73	0.8109	10,568,286.76
JPY	24,259,829.00	0.0575	1,394,940.17	24,276,089.04	0.0730	1,772,154.50
			<u>8,332,061,921.22</u>			<u>5,840,248,942.98</u>
Others						
RMB	17,502,572.00		17,502,572.00	62,385,492.73		62,385,492.73
Statutory deposit reserve placement with central bank by Finance Company						
RMB	243,380,705.75		243,380,705.75	-		-
			<u>8,595,510,330.36</u>			<u>5,906,094,546.45</u>

## Notes to Financial Statements

As at 31 December 2013

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

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

	31 December 2013	31 December 2012
Pledged cash and bank balances:		
Statutory deposit reserve placement with central bank by Finance Company	243,380,705.75	–
Deposits for letter of credit	69,664,988.35	39,206,299.85
Quality/performance deposits	81,643,118.95	51,951,332.14
Deposits for acceptance bills	130,068,004.30	156,133,605.34
Other cash and bank balances with restrictions:		
Restricted part of property pre-sale funds	2,173,262,645.12	2,052,501,646.63
Others	30,998,566.22	48,598,552.29
	<b>2,729,018,028.69</b>	<b>2,348,391,436.25</b>

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, interest income is generated according to the respective time deposit interest rates.

#### 2. Bills receivable

	31 December 2013	31 December 2012
Commercial acceptance bills	139,426,301.73	3,060,000.00
Bank acceptance bills	1,234,234,142.65	1,025,602,688.14
	<b>1,373,660,444.38</b>	<b>1,028,662,688.14</b>

As at 31 December 2013, there was no bills receivable pledged (31 December 2012: Nil).

As at 31 December 2013, there was no transfer of bills receivable into accounts receivable due to default on the part of the drawer (31 December 2012: Nil).

As at 31 December 2013, there was no outstanding bills receivable endorsed to other parties (31 December 2012: Nil).

## Notes to Financial Statements

As at 31 December 2013

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

#### 3. Interests receivable

	Balance at beginning of the year	Increase in the year	Decrease in the year	Balance at end of the year
STAR-USG Building Materials Co., Ltd.	1,411,125.80	4,968,077.28	3,737,927.34	2,641,275.74

As at 31 December 2013, there was no outstanding interests receivable (31 December 2012: Nil).

#### 4. Dividends receivable

	Balance at beginning of the year	Increase in the year	Decrease in the year	Balance at end of the year
Dividends receivable	1,215,425.00	4,406,826.94	5,622,251.94	–

#### 5. Accounts receivable

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

An aging analysis of the accounts receivable is as follows:

	31 December 2013	31 December 2012
Within 1 year	4,436,957,762.02	3,622,522,577.51
1 to 2 years	622,181,383.91	435,084,218.32
2 to 3 years	147,972,157.16	81,854,995.55
3 to 4 years	29,200,238.34	32,669,200.80
4 to 5 years	21,734,976.76	20,172,495.57
Over 5 years	79,396,423.43	90,736,588.11
	<b>5,337,442,941.62</b>	4,283,040,075.86
Provision for bad debts	<b>(331,577,447.00)</b>	(291,243,701.70)
	<b>5,005,865,494.62</b>	3,991,796,374.16

## Notes to Financial Statements

As at 31 December 2013

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

#### 5. Accounts receivable (continued)

The movements in provision for bad debt are as follows:

	2013	2012
At the beginning of the year	291,243,701.70	359,546,649.96
Provision for the year	71,905,204.33	46,003,705.19
Transferred in upon acquisition of subsidiaries	615,971.05	–
Reversal for the year	(31,581,367.38)	(22,008,917.38)
Write-off for the year	(606,062.70)	(90,328,285.46)
Transferred out on disposal of subsidiaries	–	(1,969,450.61)
	<b>331,577,447.00</b>	<b>291,243,701.70</b>

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



## Notes to Financial Statements

As at 31 December 2013

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

#### 5. Accounts receivable *(continued)*

	31 December 2012			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	-	-	-	-
Provision for bad debts by aging				
Within 1 year (inclusive of 1 year)	3,619,618,241.84	84.51	-	-
1 to 2 years (inclusive of 2 years)	370,986,855.80	8.66	111,296,056.74	30.00
2 to 3 years (inclusive of 3 years)	60,008,300.77	1.40	36,004,980.47	60.00
3 to 4 years (inclusive of 4 years)	27,108,573.69	0.64	23,042,287.64	85.00
4 to 5 years (inclusive of 5 years)	19,649,376.89	0.46	19,649,376.89	100.00
Over 5 years	89,664,617.89	2.09	89,664,617.89	100.00
	4,187,035,966.88	97.76	279,657,319.63	
Provision for bad debts for special credit characteristics group	78,713,958.28	1.84	-	-
Individually not significant but subject to separate provision for bad debts	17,290,150.70	0.40	11,586,382.07	67.01
	4,283,040,075.86	100.00	291,243,701.70	

## Notes to Financial Statements

As at 31 December 2013

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

#### 5. Accounts receivable *(continued)*

As at 31 December 2013, accounts receivable which were not individually significant but subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	5,804,948.35	5,804,948.35	100.00	Uncollectible likely
Second	2,838,524.28	2,838,524.28	100.00	Uncollectible likely
Third	1,254,003.26	1,254,003.26	100.00	Uncollectible likely
Fourth	1,023,383.75	1,023,383.75	100.00	Uncollectible likely
Fifth	896,092.30	634,861.63	70.85	Partly uncollectible
Others	10,557,148.82	8,872,737.76	84.04	Partly uncollectible
	<b>22,374,100.76</b>	<b>20,428,459.03</b>		

As at 31 December 2012, accounts receivable which were not individually significant but subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	2,838,524.28	2,838,524.28	100.00	Uncollectible likely
Second	1,826,415.44	1,044,230.41	57.17	Partly uncollectible
Third	252,745.40	252,745.40	100.00	Uncollectible likely
Fourth	183,943.00	183,943.00	100.00	Uncollectible likely
Fifth	251,015.00	200,812.00	80.00	Partly uncollectible
Others	11,937,507.58	7,066,126.98	59.19	Partly uncollectible
	<b>17,290,150.70</b>	<b>11,586,382.07</b>		

During 2013, there was no reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant impaired accounts receivable (2012: Nil).

## Notes to Financial Statements

As at 31 December 2013

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

#### 5. Accounts receivable *(continued)*

The accounts receivable that have been written off in 2013 are as follows:

	Nature	Amount written off	Reason	Related party transactions
First	Accounts receivable	179,179.14	Uncollectible	No
Second	Accounts receivable	160,000.00	Uncollectible	No
Third	Accounts receivable	96,665.00	Uncollectible	No
Fourth	Accounts receivable	40,897.12	Uncollectible	No
Fifth	Accounts receivable	20,632.80	Uncollectible	No
Others		<u>108,688.64</u>		
		<u>606,062.70</u>		

The accounts receivable that have been written off in 2012 are as follows:

	Nature	Amount written off	Reason	Related party transactions
First	Accounts receivable for cement	22,034,378.43	Disposed of	No
Second	Accounts receivable for cement	20,349,922.03	Disposed of	No
Third	Accounts receivable for cement	14,469,592.92	Disposed of	No
Fourth	Accounts receivable for cement	12,361,503.62	Disposed of	No
Fifth	Accounts receivable for cement	8,100,916.97	Disposed of	No
Others		<u>13,011,971.49</u>	Disposed of	No
		<u>90,328,285.46</u>		

## Notes to Financial Statements

As at 31 December 2013

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

#### 5. Accounts receivable *(continued)*

As at 31 December 2013, the Group had no accounts receivable from the shareholders holding 5% or more of the Company's voting rights (31 December 2012: Nil).

As at 31 December 2013, no accounts receivable were pledged as guarantee for the Group's bank loans (31 December 2012: RMB30,808,880.00) (Note V. 22).

Accounts receivable from related parties as at 31 December 2013 and 31 December 2012 were set out in Note VI. Related Party Relationships and Transactions.

As at 31 December 2013, the top 5 accounts receivable were as follows:

	Relationship with the Group	Amount	Aging	Proportion in total accounts receivables (%)
Customer 1	Third party	151,555,974.00	Within 1 year	2.84
Customer 2	Third party	70,727,696.43	Within 1 year	1.33
Customer 3	Third party	50,930,406.59	Within 1 year	0.95
Customer 4	Third party	43,416,549.10	Within 1 year	0.81
Customer 5	Third party	31,832,003.30	Within 1 year	0.60
		<b>348,462,629.42</b>		<b>6.53</b>

As at 31 December 2012, the top 5 accounts receivable were as follows:

	Relationship with the Group	Amount	Aging	Proportion in total accounts receivables (%)
Customer 1	Third party	78,547,384.50	Within 1 year	1.83
Customer 2	Third party	73,856,015.93	Within 1 year	1.72
Customer 3	Third party	63,110,237.57	Within 1 year	1.47
Customer 4	Third party	41,240,983.09	Within 1 year	0.96
Customer 5	Third party	36,231,809.77	Within 1 year	0.85
		<b>292,986,430.86</b>		<b>6.83</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 6. Other receivables

An aging analysis of other receivables is as follows:

	31 December 2013	31 December 2012
Within 1 year	<b>2,026,679,990.10</b>	999,222,808.24
1 to 2 years	<b>192,936,880.11</b>	572,179,974.17
2 to 3 years	<b>443,439,565.60</b>	253,405,448.61
3 to 4 years	<b>11,973,399.72</b>	9,365,651.27
4 to 5 years	<b>7,055,518.98</b>	105,161,899.77
Over 5 years	<b>77,769,106.18</b>	71,276,760.38
	<b>2,759,854,460.69</b>	2,010,612,542.44
Provision for bad debts of other receivables	<b>(120,034,651.35)</b>	(111,097,223.13)
	<b>2,639,819,809.34</b>	1,899,515,319.31

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

	2013	2012
At the beginning of the year	<b>111,097,223.13</b>	126,632,017.47
Provision for the year	<b>10,096,779.47</b>	32,906,268.11
Reversal for the year	<b>(779,406.57)</b>	(35,073,970.02)
Write-off for the year	–	(9,212,379.78)
Transferred out on disposal of subsidiaries	<b>(379,944.68)</b>	(4,154,712.65)
	<b>120,034,651.35</b>	111,097,223.13

## Notes to Financial Statements

As at 31 December 2013

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

#### 6. Other receivables (continued)

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

## Notes to Financial Statements

As at 31 December 2013

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

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

	31 December 2012			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	54,231,183.06	2.70	40,297,783.06	74.31
Provision for bad debts by aging				
Within 1 year (inclusive of 1 year)	978,760,081.60	48.68	–	–
1 to 2 years (inclusive of 2 years)	15,319,315.73	0.76	4,595,794.72	30.00
2 to 3 years (inclusive of 3 years)	2,358,467.83	0.12	1,415,080.70	60.00
3 to 4 years (inclusive of 4 years)	2,122,955.14	0.11	1,804,511.87	85.00
4 to 5 years (inclusive of 5 years)	2,538,341.02	0.11	2,538,341.02	100.00
Over 5 years	44,574,259.40	2.22	44,574,259.40	100.00
	1,045,673,420.72	52.00	54,927,987.71	
Provision for bad debts for special credit characteristics group	872,996,654.08	43.42	–	–
Individually not significant but subject to separate provision for bad debts	37,711,284.58	1.88	15,871,452.36	42.09
	<u>2,010,612,542.44</u>	<u>100.00</u>	<u>111,097,223.13</u>	

## Notes to Financial Statements

As at 31 December 2013

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

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

As at 31 December 2013, other receivables which were individually significant and separately provided for bad debts were as follows:

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

As at 31 December 2012, other receivables which were individually significant and separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	34,180,183.06	20,246,783.06	59.24	Partly uncollectible
Second	<u>20,051,000.00</u>	<u>20,051,000.00</u>	100.00	Uncollectible likely
	<u>54,231,183.06</u>	<u>40,297,783.06</u>		



## Notes to Financial Statements

As at 31 December 2013

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

#### 6. Other receivables (continued)

As at 31 December 2013, other receivables which were not individually significant but separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	6,391,042.10	4,364,898.44	68.30	Partly uncollectible
Second	2,725,396.31	2,725,396.31	100.00	Uncollectible likely
Third	2,673,996.00	1,664,397.60	62.24	Partly uncollectible
Fourth	2,179,835.26	2,179,835.26	100.00	Uncollectible likely
Fifth	1,563,990.61	1,563,990.61	100.00	Uncollectible likely
Others	16,141,122.56	8,849,694.56	54.83	Partly uncollectible
<b>Total</b>	<b>31,675,382.84</b>	<b>21,348,212.78</b>		

As at 31 December 2012, other receivables which were not individually significant but separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	2,695,880.51	2,695,880.51	100.00	Uncollectible likely
Second	2,596,881.90	438,174.13	16.87	Partly uncollectible
Third	2,179,835.26	2,179,835.26	100.00	Uncollectible likely
Fourth	1,600,000.00	1,600,000.00	100.00	Uncollectible likely
Fifth	1,563,990.61	1,563,990.61	100.00	Uncollectible likely
Others	27,074,696.30	7,393,571.85	27.31	Partly uncollectible
<b>Total</b>	<b>37,711,284.58</b>	<b>15,871,452.36</b>		

In 2013, there was no reversal or recovery of provision for bad debts of significant other receivables.

The reversal or recovery of provision for bad debts of significant other receivables during 2012 is as follows:

	Reason for reversal or recovery	The basis of original provision for bad debts	Accumulated provision for bad debts made before the reversal	Amount recovered
JinJian (Tianjin) Property Investment Limited	Amount recovered	Uncollected for long term	30,788,355.71	29,224,365.10

In 2013, no individually significant other receivables have been written off (2012: Nil).

## Notes to Financial Statements

As at 31 December 2013

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

#### 6. Other receivables (continued)

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

	Relationship with the Group	Amount	Aging	As a percentage of total other receivables (%)
Unit 1	Third party	625,000,000.00	Within 1 year	22.65
Unit 2	Third party	340,000,000.00	Within 1 year	12.32
Unit 3	Third party	339,203,583.49	2 to 3 years	12.29
Unit 4	Joint venture	86,808,579.96	Within 1 year, 1 to 2 years, 2 to 3 years, over 3 years	3.15
Unit 5	Third party	68,497,583.50	Within 1 year	2.48
		<b>1,459,509,746.95</b>		<b>52.89</b>

As at 31 December 2012, the top 5 other receivables were as follows:

	Relationship with the Group	Amount	Aging	As a percentage of total other receivables (%)
Unit 1	Third party	358,440,024.69	1 to 2 years	17.83
Unit 2	Third party	241,434,963.00	Within 1 year, 4 to 5 years	12.01
Unit 3	Third party	108,880,000.00	Within 1 year	5.42
Unit 4	Third party	106,273,100.00	Within 1 year	5.29
Unit 5	Joint venture	81,688,940.00	Within 1 year, 1 to 2 years, 2 to 3 years	4.06
		<b>896,717,027.69</b>		<b>44.61</b>

As at 31 December 2013, there were no receivables due from shareholders that held 5% or more of the Company's voting rights (31 December 2012: Nil).

Other receivables from related parties as at 31 December 2013 and 31 December 2012 are set out in Note VI. Related Party Relationships and Transactions.

## Notes to Financial Statements

As at 31 December 2013

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

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

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

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

As set out in Note III. Taxation, certain companies of the Group enjoy refund upon collection of value-added tax. The above value-added tax payable refund policies have been verified by various tax bureaus, and the management of the Company expects that the amounts will be fully recovered in 2014.

As at 31 December 2012, government grants receivable were as follows:

	Description of government grant	Amount	Aging	Expected time of receipt
Unit 1	Refunds of VAT	57,355,957.57	Within 1 year	2013
Unit 2	Refunds of VAT	54,437,540.91	Within 1 year	2013
Unit 3	Refunds of VAT	33,644,841.73	Within 1 year	2013-2014
Unit 4	Refunds of VAT	28,404,566.28	Within 1 year	2013
Unit 5	Refunds of VAT	17,623,021.53	Within 1 year	2013
Unit 6	Refunds of VAT	12,395,379.76	Within 1 year	2013
Unit 7	Refunds of VAT	7,569,875.74	Within 1 year	2013
Unit 8	Refunds of VAT	4,063,814.01	Within 1 year	2013
Unit 9	Refunds of VAT	918,428.48	Within 1 year	2013
Unit 10	Refunds of VAT	869,305.77	Within 1 year	2013
		<u>217,282,731.78</u>		

## Notes to Financial Statements

As at 31 December 2013

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

#### 7. Advances to suppliers

An aging analysis of advances to suppliers is as follows:

	31 December 2013		31 December 2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	3,592,784,738.61	98.68	862,567,703.50	94.85
1 to 2 years	33,019,646.90	0.91	30,358,878.72	3.34
2 to 3 years	6,470,152.48	0.18	8,936,306.02	0.98
Over 3 years	8,350,556.33	0.23	7,552,252.53	0.83
	<b>3,640,625,094.32</b>	<b>100.00</b>	<b>909,415,140.77</b>	<b>100.00</b>

As at 31 December 2013, the top 5 advances to suppliers were as follows:

	Relationship with the Group	Amount	Aging	Reasons for being not settled
Unit 1	Third party	2,201,202,432.38	Within 1 year	Settlement date undue
Unit 2	Third party	73,512,332.04	Within 1 year	Settlement date undue
Unit 3	Third party	66,962,956.92	Within 1 year	Settlement date undue
Unit 4	Third party	61,651,330.91	Within 1 year	Settlement date undue
Unit 5	Third party	55,630,693.66	Within 1 year	Settlement date undue
		<b>2,458,959,745.91</b>		

As at 31 December 2012, the top 5 advances to suppliers were as follows:

	Relationship with the Group	Amount	Aging	Reasons for being not settled
Unit 1	Third party	80,000,000.00	Within 1 year	Settlement date undue
Unit 2	Third party	32,266,590.35	Within 1 year	Settlement date undue
Unit 3	Third party	31,010,986.20	Within 1 year	Settlement date undue
Unit 4	Third party	27,967,217.68	Within 1 year	Settlement date undue
Unit 5	Third party	23,601,283.56	Within 1 year	Settlement date undue
		<b>194,846,077.79</b>		

As at 31 December 2013, there was no advance to shareholders that held 5% or more of the Company's voting rights (31 December 2012: Nil). As at 31 December 2013, there was no significant advance aging more than one year (31 December 2012: Nil).

The advances to related parties as at 31 December 2013 and 31 December 2012 are set out in Note VI "Related Party Relationships and Transactions".

## Notes to Financial Statements

As at 31 December 2013

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

#### 8. Inventories

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

	31 December 2012		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	938,248,850.81	(3,228,859.52)	935,019,991.29
Work in progress	722,327,550.36	(4,287,515.14)	718,040,035.22
Finished goods	595,951,402.58	(10,640,251.43)	585,311,151.15
Turnover materials	70,211,394.23	(256,144.54)	69,955,249.69
Trading goods	408,048,203.24	(202,618.35)	407,845,584.89
Properties under development	25,243,954,002.00	(7,169,850.12)	25,236,784,151.88
Completed properties held for sale	4,333,934,509.36	–	4,333,934,509.36
	<b>32,312,675,912.58</b>	<b>(25,785,239.10)</b>	<b>32,286,890,673.48</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 8. Inventories (continued)

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

##### 2013

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

##### 2012

	Opening balance	Provision for the year	Decrease in the year			Closing balance
			Disposal of subsidiaries	Reversal/ transfer out	Write-off	
Raw materials	7,269,979.64	1,274,397.87	-	-	(5,315,517.99)	3,228,859.52
Work in progress	12,876,977.60	3,628,782.19	1,281,605.67	-	(10,936,638.98)	4,287,515.14
Finished goods	41,360,453.54	1,135,250.24	800,691.78	-	(31,054,760.57)	10,640,251.43
Turnover materials	297,073.37	-	-	-	(40,928.83)	256,144.54
Trading goods	602,470.53	-	-	-	(399,852.18)	202,618.35
Properties under development	7,169,850.12	-	-	-	-	7,169,850.12
	<b>69,576,804.80</b>	<b>6,038,430.30</b>	<b>2,082,297.45</b>	<b>-</b>	<b>(47,747,698.55)</b>	<b>25,785,239.10</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 8. Inventories (continued)

##### (1) The breakdown of cost of properties under development:

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	31 December 2013	31 December 2012
Chongqing-Shidaiduhui	December 2011	March 2014	3,946,847,900.00	2,151,707,998.57	1,358,593,107.98
Chongqing-Nanshanjun	December 2011	March 2014	4,171,004,500.00	1,761,624,271.16	1,642,045,464.40
Chengdu-Shuangliu Project	December 2012	October 2014	1,450,000,000.00	876,620,854.55	547,265,466.21
Hangzhou-Banshan Project	November 2012	July 2014	2,216,520,000.00	1,606,321,385.32	1,425,013,511.67
Inner Mongolia-Jinyu Times City	October 2007	September 2014	2,450,000,000.00	400,926,138.10	397,120,548.38
Inner Mongolia-Jinyu Elegancy City	April 2013	June 2015	938,950,000.00	434,572,068.68	-
Hangzhou-Guanlan Times	March 2010	June 2014	4,873,945,342.00	584,841,387.84	1,896,847,820.49
Hangzhou 2D Plot	May 2013	May 2016	598,668,946.24	302,563,026.33	-
Haikou-Meilinghu	August 2011	-	460,000,000.00	-	263,322,074.56
Haikou-Haidianxi Project	June 2014	December 2015	1,700,000,000.00	567,794,101.26	536,000,000.00
Tangshan-Jinyu Lefu	June 2011	December 2014	2,478,239,600.00	1,188,108,658.36	1,354,029,808.75
Beijing-Xisanqi Commercial Residential Project	October 2012	October 2014	1,717,830,000.00	1,271,041,939.85	904,637,288.94
Tianjin-Jinyu Yuecheng	September 2010	December 2014	5,208,000,000.00	1,970,782,654.02	2,229,077,731.87
Tianjin-Elegancy City	May 2013	December 2015	2,294,700,000.00	1,131,425,140.40	-
Beijing-Jinyu Vanke City	March 2008	November 2014	4,011,000,000.00	776,901,859.63	1,440,096,211.88
Beijing-Dawayao	-	-	-	210,838,293.41	210,838,293.41
Beijing-Western Group (西組團) public facilities	September 2007	-	2,044,000,000.00	-	191,949,430.63
Beijing-Liyuan Jincheng Center	November 2011	-	1,918,200,000.00	-	2,303,294,812.46
Beijing-Guogongzhuang Project	March 2013	December 2014	2,509,040,000.00	1,732,249,895.70	1,048,771,419.76
Beijing-Chaoyang New City	September 2009	July 2014	2,004,600,000.00	794,722,727.47	538,105,615.47
Beijing-Jinyu Town-House	February 2009	August 2014	593,280,000.00	59,916,011.49	57,586,738.26
Beijing-Kanghuiyuan	February 2009	March 2016	1,893,020,000.00	127,893,030.83	135,168,334.65
Beijing-Jiaheyuan	March 2012	June 2014	520,000,000.00	293,508,167.80	276,216,629.20
Beijing-Guanlan Times	October 2010	-	1,219,720,000.00	-	1,148,224,453.15
Beijing-Xi Hai'an	August 2012	December 2014	1,140,000,000.00	582,301,385.52	425,744,431.18
Beijing-Yueheyuan	September 2011	-	-	-	674,467,635.70
Beijing-Tuqiao Project	October 2009	June 2014	4,672,150,000.00	1,343,977,738.10	1,614,395,747.89
Beijing-Binheyuan	September 2011	May 2014	3,384,510,000.00	1,518,019,268.83	1,278,832,363.89
Beijing-I Cube	November 2011	May 2014	880,000,000.00	467,697,222.28	278,717,835.12
Beijing-Taiheyuan	January 2012	-	1,660,000,000.00	-	709,548,267.28
Beijing-Ruiheyuan	December 2012	December 2014	831,700,000.00	314,822,127.49	163,191,699.21
Beijing-Phase III of Tuqiao	December 2012	November 2014	1,335,000,000.00	445,606,713.17	-
Qingdao-Plot at Jinggangshan Road	May 2013	June 2015	220,000,000.00	147,210,996.78	107,434,691.08
Beijing-Plot 1 of Changyang University of Science and Technology (長陽理工大學)	March 2014	March 2015	3,000,000,000.00	1,765,000,000.00	-
Nanjing-Plot A2 of Xinglong Avenue North	March 2014	May 2017	4,877,030,000.00	1,465,326,283.30	-
Hangzhou-Plot at Laochengxiang	July 2014	December 2016	2,374,000,000.00	669,469,345.99	-
Ma'anshan-Project at the Eastern Foot of Jiashan Hill (佳山)	May 2013	November 2014	1,083,000,000.00	246,634,373.38	-
Others				175,379,775.44	80,246,718.41
Total				27,385,804,841.05	25,236,784,151.88

As at 31 December 2013, the balance of properties under development included the capitalized interest of RMB1,371,750,622.71 (31 December 2012: RMB1,214,794,424.47), in which RMB520,472,305.00 was capitalized during the current year (31 December 2012: RMB654,616,858.14), and the rate of interest capitalization was 6%(31 December 2012: 6%).

As at 31 December 2013, the properties under development with carrying amount of RMB4,351,941,452.22 were pledged as guarantee for the Group's bank loans (31 December 2012: RMB4,994,957,123.22) (Note V.22).

# Notes to Financial Statements

As at 31 December 2013

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

### 8. Inventories (continued)

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

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing-Jinyu Town-House	March 2011	40,563,837.64	-	9,702,499.52	30,861,338.12
Beijing-Chaoyang New City	June 2012	71,993,650.23	-	6,135,422.93	65,858,227.30
Beijing-Miaopu Housing Renovation Project	December 2008	14,671,824.56	-	10,364,033.24	4,307,791.32
Beijing-Lijingyuan	June 2010	10,566,135.56	-	1,544,272.70	9,021,862.86
Beijing-Meiheyuan	June 2010	7,644,522.06	-	815,612.30	6,828,909.76
Beijing-Kanghuiyuan	March 2011	369,695,704.20	-	187,078,602.31	182,617,101.89
Beijing-Jiaheyuan	June 2011	4,136,765.09	-	-	4,136,765.09
Beijing-Tuqiao Project	December 2011	323,111,102.41	783,491,659.50	956,457,514.92	150,145,246.99
Beijing-Guanlan Times (觀瀾時代)	June 2013	-	1,230,742,969.88	1,107,410,444.96	123,332,524.92
Beijing-Yueheyuan	September 2013	-	1,055,608,830.45	1,052,813,705.99	2,795,124.46
Beijing-Binheyuan	December 2013	-	465,759,330.69	400,977,656.58	64,781,674.11
Beijing-Taiheyuan	December 2013	-	1,039,068,352.16	646,527,818.71	392,540,533.45
Beijing-Jinyu Vanke City	December 2013	7,276,387.64	1,220,283,111.06	250,846,469.01	976,713,029.69
Inner Mongolia-Jinyu Times City	June 2012	38,742,528.14	-	19,503,426.43	19,239,101.71
Hangzhou-Guanlan Times	August 2013	1,082,641,576.69	1,273,674,931.39	721,762,067.84	1,634,554,440.24
Beijing-Chang'an New City	December 2007	108,849,710.93	-	17,005,543.23	91,844,167.70
Beijing-Dachengjun	August 2012	809,763,570.55	-	751,743,346.02	58,020,224.53
Beijing-Dacheng Times Center	November 2010	165,866,005.22	-	3,031,406.95	162,834,598.27
Beijing-Linglong Tiandi	June 2013	25,383,534.57	2,690,176.88	23,350,383.84	4,723,327.61
Beijing-Liyuan Jincheng Center	December 2013	-	2,816,696,249.49	1,328,523,279.49	1,488,172,970.00
Beijing-Western Group (西組團) public facilities	January 2013	-	237,186,583.56	208,979,757.12	28,206,826.44
Hainan-Dacheng Business Apartments	February 2005	40,712,088.47	-	-	40,712,088.47
Haikou - Meilinghu	December 2013	-	444,802,194.54	338,826,102.70	105,976,091.84
Tianjin-Jinyu Yuecheng	December 2013	204,058,760.67	791,756,135.50	711,808,150.38	284,006,745.79
Beijing-Jianxinyuan	December 2008	97,347,905.58	-	-	97,347,905.58
Affordable Housing					
Beijing-Tiantan Gongguan	June 2008	24,123,221.53	-	4,886,691.20	19,236,530.33
Tangshan-Jinyu Lefu	December 2013	83,058,319.98	741,775,402.68	335,438,987.51	489,394,735.15
Beijing-Jinyu Feili	July 2013	607,376,190.04	4,145,749.50	325,720,601.14	285,801,338.40
Beijing-I Cube	September 2013	-	331,989,878.37	214,403,819.46	117,586,058.91
Chongqing-Nanshanjun	December 2013	-	371,512,480.09	48,725,467.90	322,787,012.19
Beijing-Dacheng International	December 2011	67,547,463.62	-	-	67,547,463.62
BBMG International (金隅國際)	April 2005	82,155,385.00	-	-	82,155,385.00
Others		46,648,318.98	6,931,592.19	564,628.07	53,015,283.10
<b>Total</b>		<b>4,333,934,509.36</b>	<b>12,818,115,627.93</b>	<b>9,684,947,712.45</b>	<b>7,467,102,424.84</b>



## Notes to Financial Statements

As at 31 December 2013

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

#### 9. Other current assets

	31 December 2013	31 December 2012
Prepaid income tax	<b>172,930,336.09</b>	183,210,502.54
Prepaid land appreciation tax	<b>230,346,732.44</b>	111,117,402.18
Prepaid business tax and other tax	<b>779,431,964.56</b>	684,761,106.74
Prepaid expenses	<b>26,656,914.28</b>	19,404,785.19
Amortisation of long-term prepaid expenses within one year	<b>29,866,506.29</b>	25,801,700.06
Others	<b>57,856,434.50</b>	52,582,155.58
	<b>1,297,088,888.16</b>	1,076,877,652.29

#### 10. Available-for-sale financial assets

		31 December 2013	31 December 2012 (Restated)
Available-for-sale financial assets	(1)	<b>500,000,000.00</b>	–
Available-for-sale equity instruments-unlisted companies	(2)	<b>5,404,297.22</b>	11,925,966.26
		<b>505,404,297.22</b>	11,925,966.26

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

## Notes to Financial Statements

As at 31 December 2013

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

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

- (2) As at 31 December 2013, the fair value of domestic non-listed equity investments held by the Group could not be reliably measured due to lack of a quoted price in an active market, and these equity investments were measured at cost. The Company has no intention to dispose of these investments in the near future. The specific details are as follows:

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Provision for impairment	Cash dividends for the year
Tianjia (Tianjin) Building Materials Company Limited (天嘉天津建材有限公司)	1,000,000.00	1,000,000.00	-	1,000,000.00	10.00	-	-	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京房山区城關農村信用合作社)	101,000.00	101,000.00	-	101,000.00	-	-	-	7,069.99
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金屬(北京)石油銷售有限公司)	3,000,000.00	3,000,000.00	-	3,000,000.00	10.00	-	-	-
* Beijing Beizhuan Gas Station (北京市北疇加油站)	648,297.22	648,297.22	-	648,297.22	62.50	-	-	-
* Beijing Xinjianxin yuan Farmer's Market Co., Ltd. (北京市鑫建欣苑農貿市場有限公司)	380,000.00	380,000.00	-	380,000.00	95.00	-	-	-
Beijing Xinchen Ceramic Fiber Products Corp. (北京新辰陶瓷纖維製品公司)	193,219.03	193,219.03	(193,219.03)	-	-	-	-	-
Beijing Tianyun Industrial Co., Ltd. (北京天雲實業)	75,000.00	75,000.00	-	75,000.00	-	-	-	-
** Chengde BBMG Cement Co., Ltd. (承德金隅水泥有限責任公司)	6,328,450.01	6,328,450.01	(6,328,450.01)	-	-	-	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司)	200,000.00	200,000.00	-	200,000.00	0.20	-	-	-
* Hainan Dihao Furniture Co., Ltd. (海南帝豪家具公司)	2,645,418.54	2,645,418.54	-	2,645,418.54	55.00	-	2,645,418.54	-
Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清華紫光方大高技術陶瓷有限公司)	3,267,700.00	3,267,700.00	-	3,267,700.00	27.14	-	3,267,700.00	-
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	100,000.00	-	100,000.00	0.34	-	100,000.00	-
<b>Total</b>	<b>17,939,084.80</b>	<b>17,939,084.80</b>	<b>(6,521,669.04)</b>	<b>11,417,415.76</b>			<b>6,013,118.54</b>	<b>7,069.99</b>

As at 31 December 2013 and 31 December 2012, the long-term equity investments of the Group were unlisted investments.

\* The reasons for holding more than 50% of the equity interest in the above companies but without having control over them are set out in Note IV.2.

\*\* Control over Chengde Cement was obtained by way of capital increase during the year, and Chengde Cement was included into the scope of consolidation.

## Notes to Financial Statements

As at 31 December 2013

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

#### 11. Investments in joint ventures and associates

31 December 2013

	Type of enterprise	Place of registration		Business nature/ scope of operation	Registered capital RMB thousand	Code of organization
		/Place of principal business	Authorized representative			
<b>Joint ventures</b>						
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Limited liability	Dachang County	Deng Guangjun	Production of mineral wool acoustic boards	USD54,520	66774000-7
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	Limited liability	Beijing	An Zhiqiang	Commodities retail	6,000	79674055-6
<b>Associates</b>						
Beijing Gaoqiang Concrete Co., Ltd. (北京高強混凝土有限責任公司)	Limited liability	Beijing	Li Jie	Production of concrete, pumping	55,000	70022904-1
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	Limited liability	Beijing	Deng Guangjun	Production of fiberboards and artificial boards	USD57,380	60004211-6
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)	Limited liability	Beijing	Deng Guangjun	Production of wear-resisting composite floors	USD23,500	80114605-0
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	Limited liability	Beijing	Guo Yanming	Production of radiators	USD27,500	60005569-7
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科複合材料(北京)有限公司)	Limited liability	Beijing	Wang Zhaojia	Concrete, pumping	55,000	60004302-0
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	Limited liability	Beijing	Liu Guosheng	Design and production of complete non-standard control equipment	10,000	67573374-7

# Notes to Financial Statements

As at 31 December 2013

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

### 11. Investments in joint ventures and associates (continued)

31 December 2012

	Type of enterprise	Place of registration		Business nature/ scope of operation	Registered capital RMB thousand	Code of organization
		/Place of principal business	Authorized representative			
<b>Joint ventures</b>						
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Limited liability	Dachang County	Deng Guangjun	Production of mineral wool acoustic boards	USD54,520	66774000-7
BBMG Zhaode Property Development Co., Ltd. (北京金隅昭德置業有限公司)	Limited liability	Beijing	Huang Annan	Property development	20,000	68196579-8
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	Limited liability	Beijing	An Zhiqiang	Commodities retail	6,000	79674055-6
<b>Associates</b>						
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	Limited liability	Beijing	Li Jie	Production of various types of concrete, pumping	55,000	70022904-1
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	Limited liability	Beijing	Deng Guangjun	Production of fiberboards and artificial boards	USD57,380	60004211-6
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)	Limited liability	Beijing	Deng Guangjun	Production of wear-resisting composite floors	USD23,500	80114605-0
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	Limited liability	Beijing	Guo Yanming	Production of radiators	USD27,500	60005569-7
Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工有限公司)	Limited liability	Beijing	Sun Deyang	Production of glass fibers	276,003	70000742-2
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料(北京)有限公司)	Limited liability	Beijing	Wang Zhaojia	Production of various types of concrete, pumping	55,000	60004302-0
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	Limited liability	Beijing	Liu Guosheng	Design and production of complete non-standard control equipment	10,000	67573374-7

## Notes to Financial Statements

As at 31 December 2013

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

#### 11. Investments in joint ventures and associates *(continued)*

The following table sets forth the financial information on STAR-USG Building Materials Co., Ltd., a key joint venture of the Group. Relevant figures have been adjusted to the carrying amounts of these financial statements taking into account all differences in accounting policies.

	2013	2012
Cash and cash equivalents	<b>29,968,978.61</b>	68,177,202.67
Other current assets	<b>79,056,460.63</b>	90,503,726.59
Current assets	<b>109,025,439.24</b>	158,680,929.26
Non-current assets	<b>275,956,645.04</b>	298,689,340.29
Financial liabilities	<b>194,021,300.52</b>	207,601,779.69
Other current liabilities	<b>53,472,391.20</b>	60,278,225.68
Current liabilities	<b>247,493,691.72</b>	267,880,005.37
Net assets	<b>137,488,392.56</b>	189,490,264.18
Adjusted to the Group's interests in the joint venture:		
The Group's proportion of shareholding	<b>50.00%</b>	50.00%
The Group's share of net assets in the joint venture	<b>68,744,196.28</b>	94,745,132.09
Carrying amount of investments	<b>68,744,196.28</b>	94,745,132.09
Revenue	<b>204,460,994.57</b>	193,866,302.89
Interest income	<b>173,679.44</b>	251,940.28
Depreciation and amortisation	<b>25,150,758.01</b>	23,409,651.80
Interest expenses	<b>12,307,151.46</b>	11,025,218.48
Income tax expenses	-	-
Net loss	<b>(52,001,871.62)</b>	(66,951,456.70)
Total comprehensive income	<b>(52,001,871.62)</b>	(66,951,456.70)

## Notes to Financial Statements

As at 31 December 2013

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

#### 11. Investments in joint ventures and associates *(continued)*

The following table sets forth the consolidated financial information on joint ventures which are not individually significant to the Group:

	2013	2012
Share of net profit of joint ventures attributable to the Group	1,572,631.85	1,352,029.93
Share of other comprehensive income of joint ventures attributable to the Group	–	–
Share of total comprehensive income of joint ventures attributable to the Group	1,572,631.85	1,352,029.93
Carrying amount of investments in joint ventures from the Group	4,907,182.99	14,551,378.08

The following table sets forth the financial information on Krono (Beijing) Woods Co., Ltd., a key associate of the Group. Relevant figures have been adjusted to the carrying amounts of these financial statements taking into account all differences in accounting policies.

	2013	2012
Cash and cash equivalents	16,588,905.45	8,675,583.71
Other current assets	58,849,218.90	84,455,977.58
Current assets	75,438,124.35	93,131,561.29
Non-current assets	342,469,508.42	360,345,334.35
Financial liabilities	500,000.00	20,000,000.00
Other current liabilities	76,503,917.13	66,162,437.41
Current liabilities	77,003,917.13	86,162,437.41
Net assets	340,903,715.64	367,314,458.23

## Notes to Financial Statements

As at 31 December 2013

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

#### 11. Investments in joint ventures and associates *(continued)*

Adjusted to the Group's interests in the associate:

	2013	2012
The Group's proportion of shareholding	30.00%	30.00%
The Group's share of net assets in the associate	<b>102,271,114.69</b>	110,194,337.47
Carrying amount of investments	<b>102,271,114.69</b>	110,194,337.47
Income	<b>332,739,938.28</b>	332,440,299.99
Other comprehensive income	–	–
Total comprehensive income	<b>(26,410,742.59)</b>	(29,281,518.45)

The following table sets forth the consolidated financial information on associates which are not individually significant to the Group:

	2013	2012
Share of net profit of associates attributable to the Group	<b>(1,982,325.57)</b>	15,977,243.02
Share of other comprehensive income of associates attributable to the Group	–	–
Share of total comprehensive income of associates attributable to the Group	<b>(1,982,325.57)</b>	15,977,243.02
Carrying amount of investments in associates from the Group	<b>169,877,298.77</b>	188,451,556.69

#### 12. Long-term equity investments

	31 December 2013	31 December 2012 (Restated)
Long-term equity investments	<b>351,269,227.40</b>	413,411,839.00
Less: Provision for impairment of long-term investments	<b>(5,469,434.67)</b>	(5,469,434.67)
	<b>345,799,792.73</b>	407,942,404.33

# Notes to Financial Statements

As at 31 December 2013

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

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

2013

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Provision for impairment	Cash dividends for the year
<b>Joint ventures</b>								
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	184,628,800.88	94,745,132.09	(26,000,935.81)	68,744,196.28	50.00	50.00	-	-
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	3,758,666.48	4,551,378.08	355,804.91	4,907,182.99	50.00	50.00	-	1,216,826.94
BBMG Zhaode Property Development Co., Ltd. (北京金隅昭德置業有限公司)	-	10,000,000.00	(10,000,000.00)	-	-	-	-	-
Subtotal for joint ventures	188,387,467.36	109,296,510.17	(35,645,130.90)	73,651,379.27			-	1,216,826.94
<b>Associates</b>								
Beijing Gaoqiang Concrete Co., Ltd. (北京高強混凝土有限責任公司)	15,723,518.14	24,657,633.65	2,904,279.83	27,561,913.48	25.00	25.00	-	1,630,000.00
Krono (Beijing) Flooring Co., Ltd. (柯諾北京地板有限公司)	36,736,395.34	5,469,434.67	-	5,469,434.67	30.00	30.00	5,469,434.67	-
Krono (Beijing) Woods Co., Ltd. (柯諾北京木業有限公司)	152,304,154.86	110,194,337.47	(7,923,222.78)	102,271,114.69	30.00	30.00	-	-
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	78,150,006.67	93,190,431.09	(11,250,253.73)	81,940,177.36	26.70	26.70	-	-
** Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工有限公司)	-	11,748,696.65	(11,748,696.65)	-	-	-	-	-
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料有限公司)	27,557,054.00	52,332,845.11	1,806,266.41	54,139,111.52	20.00	20.00	-	-
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	4,950,548.24	6,521,950.19	(285,853.78)	6,236,096.41	23.00	23.00	-	1,560,000.00
Subtotal for associates	315,421,677.25	304,115,328.83	(26,497,480.70)	277,617,848.13			5,469,434.67	3,190,000.00
Total	503,809,144.61	413,411,839.00	(62,142,611.60)	351,269,227.40			5,469,434.67	4,406,826.94

\*\* Control over Dynea Chemical was obtained by way of acquisition of minority interests during the year, and Dynea Chemical was included into the scope of consolidation.



## Notes to Financial Statements

As at 31 December 2013

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

#### 13. Investment properties

2013

	Opening balance	Increase in the year		Decrease in the year		Closing balance
		Addition	Transferred from self-occupied properties or inventories	Gains from changes in fair value	Disposal	
Cost						
Buildings	6,334,868,826.24	1,465,362.97	20,111,953.62	-	-	6,356,446,142.83
Changes in fair value						
Buildings	6,505,531,173.76	-	12,193,055.04	671,729,628.37	-	7,189,453,857.17
Carrying value						
Buildings	12,840,400,000.00	1,465,362.97	32,305,008.66	671,729,628.37	-	13,545,900,000.00

2012

	Opening balance	Increase in the year		Decrease in the year		Closing balance
		Addition	Transferred from self-occupied properties or inventories	Gains from changes in fair value	Disposal	
Cost						
Buildings	6,185,802,403.50	1,564,975.38	147,501,447.36	-	-	6,334,868,826.24
Changes in fair value						
Buildings	5,413,197,596.50	-	156,132,302.22	936,201,275.04	-	6,505,531,173.76
Carrying value						
Buildings	11,599,000,000.00	1,564,975.38	303,633,749.58	936,201,275.04	-	12,840,400,000.00

Note: In light of the new leasing contracts and leasing areas, certain properties were transferred from inventories to investment properties during the year. The difference between the fair value at the time of transfer and the carrying amount was recognized as capital reserves. Please refer to Note V.58.

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

The Group's investment properties were valued by Savills Valuation and Professional Services Limited, an independent valuer with professional qualifications, using future earnings method on an open market and existing use basis, the appraised value of which as at 31 December 2013 was RMB13,545,900,000.00 (31 December 2012: RMB12,840,400,000.00).

## Notes to Financial Statements

As at 31 December 2013

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

#### 13. Investment properties (continued)

As at 31 December 2013, procedures for the title certificates for the investment properties with carrying amount of approximately RMB311,100,000.00 were yet to be duly completed. These investment properties were acquired through the business combination under common control in 2011, and the Group is in the process of handling the procedures for changing the relevant titles. The management of the Company is of the view that the Group has the legitimate and valid right to occupy and use or dispose of the above properties.

As at 31 December 2013, investment properties with carrying amount of RMB889,300,000.00 were pledged as securities for the debts of the parent BBMB Group (31 December 2012: RMB821,900,000.00) (Note V.22 and Note VI.5(4)); and investment properties with carrying amount of RMB542,400,000.00 (31 December 2012: RMB537,100,000.00) were pledged as securities for the bank loans of the Group (Note V.22 and Note VI.5(3)).

#### Hierarchies of fair value

The following table sets forth the fair value of the investment properties of the Group as at 31 December 2013 in accordance with the hierarchies of fair value measurement.

	Fair value as at 31 December 2013		Total
	Level 2	Level 3	
	Significant observable inputs	Significant unobservable inputs	
Commercial properties	644,000,000.00	12,901,900,000.00	13,545,900,000.00

The following table sets forth the changes in Level 3 fair value of the investment properties of the Group in 2013:

	Commercial properties
Value as at 1 January 2013	12,197,700,000.00
Purchase during the year	1,465,362.97
Losses or gains from changes in fair value	670,429,628.37
Addition of investment properties transferred from inventories	32,305,008.66
Value as at 31 December 2013	12,901,900,000.00

All of the Group's investment properties are commercial properties.

In 2013, there was no change in fair value hierarchies of investment properties of the Group.

## Notes to Financial Statements

As at 31 December 2013

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

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

The following sets forth the valuation method and key inputs used for the valuation of fair value of the investment properties:

Valuation method	Significant unobservable inputs	Range of variation
Future income approach	Unit rental (RMB/sq.m./day)	1.43-15.76
	Term yield	6.00%-8.00%
	Reversionary yield	6.50%-8.50%

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 capitalized at the capitalization rate. The estimated total net leased income is capitalized over the remaining term of land use rights of the property at an appropriate market yield expected by investors for the type of properties.

Under market comparable approach, the fair value of the investment property is estimated upon the principle of substitution under which the value of such investment property approximates the value of a comparable substitute property for a potential buyer. In theory, the best comparable transaction would be an exact duplicate of the subject property. In practice, the value of the evaluated property at the benchmark date of evaluation is calculated by comparing it with the recent selling prices of similar properties and adjusting in accordance with transaction condition, transaction date, the condition of the property, etc.

# Notes to Financial Statements

As at 31 December 2013

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

### 14. Fixed assets

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Original book value</b>				
Buildings	10,365,385,759.55	1,507,660,328.57	408,125,022.91	11,464,921,065.21
Machinery equipment	9,838,696,001.06	1,753,986,484.47	216,439,411.92	11,376,243,073.61
Transport equipment	919,252,096.85	100,211,132.31	45,512,375.85	973,950,853.31
Electronic equipment	226,583,175.83	55,532,784.12	13,526,175.64	268,589,784.31
Office equipment	225,871,588.36	4,458,974.59	14,878,355.06	215,452,207.89
	<b>21,575,788,621.65</b>	<b>3,421,849,704.06</b>	<b>698,481,341.38</b>	<b>24,299,156,984.33</b>
<b>Accumulated depreciation</b>				
Buildings	2,087,587,692.71	366,634,928.35	51,494,220.66	2,402,728,400.40
Machinery equipment	3,318,511,940.79	595,347,370.92	113,102,003.94	3,800,757,307.77
Transport equipment	398,932,915.50	94,780,045.62	30,532,174.41	463,180,786.71
Electronic equipment	153,825,228.81	33,158,567.30	6,790,085.00	180,193,711.11
Office equipment	142,291,715.96	10,716,722.64	12,097,378.02	140,911,060.58
	<b>6,101,149,493.77</b>	<b>1,100,637,634.83</b>	<b>214,015,862.03</b>	<b>6,987,771,266.57</b>
<b>Net book value</b>				
Buildings	8,277,798,066.84			9,062,192,664.81
Machinery equipment	6,520,184,060.27			7,575,485,765.84
Transport equipment	520,319,181.35			510,770,066.60
Electronic equipment	72,757,947.02			88,396,073.20
Office equipment	83,579,872.40			74,541,147.31
	<b>15,474,639,127.88</b>			<b>17,311,385,717.76</b>

## Notes to Financial Statements

As at 31 December 2013

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

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

2013 *(continued)*

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Provision for impairment</b>				
Buildings	40,914,492.85	153,320,799.35	49,147,792.99	145,087,499.21
Machinery equipment	93,343,134.36	145,255,705.43	15,403,977.10	223,194,862.69
Transport equipment	6,849,306.02	1,012,128.53	771,128.58	7,090,305.97
Electronic equipment	923,695.86	515,643.36	32,781.60	1,406,557.62
Office equipment	1,457,867.99	–	1,167,491.88	290,376.11
	<b>143,488,497.08</b>	<b>300,104,276.67</b>	<b>66,523,172.15</b>	<b>377,069,601.60</b>
<b>Book value</b>				
Buildings	8,236,883,573.99			8,917,105,165.60
Machinery equipment	6,426,840,925.91			7,352,290,903.15
Transport equipment	513,469,875.33			503,679,760.63
Electronic equipment	71,834,251.16			86,989,515.58
Office equipment	82,122,004.41			74,250,771.20
	<b>15,331,150,630.80</b>			<b>16,934,316,116.16</b>

# Notes to Financial Statements

As at 31 December 2013

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

### 14. Fixed assets (continued)

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Original book value</b>				
Buildings	9,613,393,227.05	1,074,474,304.81	322,481,772.31	10,365,385,759.55
Machinery equipment	9,407,785,697.87	713,615,668.82	282,705,365.63	9,838,696,001.06
Transport equipment	787,310,052.49	175,537,518.82	43,595,474.46	919,252,096.85
Electronic equipment	211,533,350.79	20,372,039.60	5,322,214.56	226,583,175.83
Office equipment	284,273,854.86	27,144,466.90	85,546,733.40	225,871,588.36
	<u>20,304,296,183.06</u>	<u>2,011,143,998.95</u>	<u>739,651,560.36</u>	<u>21,575,788,621.65</u>
<b>Accumulated depreciation</b>				
Buildings	1,919,972,162.38	322,520,985.70	154,905,455.37	2,087,587,692.71
Machinery equipment	2,987,848,095.49	544,092,743.21	213,428,897.91	3,318,511,940.79
Transport equipment	338,263,834.56	79,433,861.21	18,764,780.27	398,932,915.50
Electronic equipment	125,548,943.19	33,170,155.30	4,893,869.68	153,825,228.81
Office equipment	127,589,042.25	22,580,117.27	7,877,443.56	142,291,715.96
	<u>5,499,222,077.87</u>	<u>1,001,797,862.69</u>	<u>399,870,446.79</u>	<u>6,101,149,493.77</u>
<b>Net book value</b>				
Buildings	7,693,421,064.67			8,277,798,066.84
Machinery equipment	6,419,937,602.38			6,520,184,060.27
Transport equipment	449,046,217.93			520,319,181.35
Electronic equipment	85,984,407.60			72,757,947.02
Office equipment	156,684,812.61			83,579,872.40
	<u>14,805,074,105.19</u>			<u>15,474,639,127.88</u>

## Notes to Financial Statements

As at 31 December 2013

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

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

2012 *(continued)*

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Provision for impairment</b>				
Buildings	45,879,616.42	4,323,016.34	9,288,139.91	40,914,492.85
Machinery equipment	136,752,139.68	3,805,946.51	47,214,951.83	93,343,134.36
Transport equipment	6,918,771.75	3,125.48	72,591.21	6,849,306.02
Electronic equipment	985,603.96	–	61,908.10	923,695.86
Office equipment	1,077,159.61	381,350.56	642.18	1,457,867.99
	<u>191,613,291.42</u>	<u>8,513,438.89</u>	<u>56,638,233.23</u>	<u>143,488,497.08</u>
<b>Book value</b>				
Buildings	7,647,541,448.25			8,236,883,573.99
Machinery equipment	6,283,185,462.70			6,426,840,925.91
Transport equipment	442,127,446.18			513,469,875.33
Electronic equipment	84,998,803.64			71,834,251.16
Office equipment	155,607,653.00			82,122,004.41
	<u>14,613,460,813.77</u>			<u>15,331,150,630.80</u>

## Notes to Financial Statements

As at 31 December 2013

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

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

The amount of depreciation provided for in 2013 was RMB1,081,226,011.71 (2012: RMB1,001,797,862.69). The amount transferred to the cost of fixed assets from construction in progress for the year was RMB2,834,199,721.29 (2012: RMB1,460,153,518.91).

As at 31 December 2013, buildings with book value of RMB8,141,747.38 were pledged as securities for bank borrowings of the Group (31 December 2012: RMB8,527,994.62) (Note V.22).

As at 31 December 2013, the Group had no temporarily idle fixed assets (31 December 2012: Nil).

As at 31 December 2013, the original cost, the accumulated depreciation and the net value of the fixed assets leased by the Group under finance leases were RMB26,278,823.40, RMB1,664,325.48 and RMB24,614,497.92 (31 December 2012: Nil), respectively.

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

	31 December 2013	31 December 2012
Buildings	<b>846,076,802.52</b>	725,464,921.56
Machinery equipment	<b>382,874,102.92</b>	437,166,233.76
Total	<b>1,228,950,905.44</b>	1,162,631,155.32

As at 31 December 2013, there was no fixed asset for which the procedures for title certificates were incomplete (31 December 2012: Nil).

As at 31 December 2013, there was no fixed asset held for sale.



## Notes to Financial Statements

As at 31 December 2013

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

#### 15. Construction in progress

	31 December 2013			31 December 2012		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Beijing Lulihe Cement						
– Project concerning comprehensive utilisation of fly ash	8,525,878.06	–	8,525,878.06	51,930,432.60	–	51,930,432.60
Luquan BBMG Dingxin						
– Stripping of 1st sub orebody	42,438,443.89	–	42,438,443.89	16,533,915.74	–	16,533,915.74
– Stripping of 2nd sub orebody	32,443,164.60	–	32,443,164.60	18,182,915.88	–	18,182,915.88
Baoding Taihang Heyi						
– Activated limestone project	11,093,420.00	–	11,093,420.00	119,179,342.02	–	119,179,342.02
Handan BBMG Taihang Building Materials						
– Project concerning 2.00 million tonnes of slag powder	96,604,326.86	–	96,604,326.86	–	–	–
Zhangjiakou BBMG						
– Works for cement grinding station with capacity of 1 million tonnes	–	–	–	68,097,901.80	–	68,097,901.80
Tianjin Zhenxing Cement						
– Energy-saving technological improvement of line one of cement mill	–	–	–	38,246,556.57	–	38,246,556.57
BBMG Mineral Industry						
– Integration of non-coal mines in Fangshan District	61,001,504.86	–	61,001,504.86	42,377,141.36	–	42,377,141.36
Beijing Cement Plant						
– 3# upgrading cement grinding to combined grinding	39,456,477.30	–	39,456,477.30	–	–	–
– Demonstration project for brickmaking by stone crusher	33,975,784.58	–	33,975,784.58	20,217,391.06	–	20,217,391.06
Zuoquan BBMG Cement						
– Clinker production line with capacity of 2500 tonnes per day	9,486,209.03	–	9,486,209.03	464,119,740.91	–	464,119,740.91
Xuanhua BBMG Cement						
– Project concerning improvement of cement production by utilisation of carbide slag	43,432,719.35	–	43,432,719.35	–	–	–
– 2.00 million tonnes cement production line by utilisation of carbide slag	–	–	–	424,949,649.94	–	424,949,649.94
Guangling Jinyu Cement						
– Clinker cement production line	–	–	–	107,867,495.19	–	107,867,495.19
Chengde BBMG Cement						
– 4,000 tonnes clinker cement production line	730,113,186.60	–	730,113,186.60	–	–	–
Jinyu Energy-Saving Technology						
– Mineral wool project	–	–	–	100,906,598.64	–	100,906,598.64

# Notes to Financial Statements

As at 31 December 2013

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

### 15. Construction in progress (continued)

	31 December 2013			31 December 2012		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Beijing Aerated Concrete						
– Phase I of the logistics park	21,513,607.29	-	21,513,607.29	-	-	-
Beijing Jinyu Aerated Concrete						
– Phase II of aerated production line	24,598,257.03	-	24,598,257.03	-	-	-
Beijing BBMG Coating						
– Dachang base project	-	-	-	27,357,384.93	-	27,357,384.93
Beijing Building Materials Academy						
– National testing center for fire protection products	26,647,591.46	-	26,647,591.46	152,850.00	-	152,850.00
BBMG (Dachang) Modern Industrial Park						
– Tiantan furniture project (Phase I)	91,395,105.76	-	91,395,105.76	2,994,506.28	-	2,994,506.28
– Mineral wool project	-	-	-	42,247,587.93	-	42,247,587.93
Beijing Alavus						
– Project concerning the construction of energy-saving equipment	-	-	-	23,089,647.23	-	23,089,647.23
Beijing BBMG Doudian Technology						
– Fire protection detection project	30,853,536.84	-	30,853,536.84	8,594.32	-	8,594.32
– Phase II of the aeration project	34,000,453.00	-	34,000,453.00	-	-	-
Badaling Hot Spring						
– Project concerning the expansion of eastern area	27,694,399.38	-	27,694,399.38	-	-	-
Others	343,720,933.67	(9,772,164.06)	333,948,769.61	586,752,336.88	(8,717,380.85)	578,034,956.03
	<b>1,708,994,999.56</b>	<b>(9,772,164.06)</b>	<b>1,699,222,835.50</b>	<b>2,155,211,989.28</b>	<b>(8,717,380.85)</b>	<b>2,146,494,608.43</b>

As at 31 December 2013, none of the construction in progress of the Group had restrictions in its ownership (31 December 2012: Nil).

## Notes to Financial Statements

As at 31 December 2013

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

#### 15. Construction in progress (continued)

2013

Projects	Budget RMB thousand	Opening balance	Increase in the year	Transferred to fixed assets in the year	Closing balance	Source of funding	Percentage of
							project in budget %
Beijing Lulihe Cement							
– Innovation project for Line 1 coal vertical mills	25,000	240,000.00	13,211,149.83	–	13,451,149.83	Self-financing	54.00
– Project concerning comprehensive utilisation of fly ash	61,290	51,930,432.60	13,140,214.02	56,544,768.56	8,525,878.06	Self-financing/ borrowing	99.00
Luquan BBMG Dingxin							
– Stripping of 1st sub orebody	45,000	16,533,915.74	25,904,528.15	–	42,438,443.89	Self-financing	94.00
– Stripping of 2nd sub orebody	34,000	18,182,915.88	14,260,248.72	–	32,443,164.60	Self-financing	95.00
– Upgrading on raw mill into roll mill	32,000	–	26,776,042.52	26,776,042.52	–	Self-financing	100.00
Baoding Taihang Heyi							
– “Green Mine”	30,200	–	273,220.35	–	273,220.35	Self-financing	1.00
– Activated limestone project	110,184	119,179,342.02	20,193,736.99	128,279,659.01	11,093,420.00	Self-financing/ borrowing	99.00
Zanhuang BBMG Cement							
– Sandstone mine	42,360	1,070,600.00	9,479,292.48	–	10,549,892.48	Self-financing	25.00
– Phase III project	418,000	770,337.70	52,057,591.38	52,827,929.08	–	Self-financing/ borrowing	13.00
Zhangjiakou BBMG							
– Works for cement grinding station with capacity of 1 million tonnes	85,759	68,097,901.80	8,209,543.74	76,307,445.54	–	Self-financing	100.00
Tianjin Zhenxing Cement							
– Composite micro powder project	160,000	65,650.94	40,000.00	–	105,650.94	Self-financing	1.00
– Energy-saving technological improvement of Line 1 of the cement mill	40,730	38,246,556.57	–	38,246,556.57	–	Self-financing	100.00
Qinyang BBMG							
– Clinker cement production line	381,142	11,297,540.06	369,844,170.49	381,141,710.55	–	Self-financing	100.00
BBMG Mineral Industry							
– Integration of non-coal mines in Fangshan District	157,920	42,377,141.36	18,624,363.50	–	61,001,504.86	Self-financing/ borrowing	39.00
Beijing Cement Plant							
– 3# upgrading cement grinding to combined grinding	37,800	–	39,456,477.30	–	39,456,477.30	Self-financing	99.00
– Demonstration project for brickmaking by stone crusher	25,000	20,217,391.06	17,660,188.40	3,901,794.88	33,975,784.58	Self-financing	99.00
Zuoquan BBMG Cement							
– Clinker cement production line with capacity of 2,500 tonnes per day	545,420	464,119,740.91	109,429,666.12	564,063,198.00	9,486,209.03	Self-financing	99.00
Xuanhua BBMG Cement							
– 2,500 tonnes cement production line by utilisation of carbide slag	419,000	424,949,649.94	8,540,556.89	433,490,206.83	–	Borrowing	100.00

# Notes to Financial Statements

As at 31 December 2013

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

### 15. Construction in progress (continued)

2013 (continued)

Projects	Budget RMB thousand	Opening balance	Increase in the year	Transferred to	Closing balance	Source of funding	Percentage of project in budget %
				fixed assets in the year			
Guangling Jinyu Cement – Clinker cement production line	184,169	107,867,495.19	76,301,531.19	184,169,026.38	–	Self-financing	100.00
Chengde BBMG Cement – 4,000 tonnes clinker cement production line	833,940	–	730,260,186.60	147,000.00	730,113,186.60	Self-financing/ borrowing	88.00
Handan Jinyu Taihang Building Materials – 2 million tonnes slag powder project	251,000	–	96,604,326.86	–	96,604,326.86	Self-financing	38.00
Beijing Jinyu Aerated Concrete – Phase II of aerated production line project	68,560	–	24,598,257.03	–	24,598,257.03	Self-financing	36.00
Beijing Aerated Concrete – Logistics park (Phase I)	140,000	–	21,513,607.29	–	21,513,607.29	Self-financing	15.00
Beijing BBMG Doudian Technology – Fire protection detection project	45,150	8,594.32	30,844,942.52	–	30,853,536.84	Borrowing	68.00
– Phase II of the aeration project	61,950	–	34,000,453.00	–	34,000,453.00	Borrowing	55.00
Jinyu Energy-Saving Technology – Mineral wool project	170,000	100,906,598.64	32,088,703.25	132,995,301.89	–	Self-financing	100.00
Beijing BBMG Coating – Dachang base project	36,080	27,357,384.93	2,456,062.92	29,813,447.85	–	Self-financing	100.00
Beijing Alavus project	31,500	23,089,647.23	–	23,089,647.23	–	Self-financing	100.00
BBMG (Dachang) Modern Industrial Park – Mineral wool project	50,500	42,247,587.93	7,367,092.76	49,614,680.69	–	Self-financing	100.00
– Tiantan furniture project (Phase I)	155,900	2,994,506.28	88,400,599.48	–	91,395,105.76	Self-financing/ borrowing	59.00
Xisanqi Heating – Coal-to-gas conversion project for boilers	65,000	–	628,188.68	–	628,188.68	Self-financing	1.00
BBMG – Decoration project for Huanmao Apartment	130,000	104,753,257.68	17,676,426.18	122,429,683.86	–	Self-financing	100.00
– Decoration project for Xiaohuangzhuang	50,000	47,664,623.90	11,035,376.10	58,700,000.00	–	Self-financing	100.00
Others		421,043,176.60	467,105,986.83	471,661,621.85	416,487,541.58		
		<u>2,155,211,989.28</u>	<u>2,387,982,731.57</u>	<u>2,834,199,721.29</u>	<u>1,708,994,999.56</u>		

## Notes to Financial Statements

As at 31 December 2013

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

#### 15. Construction in progress (continued)

2012

Projects	Budget RMB thousand	Opening balance	Increase in the year	Transferred to fixed assets in the year	Closing balance	Source of funding	Percentage of project in budget %
Beijing Liulhe Cement							
– Project concerning comprehensive utilisation of fly ash	61,290	4,931,848.85	46,998,583.75	–	51,930,432.60	Self-financing/ borrowing	84.73
– Southern desulfuration gypsum repository project	14,400	7,499,264.81	4,888,102.41	–	12,387,367.22	Self-financing	86.02
– Phase II Project of cement grinding mill	65,000	51,646,188.61	16,718,975.25	68,364,942.98	220.88	Self-financing	100.00
Luquan BBMG Dingxin Cement							
– Stripping of 1st/2nd sub orebody	100,000	–	34,716,831.62	–	34,716,831.62	Self-financing	34.72
Cangzhou Lingang BBMG Cement							
– Mixing Plant	24,121	–	13,929,104.06	–	13,929,104.06	Self-financing	57.75
– Storage tank of fly ash	19,910	–	12,955,854.09	–	12,955,854.09	Self-financing	65.07
Baoding Taihang Heyi Cement							
– Limestone project	110,184	27,894,955.41	91,284,386.61	–	119,179,342.02	Self-financing/ borrowing	93.00
Handan BBMG Taihang Cement							
– Concrete production line with capacity of 1.2 million tonnes	16,500	–	10,255,892.09	–	10,255,892.09	Self-financing	62.16
– Technological improvement in energy-saving and consumption reduction of cement mill	57,910	–	25,635,084.70	–	25,635,084.70	Self-financing	44.27
Zhangjiakou BBMG Cement							
– Works for cement grinding station with capacity of 1 million tonnes	85,759	999,635.33	67,098,266.47	–	68,097,901.80	Self-financing	79.41
Tianjin Zhenxing Cement							
– Energy-saving technological improvement of line one of cement mill	40,730	50,000.00	38,196,556.57	–	38,246,556.57	Self-financing	95.74
Qinyang BBMG Cement							
– Clinker production line	381,142	–	20,241,179.38	8,943,639.32	11,297,540.06	Self-financing	25.34
BBMG Mineral Industry							
– Integration project for non-coal mine mountains in Fangshan District	157,920	560,000.00	41,817,141.36	–	42,377,141.36	Self-financing/ borrowing	26.83
Beijing Cement Plant							
– Demonstration project for brickmaking by stone crusher	25,000	–	20,217,391.06	–	20,217,391.06	Self-financing	80.87
Zuoquan BBMG Cement							
– Clinker cement production line with capacity of 2,500 tonnes per day	545,420	9,677,085.47	454,442,655.44	–	464,119,740.91	Self-financing	85.09
Xuanhua BBMG Cement							
– 2,500 tonnes cement production line by utilization of carbide slag	419,000	85,185,320.11	339,764,329.83	–	424,949,649.94	Borrowing	100.00

## Notes to Financial Statements

As at 31 December 2013

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

#### 15. Construction in progress (continued)

2012 (continued)

Projects	Budget RMB thousand	Opening balance	Increase in the year	Transferred to fixed assets in the year	Closing balance	Source of funding	Percentage of project in budget %
Guangling Jinyu Cement							
– Clinker production line	184,169	–	107,867,495.19	–	107,867,495.19	Self-financing	56.93
Jinyu Energy-Saving Technology-Mineral wool project	170,000	400,757.37	100,505,841.27	–	100,906,598.64	Self-financing	59.36
Beijing BBMG Coating							
– Dachang base project	36,080	30,322,356.13	1,186,505.93	4,151,477.13	27,357,384.93	Self-financing	75.82
BBMG (Dachang) New Building Materials							
– Mineral wool project	50,500	40,130,175.88	46,454,350.03	44,336,937.98	42,247,587.93	Self-financing	42.04
Beijing Alavus project	31,500	–	23,089,647.23	–	23,089,647.23	Self-financing	73.30
BBMG Concrete-Project in Tiancun station	–	19,301,021.04	1,662,822.07	20,963,843.11	–	Self-financing	–
Tianjin BBMG Concrete							
– Station construction works for brickyard	53,000	13,196,971.48	840,572.54	14,037,544.02	–	Self-financing	–
Siping BBMG Cement							
– Cogeneration project	53,000	40,521,555.97	7,709,031.14	48,230,587.11	–	Self-financing	–
Qinyang BBMG Cement							
– Project concerning comprehensive utilization of carbide slag	50,000	142,518,460.88	–	142,470,207.86	48,253.02	Self-financing	99.00
Lingchuan BBMG Cement							
– Cogeneration	50,000	24,802,249.08	29,519,084.24	49,368,864.36	4,952,468.96	Self-financing	99.00
Beijing Cement Plant	57,600	16,963,465.92	43,189,172.29	60,152,638.21	–	Self-financing	100.00
– Renovation of raw mill and coal mill							
Doudian – Aeration plant project	19,621	17,767,787.46	10,257,744.76	19,964,489.83	8,061,042.39	Borrowing	41.08
Building Materials Academy							
– Technologies upgrading for gypsum plaster production line in Doudian	19,820	13,803,693.89	3,990,260.85	17,641,104.74	152,850.00	Self-financing	0.77
Huanmao Decoration Project	130,000	1,116,000.00	103,637,257.68	–	104,753,257.68	Self-financing	80.58
Decoration Improvement Project in Xiaohuangzhuang	50,000	–	47,664,623.90	–	47,664,623.90	Self-financing	95.33
Others		409,996,309.14	889,345,661.56	961,527,242.26	337,814,728.44		
		<u>959,285,102.83</u>	<u>2,656,080,405.37</u>	<u>1,460,153,518.91</u>	<u>2,155,211,989.29</u>		

## Notes to Financial Statements

As at 31 December 2013

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

#### 15. Construction in progress *(continued)*

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

2013

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Beijing Liulihe Cement – Project concerning comprehensive utilisation of fly ash	99.00	418,103.12	418,103.12	6.00
Baoding Taihang Heyi – Activated limestone project	99.00	4,796,519.99	1,768,009.99	6.00
BBMG Mineral Industry – Integration project for non-coal mine mountains in Fangshan District	39.00	18,413,397.96	–	–
Chengde BBMG Cement – 4000T/D clinker production line	88.00	6,101,402.61	6,101,402.61	6.00
Beijing BBMG Doudian Technology – Fire protection detection project	68.00	405,198.76	405,198.76	6.00
– Phase II of the aeration project	55.00	315,017.64	315,017.64	6.00
BBMG (Dachang) Modern Industrial Park – Tiantan furniture project	59.00	1,330,250.26	1,330,250.26	6.00
Total		31,779,890.34	10,337,982.38	

## Notes to Financial Statements

As at 31 December 2013

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

#### 15. Construction in progress (continued)

2012

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Beijing Liulihe Cement – Project concerning comprehensive utilisation of fly ash	84.73	1,823,255.53	1,823,255.53	6.27
Baoding Taihang Heyi Cement – Limestone project	100.00	3,028,510.00	2,953,890.00	6.27
BBMG Mineral Industry – Integration project for non-coal mine mountains in Fangshan District	26.83	18,413,397.96	18,413,397.96	6.27
Xuanhua BBMG Cement – 2500 tonnes cement production line by utilisation of carbide slag	100.00	25,196,710.49	21,854,923.51	6.27
Total		48,461,873.98	45,045,467.00	



## Notes to Financial Statements

As at 31 December 2013

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

#### 15. Construction in progress (continued)

##### Provision for impairment of construction in progress for 2013:

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Reason for making provisions
Luquan BBMG Dingxin – A sub project	1,299,924.00	-	-	1,299,924.00	Recoverable amount after testing is lower than the carrying amount
Handan BBMG Taihang – Technological upgrading projects of the old lines	6,009,693.38	-	-	6,009,693.38	Shut down for years due to problems occurring in technological upgrading
Beijing BBMG Cement Trading Co., Ltd. (北京金隅水泥經營有限公司) – New countryside bulk cement logistics distribution	751,763.47	-	-	751,763.47	It is expected it cannot generate assets due to suspension of construction in progress
Luquan BBMG Dingxin – Assets in Zhuozhou	656,000.00	-	-	656,000.00	Recoverable amount after testing is lower than the carrying amount
Jinyu Pinggu Cement – Production line renovation project	-	1,054,783.21	-	1,054,783.21	Dismantlement of the production line
	<b>8,717,380.85</b>	<b>1,054,783.21</b>	<b>-</b>	<b>9,772,164.06</b>	

##### Provision for impairment of construction in progress for 2012:

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Reason for making provisions
Luquan BBMG Dingxin Cement Co., Ltd. – A sub project	1,299,924.00	-	-	1,299,924.00	Recoverable amount after testing is lower than the carrying amount
Handan BBMG Taihang Cement Co., Ltd. – Technological upgrading projects of the old lines	6,009,693.38	-	-	6,009,693.38	Shut down for years due to problems occurring in technological upgrading
Beijing BBMG Cement Trading Co., Ltd. (北京金隅水泥經營有限公司) – New countryside bulk cement logistics distribution	751,763.47	-	-	751,763.47	It is expected it cannot generate assets due to suspension of construction in progress
Luquan BBMG Dingxin Cement Co., Ltd. – Assets in Zhuozhou	656,000.00	-	-	656,000.00	Recoverable amount after testing is lower than the carrying amount
	<b>8,717,380.85</b>	<b>-</b>	<b>-</b>	<b>8,717,380.85</b>	

## Notes to Financial Statements

As at 31 December 2013

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

#### 16. Construction materials

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Special-purpose equipment	18,626,931.02	73,328,387.16	71,609,488.29	20,345,829.89
Special-purpose materials	5,009,744.07	10,841,290.27	14,252,076.45	1,598,957.89
Equipment and instruments	3,351,028.42	9,857,424.01	10,943,070.03	2,265,382.40
Provision for impairment	(12,705,917.71)	(3,634,808.62)	–	(16,340,726.33)
	<b>14,281,785.80</b>	<b>90,392,292.82</b>	<b>96,804,634.77</b>	<b>7,869,443.85</b>

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Special-purpose equipment	24,085,214.34	59,781,770.55	65,240,053.87	18,626,931.02
Special-purpose materials	1,699,734.20	55,606,638.15	52,296,628.28	5,009,744.07
Equipment and instruments	2,163,762.59	12,589,136.76	11,401,870.93	3,351,028.42
Provision for impairment	(12,705,917.71)	–	–	(12,705,917.71)
	<b>15,242,793.42</b>	<b>127,977,545.46</b>	<b>128,938,553.08</b>	<b>14,281,785.80</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 17. Intangible assets

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Cost</b>				
Land use rights	3,163,974,686.65	249,511,160.94	17,892,269.65	3,395,593,577.94
Computer software licenses	30,682,423.29	4,612,888.92	72,321.61	35,222,990.60
Mining rights	878,342,159.80	240,432,642.68	2,771,664.00	1,116,003,138.48
Trademark rights	16,670,000.00	–	–	16,670,000.00
Others	100,340,166.86	15,186,739.93	42,201,773.02	73,325,133.77
	<b>4,190,009,436.60</b>	<b>509,743,432.47</b>	<b>62,938,028.28</b>	<b>4,636,814,840.79</b>
<b>Accumulated amortization</b>				
Land use rights	405,206,991.21	69,883,607.12	287,856.00	474,802,742.33
Computer software licenses	14,575,686.45	5,652,543.81	44,155.00	20,184,075.26
Mining rights	75,194,450.23	17,764,633.45	–	92,959,083.68
Trademark rights	–	–	–	–
Others	40,656,428.73	1,661,861.42	3,478,629.53	38,839,660.62
	<b>535,633,556.62</b>	<b>94,962,645.80</b>	<b>3,810,640.53</b>	<b>626,785,561.89</b>
<b>Net book value</b>				
Land use rights	2,758,767,695.44			2,920,790,835.61
Computer software licenses	16,106,736.84			15,038,915.34
Mining rights	803,147,709.57			1,023,044,054.80
Trademark rights	16,670,000.00			16,670,000.00
Others	59,683,738.13			34,485,473.15
	<b>3,654,375,879.98</b>			<b>4,010,029,278.90</b>

# Notes to Financial Statements

As at 31 December 2013

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

### 17. Intangible assets *(continued)*

2013 *(continued)*

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Provision for impairment</b>				
Land use rights	6,340,399.11	-	6,340,399.11	-
Computer software licenses	-	-	-	-
Mining rights	40,043,841.71	-	-	40,043,841.71
Trademark rights	5,000,000.00	-	-	5,000,000.00
Others	2,310,000.00	-	-	2,310,000.00
	<b>53,694,240.82</b>	<b>-</b>	<b>6,340,399.11</b>	<b>47,353,841.71</b>
<b>Carrying value</b>				
Land use rights	2,752,427,296.33			2,920,790,835.61
Computer software licenses	16,106,736.84			15,038,915.34
Mining rights	763,103,867.86			983,000,213.09
Trademark rights	11,670,000.00			11,670,000.00
Others	57,373,738.13			32,175,473.15
	<b>3,600,681,639.16</b>			<b>3,962,675,437.19</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 17. Intangible assets (continued)

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Cost</b>				
Land use rights	3,188,637,038.51	53,106,162.81	77,768,514.67	3,163,974,686.65
Computer software licenses	33,922,831.34	734,065.85	3,974,473.90	30,682,423.29
Mining rights	583,847,142.81	294,495,016.99	–	878,342,159.80
Trademark rights	16,670,000.00	–	–	16,670,000.00
Others	55,740,949.10	44,599,217.76	–	100,340,166.86
	<u>3,878,817,961.76</u>	<u>392,934,463.41</u>	<u>81,742,988.57</u>	<u>4,190,009,436.60</u>
<b>Accumulated amortization</b>				
Land use rights	368,041,061.36	51,044,136.33	13,878,206.48	405,206,991.21
Computer software licenses	17,866,649.25	636,811.10	3,927,773.90	14,575,686.45
Mining rights	60,495,308.52	14,699,141.71	–	75,194,450.23
Trademark rights	–	–	–	–
Others	37,989,262.52	2,667,166.21	–	40,656,428.73
	<u>484,392,281.65</u>	<u>69,047,255.35</u>	<u>17,805,980.38</u>	<u>535,633,556.62</u>
<b>Net book value</b>				
Land use rights	2,820,595,977.15			2,758,767,695.44
Computer software licenses	16,056,182.09			16,106,736.84
Mining rights	523,351,834.29			803,147,709.57
Trademark rights	16,670,000.00			16,670,000.00
Others	17,751,686.58			59,683,738.13
	<u>3,394,425,680.11</u>			<u>3,654,375,879.98</u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 17. Intangible assets (continued)

2012 (continued)

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Provision for impairment</b>				
Land use rights	–	6,340,399.11	–	6,340,399.11
Computer software licenses	–	–	–	–
Mining rights	40,043,841.71	–	–	40,043,841.71
Trademark rights	–	5,000,000.00	–	5,000,000.00
Others	2,310,000.00	–	–	2,310,000.00
	<u>42,353,841.71</u>	<u>11,340,399.11</u>	<u>–</u>	<u>53,694,240.82</u>
<b>Carrying value</b>				
Land use rights	2,820,595,977.15			2,752,427,296.33
Computer software licenses	16,056,182.09			16,106,736.84
Mining rights	483,307,992.58			763,103,867.86
Trademark rights	16,670,000.00			11,670,000.00
Others	15,441,686.58			57,373,738.13
	<u>3,352,071,838.40</u>			<u>3,600,681,639.16</u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 17. Intangible assets *(continued)*

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

	31 December 2013	31 December 2012
Less than 50 years	<b>2,912,038,961.43</b>	2,743,675,422.15
Longer than 50 years (inclusive)	<b>8,751,874.18</b>	8,751,874.18
Total	<b>2,920,790,835.61</b>	2,752,427,296.33

For the year 2013, the amortisation amount of intangible assets was RMB94,962,645.80 (2012: RMB69,047,255.35).

As at 31 December 2013, the useful life of trademark rights with a carrying amount of RMB11,670,000.00 was indefinite (31 December 2012: RMB11,670,000.00). The Group can apply for extension at the end of the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during indefinite periods.

As at 31 December 2013, the Group has no intangible asset of which ownership is subject to restrictions (31 December 2012: Nil).

## Notes to Financial Statements

As at 31 December 2013

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

#### 18. Goodwill

Asset group	31 December 2013	31 December 2012
Luquan BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing Taihang Qianjing Cement Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Handan Taihang Cement Co., Ltd.	522,323.32	522,323.32
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	2,742,710.29
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	56,276,121.38	56,276,121.38
	<b>312,051,745.55</b>	312,051,745.55
Provision for impairment	<b>(4,489,333.27)</b>	–
	<b>307,562,412.28</b>	312,051,745.55

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

The recoverable amounts of the above assets groups are recognised according to their current value of estimated future cash flows, which are based on the five-year financial budget approved by the management at a discount rate of 12%-14% (2012: 13%-15%). The estimated cash flows of these assets groups in five years are measured at a fixed growth rate of 1% (2012: 1%) per annum. Other key assumptions adopted during the evaluation include the estimated cash inflows and outflows relevant to the estimated income and estimated gross profit, and the above assumptions are based on the previous performance of these assets groups and the management's expectations for the market development.



## Notes to Financial Statements

As at 31 December 2013

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

#### 19. Long-term deferred expenditures

2013

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

2012

	Opening balance	Increase in the year	Amortisation for the year	Closing balance
Decoration	68,271,387.54	24,030,692.26	11,744,091.77	80,557,988.03
Leasehold improvement for fixed assets rent	7,012,238.52	4,007,821.17	1,400,972.10	9,619,087.59
Land lease prepayments	21,612,912.43	5,776,000.00	13,139,720.04	14,249,192.39
Cost of stripping mines	40,406,780.45	9,026,495.67	3,534,842.75	45,898,433.37
Others	47,333,621.39	23,260,630.61	5,888,691.20	64,705,560.80
	<b>184,636,940.33</b>	<b>66,101,639.71</b>	<b>35,708,317.86</b>	<b>215,030,262.18</b>
Less: amount categorized as amortisation of current assets within one year	(14,728,764.93)			(25,801,700.06)
	<b>169,908,175.40</b>			<b>189,228,562.12</b>

# Notes to Financial Statements

As at 31 December 2013

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

### 20. Deferred income tax assets/liabilities

Deferred income tax assets and deferred income tax liabilities are as follows:

Recognised deferred income tax assets and liabilities:

	31 December 2013	31 December 2012
Deferred income tax assets		
Provision for LAT	<b>389,751,500.33</b>	341,382,820.54
Deductible tax losses	<b>56,310,000.22</b>	44,001,525.14
Provisions for impairment of assets	<b>127,564,837.05</b>	98,891,379.22
Accrual of property development cost	<b>257,897,803.08</b>	215,015,749.31
Unrealised profits and losses of internal transactions	<b>317,459,408.11</b>	482,470,310.49
Others	<b>19,895,958.83</b>	24,005,557.79
	<b>1,168,879,507.62</b>	1,205,767,342.49
Deferred income tax liabilities		
Revaluation of investment properties	<b>1,560,701,887.86</b>	1,392,353,493.43
Differences arising from deductible depreciation expenses	<b>313,733,206.95</b>	313,733,206.95
Fair value adjustment arising from business combination	<b>235,204,680.05</b>	242,290,809.00
Others	<b>309,186,024.31</b>	41,615,707.64
	<b>2,418,825,799.17</b>	1,989,993,217.02

## Notes to Financial Statements

As at 31 December 2013

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

#### 20. Deferred income tax assets/liabilities *(continued)*

Assets or liabilities that lead to temporary differences and their corresponding differences are as follows:

Amount of temporary differences

	31 December 2013	31 December 2012
Deductible differences:		
Provision for LAT	<b>1,559,006,001.32</b>	1,365,531,282.16
Deductible tax losses	<b>1,178,042,646.98</b>	569,266,068.60
Provisions for impairment of assets	<b>946,118,910.45</b>	646,732,200.38
Accrual of property development cost	<b>1,031,591,212.32</b>	860,062,997.24
Unrealised profits and losses of internal transactions	<b>1,269,837,632.44</b>	1,929,881,241.96
Others	<b>79,583,835.32</b>	96,022,231.16
	<b>6,064,180,238.83</b>	5,467,496,021.50
Taxable differences:		
Revaluation of investment properties	<b>6,253,336,657.13</b>	5,569,413,973.72
Differences arising from deductible depreciation expenses	<b>1,254,932,827.80</b>	1,254,932,827.80
Fair value adjustment arising from business combination	<b>940,818,720.20</b>	969,163,236.00
Others	<b>1,226,214,991.55</b>	166,462,830.56
	<b>9,675,303,196.68</b>	7,959,972,868.08

## Notes to Financial Statements

As at 31 December 2013

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

#### 20. Deferred income tax assets/liabilities *(continued)*

Unrecognised income deferred tax assets are as follows:

	31 December 2013	31 December 2012
Deductible tax losses	<b>952,802,646.10</b>	393,259,968.04
Deductible temporary differences	<b>435,859,562.25</b>	251,166,683.50
	<b>1,388,662,208.35</b>	644,426,651.54

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

	31 December 2013	31 December 2012
2013	–	13,627,201.55
2014	<b>31,639,994.48</b>	33,833,624.49
2015	<b>37,251,883.31</b>	43,515,892.45
2016	<b>96,987,408.25</b>	123,304,990.50
2017	<b>189,864,883.54</b>	178,978,259.05
2018	<b>597,058,476.52</b>	–
	<b>952,802,646.10</b>	393,259,968.04

## Notes to Financial Statements

As at 31 December 2013

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

#### 21. Provisions for impairment of assets

2013

	Transferred in						Closing balance
	Opening balance	Provision for the year	upon acquisition of subsidiaries	Disposal of subsidiaries	Reversal for the year	Write-off for the year	
Provision for bad debts:	402,340,924.83	82,001,983.80	615,971.05	(379,944.68)	(32,360,773.95)	(606,062.70)	451,612,098.35
Of which: Accounts receivable	291,243,701.70	71,905,204.33	615,971.05	-	(31,581,367.38)	(606,062.70)	331,577,447.00
Other receivables	111,097,223.13	10,096,779.47	-	(379,944.68)	(779,406.57)	-	120,034,651.35
Provision for decline in value of inventories	25,785,239.10	21,999,260.98	-	-	-	(3,814,021.68)	43,970,478.40
Available-for-sale financial assets							
Provision for impairment	6,013,118.54	-	-	-	-	-	6,013,118.54
Long-term equity investments							
Provision for impairment	5,469,434.67	-	-	-	-	-	5,469,434.67
Provision for impairment of fixed assets	143,488,497.08	300,104,276.67	-	(12,062,607.47)	-	(54,460,564.68)	377,069,601.60
Provision for impairment of construction materials	12,705,917.71	3,634,808.62	-	-	-	-	16,340,726.33
Provision for impairment of construction in progress	8,717,380.85	1,054,783.21	-	-	-	-	9,772,164.06
Provision for impairment of intangible assets	53,694,240.82	-	-	(6,340,399.11)	-	-	47,353,841.71
Provision for impairment of goodwill	-	4,489,333.27	-	-	-	-	4,489,333.27
	<u>658,214,753.60</u>	<u>413,284,446.55</u>	<u>615,971.05</u>	<u>(18,782,951.26)</u>	<u>(32,360,773.95)</u>	<u>(58,880,649.06)</u>	<u>962,090,796.93</u>

In response to the requirements set out in the "Notice Issued by the People's Government of Beijing Municipality on the Issuance of Air Pollution Control Measures for 2012-2020" (《北京市人民政府關於印發2012-2020年大氣污染治理措施的通知》) and in order to accelerate the restructuring and upgrading of relevant enterprises, the main production lines of BBMG Shunfa Lafarge Cement Co., Ltd., Beijing Jinyu Pinggu Cement Co., Ltd., Beijing Xiliu Building Materials Co., Ltd., all being subsidiaries of the Group, were shut down in December 2013. Pursuant to the "Work Program Regarding the Reduction of 15 million tonnes of coal in Shijiazhuang" (《石家莊市削減1500萬噸煤炭工作方案》), the cement grinding system of the 3rd Branch of Luquan BBMG Dingxin Cement Co., Ltd., a subsidiary of the Group, was shut down in December 2013. According to the "Notice Issued by Ministry of Industry and Information Technology on the Objective and Task Regarding Phasing-out of outdated production capacity in 19 Industrial Sectors for 2013" (《工業和信息化部關於下達2013年19個工業行業淘汰落後產能目標任務的通知》) (Gong Xin Bu Chan Ye [2013] No.102) and the "Notice Issued by the People's Government of Handan City on the Issuance of the implementation Plan Regarding Phasing-out of outdated production capacity in Handan City for 2013" (《邯鄲市人民政府關於印發邯鄲市2013年淘汰落後產能工作實施方案的通知》), the Ci County Branch of Handan BBMG Taihang Cement Co., Ltd. and the cement grinding system of Handan Taihang Cement Co., Ltd., both being subsidiaries of the Group, was shut down and phased out in December 2013. The provisions for impairment losses regarding the aforesaid matters of the Group totalled RMB299,095,534.39 and were recognised in the income statement for 2013.

## Notes to Financial Statements

As at 31 December 2013

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

#### 21. Provisions for impairment of assets (continued)

2012

	Opening balance	Provision for the year	Disposal of subsidiaries	Reversal for the year	Write-off for the year	Closing balance
Provision for bad debts:	486,178,667.43	78,909,973.30	(6,124,163.26)	(57,082,887.40)	(99,540,665.24)	402,340,924.83
Of which: Accounts receivable	359,546,649.96	46,003,705.19	(1,969,450.61)	(22,008,917.38)	(90,328,285.46)	291,243,701.70
Other receivables	126,632,017.47	32,906,268.11	(4,154,712.65)	(35,073,970.02)	(9,212,379.78)	111,097,223.13
Provision for decline in value of inventories	69,576,804.80	6,038,430.30	(2,082,297.45)	–	(47,747,698.55)	25,785,239.10
Available-for-sale financial assets						
Provision for impairment	6,013,118.54	–	–	–	–	6,013,118.54
Long-term equity investments						
Provision for impairment	5,469,434.67	–	–	–	–	5,469,434.67
Provision for impairment of fixed assets	191,613,291.42	8,513,438.89	(23,007,628.56)	–	(33,630,604.67)	143,488,497.08
Provision for impairment of construction materials	12,705,917.71	–	–	–	–	12,705,917.71
Provision for impairment of construction in progress	8,717,380.85	–	–	–	–	8,717,380.85
Provision for impairment of intangible assets	42,353,841.71	11,340,399.11	–	–	–	53,694,240.82
Provision for impairment of goodwill	1,507,000.00	–	–	–	(1,507,000.00)	–
	<u>824,135,457.13</u>	<u>104,802,241.60</u>	<u>(31,214,089.27)</u>	<u>(57,082,887.40)</u>	<u>(182,425,968.46)</u>	<u>658,214,753.60</u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 22. Assets with title restrictions

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Note
Pledged assets					
Cash and bank balances					
Statutory deposit reserve placement with central bank by Finance Company	-	243,380,705.75	-	243,380,705.75	(1)
Guarantee deposit for L/C	39,206,299.85	30,458,688.50	-	69,664,988.35	(1)
Quality/performance deposits	51,951,332.14	29,691,786.81	-	81,643,118.95	(1)
Guarantee deposits for acceptance bills	156,133,605.34	-	26,065,601.04	130,068,004.30	(1)
Accounts receivable	30,808,880.00	-	30,808,880.00	-	
Inventories	4,994,957,123.22	-	643,015,671.00	4,351,941,452.22	(2)
Fixed assets	8,527,994.62	-	386,247.24	8,141,747.38	(2)
Investment properties	1,359,000,000.00	72,700,000.00	-	1,431,700,000.00	(2)
Assets whose titles are restricted for other reasons					
Restricted cash arising from pre-sales of properties	2,052,501,646.63	120,760,998.49	-	2,173,262,645.12	(3)
Others	48,598,552.29	-	17,599,986.07	30,998,566.22	
	<u>8,741,685,434.09</u>	<u>496,992,179.55</u>	<u>717,876,385.35</u>	<u>8,520,801,228.29</u>	

## Notes to Financial Statements

As at 31 December 2013

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

#### 22. Assets with title restrictions (continued)

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Note
Pledged assets					
Cash and bank balances					
Guarantee deposit for L/C	12,177,894.00	27,028,405.85	–	39,206,299.85	(1)
Quality/performance deposits	63,173,591.35	–	11,222,259.21	51,951,332.14	(1)
Guarantee deposits for acceptance bills	70,871,916.10	85,261,689.24	–	156,133,605.34	(1)
Accounts receivable	–	30,808,880.00	–	30,808,880.00	
Bills receivable	9,850,000.00	–	9,850,000.00	–	
Inventories	7,376,599,492.50	–	2,381,642,369.28	4,994,957,123.22	(2)
Fixed assets	87,783,961.47	–	79,255,966.85	8,527,994.62	(2)
Land use rights	2,042,851.93	–	2,042,851.93	–	
Investment properties	3,327,400,000.00	–	1,968,400,000.00	1,359,000,000.00	(2)
Assets whose titles are restricted for					
other reasons – cash and bank balances					
Restricted cash arising from pre-sales of properties	2,541,681,564.29	–	489,179,917.66	2,052,501,646.63	(3)
Others	104,103,026.01	–	55,504,473.72	48,598,552.29	
	<u>13,595,684,297.65</u>	<u>143,098,975.09</u>	<u>4,997,097,838.65</u>	<u>8,741,685,434.09</u>	

Notes:

- (1) As at 31 December 2013, the Group's pledged cash and bank balances was RMB524,756,817.35 (31 December 2012: RMB247,291,237.33), 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 in accordance with relevant regulations which cannot be used as statutory deposit reserve for daily operations was RMB243,380,705.75 (31 December 2012: Nil).
- (2) As at 31 December 2013, the Group obtained bank borrowings of RMB3,482,055,904.61 secured by inventories with a carrying amount of RMB4,351,941,452.22, fixed assets with a carrying amount of RMB8,141,747.38 and investment properties with a carrying amount of RMB542,400,000.00 (Note V.8, 13 and 14). As at 31 December 2013, investment properties with carrying amount of RMB889,300,000.00 were pledged as securities for a guarantee in the benefit of the parent company (Note VI.5(3)).
- (3) In accordance with relevant provisions, funds from pre-sales of commodity housing have to be deposited in special bank accounts by property developers for supervision to ensure that the pre-sales funds are used for construction projects first, and written application have to be made to the supervisory bank before using the funds. Where pre-sale projects under supervision have been completed and other required conditions have been satisfied, application for lifting supervision of the funds may be made.



## Notes to Financial Statements

As at 31 December 2013

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

#### 23. Short-term loans

	31 December 2013	31 December 2012
Pledged loans	–	30,808,880.00
Mortgaged loans	–	250,000,000.00
Guaranteed loans (Note 1)	<b>628,000,000.00</b>	799,978,000.00
Credit loans	<b><u>12,888,500,000.00</u></b>	<u>10,307,500,000.00</u>
	<b><u>13,516,500,000.00</u></b>	<u>11,388,286,880.00</u>

Note 1: As at 31 December 2013, the guaranteed loans were guaranteed by the Company and its subsidiaries.

As at 31 December 2013, the above loans bore an interest rate of 5%-7.22% (31 December 2012: 5%-6.30%) per annum.

As at 31 December 2013, the Group had no outstanding short-term loans that were due.

As at 31 December 2013, the Group's short-term credit loans with balances of RMB3,646,000,000.00 were entrusted loans from BBMG Group.

#### 24. Bills payable

	31 December 2013	31 December 2012
Bank acceptance bills	<b>484,106,696.49</b>	430,004,020.52
Commercial acceptance bills	<b><u>22,000,000.00</u></b>	–
	<b><u>506,106,696.49</u></b>	<u>430,004,020.52</u>

As at 31 December 2013, all the balances of this account would be due in six months.

## Notes to Financial Statements

As at 31 December 2013

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

#### 25. Accounts payable

Accounts payable are non-interest bearing and shall generally be paid within 90 days.

An aging analysis of accounts payable is as follows:

	31 December 2013	31 December 2012
Within 1 year	<b>5,823,071,526.78</b>	4,868,812,557.66
1 to 2 years	<b>1,942,470,635.46</b>	1,317,545,708.47
2 to 3 years	<b>622,394,795.70</b>	228,144,901.50
Over 3 years	<b>128,761,348.60</b>	154,698,740.14
	<b>8,516,698,306.54</b>	6,569,201,907.77

As at 31 December 2013, there were no accounts payable to shareholders holding 5% or more of the Company's voting rights (31 December 2012: RMB82,582,881.98).

Please refer to note VI "Related Party Relationships and Transactions" for accounts payable to related parties as at 31 December 2013.

As at 31 December 2013, significant accounts payable aging over 1 year were as follows:

	Relationship with the Group	Amount	Percentage of total accounts payable (%)	Reasons for non-payment
Customer 1	Third party	111,594,101.51	1.31	Undue
Customer 2	Third party	46,538,753.32	0.55	Undue
Customer 3	Third party	45,231,291.00	0.53	Undue
Customer 4	Third party	44,066,576.04	0.52	Undue
Customer 5	Third party	29,558,587.73	0.35	Undue

For the above accounts payable with significant amounts of which aging are more than one year, the repaid amounts subsequent to the balance date are RMB23,000,000.00.

## Notes to Financial Statements

As at 31 December 2013

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

#### 26. Receipts in advance

An aging analysis on receipts in advance is as follows:

	31 December 2013	31 December 2012
Within 1 year	<b>13,863,348,931.27</b>	12,996,525,315.78
1 to 2 years	<b>1,616,131,426.54</b>	341,001,234.59
2 to 3 years	<b>75,605,972.14</b>	848,080,717.60
Over 3 years	<b>12,863,161.19</b>	21,343,036.96
	<b>15,567,949,491.14</b>	14,206,950,304.93

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

	31 December 2013	31 December 2012
Advances on sale of goods	<b>1,272,501,372.95</b>	1,190,368,520.87
Advances on pre-sale of properties	<b>13,787,043,067.47</b>	12,514,947,954.70
Advances on construction costs	<b>90,368,185.31</b>	113,638,759.71
Advances on rents and property fees	<b>418,036,865.41</b>	387,995,069.65
	<b>15,567,949,491.14</b>	14,206,950,304.93

As at 31 December 2013, there were no receipts in advance due to shareholders holding 5% or more of the Company's voting rights (31 December 2012: Nil).

Please refer to Note VI "Related Party Relationships and Transactions" for receipts in advance from related parties as at 31 December 2013.

As at 31 December 2013, significant receipts in advance aging over 1 year were as follows:

	Relationship with the Group	Amount	Reasons for being outstanding
Home buyers	Third party	1,584,407,002.20	Proceeds from pre-sale of properties, and properties have not been delivered

Within the abovementioned significant receipts in advance aging over 1 year, amounts of RMB88,842,507.61 were settled subsequent to balance sheet date.

# Notes to Financial Statements

As at 31 December 2013

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

### 26. Receipts in advance (continued)

Details of advances on pre-sale of properties are as follows:

Projects	Expected settlement date of the first batch	Proportion of the pre-sales	31 December 2013	31 December 2012
Beijing – Chaoyang New City	December 2014	99%	29,574,507.20	24,083,204.50
Beijing – Jinyu Town-House	December 2014	95%	61,759,417.22	15,501,770.05
Beijing – Tuqiao Huashijiang	December 2014	86%	633,662,912.91	176,433,732.62
Beijing – Tuqiao Tongheyuan	December 2014	100%	42,177,554.41	21,520,089.15
Beijing – Kanghuiyuan	December 2014	94%	30,984,255.36	89,763,265.40
Beijing – Guanlan Times	December 2014	100%	142,441,979.81	1,189,963,259.33
Beijing – Yueheyuan	December 2014	100%	2,662,991.00	1,777,482,531.30
Beijing – Jinheyuan	December 2014	100%	2,421,945.96	2,421,945.96
Beijing – Taiheyuan	December 2014	96%	648,108,826.20	1,140,160,363.90
Beijing – Tuqiao Ziyouzhu	December 2014	83%	885,497,100.06	320,765,233.73
Beijing – Binheyuan	March 2014	98%	2,710,634,732.42	1,740,416,726.18
Beijing – Ruiheyuan	September 2014	100%	514,481,601.31	400,000,000.00
Beijing – Meiheyuan	March 2014	99%	20,637,544.07	34,949,012.00
Beijing – Jiaheyuan	December 2014	60%	113,476,307.31	–
Hangzhou – Guanlan Times	June 2014	65%	211,055,798.00	415,880,807.00
Hangzhou – Banshan project	October 2014	17%	314,360,827.00	–
Beijing – Chang'an New City	December 2014	100%	22,978,910.02	62,287,887.02
Beijing – Dacheng Times	December 2014	100%	6,962,447.00	10,564,548.00
Beijing – Linglong Tiandi	December 2014	100%	2,157,006.00	22,745,862.00
Beijing – Dachengjun	December 2014	100%	132,791,491.00	1,521,044,402.23
Beijing – Western Group (西組團) and facilities	December 2014	100%	18,072,689.00	473,115,023.00
Beijing – Liyuan Jingcheng Center	June 2014	100%	1,109,199,444.00	401,570,782.00
Beijing – Guogongzhuang project	December 2014	100%	1,167,392,228.00	–
Tianjin – Jinyu Yuecheng	December 2014	78%	514,807,370.00	119,197,162.00
Inner Mongolia – Jinyu Times City	December 2014	99%	178,447,708.43	142,832,999.47
Inner Mongolia – Jinyu Elegancy City	December 2015	12%	32,206,325.70	–
Tangshan – Jinyu Lefu	September 2014	27%	105,717,092.49	180,064,942.44
Beijing – Jinyu Feili	January 2014	78%	830,958,438.00	195,638,813.00
Beijing – Jinyu Vanke City	May 2014	99%	719,184,425.00	843,561,281.00
Haikou – Meilinghu	June 2014	100%	65,828,439.01	209,845,265.00
Chongqing – Chayuan project	March 2014	26%	1,069,983,101.00	236,121,492.00
Chongqing – Nanshanjun	March 2014	5%	110,477,346.00	9,859,299.69
Chengdu – Shuangliu project	December 2014	91%	573,785,186.00	–
Beijing – I Cube	July 2014	93%	617,359,205.60	392,592,395.56
Qingdao – Site in Jinggangshan Rd.	August 2015	77%	66,272,776.08	–
Others			78,523,138.90	344,563,859.17
			<b>13,787,043,067.47</b>	<b>12,514,947,954.70</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 27. Wages payable

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	72,903,271.00	1,864,878,003.10	1,863,551,169.19	74,230,104.91
Staff welfare	6,843,597.57	132,389,908.56	134,533,525.72	4,699,980.41
Social insurance	38,880,283.90	502,431,032.50	506,874,567.90	34,436,748.50
Including: Medical insurance	19,369,554.22	165,642,607.46	163,749,063.88	21,263,097.80
Basic pension	14,029,661.16	243,783,860.65	247,449,120.89	10,364,400.92
Annuity payment	432,294.00	54,752,353.62	55,184,647.62	-
Unemployment insurance	2,361,185.52	16,576,072.82	17,927,258.14	1,010,000.20
Work injury insurance	1,644,667.00	12,131,136.74	12,566,764.42	1,209,039.32
Maternity insurance	1,042,922.00	9,545,001.21	9,997,712.95	590,210.26
Housing funds	10,001,850.00	137,596,628.00	142,309,471.00	5,289,007.00
Compensation for termination	-	7,371,455.00	7,371,455.00	-
Union fund and employee education fund	17,889,273.01	45,151,409.46	41,540,968.23	21,499,714.24
Others	6,945,031.48	11,075,903.00	14,314,841.37	3,706,093.11
	<b>153,463,306.96</b>	<b>2,700,894,339.62</b>	<b>2,710,495,998.41</b>	<b>143,861,648.17</b>

As at 31 December 2013, there was no wages payable in arrears, and all balances are expected to be paid within one year.

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	70,127,048.00	1,662,211,327.62	1,659,435,104.62	72,903,271.00
Staff welfare	6,260,366.00	109,815,330.74	109,232,099.17	6,843,597.57
Social insurance	27,484,451.27	462,518,598.66	451,122,766.03	38,880,283.90
Including: Medical insurance	11,503,821.27	119,285,597.29	111,419,864.34	19,369,554.22
Basic pension	11,198,686.00	256,614,694.14	253,783,718.98	14,029,661.16
Annuity payment	993,040.00	50,358,466.00	50,919,212.00	432,294.00
Unemployment insurance	1,816,493.00	15,943,674.20	15,398,981.68	2,361,185.52
Work injury insurance	1,228,444.00	11,507,017.19	11,090,794.19	1,644,667.00
Maternity insurance	743,967.00	8,809,149.84	8,510,194.84	1,042,922.00
Housing funds	9,806,512.00	123,245,248.52	123,049,910.52	10,001,850.00
Union fund and employee education fund	17,270,515.99	37,377,778.70	36,759,021.68	17,889,273.01
Non-monetary benefits	477,878.16	-	477,878.16	-
Compensation for termination	698,457.92	-	698,457.92	-
Others	11,590,293.04	14,377,867.44	19,023,129.00	6,945,031.48
	<b>143,715,522.38</b>	<b>2,409,546,151.68</b>	<b>2,399,798,367.10</b>	<b>153,463,306.96</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 28. Tax payable

	31 December 2013	31 December 2012
VAT	<b>(231,932,222.35)</b>	(301,222,838.85)
Business tax	<b>162,291,868.89</b>	115,247,418.34
Corporate income tax	<b>647,506,940.28</b>	1,275,368,527.26
Individual income tax	<b>13,708,604.00</b>	10,923,795.01
City maintenance and construction tax	<b>13,130,179.29</b>	11,526,989.92
Education surcharges	<b>9,639,781.44</b>	5,705,567.32
Resource tax	<b>13,912,202.77</b>	21,362,210.66
Land appreciation tax	<b>106,912,723.10</b>	150,690,157.39
Urban and rural land use tax	<b>4,482,694.80</b>	3,676,168.80
Real estate tax	<b>3,458,802.19</b>	2,459,358.34
Others	<b>7,782,569.12</b>	13,159,428.06
	<b>750,894,143.53</b>	1,308,896,782.25

#### 29. Interest payable

	31 December 2013	31 December 2012
Interests on borrowings	<b>33,277,854.18</b>	30,938,044.46
Of which: Interests on long-term borrowings	<b>13,063,003.92</b>	6,837,983.85
Interests on short-term borrowings	<b>20,214,850.26</b>	24,100,060.61
Interests of corporate bonds (Note V.36)	<b>220,532,222.23</b>	124,336,666.67
	<b>253,810,076.41</b>	155,274,711.13

#### 30. Dividends payable

	31 December 2013	31 December 2012
Sinoma	<b>16,770,600.00</b>	16,770,600.00
Other shareholders of circulating shares	<b>392,760.04</b>	183,168.04
Dividends payable to non-controlling shareholders	<b>28,028,838.99</b>	26,094,301.15
	<b>45,192,199.03</b>	43,048,069.19

## Notes to Financial Statements

As at 31 December 2013

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

#### 31. Other payables

An aging analysis of other payables is as follows:

	<b>31 December 2013</b>	31 December 2012
Within 1 year	<b>1,849,627,597.08</b>	1,661,709,604.32
1 to 2 years	<b>626,696,411.50</b>	496,793,758.73
2 to 3 years	<b>32,018,561.68</b>	107,126,930.08
Over 3 years	<b>248,927,212.10</b>	217,494,520.47
	<b><u>2,757,269,782.36</u></b>	<u>2,483,124,813.60</u>

An analysis on other payables by nature is as follows:

	<b>31 December 2013</b>	31 December 2012
Payables to related parties (Note VI.7)	<b>12,632,885.28</b>	197,820,944.21
Construction costs payable	<b>194,444,225.75</b>	458,060,901.87
Payables for acquisition of equity investments	<b>128,210,431.14</b>	63,966,551.14
Payables for relocation compensation	<b>135,643,813.15</b>	156,173,300.83
Payables for land use right	<b>87,062,419.01</b>	87,041,567.01
Deposits	<b>589,544,252.41</b>	489,503,370.68
Amounts collected on behalf and temporary receipts	<b>841,627,474.35</b>	449,346,124.28
Current portion of defined benefit obligations	<b>40,813,993.00</b>	41,217,136.00
Others	<b>727,290,288.27</b>	539,994,917.58
	<b><u>2,757,269,782.36</u></b>	<u>2,483,124,813.60</u>

As at 31 December 2013, other than other amounts payable to the BBMG Group of RMB12,106,934.79 (31 December 2012: RMB197,051,945.35), there were no balances payable to other shareholders holding 5% or more of the Company's voting rights.

## Notes to Financial Statements

As at 31 December 2013

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

#### 31. Other payables (continued)

Please refer to Note VI "Related Party Relationships and Transactions" for other payables to related parties as at 31 December 2013.

As at 31 December 2013, significant other payables aging more than one year are as follows:

	Relationship with the Group	Amount	Percentage of total other payable (%)	Reasons for non-payment
Customer 1	Third party	69,177,896.00	7.62	Not yet settled
Customer 2	Third party	54,523,171.71	6.01	Not yet settled
Customer 3	Third party	52,038,129.11	5.73	Not yet settled
Customer 4	Third party	29,653,438.33	3.27	Not yet settled
Customer 5	Third party	24,617,783.58	2.71	Not yet settled

For the above other payable with significant amounts of which aging are more than one year, amounts of RMB1,388,626.15 were settled subsequent to the balance sheet date.

#### 32. Accrued liabilities

##### 2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Estimated concrete loss	39,910,698.17	1,361.52	-	39,912,059.69 <sup>Note 1</sup>
Expense on recovery of mines	60,166,504.00	3,974,124.09	3,073,559.00	61,067,069.09 <sup>Note 2</sup>
Legal cost	-	1,000,000.00	-	1,000,000.00
	<b>100,077,202.17</b>	<b>4,975,485.61</b>	<b>3,073,559.00</b>	<b>101,979,128.78</b>

##### 2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Estimated concrete loss	33,029,889.08	6,880,809.09	-	39,910,698.17 <sup>Note 1</sup>
Expense on recovery of mines	-	60,166,504.00	-	60,166,504.00 <sup>Note 2</sup>
	<b>33,029,889.08</b>	<b>67,047,313.09</b>	<b>-</b>	<b>100,077,202.17</b>

Note 1: The estimated 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: The estimated cost on recovery was recognized based on the expense on recovery of mines required to be incurred in subsequent years by the Group's subsidiaries engaged in the production of cement.



## Notes to Financial Statements

As at 31 December 2013

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

#### 33. Non-current liabilities due within one year

	31 December 2013	31 December 2012
Long-term loans due within one year	1,296,475,904.61	2,576,020,000.00
Bonds payable due within one year	1,900,228,475.57	–
Long-term payables due within one year	2,513,956.52	–
	<u>3,199,218,336.70</u>	<u>2,576,020,000.00</u>

Long-term loans due within one year are as follows:

	31 December 2013	31 December 2012
Mortgaged loans (Note 1)	834,055,904.61	934,600,000.00
Guaranteed loans (Note 2)	462,420,000.00	441,420,000.00
Credit loans	–	1,200,000,000.00
	<u>1,296,475,904.61</u>	<u>2,576,020,000.00</u>

Note 1: Collaterals and their value for mortgaged loans of the Group as at 31 December 2013 are detailed in note V.22.

Note 2: As at 31 December 2013, included in the guaranteed loans, balances of RMB76,500,000.00 (31 December 2012: RMB142,500,000.00) were guaranteed by BBMG Group, while the remaining were guaranteed by the Company and its subsidiaries.

As at 31 December 2013, no extension was made to long-term loans due within one year upon expiry.

## Notes to Financial Statements

As at 31 December 2013

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

#### 33. Non-current liabilities due within one year (continued)

As at 31 December 2013, the five highest amounts of long-term loans due within one year were as follows:

Loan unit	Commencement date	Expiry date	Currency	Interest rate (%)	Balances at the end of the year
Bank of Communication Co. Ltd, Guanyuan Branch	31 October 2012	28 July 2014	RMB	6.77	253,181,810.39
Bank of Communication Co. Ltd, Guanyuan Branch	25 November 2011	28 July 2014	RMB	6.77	231,474,094.22
Construction Bank of China, Beijing Urban Construction Development Professional Branch	21 May 2012	21 May 2014	RMB	6.21	150,000,000.00
Agricultural Bank of China, Xuanwu Branch	6 April 2011	6 March 2014	RMB	6.15	130,000,000.00
Agricultural Bank of China, Xuanwu Branch	13 December 2010	12 December 2014	RMB	5.54	100,000,000.00

As at 31 December 2013, there were no outstanding long-term loans that were due.

As at 31 December 2013, bonds payable due within one year were as follows:

	Par value	Issuance date	Term	Issuance amount	Balance as at end of the year
2009 BBMG Bond	1,900,000,000.00	27 April 2009	5 years	1,900,000,000.00	1,900,228,475.57
	Interest at beginning of the year	Accrued interest for the year	Interest paid for the year	Interest payable at end of the year	
2009 BBMG Bond	54,720,000.00	82,080,000.00	82,080,000.00	54,720,000.00	

As at 31 December 2013, long-term payables due within one year were the lease fees payable in the next accounting year by the Company's subsidiary Badaling for geothermal well equipment under the finance lease.

## Notes to Financial Statements

As at 31 December 2013

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

#### 34. Other current liabilities

	31 December 2013	31 December 2012
Deferred income	<b>49,469,425.70</b>	47,347,882.81
Accrued expenses	<b>3,753,002,368.92</b>	3,101,328,497.88
Of which: Accrued development cost	<b>2,029,655,708.59</b>	1,741,522,514.98
Accrued LAT	<b>1,646,767,461.23</b>	1,329,324,617.97
Accrued costs for treatment of solid waste	<b>24,336,077.69</b>	16,565,669.60
Other accrued expenses	<b>52,243,121.41</b>	13,915,695.33
	<b>3,802,471,794.62</b>	3,148,676,380.69

Of which, the details of deferred income are as follows:

	31 December 2013	31 December 2012
Government grants related to assets		
Environmental protection projects	<b>22,092,495.02</b>	21,706,094.93
Cogeneration projects	<b>2,398,275.76</b>	2,398,275.76
Relocation compensation	<b>11,215,743.64</b>	11,215,743.64
Others	<b>7,860,650.75</b>	2,157,039.09
Government grants related to income		
Research and development funds	<b>5,902,260.53</b>	9,870,729.39
	<b>49,469,425.70</b>	47,347,882.81

## Notes to Financial Statements

As at 31 December 2013

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

#### 35. Long-term loans

	31 December 2013	31 December 2012
Mortgaged loans (Note 1)	2,648,000,000.00	1,992,711,545.34
Guaranteed loans (Note 2)	2,031,920,000.00	1,764,340,000.00
Credit loans	2,200,000,000.00	1,000,000,000.00
	<b>6,879,920,000.00</b>	<b>4,757,051,545.34</b>

Note 1: As at 31 December 2013, the details and value of collaterals corresponding to mortgaged loans of the Group were set out in note V. 22.

Note 2: As at 31 December 2013, included in the guaranteed loans, balances of RMB827,600,000.00 were guaranteed by BBMG Group, while the remaining were guaranteed by the Company and its subsidiaries.

Aging analysis of long-term loans:

	31 December 2013	31 December 2012
Within 2 years	3,307,420,000.00	1,247,131,545.34
3 to 5 years (both years inclusive)	3,562,500,000.00	3,471,920,000.00
Over 5 years	10,000,000.00	38,000,000.00
	<b>6,879,920,000.00</b>	<b>4,757,051,545.34</b>

As at 31 December 2013, there were no outstanding long-term loans that were due (31 December 2012: Nil).

As at 31 December 2013, the five highest long-term loans were as follows:

Loan unit	Commencement date	Expiry date	Currency	Interest rate (%)	Balances at the end of the year
Agricultural Bank of China, Xuanwu Branch	13 December 2010	13 December 2015	RMB	5.76	1,000,000,000.00
Construction Bank of China, Beijing Urban Construction Development Professional Branch	23 October 2012	22 April 2015	RMB	6.15	1,000,000,000.00
Construction Bank of China, Urban Construction Branch	16 May 2013	19 March 2016	RMB	5.84	600,000,000.00
Bank of Communication Co. Ltd, Fuwai Branch	11 December 2012	11 December 2015	RMB	5.54	500,000,000.00
Agricultural Bank of China, Xuanwu Branch	22 May 2013	21 May 2016	RMB	5.54	500,000,000.00
					<b>3,600,000,000.00</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 36. Bonds payable

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Non-current:</b>				
Corporate bonds	1,895,253,587.34	4,974,888.23	1,900,228,475.57	–
Medium-term notes	4,797,200,000.00	1,508,400,000.00	–	6,305,600,000.00
	<u>6,692,453,587.34</u>	<u>1,513,374,888.23</u>	<u>1,900,228,475.57</u>	<u>6,305,600,000.00</u>
<b>Current:</b>				
Short-term financing bonds	1,000,000,000.00	3,000,000,000.00	1,000,000,000.00	3,000,000,000.00
	<u>7,692,453,587.34</u>	<u>4,513,374,888.23</u>	<u>2,900,228,475.57</u>	<u>9,305,600,000.00</u>

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Non-current:</b>				
Corporate bonds	1,887,098,763.98	8,154,823.36	–	1,895,253,587.34
Medium-term notes	2,800,000,000.00	2,000,000,000.00	2,800,000.00	4,797,200,000.00
	<u>4,687,098,763.98</u>	<u>2,008,154,823.36</u>	<u>2,800,000.00</u>	<u>6,692,453,587.34</u>
<b>Current:</b>				
Short-term financing bonds	–	1,000,000,000.00	–	1,000,000,000.00
	<u>4,687,098,763.98</u>	<u>3,008,154,823.36</u>	<u>2,800,000.00</u>	<u>7,692,453,587.34</u>

# Notes to Financial Statements

As at 31 December 2013

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

### 36. Bonds payable *(continued)*

Pursuant to the approval document (Fa Gai Cai Jin [2009] No.1009) issued by National Development and Reform Commission on 27 April 2009, the Company issued the 2009 corporate bonds of BBMG Corporation ("2009 BBMG Bond") in open market, totaling RMB1,900,000,000 at a nominal interest rate of 4.32%.

Pursuant to the approval as considered and approved by the 2009 annual general meeting of the Company held on 29 June 2010, the Company intended to issue medium-term notes of no more than RMB3,400,000,000 with a maturity of 5 years. As at 8 September 2010, the registration for the issue of the medium-term notes was accepted by the National Association of Financial Market Institutional Investors pursuant to the Notice of Registration Acceptance (Zhong Shi Xie Zhu [2010] No.MTN89). According to the notice, the medium-term notes issued by the Company had a registered amount of RMB2,800,000,000 and a term of 2 years, and may be issued in tranches within the term. As at 29 September 2010, the Company issued the first tranche of medium-term notes totaling RMB2,000,000,000 with a term of 5 years and a nominal interest rate of 4.38%. As at 7 December 2010, the Company issued the second tranche of medium-term notes totaling RMB800,000,000 with a term of 5 years and a nominal interest rate of 5.85%.

Pursuant to the approval as considered and approved by the 2011 annual general meeting of the Company held on 24 May 2012, the Company intended to issue bonds (including short-term financing bonds and medium-term notes) of no more than RMB3,000,000,000. Pursuant to the file Zhong Shi Xie Zhu [2012] No. MTN241 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of 5.58% coupon medium-term notes totaling RMB2,000,000,000 with a term of 5 years on 18 September 2012 and 19 September 2012. Pursuant to the file Zhong Shi Xie Zhu No. [2012] No. CP243 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of 4.80% coupon short-term financing bonds totaling RMB1,000,000,000 with a term of 365 days on 18 September 2012.

As considered and approved by the 19th meeting of the 2nd session of the Board held on 28 August 2012 and the first extraordinary general meeting in 2012 held on 26 October 2012, the Company intended to issue short-term financing bonds of no more than RMB7,600,000,000. Pursuant to the document Zhong Shi Xie Zhu No. [2013] No. CP54 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2013 from 13 March to 19 March 2013, totaling RMB2,000,000,000 with a coupon of 4.27%; and the Company issued its second tranche of short-term financing bonds for 2013 on 22 July 2013, totaling RMB1,000,000,000 with a coupon of 5.2%. Pursuant to the document Zhong Shi Xie Zhu No. [2013] No. MNT279 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2013 on 14 October 2013, totaling RMB1,500,000,000 with a term of 5 years and a coupon of 5.8%.

The bonds interests of the above corporate bonds, medium-term notes and short-term financing bonds for the period were charged to interests payable.

## Notes to Financial Statements

As at 31 December 2013

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

#### 36. Bonds payable *(continued)*

As at 31 December 2013, bonds payable were as follows:

	Par value	Issuance date	Term	Issuance amount	Balance as at end of the year
<b>Non-current:</b>					
2009 BBMG Bond	1,900,000,000.00	27 April 2009	5 years	1,900,000,000.00	-
RMB2 billion medium-term notes	2,000,000,000.00	29 September 2010	5 years	2,000,000,000.00	2,001,500,000.00
RMB800 million medium-term notes	800,000,000.00	7 December 2010	5 years	800,000,000.00	804,100,000.00
RMB2 billion medium-term notes	2,000,000,000.00	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00
RMB1.5 billion medium-term notes	1,500,000,000.00	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00
	<u>8,200,000,000.00</u>			<u>8,200,000,000.00</u>	<u>6,305,600,000.00</u>
<b>Current:</b>					
RMB1 billion short-term financing bonds	1,000,000,000.00	18 September 2012	1 year	1,000,000,000.00	-
RMB2 billion short-term financing bonds	2,000,000,000.00	13 March 2013	1 year	2,000,000,000.00	2,000,000,000.00
RMB1 billion short-term financing bonds	1,000,000,000.00	22 July 2013	1 year	1,000,000,000.00	1,000,000,000.00
	<u>4,000,000,000.00</u>			<u>4,000,000,000.00</u>	<u>3,000,000,000.00</u>
	<u>12,200,000,000.00</u>			<u>12,200,000,000.00</u>	<u>9,305,600,000.00</u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 36. Bonds payable *(continued)*

	Interest at beginning of the year	Accrued interest for the year	Interest paid for the year	Interest payable at end of the year (Note V.29)
<b>Non-current:</b>				
2009 BBMG Bond	54,720,000.00	82,080,000.00	82,080,000.00	54,720,000.00
RMB2 billion medium-term notes	21,900,000.00	87,600,000.00	87,600,000.00	21,900,000.00
RMB800 million medium-term notes	3,250,000.00	46,800,000.00	46,800,000.00	3,250,000.00
RMB2 billion medium-term notes	31,000,000.00	111,600,000.00	111,600,000.00	31,000,000.00
RMB1.5 billion medium-term notes	-	18,850,000.00	-	18,850,000.00
	<u>110,870,000.00</u>	<u>346,930,000.00</u>	<u>328,080,000.00</u>	<u>129,720,000.00</u>
<b>Current:</b>				
RMB1 billion short-term financing bonds	13,466,666.67	34,533,333.33	48,000,000.00	-
RMB2 billion short-term financing bonds	-	67,845,555.56	-	67,845,555.56
RMB2 billion short-term financing bonds	-	22,966,666.67	-	22,966,666.67
	<u>13,466,666.67</u>	<u>125,345,555.56</u>	<u>48,000,000.00</u>	<u>90,812,222.23</u>
	<u>124,336,666.67</u>	<u>472,275,555.56</u>	<u>376,080,000.00</u>	<u>220,532,222.23</u>



## Notes to Financial Statements

As at 31 December 2013

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

#### 36. Bonds payable *(continued)*

As at 31 December 2012, bonds payable were as follows:

	Par value	Issuance date	Term	Issuance amount	Balance as at end of the year
<b>Non-current:</b>					
2009 BBMG Bond	1,900,000,000.00	27 April 2009	5 years	1,900,000,000.00	1,895,253,587.34
RMB2 billion medium-term notes	2,000,000,000.00	29 September 2010	5 years	2,000,000,000.00	1,995,500,000.00
RMB800 million medium-term notes	800,000,000.00	7 December 2010	5 years	800,000,000.00	801,700,000.00
RMB2 billion medium-term notes	<u>2,000,000,000.00</u>	20 September 2012	5 years	<u>2,000,000,000.00</u>	<u>2,000,000,000.00</u>
	<u>6,700,000,000.00</u>			<u>6,700,000,000.00</u>	<u>6,692,453,587.34</u>
<b>Current:</b>					
RMB1 billion short-term financing bonds	<u>1,000,000,000.00</u>	18 September 2012	1 year	<u>1,000,000,000.00</u>	<u>1,000,000,000.00</u>
	<u>7,700,000,000.00</u>			<u>7,700,000,000.00</u>	<u>7,692,453,587.34</u>
		Interest at beginning of the year	Accrued interest for the year	Interest paid for the year	Interest payable at end of the year (Note V.29)
<b>Non-current:</b>					
2009 BBMG Bond	54,720,000.00	82,080,000.00	82,080,000.00	54,720,000.00	
RMB2 billion medium-term notes	21,900,000.00	87,600,000.00	87,600,000.00	21,900,000.00	
RMB800 million medium-term notes	3,250,000.00	46,800,000.00	46,800,000.00	3,250,000.00	
RMB2 billion medium-term notes	<u>—</u>	<u>31,000,000.00</u>	<u>—</u>	<u>31,000,000.00</u>	
	<u>79,870,000.00</u>	<u>247,480,000.00</u>	<u>216,480,000.00</u>	<u>110,870,000.00</u>	
<b>Current:</b>					
RMB1 billion short-term financing bonds	<u>—</u>	<u>13,466,666.67</u>	<u>—</u>	<u>13,466,666.67</u>	
	<u>79,870,000.00</u>	<u>260,946,666.67</u>	<u>216,480,000.00</u>	<u>124,336,666.67</u>	

## Notes to Financial Statements

As at 31 December 2013

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

#### 37. Long-term wages payable

	31 December 2013	31 December 2012 (Restated)
Defined benefit obligations	<b>422,795,184.00</b>	509,336,565.00

The Group operates a defined benefit plan without fund injection for its employees in China who retired before 31 December 2007.

The Group's defined benefit plan is a supplementary benefit plan targeting at employees retiring before 31 December 2007, and the plan is subject to impacts from interest rate risk and changes in the life expectancy of pension beneficiaries.

The present value of the defined benefit obligations 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 2013 using the projected accumulated benefit units method.

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

	2013
Discount rate (%)	4.50%-4.75%
Expected growth rate of future retiree benefit costs (%)	2.50%
Expected growth rate of salary (%)	8.00%-10.00%
Annual growth rate of retired employee benefits (%)	10.00%

The following table sets forth the quantitative sensitivity analysis of significant assumptions used as at 31 December 2013:

	Increase/(decrease) in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	Increase (%)	Decrease (%)	Increase (%)	Decrease (%)
Discount rate (%)	0.25	(9,986,751)	(0.25)	10,402,802
Expected growth rate of future retiree benefit costs (%)	0.50	18,670,011	(0.50)	(17,286,620)

The above sensitivity analysis represents the deduction of impacts over the defined benefit obligations based on reasonable changes in key assumptions as at the balance sheet date.

## Notes to Financial Statements

As at 31 December 2013

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

#### 37. Long-term wages payable *(continued)*

Relevant costs recognised in the income statement are as follows:

Net interest costs of defined benefit obligations	<u>20,171,288.00</u>
Charged to administrative expenses	<u>20,171,288.00</u>
Movements in present value of defined benefit obligations are as follows:	
Present value as at 1 January 2013	551,895,997.00
Cost of retirement benefits for the year	20,171,288.00
Retirement benefits paid for the year	(37,687,707.00)
Actuarial gains recognised in other comprehensive income	(70,770,401.00)
Of which: Actuarial changes arising from changes in actuarial assumptions	(34,344,158.00)
Actuarial (gains) on difference in experience	<u>(36,426,243.00)</u>
Present value as at 31 December 2013	<u>463,609,177.00</u>

Projected future payments to be made for the defined benefit obligations in future

	<b>2013</b>
Within 1 year	<b>40,813,993.00</b>
2 to 5 years	<b>155,301,182.00</b>
5 to 10 years	<b>166,094,480.00</b>
Over 10 years	<b>407,016,144.00</b>
	<u><b>769,225,799.00</b></u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 38. Long-term payables

	31 December 2013	31 December 2012
Finance leases	<b>22,414,048.18</b>	–

Badaling, a subsidiary of the Company, rented geothermal well equipment in the year under finance lease. The value of the fixed asset under finance lease initially recognised was RMB26,278,823.40, with a lease period of 8 years and the unrecognised finance charges amortised at an annual interest rate of 6.55%. As at 31 December 2013, the balance of long-term payables was RMB24,928,004.70, of which RMB2,513,956.52 would be due within one year.

#### 39. Other non-current liabilities

	31 December 2013	31 December 2012
Deferred income – government grants	<b>602,729,940.01</b>	617,175,147.70

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

	31 December 2013	31 December 2012
Government grants related to assets		
Environmental protection projects	<b>299,964,190.86</b>	314,098,044.71
Cogeneration projects	<b>16,108,960.13</b>	18,507,235.89
Relocation compensation	<b>292,477,059.62</b>	303,692,803.22
Others	<b>37,401,894.59</b>	18,354,217.30
Government grants related to income		
Research and development funds	<b>6,247,260.51</b>	9,870,729.39
	<b>652,199,365.71</b>	664,523,030.51
Less: Deferred income carried over within one year and included in current liabilities	<b>(49,469,425.70)</b>	(47,347,882.81)
	<b>602,729,940.01</b>	617,175,147.70

## Notes to Financial Statements

As at 31 December 2013

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

#### 39. Other non-current liabilities *(continued)*

As at 31 December 2013, the main liabilities items related to government grants were as follows:

	Opening balance	Additions in the year	Recognised in non-operating income in the year	Closing balance	Related to assets/gains
Subsidy for relocation fee of Tiantan	244,735,227.46	-	9,373,319.40	235,361,908.06	Related to assets
Subsidy for environmental equipment for Bio-Island project	233,981,575.14	-	15,375,917.64	218,605,657.50	Related to assets
Appropriation for mud project of Beijing Cement Plant	42,783,055.55	-	2,976,666.67	39,806,388.88	Related to assets
Relocation compensation for Hengxing Qunying	58,957,575.76	-	1,842,424.20	57,115,151.56	Related to assets
Subsidy for Zanhuang – 2,500 tonnes new dry method clinker production line project	10,899,111.11	-	730,666.67	10,168,444.44	Related to assets

As at 31 December 2012, the main liabilities items related to government grants were as follows:

	Opening balance	Additions in the year	Recognised in non-operating income in the year	Closing balance	Related to assets/gains
Subsidy for relocation of Tiantan	254,108,546.86	-	9,373,319.40	244,735,227.46	Related to assets
Subsidy for environmental equipment for Bio-Island project	249,357,492.78	-	15,375,917.64	233,981,575.14	Related to assets
Appropriation for mud project of Beijing Cement Plant	45,759,722.22	-	2,976,666.67	42,783,055.55	Related to assets
Relocation compensation for Hengxing Qunying	60,799,999.96	-	1,842,424.20	58,957,575.76	Related to assets
Subsidy for Zanhuang – 2,500 tonnes new dry method clinker production line project	11,629,777.78	-	730,666.67	10,899,111.11	Related to assets

## Notes to Financial Statements

As at 31 December 2013

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

#### 40. Share capital

2013

	Increase/(decrease) in the year				Closing balance
	Opening balance	Issue of new shares	shares released from lock-up period	subtotal	
<b>I. Shares subject to lock-up restriction</b>					
1. State-owned legal person shareholdings	1,844,852,426.00	-	-	-	1,844,852,426.00
2. Other domestic shareholdings	2,952,000.00	-	-	-	2,952,000.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	1,847,804,426.00	-	-	-	1,847,804,426.00
<b>II. Shares not subject to lock-up restriction</b>					
1. RMB ordinary shares	1,266,550,199.00	-	-	-	1,266,550,199.00
2. Foreign listed shares	1,169,382,435.00	-	-	-	1,169,382,435.00
Total shares not subject to lock-up restriction	2,435,932,634.00	-	-	-	2,435,932,634.00
Total share capital	4,283,737,060.00	-	-	-	4,283,737,060.00

2012

	Increase/(decrease) in the year				Closing balance
	Opening balance	Issue of new shares	shares released from lock-up period	subtotal	
<b>I. Shares subject to lock-up restriction</b>					
1. State-owned legal person shareholdings	2,274,174,625.00	-	(429,322,199.00)	(429,322,199.00)	1,844,852,426.00
2. Other domestic shareholdings	185,572,000.00	-	(182,620,000.00)	(182,620,000.00)	2,952,000.00
3. Foreign shareholdings	338,480,000.00	-	(338,480,000.00)	(338,480,000.00)	-
Total shares subject to lock-up restriction	2,798,226,625.00	-	(950,422,199.00)	(950,422,199.00)	1,847,804,426.00
<b>II. Shares not subject to lock-up restriction</b>					
1. RMB ordinary shares	316,128,000.00	-	950,422,199.00	950,422,199.00	1,266,550,199.00
2. Foreign listed shares	1,169,382,435.00	-	-	-	1,169,382,435.00
Total shares not subject to lock-up restriction	1,485,510,435.00	-	950,422,199.00	950,422,199.00	2,435,932,634.00
Total share capital	4,283,737,060.00	-	-	-	4,283,737,060.00

## Notes to Financial Statements

As at 31 December 2013

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

#### 41. Capital reserve

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	4,898,520,129.37	404,299,678.34	31,332,691.69	5,271,487,116.02
Changes arising from re-measurement of net liabilities or net assets of the defined benefit plan	2,372,004.00	70,770,401.00	–	73,142,405.00
Other capital reserves	497,272,864.14	9,144,791.28	–	506,417,655.42
	<b>5,398,164,997.51</b>	<b>484,214,870.62</b>	<b>31,332,691.69</b>	<b>5,851,047,176.44</b>

2012 (restated)

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	4,931,624,856.00	–	33,104,726.63	4,898,520,129.37
Changes arising from re-measurement of net liabilities or net assets of the defined benefit plan	(20,935,643.00)	23,307,647.00	–	2,372,004.00
Other capital reserves	380,247,343.72	117,025,520.42	–	497,272,864.14
	<b>5,290,936,556.72</b>	<b>140,333,167.42</b>	<b>33,104,726.63</b>	<b>5,398,164,997.51</b>

See the table of Change in the Ownership Interest and Note V.58 for the reasons of fluctuation in capital reserve.

## Notes to Financial Statements

As at 31 December 2013

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

#### 42. Specialized reserve

2013

	Opening balance	Amount provided for the year	Amount paid for the year	Closing balance
Production safety cost	<u>9,552,984.58</u>	<u>26,575,853.06</u>	<u>22,340,677.00</u>	<u>13,788,160.64</u>

2012

	Opening balance	Amount provided for the year	Amount paid for the year	Closing balance
Production safety cost	<u>–</u>	<u>57,730,015.85</u>	<u>48,177,031.27</u>	<u>9,552,984.58</u>

Pursuant to the regulations of “the Provision and Usage Measures of Production Safety Expenses of the Enterprises” (Caiqi [2012] No.16), issued by the PRC Ministry of Finance and the State Administration of Work Safety, the enterprises of specific industries should provide production safety cost subject to a fixed proportion. The details of which are set out in Note II.31. Production safety cost.



## Notes to Financial Statements

As at 31 December 2013

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

#### 43. Surplus reserve

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	580,908,595.02	130,286,727.61	–	711,195,322.63

2012 (restated)

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	341,021,071.66	239,887,523.36	–	580,908,595.02

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall allocate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has reached 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. Upon approval, discretionary surplus reserves can be used to make up for accumulated losses or to increase the share capital.

#### 44. Provision for general risks

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Provision for general risks	–	698,454.78	–	698,454.78

The provision for general risks is provided for by the Company's subsidiary BBMG Finance Co., Ltd according to a certain ratio of the balance of risk assets at the end of the period 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

As at 31 December 2013

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

#### 45. Retained earnings

	2013
Retained earnings as at the end of the previous year	12,634,399,124.91
Retrospectively adjusted and restated (Note II.2)	5,351,698.20
Retained earnings as at the beginning of the year, as retrospectively adjusted and restated	12,639,750,823.11
Net profit attributable to the owners of the parent company	3,215,183,494.65
Less: Cash dividends declared for ordinary shares (Note 1)	(304,145,331.26)
Less: Appropriation of surplus reserve (Note V.42)	(130,286,727.61)
Less: Appropriation of provision for general risks (Note V.42)	(698,454.78)
Retained earnings at the end of the year	<u>15,419,803,804.11</u>

Note1: Upon the consideration and approval at the 2012 annual general meeting of BBMG Corporation convened on 21 May 2013, profit distribution for the year 2012 was calculated based on 4,283,737,060 ordinary shares in issue, with the distribution of a final dividend of RMB0.71 per 10 shares (tax included) in an aggregate amount of cash dividends of RMB304,145,331.26.

#### 46. Operating revenues and operating costs

Operating revenues, which are turnovers of the Group, represent the net invoice value of goods sold, net of returns and trade discounts; value of services rendered; total rental income received and receivable.

Operating revenues are as follows:

	2013	2012
Revenue from principal operations	44,345,880,005.67	33,549,169,796.66
Revenue from other operations	443,879,256.22	504,926,206.66
	<u>44,789,759,261.89</u>	<u>34,054,096,003.32</u>

Operating costs are as follows:

	2013	2012
Cost of principal operations	34,501,601,982.41	25,494,913,969.49
Cost of other operations	298,281,542.14	229,777,455.75
	<u>34,799,883,524.55</u>	<u>25,724,691,425.24</u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 46. Operating revenues and operating costs *(continued)*

Operating revenues and operating costs of principal operations by segment:

	2013		2012	
	Revenue	Operating costs	Revenue	Operating costs
Cement	13,119,881,192.53	10,713,424,574.15	11,461,142,954.17	9,616,815,840.11
New building materials	14,358,456,956.14	13,341,641,382.12	9,479,831,592.31	8,446,204,922.92
Real estate development	14,929,446,438.00	9,664,835,758.83	10,934,922,941.64	6,798,927,674.61
Property investment and management	1,938,095,419.00	781,700,267.31	1,673,272,308.54	632,965,531.85
	<b>44,345,880,005.67</b>	<b>34,501,601,982.41</b>	<b>33,549,169,796.66</b>	<b>25,494,913,969.49</b>

Information of principal operations by product:

	2013		2012	
	Revenue	Operating costs	Revenue	Operating costs
Sale of products	16,620,533,693.19	13,616,475,908.02	14,534,817,931.46	12,108,467,697.14
Bulk commodity trade	8,853,914,815.49	8,818,326,842.66	4,593,720,631.68	4,568,062,932.75
Sale of properties and land	14,929,446,438.00	9,664,835,758.83	10,915,924,393.00	6,787,638,016.59
Including: sales of affordable properties	3,946,073,035.60	3,157,331,578.75	1,507,563,688.64	1,278,581,906.09
Rental income from investment properties	945,144,272.95	129,678,574.39	820,222,199.72	63,593,538.60
Property management	565,915,871.40	361,116,528.00	498,491,826.03	307,122,178.88
Hotel management	399,956,824.08	225,365,962.87	403,465,966.60	220,094,781.06
Income from decoration work	1,443,431,165.53	1,291,575,238.40	1,232,317,624.86	1,085,219,695.60
Treatment of solid waste	417,925,862.00	281,889,094.39	366,110,514.33	204,704,592.19
Others	169,611,063.03	112,338,074.85	184,098,708.98	150,010,536.68
	<b>44,345,880,005.67</b>	<b>34,501,601,982.41</b>	<b>33,549,169,796.66</b>	<b>25,494,913,969.49</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 46. Operating revenues and operating costs (continued)

Information of principal operations by region:

	2013		2012	
	Revenue	Operating costs	Revenue	Operating costs
North China	38,937,061,949.19	29,769,943,926.62	28,316,601,308.00	20,946,700,926.64
East China	2,960,427,870.13	2,743,376,932.12	2,902,902,907.90	2,841,958,572.14
Central China	589,950,110.77	515,412,874.88	1,532,977,176.07	1,077,842,564.59
South China	659,018,197.41	446,933,583.40	136,253,637.61	96,948,893.07
Northeast China	549,243,657.53	425,704,260.17	529,705,034.76	425,644,518.66
Southwest China	494,847,829.61	461,737,710.77	46,023,284.94	34,304,405.34
Northwest China	155,330,391.03	138,492,694.45	84,706,447.38	71,514,089.05
	<b>44,345,880,005.67</b>	<b>34,501,601,982.41</b>	<b>33,549,169,796.66</b>	<b>25,494,913,969.49</b>

Operating revenues from the top 5 customers for the year 2013 are as follows:

	Percentage of the operating revenue (%)	
	Amount	
Customer 1	2,892,244,002.89	6.46
Customer 2	1,510,267,974.00	3.37
Customer 3	1,399,569,901.01	3.12
Customer 4	568,056,917.82	1.27
Customer 5	380,266,933.87	0.85
	<b>6,750,405,729.59</b>	<b>15.07</b>

## Notes to Financial Statements

As at 31 December 2013

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

#### 46. Operating revenues and operating costs *(continued)*

Operating revenues from the top 5 customers for the year 2012 are as follows:

	Amount	Percentage of the operating revenue (%)
Customer 1	646,960,339.00	1.90
Customer 2	628,239,753.00	1.84
Customer 3	311,936,777.27	0.92
Customer 4	311,734,661.00	0.92
Customer 5	285,410,400.00	0.84
	<u>2,184,281,930.27</u>	<u>6.42</u>

Operating revenues are as follows:

	2013	2012
Sale of products	<b>16,701,119,795.42</b>	14,606,491,588.81
Bulk commodity trading	<b>8,853,914,815.49</b>	4,593,720,631.68
Sale of properties and land	<b>14,929,446,438.00</b>	10,915,924,393.00
Rental income	<b>1,060,265,597.75</b>	969,035,173.07
Including: rental income from investment properties	<b>945,144,272.95</b>	820,222,198.59
other rental income	<b>115,121,324.80</b>	148,812,974.48
Property management	<b>565,915,871.40</b>	498,491,826.03
Hotel management	<b>399,956,824.08</b>	403,465,966.60
Income from construction work	<b>1,443,431,165.53</b>	1,232,317,624.86
Treatment of solid waste	<b>417,925,862.00</b>	366,110,514.33
Rendering of services	<b>211,813,559.57</b>	210,191,114.11
Others	<b>205,969,332.65</b>	258,347,170.83
	<u><b>44,789,759,261.89</b></u>	<u>34,054,096,003.32</u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 47. Business Tax and surcharges

	2013	2012
Business tax	<b>935,586,974.36</b>	821,149,103.02
City maintenance and construction tax	<b>105,840,979.66</b>	89,664,743.86
Education surcharge	<b>71,921,463.53</b>	64,196,837.76
LAT	<b>465,017,248.63</b>	689,295,109.27
Others	<b>7,819,223.83</b>	10,795,480.37
	<b><u>1,586,185,890.01</u></b>	<u>1,675,101,274.28</u>

See Note III. Taxes for tax base.

#### 48. Selling expenses

	2013	2012
Remuneration of employees	<b>394,573,243.60</b>	335,424,324.83
Office expenses	<b>138,498,473.56</b>	193,001,146.18
Lease fee	<b>85,643,786.78</b>	77,117,082.53
Agency fee	<b>257,635,766.66</b>	135,096,795.72
Advertisement fee	<b>245,194,760.19</b>	204,110,229.22
Transportation and travelling expenses	<b>423,217,568.30</b>	388,746,980.62
Others	<b>21,468,735.94</b>	17,103,792.71
	<b><u>1,566,232,335.03</u></b>	<u>1,350,600,351.81</u>

## Notes to Financial Statements

As at 31 December 2013

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

#### 49. Administrative expenses

	2013	2012 (Restated)
Remuneration of employees	<b>1,233,243,467.31</b>	1,097,810,938.43
Office expenses	<b>467,697,693.22</b>	471,622,981.70
R&D expenses	<b>76,852,952.30</b>	63,170,191.15
Professional fees	<b>107,641,401.73</b>	83,150,005.88
Lease and utilities	<b>88,577,749.23</b>	73,697,214.84
Tax	<b>191,420,881.59</b>	154,971,310.13
Sewage and afforestation fees	<b>36,543,270.03</b>	28,290,853.74
Others	<b>609,345,118.11</b>	212,737,508.13
	<b>2,811,322,533.52</b>	2,185,451,004.00

The abovementioned administrative expenses included the auditor's remuneration for the audit of the annual report and review of the interim report of the Company and the audit of the annual reports of its subsidiaries of RMB12,200,000.00 (2012: RMB11,000,000).

#### 50. Finance costs

	2013	2012
Interest expenses	<b>1,603,426,213.27</b>	1,666,934,439.53
Including: Interests on bank loans and other loans		
which require to be fully repaid within 5 years	<b>1,603,426,213.27</b>	1,637,299,518.07
Other interest expenses	–	29,634,921.46
Less: Interest income (note 1)	<b>(71,236,919.34)</b>	(70,507,159.39)
Less: capitalised interest (Note 2)	<b>(567,926,056.58)</b>	(723,672,304.44)
Exchange gains and losses	<b>708,606.05</b>	1,165,125.32
Bank charges	<b>46,374,884.21</b>	24,466,462.39
Others	<b>6,150,532.68</b>	4,011,271.47
	<b>1,017,497,260.29</b>	902,397,834.88

Note 1: Interest income included the interests accrued on the loan to STAR-USG Building Materials Co., Ltd of RMB4,968,077.28. Please refer to note VI.5(4).

Note 2: The amount of capitalized interest has been included in the balances of construction in progress of RMB47,453,751.58 (Note V.15) and properties under development of RMB520,472,305.00 (Note V.8).

## Notes to Financial Statements

As at 31 December 2013

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

#### 51. Gains from changes in fair value

	2013	2012
Investment properties measured at fair value	<b>671,729,628.37</b>	936,201,275.04

#### 52. Investments losses

	2013	2012
Investment gains from holding available-for-sale financial assets during the period	<b>7,069.99</b>	–
Long-term equity investment losses measured under equity method	<b>(34,333,852.32)</b>	(32,989,386.38)
Investment income from disposal of available-for-sale financial assets	–	27,917.26
Loss from phased-acquisition	<b>(53,850.17)</b>	–
Investment losses from disposal of long-term equity investments	<b>(461,634.31)</b>	4,435,889.88
Investment income from disposal of subsidiaries	<b>96,195.04</b>	21,382,907.13
	<b>(34,746,071.77)</b>	(7,142,672.11)

In respect of the income from long-term equity investments measured under equity method, the top 5 investees in terms of the proportion of investment income/(losses) to the total profits are as follows:

Investees	2013	2012	Reasons for increase/decrease
STAR-USG Building Materials Co., Ltd	<b>(26,000,935.81)</b>	(33,475,728.35)	Changes in results
Zehnder (China) Indoor Climate Co., Ltd.	<b>(11,250,253.72)</b>	7,811,377.96	Changes in results
Krono (Beijing) Woods Co., Ltd.	<b>(7,923,222.78)</b>	(16,707,727.99)	Changes in results
Beijing Gaoqiang Concrete Co., Ltd.	<b>4,534,279.83</b>	6,239,481.41	Changes in results
Beijing Sinobaide Technology Co., Ltd	<b>2,469,261.87</b>	2,471,401.94	Changes in results

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2013. In 2013, there was no income arising from investment in listed equities within the Group's investment income (investment income for 2012: RMB27,917.26).



## Notes to Financial Statements

As at 31 December 2013

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

#### 53. Asset impairment losses

	2013	2012
Losses on bad debts	<b>49,641,209.85</b>	21,827,085.90
Losses on decline in value of inventory	<b>21,999,260.98</b>	6,038,430.30
Losses on impairment of fixed assets	<b>300,104,276.67</b>	8,513,438.89
Losses on impairment of intangible assets	–	11,340,399.11
Losses on impairment of construction in process	<b>1,054,783.21</b>	–
Losses on impairment of construction materials	<b>3,634,808.62</b>	–
Losses on impairment of goodwill	<b>4,489,333.27</b>	–
	<b>380,923,672.60</b>	47,719,354.20

#### 54. Non-operating income

	2013	2012
Gains from disposal of fixed assets	<b>66,816,837.93</b>	96,353,883.74
Gains from debt restructuring	<b>1,080,553.18</b>	30,115,945.05
Net gains from fines	<b>10,676,837.04</b>	9,503,304.50
Government grants	<b>614,990,132.10</b>	678,513,991.95
Unpayable amounts	<b>28,830,694.10</b>	94,447,128.88
Others	<b>45,452,231.87</b>	22,081,980.02
	<b>767,847,286.22</b>	931,016,234.14

Government grants credited to profit or loss for the current period are as follows:

	2013	2012	related to asset/income
Refunds of VAT	<b>465,126,313.53</b>	419,218,625.54	related to income
Revenue from relocation compensation	<b>11,786,610.60</b>	128,249,390.40	related to asset/income
Revenue from other subsidies	<b>138,077,207.97</b>	131,045,976.01	related to asset/income
	<b>614,990,132.10</b>	678,513,991.95	

## Notes to Financial Statements

As at 31 December 2013

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

#### 55. Non-operating expenses

	2013	2012
Loss from disposal of fixed assets	<b>20,305,299.15</b>	34,088,371.36
Abnormal losses	<b>238,364.12</b>	3,971,183.92
Donation	<b>876,423.30</b>	861,934.77
Expense on compensation, penalties and fines	<b>7,959,187.51</b>	10,189,658.90
Others	<b>9,441,892.00</b>	21,496,735.23
	<b>38,821,166.08</b>	70,607,884.18

#### 56. Income tax expenses

	2013	2012
Current income tax expenses	<b>289,862,275.49</b>	1,615,032,589.40
Deferred income tax expenses	<b>460,703,478.26</b>	(811,285,831.47)
	<b>750,565,753.75</b>	803,746,757.93

## Notes to Financial Statements

As at 31 December 2013

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

#### 56. Income tax expenses *(continued)*

A reconciliation of income tax expenses and total profit are listed as follows:

	2013	2012 (Restated)
Total profit	<b>3,993,723,722.63</b>	3,957,601,711.80
Income tax expenses calculated at statutory tax rate of 25% (Note 1)	<b>998,430,930.66</b>	989,400,427.95
Effect of different tax rates applicable to certain subsidiaries	<b>(18,194,466.43)</b>	(26,708,179.09)
Tax effect of share of profits and losses of jointly-controlled entities and associates	<b>8,583,463.08</b>	8,247,346.59
Income not subject to tax	<b>(2,760,076.38)</b>	(68,157,666.51)
Expenses not deductible for tax	<b>22,453,126.13</b>	36,719,128.84
Tax losses utilised from previous years	<b>(19,277,752.00)</b>	(200,694,648.15)
Adjustments in respect of current income tax of previous periods	<b>(387,934,090.44)</b>	2,659,087.80
Deductible loss not recognised (Note V.20)	<b>149,264,619.13</b>	62,281,260.50
	<b>750,565,753.75</b>	803,746,757.93

Note 1: Income tax of the Group shall be calculated based on the applicable tax rate and the estimated taxable income from Mainland China. Taxes of taxable income arising from other regions shall be calculated based on the applicable tax rate pursuant to the existing laws, interpretations, announcements and practices in the jurisdiction where the Group operates.

Note 2: As the government's preferential policies on relocation are applicable to the Group, income tax of RMB384,829,463.91 corresponding to the provisions made for relocation compensation income in previous years was reversed in accordance with the settlement results.

Note 3: The share of taxes attributable to jointly-controlled entities and associates for the year 2013 were RMB477,007.12 and RMB2,590,014.46 respectively (2012: RMB453,911.92 and RMB2,488,820.07 respectively).

## Notes to Financial Statements

As at 31 December 2013

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

#### 57. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of outstanding ordinary shares in issue. The number of newly-issued ordinary shares is calculated and determined from the date of consideration receivable in accordance with the specified terms of issuance agreement.

The calculation of basic earnings per share is as follows:

	2013	2012 (Restated)
<b>Earnings</b>		
Net profit for the period attributable to the ordinary shareholders of the Company	<u>3,215,183,494.65</u>	<u>2,968,713,628.74</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue of the Company	<u>4,283,737,060.00</u>	<u>4,283,737,060.00</u>

The Company did not have potentially dilutive ordinary shares.

## Notes to Financial Statements

As at 31 December 2013

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

#### 58. Other comprehensive income

	2013	2012 (Restated)
Other comprehensive income not reclassifiable into profit or loss in subsequent accounting periods		
Changes arising from re-measurement of net liabilities or net assets of defined benefit plans	<b>70,770,401.00</b>	23,307,647.00
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting periods		
Transferred out from disposal of available-for-sale financial assets	–	(98,275.00)
Less: Income tax effect transferred out from available-for-sale financial assets	–	24,568.75
Other comprehensive income generated from investment properties transferred from inventories/fix assets	<b>12,193,055.04</b>	156,132,302.22
Less: Income tax effect generated from investment properties transferred from inventories/fix assets	<b>(3,048,263.76)</b>	(39,033,075.55)
Exchange differences from translation of foreign statements	<b>(269.89)</b>	(8,840.64)
	<b>79,914,922.39</b>	140,324,326.78

## Notes to Financial Statements

As at 31 December 2013

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

#### 59. Notes to items of statement of cash flows

	2013	2012
Cash received from other operating activities		
Deposits and relevant amounts received	<b>330,040,881.73</b>	471,131,260.53
Compensation received	<b>106,273,000.00</b>	–
Others	<b>766,987,362.77</b>	71,411,395.61
	<b>1,203,301,244.50</b>	542,542,656.14
Cash paid relating to other operating activities		
Bidding deposits of land items and relevant amounts	<b>966,300,000.00</b>	71,000,000.00
Selling and administrative expenses paid	<b>2,540,738,479.25</b>	1,672,102,001.61
	<b>3,507,038,479.25</b>	1,743,102,001.61
Cash received from other investing activities		
Interests received from the joint venture STAR-USG Building Materials Co., Ltd.	<b>3,737,927.34</b>	4,993,601.29
Cash paid relating to other financing activities		
Consideration paid for acquisition of minority interests	<b>409,662,104.00</b>	–

## Notes to Financial Statements

As at 31 December 2013

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

#### 60. Supplemental information to statement of cash flows

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

Reconciliation of net profit to cash flows from operating activities:

	2013	2012 (Restated)
Net profit	3,243,157,968.88	3,153,854,953.87
Add: Provisions for assets impairment	380,923,672.60	47,719,354.20
Depreciation of fixed assets	1,081,226,011.71	1,001,797,862.69
Amortisation of intangible assets	94,962,645.80	69,047,255.35
Amortisation of long-term deferred expenses	45,550,521.34	35,708,317.86
Net gains from disposal of fixed assets, intangible assets and other long-term assets	(46,511,538.78)	(62,265,512.38)
Gains from changes in fair value	(671,729,628.37)	(936,201,275.04)
Finance expenses	1,036,208,762.74	939,881,196.13
Investment losses	34,746,071.77	7,142,672.11
Decrease/(Increase) in deferred income tax assets	36,887,834.87	(526,799,716.58)
Increase/(Decrease) in deferred income tax liabilities	423,815,643.39	(284,486,114.94)
Increase in inventories	(4,833,951,407.37)	(4,103,975,564.53)
Increase in operating receivables	(5,554,076,269.57)	(4,476,919,191.76)
Decrease in operating payables	4,168,952,350.20	9,446,254,511.35
Net cash flows from operating activities	<b>(559,837,360.79)</b>	4,310,758,748.33
Material financing activities not involving cash:		
Non-monetary capital injection of non-controlling shareholders (Note 1)	110,179,221.70	178,326,310.80
Unpaid payment for non-controlling interests (Note 2)	61,500,000.00	–
Non-monetary dividends to non-controlling shareholders (Note 3)	–	209,272,323.56
	<b>171,679,221.70</b>	387,598,634.36
Material investment activities not involving cash:		
Unpaid payment for acquisition of equity interest	22,550,000.00	–
Net movements in cash and cash equivalents:		
Balances of cash at end of the year	5,866,492,301.67	3,557,703,110.20
Less: Balances of cash at beginning of the year	(3,557,703,110.20)	(5,126,471,371.39)
Net increase/(decrease) in cash and cash equivalents	<b>2,308,789,191.47</b>	(1,568,768,261.19)

## Notes to Financial Statements

As at 31 December 2013

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

#### 60. Supplemental information to statement of cash flows *(continued)*

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

- Note 1: This refers to in specie capital contribution made by non-controlling shareholders.
- Note 2: The payment for acquisition of non-controlling interests in its subsidiary Boai BBMG Cement Co., Ltd. by the Company has not yet been paid.
- Note 3: There was no cash payment due to offset of dividends payable and other amounts due from non-controlling shareholders.

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

Information on acquisition of subsidiaries and other operating units

	2013	2012
Cash consideration paid for acquisition of subsidiaries and other operating units	<b>233,671,549.99</b>	—
Less: Cash and cash equivalents held by acquired subsidiaries and other operating units	<b>(241,262,070.07)</b>	—
Net cash received for acquisition of subsidiaries and other operating units	<b>(7,590,520.08)</b>	—
Net assets of acquirees	<b>285,104,684.52</b>	—
Current assets	<b>264,340,068.68</b>	—
Non-current assets	<b>31,440,972.39</b>	—
Current liabilities	<b>8,707,681.55</b>	—
Non-current liabilities	<b>1,968,675.00</b>	—



## Notes to Financial Statements

As at 31 December 2013

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

#### 60. Supplemental information to statement of cash flows *(continued)*

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

*Information on disposal of subsidiaries and other operating units*

	2013	2012
Price of disposal of subsidiaries and other operating units	<b>12,150,000.00</b>	26,354,438.59
Cash and cash equivalents received from disposal of subsidiaries and other operating units	<b>12,150,000.00</b>	8,194,200.00
Less: Cash and cash equivalents held by disposed subsidiaries and other operating units	<b>2,126.01</b>	315,270.66
Net cash received from disposal of subsidiaries and other operating units	<b>12,147,873.99</b>	7,878,929.34
Net assets of disposed subsidiaries	<b>12,053,804.96</b>	10,720,637.91
Current assets	<b>2,126.01</b>	20,958,630.78
Non-current assets	<b>12,053,109.45</b>	86,161,534.00
Current liabilities	<b>1,430.50</b>	96,399,526.87

##### (3) *Cash and cash equivalents*

	31 December 2013	31 December 2012
Cash	<b>5,866,492,301.67</b>	3,557,703,110.20
Including: Cash on hand	<b>2,565,131.39</b>	3,460,110.74
Bank deposits on demand	<b>5,846,424,598.28</b>	3,491,857,506.73
Other monetary fund on demand	<b>17,502,572.00</b>	62,385,492.73
Balance of cash and cash equivalents at end of the year	<b>5,866,492,301.67</b>	3,557,703,110.20

# Notes to Financial Statements

As at 31 December 2013

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent company

Type of company	Place of registration	Legal representative	Nature of Business	Registered capital RMB ten	Proportion of shareholding (%)	Proportion of votes (%)	Organization code	
BBMG Group	limited liability	Beijing	JiangWeiping	Operation and management of state-owned assets within the authorised scope; manufacture and sale of building materials, non-metallic minerals, furniture, construction hardware, etc.; comprehensive property development, etc.	255,449	43.07	43.07	10113006-6

BBMG Group is the parent and ultimate holding company of the Company.

### 2. Subsidiaries

For details on the subsidiaries, please refer to Note IV. Scope of Consolidated Financial Statements.

### 3. Jointly-controlled entities and associates

For details on the jointly-controlled entities and associates, please refer to Note V. 11.

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 4. Other related parties

Names of other related parties	Relationship with related parties	Code of organization
Beijing Building Materials Sales Center	Under common control of the parent company	10116478-4
BBMG Assets Operation and Management Co., Ltd	Under common control of the parent company	66840416-0
BBMG Jianmao Property Management Center	Under common control of the parent company	10161139-6
Zhuhai Jinyu Yale Property Management Co., Ltd.	Under common control of the parent company	19252930-3
Beijing Fumin House Co., Ltd.	Under common control of the parent company	10219626-X
Beijing Jiaye Xincheng Labor Force-dispatching Co., Ltd.	Under common control of the parent company	68289927-8
Beijing Xisha Assets Management Co., Ltd.	Under common control of the parent company	10189622-1
Beijing Building Materials Group Corporation Industrial & Commerce Development Co., Ltd.	Under common control of the parent company	10121880-X
Beijing Guanghua Woodworking Factory	Under common control of the parent company	10110042-2
Beijing Doors and Windows Co., Ltd.	Under common control of the parent company	10110161-X
Beijing Longfengshan Sands and Stone Factory	Under common control of the parent company	10262614-3
Beijing Hazardous Waste Materials Treatment Centre	Under common control of the parent company	70012505-8
Beijing No. 54 Occupational Skill Testing Institution	Under common control of the parent company	40071158-1
Handan Hanni Building Materials Co., Ltd.	Under common control of the parent company	67469504-8
BBMG Properties Limited	Under common control of the parent company	67425108-4
BBMG Sports Culture Co., Ltd.	Under common control of the parent company	67962969-9
Beijing Jinyu Scien-tech School	Under common control of the parent company	40070953-7
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Under common control of the parent company	40070955-3
Beijing Dacheng Real Estate Development Co., Ltd.	Under common control of the parent company	10139366-7
Beijing Dacheng Anjia Property Management Center	Under common control of the parent company	79671299-3
Beijing Chengrong Real Estate Development Co., Ltd.	Under common control of the parent company	60001883-7
Beijing Cement Quality Supervision & Test Station	Under common control of the parent company	40071024-7
Beijing Research Institute of Wood Industry	Under common control of the parent company	40070951-0

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties

##### (1) Transactions concerning goods and services with related parties

Type of goods or services	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Purchase of goods and receipt of services from related parties</b>				
<b>Transactions with jointly-controlled entities and associates</b>				
Beijing Dynea Chemical Industry Co., Ltd. Purchase of raw materials	109,100.00	0.00	51,100.00	0.00
STAR-USG Building Materials Co., Ltd. Purchase of raw materials	2,182,872.34	0.01	124,543.86	0.00
Krono (Beijing) Woods Co., Ltd. Purchase of raw materials	47,699,222.83	0.14	5,395,136.20	0.02
Beijing Sinobaide Technology Co., Ltd. Purchase of raw materials	13,241,121.54	0.04	2,431,638.00	0.01
Zehnder (China) Indoor Climate Co., Ltd. Purchase of raw materials	2,342,411.40	0.01	197,150.20	0.00
	<b>65,574,728.11</b>	<b>0.20</b>	<b>8,199,568.26</b>	<b>0.03</b>

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2013		2012	
		Amount	Percentage (%)	Amount	Percentage (%)
<b>Purchase of goods and receipt of services from related parties <i>(continued)</i></b>					
<b>Transactions with other related parties</b>					
Beijing Building Materials Sales Center	Purchase of raw materials	739,476.62	0.00	601,418.28	0.00
Beijing Doors and Windows Co., Ltd.	Payment of relocation fee	416,009.10	0.00	127,822,400.00	0.50
Beijing Doors and Windows Co., Ltd.	Receipt of services	-	-	713,681.50	0.00
Beijing Doors and Windows Co., Ltd.	Purchase of raw materials	-	-	54,361.80	0.00
Beijing Jinyu Scien-tech School	Receipt of services	271,346.71	-	3,400.00	0.00
BBMG Assets Operation and Management Co., Ltd.	Purchase of raw materials	2,292,038.00	0.01	520,030.35	0.00
BBMG Assets Operation and Management Co., Ltd.	Receipt of services	802,846.25	0.00	-	-
Beijing Building Materials Boiler and Pressure Vessel Supervision and Inspection Institution	Receipt of services	96,750.00	0.00	228,841.00	0.00
Beijing Building Materials Industry Metrological Supervision Institute	Receipt of services	14,438.00	0.00	35,177.00	0.00
Beijing Longfengshan Sands and Stone Factory	Receipt of services	1,568,827.43	0.00	325,000.00	0.00
Beijing Jiaye Xincheng Labor Force-dispatching Co., Ltd.	Receipt of services	32,400.00	0.00	614,028.10	0.00
Beijing Building Materials Boiler Installation Co., Ltd.	Receipt of services	-	-	100,000.00	0.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Receipt of services	1,500.00	0.00	11,990.00	0.00
Beijing Dongjiao Woodworking Factory	Receipt of services	-	-	87,772.14	0.00
Beijing Building Materials Group Corporation Industrial & Commerce Development Co., Ltd.	Receipt of services	-	-	57,949.85	0.00
Beijing Xisha Assets Management Co., Ltd.	Payment of relocation fee	-	-	80,494,900.00	0.31
Beijing Xisha Assets Management Co., Ltd.	Receipt of services	-	-	390,621.24	0.00
		<b>6,235,632.11</b>	<b>0.01</b>	<b>212,061,571.26</b>	<b>0.81</b>
		<b>71,810,360.22</b>	<b>0.21</b>	<b>220,261,139.52</b>	<b>0.84</b>

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2013		2012	
		Amount	Percentage (%)	Amount	Percentage (%)
<b>Sale of goods and render of services to related parties</b>					
BBMG Group	Render of services	20,020,140.78	0.04	4,238,656.00	0.01
BBMG Group	Primary land development	-	-	43,945,044.13	0.13
BBMG Group	Sale of goods	2,393.16	0.00	7,264.96	0.00
		<u>20,022,533.94</u>	<u>0.04</u>	<u>48,190,965.09</u>	<u>0.14</u>
<b>Transactions with jointly-controlled entities and associates</b>					
Krono (Beijing) Woods Co., Ltd.	Sale of goods	41,186,257.82	0.09	5,067,721.30	0.01
Beijing Dynea Chemical Industry Co., Ltd.	Sale of goods	584,059.11	0.00	737,459.47	0.00
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	351,059.26	0.00	220,099.10	0.00
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	72,399,960.17	0.16	106,211,817.87	0.31
STAR-USG Building Materials Co., Ltd.	Sale of goods	2,370,909.39	0.01	-	-
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	15,342,881.68	0.03	14,721,417.18	0.04
		<u>132,235,127.43</u>	<u>0.29</u>	<u>126,958,514.92</u>	<u>0.36</u>

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2013		2012	
		Amount	Percentage (%)	Amount	Percentage (%)
<b>Sale of goods and render of services to related parties <i>(continued)</i></b>					
<b>Transactions with other related parties</b>					
Handan Hanni Building Materials Co., Ltd.	Sale of goods	740,552.57	0.00	353,859.43	0.00
BBMG Properties Limited	Render of services	380,000.00	0.00	846,965.00	0.00
Beijing Building Materials Sales Center	Render of services	256,410.26	0.00	-	-
BBMG Sports Culture Co., Ltd.	Render of services	202,000.00	0.00	1,650,000.00	0.00
BBMG Sports Culture Co., Ltd.	Sale of goods	121,270.62	0.00	-	-
BBMG Assets Operation and Management Co., Ltd.	Render of services	-	-	46,847.00	0.00
BBMG Assets Operation and Management Co., Ltd.	Sale of goods	-	-	786,286.61	0.00
Beijing Hazardous Waste Materials Treatment Centre	Render of services	-	-	36,997.00	0.00
Beijing Quality Inspection & Supervision station of Wood Furniture	Render of services	-	-	150,000.00	0.00
Beijing Chengrong Real Estate Development Co., Ltd.	Render of services	-	-	233,964.00	0.00
Beijing Jinyu Scien-tech School	Render of services	50,000.00	0.00	50,000.00	0.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Render of services	87,775.00	0.00	296,508.00	0.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Sale of goods	75,897.44	0.00	11,435.90	0.00
Beijing Dacheng Real Estate Development Co., Ltd.	Render of services	901,266.60	0.00	636,717.32	0.00
Beijing Guanghua Woodworking Factory	Render of services	2,428,509.43	0.01	160,000.00	0.00
Beijing Xisha Assets Management Co., Ltd.	Render of services	30,000.00	0.00	36,000.00	0.00
Beijing Xisha Assets Management Co., Ltd.	Sale of properties	62,104,400.00	0.14	90,383,700.00	0.27
Beijing Doors and Windows Co., Ltd.	Sale of properties	174,137,400.00	0.39	-	-
		<b>241,515,481.92</b>	<b>0.54</b>	<b>95,679,280.26</b>	<b>0.27</b>
		<b>393,773,143.29</b>	<b>0.87</b>	<b>270,828,760.27</b>	<b>0.77</b>

Purchase or sale of goods and receipt or render of services from/to related parties by the Group are carried out according to the terms of the agreements entered into between the Group and related parties. The agreed price is market price.

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (2) Leases with related parties

*Lease out assets to related parties*

Name of the lessee	Category of leased assets	Starting date	Termination date	Rental income recognized in 2013	Rental income recognized in 2012
STAR-USG Building Materials Co., Ltd	Building	1 August 2009	30 September 2030	10,251,845.59	15,477,296.65
STAR-USG Building Materials Co., Ltd	Building	1 July 2010	30 June 2029	1,287,592.00	1,287,592.00
Krono (Beijing) Woods Co., Ltd.	Building	1 January 2013	31 December 2013	4,237,202.14	6,536,481.63
Beijing Dynea Chemical Industry Co., Ltd.	Building	1 January 2013	31 December 2013	84,273.19	73,851.49
OCV Reinforcements (Beijing) Co., Ltd.	Plant	1 August 2012	30 July 2013	606,000.00	587,030.02
OCV Reinforcements (Beijing) Co., Ltd.	Plant	1 January 2012	31 December 2013	726,915.75	969,221.00
Beijing Sinobaide Technology Co., Ltd.	Building	1 March 2012	28 February 2014	390,709.68	651,182.80
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Building	1 January 2013	31 December 2013	224,500.00	108,554.00
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Building	1 January 2012	31 May 2013	3,383,615.88	2,794,302.75
Beijing Dacheng Real Estate Development Co., Ltd.	Building	1 July 2012	30 September 2013	4,138,662.96	2,865,228.12
				<b>25,331,317.19</b>	<b>31,350,740.46</b>



## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (2) *Leases with related parties (continued)*

*Lease of assets from related parties*

Name of the lessor	Category of leased assets	Starting date	Termination date	Rental expenses recognized in 2013	Rental expenses recognized in 2012
Beijing Longfengshan Sands and Stone Factory	Premise	1 January 2013	31 December 2013	810,000.00	324,576.00
Beijing Xisha Assets Management Co., Ltd.	Building	1 January 2009	31 December 2013	2,896,000.00	2,931,500.00
BBMG Assets Operation and Management Co., Ltd.	Land	1 January 2010	31 December 2029	400,000.00	400,000.00
				<b>4,106,000.00</b>	<b>3,656,076.00</b>

The rentals from the assets leased out to or leased from related parties by the Group are based on the terms of the agreements entered into between the Group and related parties by making reference to market prices.

# Notes to Financial Statements

As at 31 December 2013

## VI. 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*

2013

Guarantor	Guaranteed party	Amount			Completion of performance of guarantee or not
		guaranteed	Starting date	Maturity date	
BBMG Group	Beijing BBMG Business and Trading Co., Ltd	20,000,000.00	15 March 2012	14 March 2013	Yes
BBMG Group	Tianjin BBMG Concrete Co., Ltd.	30,000,000.00	2 November 2012	1 November 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,600,000.00	22 December 2009	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	7,200,000.00	22 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,400,000.00	29 December 2009	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	10,800,000.00	29 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,000,000.00	1 February 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	18,000,000.00	1 February 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	28,800,000.00	16 August 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	57,600,000.00	16 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,700,000.00	20 August 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	11,400,000.00	20 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,600,000.00	13 October 2010	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	19,200,000.00	13 October 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,900,000.00	2 March 2011	22 December 2013	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	7,800,000.00	2 March 2011	22 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	350,000,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	40,000,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	10,000,000.00	2 March 2011	25 December 2015	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	420,000,000.00	27 June 2013	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	200,000,000.00	18 October 2013	26 June 2016	No
		<b>1,268,000,000.00</b>			

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (3) Guarantees received from/provided to related parties *(continued)*

*Guarantees received from related parties (continued)*

2012

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
BBMG Group	Tianjin BBMG Concrete Co., Ltd.	30,000,000.00	2 November 2012	1 November 2013	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	10,800,000.00	22 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	16,200,000.00	29 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	27,000,000.00	1 February 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	86,400,000.00	16 August 2010	22 December 2015	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	17,100,000.00	20 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	28,800,000.00	13 October 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	11,700,000.00	2 March 2011	22 December 2015	No
BBMG Group	Quyuan Jinyu Cement Co., Ltd.	350,000,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyuan Jinyu Cement Co., Ltd.	40,000,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyuan Jinyu Cement Co., Ltd.	10,000,000.00	2 March 2011	25 December 2015	No
BBMG Group	Beijing BBMG Business and Development Co., Ltd.	20,000,000.00	15 March 2012	14 March 2013	No
BBMG Group	BBMG Jiaye Real Estate Development Co., Ltd.	150,000,000.00	21 May 2012	21 May 2014	No
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	4,890,000.00	28 March 2011	27 March 2012	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	7,580,000.00	27 May 2011	26 May 2012	Yes
		<u>810,470,000.00</u>			

The above related parties provided guarantees in respect of borrowings for the Group with nil consideration.

##### *Guarantees provided to related parties*

On 31 December 2013, investment properties of BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Group, were pledged as guarantee for the debts of RMB800,000,000.00 (31 December 2012: RMB800,000,000.00) of BBMG Group. The starting date of the guarantee is 8 May 2009 and the maturity date of the guarantee is 23 May 2017.

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (4) Borrowing from/lending to related parties

*Lending*

2012

	Note	Commencement		
		Amount	date	Maturity date
STAR-USG Building Materials Co., Ltd.	(5)a	25,158,400.00	April 2012	No fixed date

*Borrowings*

2013

	Note	Commencement		
		Amount	date	Maturity date
BBMG Group	(5)b	500,000,000.00	January 2013	October 2013
BBMG Group	(5)b	500,000,000.00	April 2013	April 2014
BBMG Group	(5)b	170,000,000.00	April 2013	April 2014
BBMG Group	(5)b	300,000,000.00	May 2013	May 2014
BBMG Group	(5)b	400,000,000.00	May 2013	May 2014
BBMG Group	(5)b	100,000,000.00	August 2013	August 2014
BBMG Group	(5)b	150,000,000.00	August 2013	August 2014
BBMG Group	(5)b	500,000,000.00	October 2013	October 2014
BBMG Group	(5)b	500,000,000.00	October 2013	October 2014
BBMG Group	(5)b	500,000,000.00	October 2013	October 2014
BBMG Group	(5)b	500,000,000.00	October 2013	October 2014
BBMG Group	(5)b	26,000,000.00	December 2013	December 2014

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (4) Borrowing from/lending to related parties *(continued)*

*Borrowings (continued)*

2012

	Note	Amount	Commencement date	Maturity date
BBMG Group	(5)b	500,000,000.00	April 2012	April 2013
BBMG Group	(5)b	300,000,000.00	May 2012	May 2013
BBMG Group	(5)b	400,000,000.00	May 2012	May 2013
BBMG Group	(5)b	500,000,000.00	October 2012	October 2013
BBMG Group	(5)b	500,000,000.00	October 2012	October 2013
BBMG Group	(5)b	500,000,000.00	October 2012	October 2013
BBMG Group	(5)b	150,000,000.00	August 2012	August 2013

Note (5)a: During the term of borrowing, with respect to the short-term borrowings provided by the Company to STAR-USG Building Materials Co., Ltd., the rate was in line with the benchmark 1-year lending rate issued by People's Bank of China in the corresponding period. The interest income recognized in the year was RMB4,968,077.28 (2012: RMB4,546,064.28)

Note (5)b: Through financial institutions, the Group obtained entrusted loans of RMB4,146,000,000.00 from BBMG Group, which was used for liquidity purposes. As at 31 December 2013, the balance of such loans was RMB3,646,000,000.00 (31 December 2012: RMB2,850,000,000.00). The interest rates of the aforesaid loans were in line with the benchmark rates issued by People's Bank of China on the drawdown date for such loan and its credit period for the corresponding ranking and period. In this year, the total interest expenses recognised for the loans were RMB214,791,444.52 (2012: RMB323,734,666.66).

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (4) *Borrowing from/lending to related parties (continued)*

Interest income from lending:

	2013	2012
STAR-USG Building Materials Co., Ltd.	<b>4,968,077.28</b>	4,546,064.28

Interest expenses from borrowing:

	2013	2012
BBMG Group	<b>214,791,444.52</b>	323,734,666.66

##### (5) *Transfer of assets between related parties*

Acquisition of equity interest

Item acquired		2013	2012
BBMG Group	66.67% of the equity interest in Hebei Taihang Huaxin Building Materials Co., Ltd.	<b>131,881,660.00</b>	–

The price for acquisition of equity interests is determined based on the valuation of the acquisition target on the acquisition benchmark date.

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Major transactions between the Group and related parties *(continued)*

##### (6) Remuneration for key management personnel

	2013	2012
Remuneration for key management personnel	<b>5,642,903.00</b>	4,461,000.00

Note: Apart from transactions with jointly-controlled entities and associates, other major transactions between the Group and its related parties constitute connected transactions and continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

#### 6. Balances of receivables due from related parties

	31 December 2013	31 December 2012
Trade receivables		
Due from associates		
Zehnder (China) Indoor Climate Co., Ltd.	–	64,000.00
Beijing Gaoqiang Concrete Co., Ltd.	<b>70,727,696.43</b>	73,856,015.93
	<b>70,727,696.43</b>	73,920,015.93
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd	<b>4,382,746.43</b>	5,539,099.16
Due from other related parties		
Beijing Dacheng Real Estate Development Co., Ltd	<b>7,274,660.10</b>	8,394,514.74
	<b>82,385,102.96</b>	87,853,629.83

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables due from related parties *(continued)*

	<b>31 December 2013</b>	31 December 2012
Advances to suppliers		
Prepayments to associates		
Zehnder (China) Indoor Climate Co., Ltd.	–	603,181.39
Krono (Beijing) Woods Co., Ltd.	–	10,500,000.00
	<u>–</u>	<u>11,103,181.39</u>
Advances to other related parties		
BBMG Assets Operation and Management Co., Ltd.	–	3,385.72
	<u>–</u>	<u>11,106,567.11</u>
Other receivables		
Due from associates		
Zehnder (China) Indoor Climate Co., Ltd.	<b>2,871,971.22</b>	2,881,471.22
Beijing Dynea Chemical Industry Co., Ltd.	–	272,502.28
Krono (Beijing) Woods Co., Ltd.	<b>13,620,915.91</b>	2,415,674.32
Krono (Beijing) Flooring Co., Ltd.	<b>200,000.00</b>	200,000.00
Beijing Sinobaide Technology Co., Ltd.	–	9,062.00
	<u><b>16,692,887.13</b></u>	<u>5,778,709.82</u>
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<u><b>86,808,579.96</b></u>	<u>84,974,879.61</u>
	<u><b>103,501,467.09</b></u>	<u>90,753,589.43</u>



## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Balances of receivables due from related parties *(continued)*

	31 December 2013	31 December 2012
Interest receivable		
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<b>2,641,275.74</b>	1,411,125.80
Dividend receivable		
Due from an associate		
Beijing Gaoqiang Concrete Co., Ltd.	–	1,215,425.00

#### 7. Balances of payables to related parties

	31 December 2013	31 December 2012
Accounts payable		
Due to the parent company		
BBMG Group	–	82,582,881.98
Due to associates		
Beijing Dynea Chemical Industry Co., Ltd.	–	1,275,125.22
Zehnder (China) Indoor Climate Co., Ltd.	<b>221,500.00</b>	221,500.00
Krono (Beijing) Woods Co., Ltd.	–	12,538,110.92
	<b>221,500.00</b>	14,034,736.14
Due to jointly-controlled entities		
STAR-USG Building Materials Co., Ltd.	<b>844,017.57</b>	3,889,760.55
BBMG Landao Commercial Operation Management Co., Ltd.	–	7,500.00
	<b>844,017.57</b>	3,897,260.55

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 7. Balances of payables to related parties *(continued)*

	31 December 2013	31 December 2012
Due to other related parties		
Beijing Building Materials Group Corporation Industrial & Commerce Development Co., Ltd.	–	410,595.11
Beijing Building Materials Sales Center	<b>826,666.03</b>	95,839.14
	<b>826,666.03</b>	506,434.25
	<b>1,892,183.60</b>	101,021,312.92
Advances from customers		
Advances received from other related parties		
Beijing Longfengshan Sands and Stone Factory	–	149,098.29
Beijing Xisha Assets Management Co., Ltd.	<b>163,339,100.00</b>	225,443,500.00
Beijing Doors and Windows Co., Ltd.	–	174,137,400.00
BBMG Assets Operation and Management Co., Ltd.	–	238,567.00
Beijing Xinshan Mineral Industry Co., Ltd.	–	–
Beijing Building Materials Sales Center	–	420.00
	<b>163,339,100.00</b>	399,968,985.29
Advances received from a jointly-controlled entity		
BBMG Zhaode Property Development Co., Ltd.	–	70,880,444.53
	<b>163,339,100.00</b>	470,849,429.82

## Notes to Financial Statements

As at 31 December 2013

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 7. Balances of payables to related parties *(continued)*

	<b>31 December 2013</b>	31 December 2012
Other payables		
Due to the parent company BBMG Group	<b><u>12,106,943.79</u></b>	<u>197,051,945.35</u>
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	<b>143,290.11</b>	380,500.00
OCV Reinforcements (Beijing) Co., Ltd.	<b><u>159,200.00</u></b>	<u>159,200.00</u>
	<b><u>302,490.11</u></b>	<u>539,700.00</u>
Due to a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<b><u>223,451.38</u></b>	<u>229,298.86</u>
	<b><u>12,632,885.28</u></b>	<u>197,820,944.21</u>
Short-term borrowings		
BBMG Group	<b><u>3,646,000,000.00</u></b>	<u>2,850,000,000.00</u>

Except for the balances due from STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司) included in other receivables and the entrusted loans obtained from BBMG Group, which are interest-bearing, other amounts due from/to related parties are interest-free, unsecured and have no fixed terms of repayment.

## Notes to Financial Statements

As at 31 December 2013

### VII. CONTINGENCIES

	Note	31 December 2013	31 December 2012
Providing guarantee for related parties	Note 1	800,000,000.00	800,000,000.00
Providing guarantee for third parties	Note 2	4,301,550,334.04	3,885,136,892.77
		<b>5,101,550,334.04</b>	4,685,136,892.77

Note 1: BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Group, provided a guarantee for BBMG Group. See Note VI.5.(3).

Note 2: Some of the Group's customers purchased the commodity houses developed by the Group by way of mortgages (mortgage loans) provided by the banks. According to the requirements of personal housing mortgage loans, the Group provided joint and several liability guarantees by phases for the mortgage loans provided by the banks to the purchasers. These guarantees will be released upon obtaining building ownership certificates and completion of formalities of housing mortgage registration by the home buyers. The Directors are of the view that, should there be any defaults in repayment, the net realisable values of the said properties are still sufficient to repay the unsettled mortgage principals and the interests and penalties accrued. Therefore, no provision has been made for the guarantees in the financial statements.

### VIII. COMMITMENTS

	31 December 2013	31 December 2012
Acquisition or construction of fixed assets which are contracted but not completed	163,519,660.43	600,880,577.76
Property development contracts which are contracted and being executed or will be executed	5,767,254,870.36	5,386,341,877.26
Equity investment contracts which are contracted and being executed	—	216,500,000.00
	<b>5,930,774,530.79</b>	6,203,722,455.02

The significant commitments made by the Group as at 31 December 2012 have been duly performed as previously undertaken.

## Notes to Financial Statements

As at 31 December 2013

### IX. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 23 January 2014, the Company issued short-term financing bonds of RMB2.6 billion bearing an interest rate of 6.50%.

As approved by the China Securities Regulatory Commission, the Company issued 448,028,673 and 52,874,551 ordinary A-shares in a private issuance to BBCM Group and Beijing Jingguofa Equity Investment Fund (Limited Partnership) 北京京國發股權投資基金(有限合夥) respectively at a price of RMB5.58 per share on 27 March 2014, raising a total of RMB2,795,039,989.92 with a lock-up period of 36 months. After the issuance, the total share capital of the Company increased to 4,784,640,284 shares.

On 28 March 2014, the Board of Directors of the Company considered and approved the 2013 profit distribution plan to declare a cash dividend of RMB0.78 (tax inclusive) for every 10 shares, based on the total share capital of 4,784,640,284 shares as at 28 March 2014, with total dividend distribution amounting to RMB373,201,942.15. The above plan has to be submitted to the general meeting of the Company for consideration.

### X. OTHER SIGNIFICANT MATTERS

#### 1. Lease

##### *As lessor*

Significant operating leases: according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable operating leases are as follows:

	<b>31 December 2013</b>	31 December 2012
Within 1 year (inclusive of 1 year)	<b>685,541,608.52</b>	640,098,815.99
1 to 2 years (inclusive of 2 years)	<b>495,736,089.68</b>	435,162,423.70
2 to 3 years (inclusive of 3 years)	<b>308,169,288.70</b>	242,725,998.55
Over 3 years	<b>543,936,916.83</b>	643,497,777.35
	<b><u>2,033,383,903.73</u></b>	<u>1,961,485,015.59</u>

Please refer to Note V.13 and 14 for details of investment properties and fixed assets leased under operating leases.

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 1. Lease *(continued)*

##### *As lessee*

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable operating leases are as follows:

	<b>31 December 2013</b>	31 December 2012
Within 1 year (inclusive of 1 year)	<b>75,336,684.16</b>	39,921,183.61
1 to 2 years (inclusive of 2 years)	<b>24,797,503.25</b>	25,508,664.68
2 to 3 years (inclusive of 3 years)	<b>18,194,683.88</b>	18,944,129.36
Over 3 years	<b>73,176,394.79</b>	87,012,067.66
	<b><u>191,505,266.08</u></b>	<u>171,386,045.31</u>

#### 2. Assets and liabilities measured at fair value

##### 2013

	Amount at beginning of the year	Profit or loss on changes of fair value for the current year	Accumulated fair values included in equity	Provision of impairment for the current year	Amount at end of the year
Investment properties	<b><u>12,840,400,000.00</u></b>	<b><u>671,729,628.37</u></b>	<b><u>264,241,107.60</u></b>	<b><u>-</u></b>	<b><u>13,545,900,000.00</u></b>

##### 2012

	Amount at beginning of the year	Profit or loss on changes of fair value for the current year	Accumulated fair values included in equity	Provision of impairment for the current year	Amount at end of the year
Available-for-sale financial assets	95,138.56	-	-	-	-
Investment properties	<u>11,599,000,000.00</u>	<u>936,201,275.04</u>	<u>252,048,052.56</u>	<u>-</u>	<u>12,840,400,000.00</u>
	<b><u>11,599,095,138.56</u></b>	<b><u>936,201,275.04</u></b>	<b><u>252,048,052.56</u></b>	<b><u>-</u></b>	<b><u>12,840,400,000.00</u></b>

# Notes to Financial Statements

As at 31 December 2013

## **X. OTHER SIGNIFICANT MATTERS** *(continued)*

### **3. Segment reporting**

#### *Operating segments*

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commerce and logistics segment engages in the manufacture and sale of building materials and furniture and commerce and logistics;
- (3) the property development segment engages in the development and sale of real estate; and
- (4) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and except for excluding overheads attributable to the head office, it is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the head office, because all such assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed by both parties to transactions with reference to the fair price adopted in the transactions with third parties.

# Notes to Financial Statements

As at 31 December 2013

## X. OTHER SIGNIFICANT MATTERS (continued)

### 3. Segment reporting (continued)

2013

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated corporate assets/ liabilities/ expenses	Elimination on consolidation	Total
Revenues from external transactions	13,327,116,610.44	14,507,928,613.56	14,978,779,846.59	1,975,934,191.30	-	-	44,789,759,261.89
Revenues from inter-segment transactions	22,826,428.40	286,739,594.83	-	55,091,152.13	-	(364,657,175.36)	-
	<u>13,349,943,038.84</u>	<u>14,794,668,208.39</u>	<u>14,978,779,846.59</u>	<u>2,031,025,343.43</u>	<u>-</u>	<u>(364,657,175.36)</u>	<u>44,789,759,261.89</u>
Gains/(losses) on investments							
in associates and joint ventures	4,534,279.83	(40,440,763.98)	-	1,572,631.83	-	-	(34,333,852.32)
Losses from impairment of assets	324,731,642.31	50,154,088.32	4,878,092.83	1,159,849.14	-	-	380,923,672.60
Depreciation and amortisation charges	949,492,973.90	106,269,808.47	8,496,829.00	133,747,576.50	23,731,990.98	-	1,221,739,178.85
Total profits	290,272,932.24	(43,282,894.98)	3,026,368,753.35	1,332,136,126.43	(617,882,305.85)	6,111,111.44	3,993,723,722.63
Income tax expense	201,087,712.17	(72,045,012.27)	772,962,797.28	(151,439,743.43)	-	-	750,565,753.75
Total assets	26,953,297,268.28	7,347,728,501.51	46,640,002,525.23	23,716,865,976.67	1,046,002,711.94	(6,864,347,364.74)	98,839,549,618.88
Total liabilities	13,513,654,404.62	3,444,506,813.84	38,982,641,695.29	8,775,645,236.78	11,089,680,924.84	(6,991,892,500.24)	68,814,236,575.13
<b>Other disclosure</b>							
Long-term equity investment							
in associates and joint ventures	27,561,913.48	313,330,696.26	-	4,907,182.99	-	-	345,799,792.73
Increase in other non-current assets (excluding long-term equity investments)	2,905,451,012.55	457,571,904.54	13,098,145.95	264,728,318.95	-	-	3,640,849,381.99



## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS (continued)

#### 3. Segment reporting (continued)

2012

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated corporate assets/ liabilities/ expenses	Elimination on consolidation	Total
Revenues from external transactions	11,662,344,179.50	9,557,119,100.30	11,006,341,023.75	1,828,291,699.77	-	-	34,054,096,003.32
Revenues from inter-segment transactions	9,230,558.34	488,293,436.84	-	97,087,019.87	-	(594,611,015.05)	-
	11,671,574,737.84	10,045,412,537.14	11,006,341,023.75	1,925,378,719.64	-	(594,611,015.05)	34,054,096,003.32
Gains/(losses) on investment							
in associate and joint ventures	6,239,481.41	(40,445,694.72)	-	1,216,826.94	-	-	(32,989,386.37)
Losses from impairment of assets	52,814,341.54	5,487,164.33	(2,858,555.44)	(7,723,596.23)	-	-	47,719,354.20
Depreciation and amortisation charges	861,290,813.61	102,152,427.39	7,916,287.70	77,025,881.04	58,168,026.16	-	1,106,553,435.90
Total profits	625,321,451.97	93,929,499.65	2,258,767,289.19	1,535,385,634.48	(562,962,176.46)	3,535,625.97	3,953,977,324.80
Income tax expense	187,535,597.01	48,887,646.80	586,960,733.43	(19,637,219.31)	-	-	803,746,757.93
Total assets	24,774,017,463.16	7,006,066,922.77	36,784,183,248.14	17,160,666,478.54	2,222,167,932.03	(4,785,298,414.30)	83,161,803,630.34
Total liabilities	12,805,332,632.87	3,566,863,982.34	32,205,497,477.73	7,847,581,691.93	6,675,698,867.92	(4,963,860,146.18)	58,137,114,506.61
Other disclosure							
Long-term equity investment							
in associates and joint ventures	24,657,633.65	368,733,392.60	10,000,000.00	4,551,378.08	-	-	407,942,404.33
Increase in other non-current assets (excluding long-term equity investments)	3,145,940,490.53	322,706,361.15	13,847,937.40	228,209,626.46	-	-	3,710,704,415.54

#### Other information

##### Information on products and labour services

Revenue by product/service is set out in Note V.46.

##### Geographic information

The major businesses and customers of the Group are located in PRC. The segment's revenue from external transactions and major non-current assets are also generated or located in PRC.

##### Information on our major customers

For In 2013, none of sales income arising from any single customer of the Group exceeds 10% of the Group's total revenues (2012: nil).

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Financial instruments and their risks

The Group's principal financial instruments comprise bank borrowings, other interest-bearing borrowings, bonds payable and cash and bank balances. The main purpose of these financial instruments is to raise capital for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

#### *Financial instruments by category*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	31 December 2013	31 December 2013	31 December 2012	31 December 2012
Financial assets	Loans and receivables	Available-for-sale financial assets	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	8,595,510,330.36	–	5,906,094,546.45	–
Bills receivable	1,373,660,444.38	–	1,028,662,688.14	–
Accounts receivable	5,005,865,494.62	–	3,991,796,374.16	–
Interests receivable	2,641,275.74	–	1,411,125.80	–
Dividends receivable	–	–	1,215,425.00	–
Other receivables	2,388,356,569.88	–	1,682,232,587.53	–
Available-for-sale financial assets	–	505,404,297.22	–	11,925,966.26
	<b>17,366,034,114.98</b>	<b>505,404,297.22</b>	<b>12,611,412,747.08</b>	<b>11,925,966.26</b>

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Financial instruments and their risks *(continued)*

##### *Financial instruments by category (continued)*

Financial liabilities	<b>31 December 2013</b> <b>Other financial</b> <b>liabilities</b>	31 December 2012 Other financial liabilities
Short-term loans	<b>13,516,500,000.00</b>	11,388,286,880.00
Bills payable	<b>506,106,696.49</b>	430,004,020.52
Accounts payable	<b>8,516,698,306.54</b>	6,569,201,907.77
Interest payable	<b>253,810,076.41</b>	155,274,711.13
Dividend payable	<b>45,192,199.03</b>	43,048,069.19
Other payables	<b>2,716,455,789.36</b>	2,440,181,102.76
Non-current liabilities due within one year	<b>3,199,218,336.70</b>	2,576,020,000.00
Long-term loans	<b>6,879,920,000.00</b>	4,757,051,545.34
Bonds payable	<b>6,305,600,000.00</b>	6,692,453,587.34
Short-term financing bonds payable	<b>3,000,000,000.00</b>	1,000,000,000.00
Long-term payables	<b>22,414,048.18</b>	–
	<b>44,961,915,452.71</b>	36,051,521,824.05

Credit risk is the risk of financial loss on one party of a financial instrument due to the failure of another party to meet its obligations.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available for sale financial assets, bills receivable and other receivables, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note VII.

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Financial instruments and their risks *(continued)*

##### *Financial instruments by category (continued)*

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over the balances of accounts receivable.

Please refer to Note V.5 and 6 for quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables.

As at 31 December 2013 and 31 December 2012 the aging analysis of financial assets which are not considered to be impaired is as follows:

##### 31 December 2013

	Total	Neither past due nor impaired	Past due		
			Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	4,652,785,767.52	2,270,867,474.92	1,740,272,017.92	306,172,607.74	335,473,666.94
Other receivables	2,360,089,550.69	2,360,089,550.69	-	-	-
Bills receivable	1,373,660,444.38	1,373,660,444.38	-	-	-
Interest receivable	2,641,275.74	2,641,275.74	-	-	-
Available for sale financial assets	505,404,297.22	505,404,297.22	-	-	-

##### 31 December 2012

	Total	Neither past due nor impaired	Past due		
			Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	3,698,332,200.12	1,779,459,575.20	850,473,265.61	434,217,175.82	634,182,183.49
Other receivables	1,634,474,003.90	1,634,474,003.90	-	-	-
Bills receivable	1,028,662,688.14	1,028,662,688.14	-	-	-
Interest receivable	1,411,125.80	1,411,125.80	-	-	-
Dividend receivable	1,215,425.00	1,215,425.00	-	-	-
Available-for-sale financial assets	11,925,966.26	11,925,966.26	-	-	-

## Notes to Financial Statements

As at 31 December 2013

### **X. OTHER SIGNIFICANT MATTERS** *(continued)*

#### **4. Financial instruments and their risks** *(continued)*

##### *Financial instruments by category* *(continued)*

As at 31 December 2013, the accounts receivable that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2013, the accounts receivable that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

##### **Liquidity risk**

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities.

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank borrowings, financial leasing, bonds payable and other interest-bearing borrowings. In addition, the Group also planned to raise fund by way of non-public issue, so as to fund its own operations and development.

The liquidity of the Group is primarily dependent on adequate cash inflows from operations to meet its debt obligations as they fall due and external financing to meet its committed future capital expenditure. With respect to future capital commitment and other funding requirements, the Company's credit facilities granted by domestic banks amounted to RMB26,130,000,000.00 as at 31 December 2013, of which RMB12,583,402,474.14 remained unutilised.

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Financial instruments and their risks *(continued)*

##### *Liquidity risk (continued)*

The table below summarises the maturity profile of financial liabilities based on the undiscounted contractual cash flows:

##### 31 December 2013

	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts payable	8,516,698,306.54	-	-	-	8,516,698,306.54
Interests payable	253,810,076.41	-	-	-	253,810,076.41
Dividends payable	45,192,199.03	-	-	-	45,192,199.03
Other payables	2,716,455,789.36	-	-	-	2,716,455,789.36
Bills payable	506,106,696.49	-	-	-	506,106,696.49
Bank borrowings	14,812,975,904.61	3,307,420,000.00	3,501,500,000.00	71,000,000.00	21,692,895,904.61
Bonds payable	5,457,880,000.00	3,138,400,000.00	204,000,000.00	3,791,000,000.00	12,591,280,000.00
	<u>32,309,118,972.44</u>	<u>6,445,820,000.00</u>	<u>3,705,500,000.00</u>	<u>3,862,000,000.00</u>	<u>46,322,438,972.44</u>

##### 31 December 2012

	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts payable	6,569,201,907.77	-	-	-	6,569,201,907.77
Interests payable	155,274,711.13	-	-	-	155,274,711.13
Dividends payable	43,048,069.19	-	-	-	43,048,069.19
Other payables	2,440,181,102.76	-	-	-	2,440,181,102.76
Bills payable	430,004,020.52	-	-	-	430,004,020.52
Bank borrowings	14,641,545,845.81	1,518,796,189.99	3,467,927,863.04	270,208,273.97	19,898,478,172.81
Bonds payable	1,381,480,000.00	2,233,480,000.00	3,051,400,000.00	2,234,000,000.00	8,900,360,000.00
	<u>25,660,735,657.18</u>	<u>3,752,276,189.99</u>	<u>6,519,327,863.04</u>	<u>2,504,208,273.97</u>	<u>38,436,547,984.18</u>

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Financial instruments and their risks *(continued)*

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. It mainly includes interest rate risk, currency risk and other price risk, such as price risk of equity instrument investment.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group manages its interest cost using a mix of fixed and variable rate debts.

The sensitivity analysis of interest rate risk reflected the impact on net profit (through the impact on floating rate borrowings) and shareholder's equity when a reasonably possible change in interest rates occurred, with all other variables held constant.

If interest rate had been increased or decreased by 1 percentage point and all other variables remained unchanged, the Group's total profit for the year 2013 and 2012 would decrease or increase by approximately RMB140,092,972.49 and RMB104,466,790.25 respectively, and except for retained earnings, it would have no impact on other constituents of the Group's consolidated equity.

##### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to currency risk mainly arises from certain financial assets and liabilities held by the Group that are principally denominated in United States dollars and Hong Kong dollars.

The table below demonstrates the sensitivity analysis of currency risk to a possible change in exchange rates of Renminbi against United States dollars or Hong Kong dollars, with all other variables held constant, with respect to the effects on total profit and shareholder's equity for the current period.

		<b>Total profit Increase/ (decrease)</b>	<b>Equity (Note) Increase/ (decrease)</b>
	<b>Percentage of appreciation</b>		
2013	USD\$ appreciation of 1%	(18,177.00)	–
2013	HK\$ appreciation of 1%	(39,625.20)	(13,038.28)
2012	USD\$ appreciation of 1%	(44,988.58)	–
2012	HK\$ appreciation of 1%	(105,682.87)	(13,011.29)

Note: Retained earnings excluded in equity.

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Financial instruments and their risks *(continued)*

##### *Fair value*

Set out below are carrying amount and fair value of each category of financial instruments of the Group other than the short-term financial instruments with minor differences between the carrying amount and fair value:

	Carrying amount		Fair value	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Financial assets</b>				
Available-for-sale financial assets	<b>505,404,297.22</b>	11,925,966.26	<b>505,404,297.22</b>	11,925,966.26
<b>Financial liabilities</b>				
Long-term loans	<b>6,879,920,000.00</b>	4,757,051,545.34	<b>6,879,920,000.00</b>	4,757,051,545.34
Bonds payable	<b>6,305,600,000.00</b>	6,692,453,587.34	<b>6,305,600,000.00</b>	6,692,453,587.34
Long-term payables	<b>22,414,048.18</b>	–	<b>22,414,048.18</b>	–
	<b>13,207,934,048.18</b>	11,449,505,132.68	<b>13,207,934,048.18</b>	11,449,505,132.68

The management has assessed the short-term financial assets and financial liabilities, such as cash and bank balances, bill receivable, accounts receivable, interests receivable, other receivables, bill payable, accounts payable, interests payable, other payables and similar instruments, and considers that their fair values approximate their carrying amounts due to the short maturity of these instruments.

The Group's finance team is led by the Finance Manager, and is responsible for formulating policies and procedures for the measurement of fair value 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 fair value of financial instruments and determines the main inputs applicable to the valuation. 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. The following methods and assumptions are used to estimate the fair value.

The fair values of long and short-term loans, bonds payable and similar instruments are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 31 December 2013, the Group's exposure to non-performance risk associated with the long-term and short-term borrowings is assessed as insignificant.



## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 4. Financial instruments and their risks *(continued)*

##### *Levels of fair value of financial instruments*

As at the balance sheet date, the assets or liabilities of the Group measured at or disclosed in fair value were all classified at level two of the fair value hierarchy.

##### *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 maximize shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may make adjustments to the distribution of profits to shareholders, return capital to shareholders or issue new shares. During 2013 and 2012, there was no change in the Group's capital management objectives, policies or procedures.

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the sum of adjusted capital and net debts. It is the Group's policy to maintain its leverage ratio between 80% and 90%. Net debts include bank borrowings, bonds payable and short-term financing bonds, while capital refers to equity capital. The Group's gearing ratios as at the balance sheet dates are as follows:

	2013	2012
Interest-bearing bank borrowings	<b>21,692,895,904.61</b>	18,721,358,425.34
Bonds payable	<b>8,205,828,475.57</b>	6,692,453,587.34
Short-term financing bonds	<b>3,000,000,000.00</b>	1,000,000,000.00
	<b>32,898,724,380.18</b>	26,413,812,012.68
Less: Cash and bank balances	<b>(8,595,510,330.36)</b>	(5,906,094,546.45)
Net debts	<b>24,303,214,049.82</b>	20,507,717,466.23
Ownership Interest	<b>30,025,313,043.75</b>	25,032,769,188.73
Leverage ratio	<b>80.94%</b>	81.92%

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 5. Comparative figures

As described in Note II.2, as a number of enterprise accounting standards were early adopted during the year, the accounting treatment for certain items and the amounts presented in the financial statements have been modified to comply with the new requirements. Accordingly, certain amounts in the previous year have been adjusted, and some comparative figures have been reclassified and restated to conform to requirements of the current year's presentation and accounting treatment.

#### 6. Supplemental information to the statement of financial position

Net current assets (consolidated)	31 December 2013	31 December 2012 (Restated)
Current assets	60,157,225,599.42	47,101,878,945.40
Less: current liabilities	(52,059,972,474.99)	(43,462,947,177.04)
Net current assets	8,097,253,124.43	3,638,931,768.36
Total assets less current liabilities (consolidated)	31 December 2013	31 December 2012 (Restated)
Total assets	98,839,549,618.88	83,161,803,630.34
Less: current liabilities	(52,059,972,474.99)	(43,462,947,177.04)
Total assets less current liabilities	46,779,577,143.89	39,698,856,453.30
Net current assets (the Company)	31 December 2013	31 December 2012 (Restated)
Current assets	22,753,783,943.93	17,229,335,327.59
Less: Current liabilities	(21,847,636,556.86)	(15,541,552,149.32)
Net current assets	906,147,387.07	1,687,783,178.27
Total assets less current liabilities (the Company)	31 December 2013	31 December 2012 (Restated)
Total assets	52,972,572,116.78	44,107,590,398.72
Less: current liabilities	(21,847,636,556.86)	(15,541,552,149.32)
Total assets less current liabilities	31,124,935,559.92	28,566,038,249.40

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 7. Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013	2012
Fees	<b>680,000.00</b>	471,763.00
Other emoluments:		
Salaries, allowances and benefits in kind	<b>2,329,571.84</b>	1,275,974.00
Performance related bonuses	<b>2,444,923.00</b>	2,607,966.00
Pension scheme contributions	<b>188,408.16</b>	105,297.00
	<b>5,642,903.00</b>	4,461,000.00

#### (1) *Independent non-executive directors*

The fees paid to independent non-executive directors for the year are as follows:

	2013	2012
Mr. Hu Zhaoguang	<b>150,000.00</b>	101,274.00
Mr. Zhang Chengfu	<b>150,000.00</b>	101,274.00
Mr. Xu Yongmo	<b>150,000.00</b>	101,274.00
Mr. Yip Wai Ming	<b>150,000.00</b>	101,274.00
	<b>600,000.00</b>	405,096.00

No other remuneration was payable to non-executive directors for the year (2012: Nil).

# Notes to Financial Statements

As at 31 December 2013

## X. OTHER SIGNIFICANT MATTERS *(continued)*

### 7. Directors' and Supervisors' Remuneration *(continued)*

#### (2) Executive directors, non-executive directors and supervisors

2013

	Fee	Salaries, allowances and non-cash benefits	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
Mr. Jiang Weiping	-	-	-	-	-
Mr. Jiang Deyi*	-	480,448.98	284,600.00	23,551.02	788,600.00
Mr. Shi Xijun	-	336,448.98	309,550.00	23,551.02	669,550.00
Mr. Zang Feng	-	336,448.98	279,550.00	23,551.02	639,550.00
Mr. Wang Hongjun	-	336,448.98	358,050.00	23,551.02	718,050.00
Mr. Wang Shizhong	-	336,448.98	389,550.00	23,551.02	749,550.00
	-	1,826,244.90	1,621,300.00	117,755.10	3,565,300.00
<b>Non-executive directors</b>					
Mr. Yu Shiliang	80,000.00	-	-	-	80,000.00
	80,000.00	-	-	-	80,000.00
<b>Supervisors</b>					
Mr. Hu Jingshan	-	50,000.00	-	-	50,000.00
Mr. Qian Xiaoqiang	-	50,000.00	-	-	50,000.00
Mr. Zhang Dengfeng	-	142,748.98	295,226.00	23,551.02	461,526.00
Mr. Zhang Yifeng	-	127,808.98	255,358.00	23,551.02	406,718.00
Mr. Wang Xin	-	132,768.98	273,039.00	23,551.02	429,359.00
	-	503,326.94	823,623.00	70,653.06	1,397,603.00
	80,000.00	2,329,571.84	2,444,923.00	188,408.16	5,042,903.00

\* Mr. Jiang Deyi is the President of the Company.

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 7. Directors' and Supervisors' Remuneration *(continued)*

##### (2) Executive directors, non-executive directors and supervisors *(continued)*

2012

	Fee	Salaries, allowances and non-cash benefits	Performance related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
Mr. Jiang Weiping	-	-	-	-	-
Mr. Jiang Deyi *	-	235,946.00	609,392.00	21,314.00	866,652.00
Mr. Shi Xijun	-	62,312.00	144,667.00	7,288.00	214,267.00
Mr. Zang Feng	-	35,289.00	86,900.00	5,466.00	127,655.00
Mr. Wang Hongjun	-	148,826.00	482,927.00	21,314.00	653,067.00
Mr. Wang Shizhong	-	148,386.00	507,154.00	21,314.00	676,854.00
Mr. Deng Guangjun	-	84,632.00	278,121.00	12,203.00	374,956.00
	-	715,391.00	2,109,161.00	88,899.00	2,913,451.00
<b>Non-executive director</b>					
Mr. Li Xinhua	66,667.00	-	-	-	66,667.00
	66,667.00	-	-	-	66,667.00
<b>Supervisors</b>					
Mr. Wang Xiaoqun	-	128,500.00	75,000.00	-	203,500.00
Mr. Sheng Guihua	-	49,500.00	16,700.00	-	66,200.00
Mr. Ma Weixin	-	41,667.00	-	-	41,667.00
Mr. Hu Jingshan	-	41,667.00	-	-	41,667.00
Mr. Zhang Jie	-	41,667.00	-	-	41,667.00
Mr. Wang Youbin	-	150,000.00	215,405.00	-	365,405.00
Mr. Zhang Dengfeng	-	37,954.00	71,950.00	5,466.00	115,370.00
Mr. Zhang Yifeng	-	33,944.00	60,850.00	5,466.00	100,260.00
Mr. Wang Xin	-	35,684.00	58,900.00	5,466.00	100,050.00
	-	560,583.00	498,805.00	16,398.00	1,075,786.00
	66,667.00	1,275,974.00	2,607,966.00	105,297.00	4,055,904.00

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 8. 5 highest paid employees

During the reporting year, 5 highest paid employees are all directors (2012: one director and four non-director employees), the remuneration details of whom are as follows:

	2013	2012
Labour, subsidies and non-cash interests value	<b>2,094,912.00</b>	1,651,858.41
Merit bonus	<b>2,666,559.80</b>	1,918,592.00
Pension scheme contributions	<b>94,204.08</b>	59,041.59
	<b>4,855,675.88</b>	3,629,492.00

The remuneration distribution of the non-director employees is as follows:

Number of employees

	2013	2012
Hong Kong dollar 0 -1,000,000	<b>0</b>	0
Hong Kong dollar 1,000,001-1,500,000	<b>5</b>	4
	<b>5</b>	4

## Notes to Financial Statements

As at 31 December 2013

### X. OTHER SIGNIFICANT MATTERS *(continued)*

#### 9. Supplement information on profit before tax

The Group's primary costs and expenses by nature are as follows:

	2013	2012
Consumption of materials	<b>7,587,555,398.01</b>	7,084,766,048.96
Procurement costs of tradable goods	<b>10,209,629,091.80</b>	5,452,256,284.75
Cost of sales of real estate	<b>9,664,835,758.83</b>	6,787,638,016.59
Employees' remuneration expenses	<b>2,700,894,339.62</b>	2,430,922,517.68
Depreciation expenses	<b>1,081,226,011.71</b>	1,001,797,862.69
Amortisation expenses	<b>140,513,167.14</b>	104,755,573.21
Maintenance expenses	<b>499,241,585.47</b>	243,390,946.90
Asset impairment loss	<b>380,923,672.60</b>	47,719,354.20
Total	<b>32,264,819,025.18</b>	23,153,246,604.98

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Other receivables

An aging analysis of other receivables is as follows:

	31 December 2013	31 December 2012
Within 1 year	<b>19,596,670,442.04</b>	14,827,697,064.41
1 to 2 years	<b>99,167,348.32</b>	-
2 to 3 years	-	30,380,000.00
4 to 5 years	<b>30,379,950.00</b>	1,563,990.61
Over 5 years	<b>11,318,416.10</b>	9,754,425.49
Provision for bad debt of other receivables	<b>19,737,536,156.46</b> <b>(31,698,203.12)</b>	14,869,395,480.51 (31,698,203.12)
	<b>19,705,837,953.34</b>	14,837,697,277.39

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 1. Other receivables (continued)

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

	2013	2012
Amount at beginning of the year	<b>31,698,203.12</b>	62,356,964.26
Reversal for the year	–	(30,658,761.14)
Amount at end of the year	<b>31,698,203.12</b>	31,698,203.12

	31 December 2013				31 December 2012			
	Gross carrying amount	Proportion (%)	Provision for bad debts amount	Provision proportion (%)	Gross carrying amount	Proportion (%)	Provision for bad debts amount	Provision proportion (%)
Individually significant and subject to separate provision	29,697,783.06	0.15	20,246,783.06	68.18	34,180,183.06	0.23	20,246,783.06	59.24
Subject to provision by groups:								
Within 1 year (inclusive of 1 year)	15,175,486.90	0.08	–	–	44,189,296.61	0.30	–	–
Over 5 years	9,754,425.49	0.05	9,754,425.49	100.00	9,754,425.49	0.06	9,754,425.49	100.00
	24,929,912.39	0.13	9,754,425.49		53,943,722.10	0.36	9,754,425.49	
Special credit characteristics group	19,681,147,301.06	99.71	–	–	14,779,510,415.40	99.40	–	–
Individually not significant but subject to separate provision for bad debt	1,761,159.95	0.01	1,696,994.57	96.36	1,761,159.95	0.01	1,696,994.57	96.36
	<b>19,737,536,156.46</b>	<b>100.00</b>	<b>31,698,203.12</b>		<b>14,869,395,480.51</b>	<b>100.00</b>	<b>31,698,203.12</b>	



## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 1. Other receivables (continued)

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

	Relationship with the Company	Amount	Age	Proportion in total other receivables (%)
Beijing Jinyu Jiaye Real Estate Development Co., Ltd.	Subsidiary	3,007,903,801.73	Within 1 year	15.24
Beijing BBMG Dacheng Property Development Co., Ltd.	Subsidiary	2,527,431,958.78	Within 1 year	12.81
BBMG (Hangzhou) Property Development Limited	Subsidiary	1,453,431,353.97	Within 1 year	7.36
BBMG (Tianjin) Property Development Limited	Subsidiary	1,278,426,491.30	Within 1 year	6.48
Beijing BBMG Chengyuan Property Development Co., Ltd.	Subsidiary	844,706,458.65	Within 1 year	4.28
		<u>9,111,900,064.43</u>		<u>46.17</u>

As at 31 December 2012, the top five other receivables were as follows:

	Relationship with the Company	Amount	Age	Proportion in total other receivables (%)
BBMG (Tianjin) Property Development Limited	Subsidiary	1,613,994,192.70	Within 1 year	10.88
BBMG (Hangzhou) Property Development Limited	Subsidiary	1,513,217,520.64	Within 1 year	10.20
Beijing Jinyu Jiaye Real Estate Development Co., Ltd.	Subsidiary	1,276,158,175.65	Within 1 year	8.60
Beijing BBMG Dacheng Property Development Co., Ltd.	Subsidiary	1,002,167,210.47	Within 1 year	6.75
Tangshan BBMG Julong Property Development Co., Ltd.	Subsidiary	697,425,064.60	Within 1 year	4.70
		<u>6,102,962,164.06</u>		<u>41.13</u>

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 1. Other receivables (continued)

Other receivables included the amounts due from the parent, subsidiaries, jointly-controlled entities and associates were as follows:

	31 December 2013	31 December 2012
Amounts due from subsidiaries	<b>19,581,494,955.14</b>	14,722,979,875.40
Amounts due from a jointly-controlled entity	<b>81,688,940.00</b>	81,688,940.00
Amounts due from associates	<b>2,871,971.22</b>	62,936.72
	<b>19,666,055,866.36</b>	14,804,731,752.12

The above other receivables due from related parties are unsecured and repayable on demand.

There were no other receivables due from shareholders holding 5% or more of the Company's voting rights (31 December 2012: nil).

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 2. Long-term equity investments

2013

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Cost method:							
Beijing Liulihe Cement Co., Ltd.	629,405,052.96	629,405,052.96	-	629,405,052.96	100.00	100.00	3,154,835.31
Beijing BBMG Concrete Co., Ltd.	359,235,910.27	359,235,910.27	-	359,235,910.27	100.00	100.00	1,119,326.00
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	1,093,444,400.00	1,093,444,400.00	-	1,093,444,400.00	51.00	51.00	-
Yangquan Tongda BBMG Refractory Materials Co., Ltd.	-	60,000,000.00	(60,000,000.00)	-	-	-	-
Luquan BBMG Dingxin Cement Co., Ltd.	1,454,400,000.00	1,454,400,000.00	-	1,454,400,000.00	100.00	100.00	15,265,973.36
Hebei Taihang Huaxin Building Materials Co., Ltd.	191,952,088.44	60,070,428.44	131,881,660.00	191,952,088.44	100.00	100.00	-
Zanhuang BBMG Cement Co., Ltd.	600,000,000.00	450,000,000.00	150,000,000.00	600,000,000.00	100.00	100.00	16,605,058.81
BBMG Cement Trading Co., Ltd.	50,000,000.00	50,000,000.00	-	50,000,000.00	100.00	100.00	-
Beijing BBMG Cement Energy Saving Technology Co., Ltd.	25,000,000.00	25,000,000.00	-	25,000,000.00	100.00	100.00	7,575,000.00
Zhangjiakou Jinyu Cement Co., Ltd.	318,071,805.81	286,161,805.81	31,910,000.00	318,071,805.81	100.00	100.00	3,526,500.00
Tianjin Zhenxing Cement Co., Ltd.	392,950,236.38	392,950,236.38	-	392,950,236.38	60.64	60.64	6,064,000.00
Quyuan Jinyu Cement Co., Ltd.	245,747,261.65	245,747,261.65	-	245,747,261.65	90.00	90.00	-
Siping BBMG Cement Co., Ltd.	156,000,000.00	156,000,000.00	-	156,000,000.00	52.00	52.00	30,680,000.00
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	202,047,000.00	102,047,000.00	100,000,000.00	202,047,000.00	97.80	97.80	4,696,007.41
Nanxian BBMG Cement Co., Ltd.	160,240,000.00	160,240,000.00	-	160,240,000.00	80.00	80.00	-
Qinyang BBMG Cement Co., Ltd.	144,145,100.00	144,145,100.00	-	144,145,100.00	86.60	86.60	-
Zhuolu Jinyu Cement Co., Ltd.	286,677,498.05	286,677,498.05	-	286,677,498.05	100.00	100.00	15,987,000.00
Beijing BBMG Tiantan Furniture Co., Ltd.	464,305,960.36	114,305,960.36	350,000,000.00	464,305,960.36	97.11	97.11	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.16	54,556,261.16	-	54,556,261.16	100.00	100.00	-
Tongda Refractory Technology Co., Ltd.	498,030,444.48	412,160,000.00	85,870,444.48	498,030,444.48	92.83	92.83	-
Beijing Jinyu Energy-Saving Technology Co., Ltd.	342,450,576.31	342,450,576.31	-	342,450,576.31	100.00	100.00	-
Beijing Jinyu Aerated Concrete Co., Ltd.	47,946,419.68	47,946,419.68	-	47,946,419.68	100.00	100.00	-
Beijing Xiang Brand Walling Materials Co., Ltd.	-	39,277,559.44	(39,277,559.44)	-	-	-	-
Beijing Xiliu Building Materials Co., Ltd.	-	100,693,940.92	(100,693,940.92)	-	-	-	-
Beijing Building Materials Academy Co., Ltd.	122,467,784.68	122,467,784.68	-	122,467,784.68	100.00	100.00	-

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

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

2013 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Cost method: (continued)							
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	24,821,267.11	39,277,559.44	64,098,826.55	100.00	100.00	1,599,000.00
Beijing Jiandu Design and Research Institute Co., Ltd.	9,405,299.48	9,405,299.48	-	9,405,299.48	100.00	100.00	1,948,639.23
BBMG (Dachang) New Building Materials Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100.00	100.00	-
Beijing Alavus Energy Saving Components Co., Ltd.	29,980,669.86	29,980,669.86	-	29,980,669.86	82.00	82.00	-
BBMG Jiaye Real Estate Development Co., Ltd.	1,665,138,411.45	1,665,138,411.45	-	1,665,138,411.45	100.00	100.00	347,901,766.26
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	123,580,431.35	123,580,431.35	-	123,580,431.35	100.00	100.00	-
BBMG Property Management Co., Ltd.	89,264,530.92	89,264,530.92	-	89,264,530.92	100.00	100.00	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	202,480,361.57	202,480,361.57	-	202,480,361.57	100.00	100.00	-
Beijing Jianji Assets Management Co., Ltd.	163,182,181.75	62,488,240.83	100,693,940.92	163,182,181.75	100.00	100.00	8,775,513.79
Beijing Jinhaiyan Assets Management Co., Ltd.	78,479,818.89	78,479,818.89	-	78,479,818.89	100.00	100.00	-
BBMG Property Operation Management Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100.00	100.00	-
Beijing BBMG Dacheng Property Development Co., Ltd.	1,594,735,641.87	1,594,735,641.87	-	1,594,735,641.87	100.00	100.00	257,196,000.00
Tianjin BBMG Concrete Co., Ltd.	347,454,707.80	247,454,707.80	100,000,000.00	347,454,707.80	88.79	88.79	15,303,583.53
Beijing Jinyu Pinggu Cement Co., Ltd.	150,000,000.00	150,000,000.00	-	150,000,000.00	100.00	100.00	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00	100.00	-
Lingchuan BBMG Cement Co., Ltd.	180,000,000.00	180,000,000.00	-	180,000,000.00	100.00	100.00	-
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100.00	100.00	1,455,500.00
Beijing BBMG Business and Trading Co., Ltd.	410,000,000.00	410,000,000.00	-	410,000,000.00	100.00	100.00	7,951,000.00
Beijing Jinhaiyan Property Management Co., Ltd.	5,633,292.75	4,133,292.75	1,500,000.00	5,633,292.75	100.00	100.00	-
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	473,509,857.53	-	473,509,857.53	100.00	100.00	29,426,500.00
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100.00	100.00	6,247,727.18
Beijing Lvduhangke Science and Technology Co., Ltd.	43,615,552.98	43,615,552.98	-	43,615,552.98	100.00	100.00	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	152,788,777.09	52,788,777.09	100,000,000.00	152,788,777.09	100.00	100.00	-
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100.00	100.00	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	-	815,331,413.51	100.00	100.00	40,014,000.00

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

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

2013 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Cost method: (continued)							
BBMG Hong Kong Limited.	37,137.91	37,137.91	-	37,137.91	100.00	100.00	-
Beijing Dacheng Property Management Co., Ltd.	11,198,711.92	11,198,711.92	-	11,198,711.92	100.00	100.00	-
Beijing Taihang Qianjing Cement Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67.00	67.00	13,400,000.00
Baoding BBMG Taihang Heji Cement Co., Ltd.	120,000,000.00	120,000,000.00	-	120,000,000.00	75.00	75.00	-
Handan BBMG Taihang Cement Co., Ltd.	719,986,626.30	719,986,626.30	-	719,986,626.30	94.67	94.67	44,597,355.72
Handan Shexian BBMG Cement Co., Ltd.	181,678,700.00	181,678,700.00	-	181,678,700.00	91.00	91.00	19,169,192.20
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95.70	95.70	4,491,501.39
BBMG Shunfa Lafarge Cement Co., Ltd.	110,681,119.42	110,681,119.42	-	110,681,119.42	70.00	70.00	-
Zuoquan BBMG Cement Co., Ltd.	215,300,000.00	215,300,000.00	-	215,300,000.00	100.00	100.00	-
Xuanhua BBMG Cement Co., Ltd.	3,250,000.00	3,250,000.00	-	3,250,000.00	65.00	65.00	-
BBMG Material Industrial (Shanghai) Co., Ltd.	40,800,000.00	40,800,000.00	-	40,800,000.00	51.00	51.00	-
BBMG Mortar Co., Ltd.	80,000,000.00	80,000,000.00	-	80,000,000.00	80.00	80.00	289,415.98
Guangjing Jinyu Cement Co., Ltd.	300,000,000.00	220,000,000.00	80,000,000.00	300,000,000.00	100.00	100.00	3,314,142.20
Chengde BBMG Cement Co., Ltd.	240,000,000.00	6,328,450.01	233,671,549.99	240,000,000.00	80.00	80.00	-
Fengfeng BBMG Concrete Co., Ltd.	30,000,000.00	-	30,000,000.00	30,000,000.00	100.00	100.00	5,062,500.00
Handan Danshan BBMG Concrete Co., Ltd.	27,600,000.00	-	27,600,000.00	27,600,000.00	92.00	92.00	-
Handan County BBMG Concrete Co., Ltd.	27,600,000.00	-	27,600,000.00	27,600,000.00	92.00	92.00	-
Weixian BBMG Concrete Co., Ltd.	9,200,000.00	-	9,200,000.00	9,200,000.00	92.00	92.00	-
Beijing Aerated Concrete Co., Ltd.	110,107,838.28	-	110,107,838.28	110,107,838.28	100.00	100.00	-
BBMG Finance Co., Ltd.	1,000,000,000.00	-	1,000,000,000.00	1,000,000,000.00	100.00	100.00	-
Beijing Dynea Chemical Industry Co., Ltd.	34,756,816.69	-	34,756,816.69	34,756,816.69	100.00	100.00	-
Bo'ai BBMG Cement Co., Ltd.	285,000,000.00	143,500,000.00	141,500,000.00	285,000,000.00	95.00	95.00	-
Total under cost method	19,331,849,869.79	16,646,251,560.35	2,685,598,309.44	19,331,849,869.79			912,817,038.37

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

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

2013 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Equity method:							
Joint ventures							
STAR-USG Building Materials Co., Ltd.	184,628,800.88	94,745,132.09	(26,000,935.81)	68,744,196.28	50.00	50.00	-
Associates							
Krono (Beijing) Flooring Co., Ltd.	36,736,395.34	-	-	-	30.00	30.00	-
Krono (Beijing) Woods Co., Ltd.	152,304,154.86	110,194,337.47	(7,923,222.78)	102,271,114.69	30.00	30.00	-
Zehnder (China) Indoor Climate Co., Ltd.	78,150,006.67	93,190,431.09	(11,250,253.73)	81,940,177.36	26.70	26.70	-
OCV Reinforcements (Beijing) Co., Ltd.	27,557,054.00	52,332,845.11	1,806,266.41	54,139,111.52	20.00	20.00	-
Beijing Gaoqiang Concrete Co., Ltd.	15,723,518.14	24,657,633.65	2,904,279.83	27,561,913.48	25.00	25.00	1,630,000.00
Beijing Dynea Chemical Industry Co., Ltd.	-	11,748,696.65	(11,748,696.65)	-	-	-	-
Total of associates	310,471,129.01	292,123,943.97	(26,211,626.92)	265,912,317.05			1,630,000.00
Total under equity method	495,099,929.89	386,869,076.06	(52,212,562.73)	334,656,513.33			1,630,000.00
	19,826,949,799.68	17,033,120,636.41	2,633,385,746.71	19,666,506,383.12			914,447,038.37

As at 31 December 2013, there was no listed investment in long-term equity investment.

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 3. Operating revenue and cost

Operating revenue is as follows:

	2013	2012
Revenue from principal operations	<b>686,809,589.79</b>	510,759,769.85
Revenue from other operations	<b>23,947,229.40</b>	2,461,890,193.56
	<b>710,756,819.19</b>	2,972,649,963.41

Operating cost is as follows:

	2013	2012
Cost of principal operations	<b>132,070,922.52</b>	75,341,507.58
Cost of other operations	–	1,164,289,926.29
	<b>132,070,922.52</b>	1,239,631,433.87

Information by products is as follows:

	2013		2012	
	Revenue	Cost	Revenue	Cost
Rental income	<b>686,809,589.79</b>	<b>132,070,922.52</b>	510,759,769.85	75,341,507.58
Disposal of investment property	–	–	2,418,625,604.00	1,164,075,356.41
Others	<b>23,947,229.40</b>	–	43,264,589.56	214,569.88
	<b>710,756,819.19</b>	<b>132,070,922.52</b>	2,972,649,963.41	1,239,631,433.87

All operating incomes are from North China Region.

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 3. Operating revenue and cost (continued)

Revenue from the five largest customers for 2013 is as follows:

	Amount	Percentage of revenue (%)
Customer 1	25,377,821.70	3.57
Customer 2	21,770,985.60	3.06
Customer 3	13,752,939.84	1.93
Customer 4	12,328,970.52	1.73
Customer 5	12,112,142.16	1.70
	<b>85,342,859.82</b>	<b>11.99</b>

Revenue from the five largest customers for 2012 is as follows:

	Amount	Percentage of revenue (%)
Customer 1	1,324,194,450.00	44.55
Customer 2	505,359,720.00	17.00
Customer 3	263,477,104.00	8.86
Customer 4	240,709,130.00	8.10
Customer 5	84,885,200.00	2.86
	<b>2,418,625,604.00</b>	<b>81.37</b>



## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 4. Investment income

	2013	2012
Income from long-term equity investments under cost method	<b>912,817,038.37</b>	1,118,663,856.36
Loss from long-term equity investments under equity method	<b>(38,375,746.03)</b>	(36,677,615.26)
Investment income from disposal of subsidiaries	<b>1,247,700.00</b>	–
	<b>875,688,992.34</b>	1,081,986,241.10

The investee with long-term equity investment income under cost method accounting for more than 5% of total profits:

Name of Investee	2013	2012	Reason for the change
BBMG Jiaye Real Estate Development Co., Ltd.	<b>347,901,766.26</b>	286,500,000.00	Fluctuation of results
Beijing BBMG Dacheng Property Development Co., Ltd.	<b>257,196,000.00</b>	265,691,000.00	Fluctuation of results
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	–	191,684,707.62	Fluctuation of results
	<b>605,097,766.26</b>	743,875,707.62	

Long-term equity investment income under equity method:

Name of Investee	2013	2012	Reason for the change
Beijing Gaoqiang Concrete Co., Ltd.	<b>4,534,279.83</b>	6,239,481.41	Fluctuation of results
OCV Reinforcements (Beijing) Co., Ltd.	<b>1,806,266.41</b>	(1,108,675.33)	Fluctuation of results
Beijing Dynea Chemical Industry Co., Ltd.	<b>458,120.04</b>	563,657.04	Fluctuation of results
Krono (Beijing) Woods Co., Ltd.	<b>(7,923,222.78)</b>	(16,707,727.99)	Fluctuation of results
Zehnder (China) Indoor Climate Co., Ltd.	<b>(11,250,253.72)</b>	7,811,377.96	Fluctuation of results
STAR-USG Building Materials Co., Ltd.	<b>(26,000,935.81)</b>	(33,475,728.35)	Fluctuation of results
	<b>(38,375,746.03)</b>	(36,677,615.26)	

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 5. Notes to items of statement of cash flows

	2013	2012
Cash received relating to other operating activities		
Cash received from subordinate units	<b>47,021,283,589.89</b>	38,179,879,279.00
Cash received from repayment of internal borrowings and interests among subsidiaries	<b>1,162,269,799.95</b>	1,339,182,627.77
Interests income	<b>193,418,716.03</b>	74,235,842.08
Current accounts	<b>774,609,199.37</b>	721,173,902.87
	<b>49,151,581,305.24</b>	40,314,471,651.72
Cash paid relating to other operating activities		
Cash expensed for subsidiaries	<b>8,246,913,316.36</b>	5,126,351,344.89
Cash paid to subordinate units	<b>40,398,184,359.99</b>	34,682,004,230.80
Inter-group current accounts	<b>1,864,725,141.93</b>	2,230,474,696.36
Expenses and costs of the headquarters	<b>141,701,330.00</b>	228,433,013.59
	<b>50,651,524,148.28</b>	42,267,263,285.64

## Notes to Financial Statements

As at 31 December 2013

### XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 6. Supplemental information to statement of cash flows

##### (1) Reconciliation of net profit to cash flows from operating activities:

	2013	2012 (Restated)
Net profit	1,302,867,276.09	2,398,875,233.56
Add: Provisions for assets impairment	–	(30,791,765.10)
Depreciation of fixed assets	61,947,691.49	58,168,026.16
Amortisation of intangible assets	14,747,421.36	18,007,281.18
Gain from disposal of fixed assets, intangible assets and other long-term assets	(57,598,004.43)	(473,057,920.89)
Gain from fair value change	(478,898,912.63)	(680,443,378.91)
Finance costs	1,412,068,748.10	1,034,307,851.91
Investment income	(875,688,992.34)	(1,081,986,241.10)
Increase/(decrease) in deferred income tax liabilities	119,724,728.16	(45,599,405.80)
Decrease in operating receivables	(2,768,212,844.52)	(3,561,241,130.11)
Increase in operating receivables	213,951,923.68	678,762,421.71
Net cash flow generated from operating activities	<u>(1,055,090,965.04)</u>	<u>(1,684,999,027.39)</u>

##### (2) Cash and cash equivalents

	31 December 2013	31 December 2012
Cash	1,868,279,405.71	998,549,054.78
Including: Cash on hand	95.81	1,014.54
Bank deposits on demand	<u>1,868,279,309.90</u>	<u>998,548,040.24</u>
Balance of cash and cash equivalents at end of the year	<u>1,868,279,405.71</u>	<u>998,549,054.78</u>

## Supplementary Information to Financial Statements

### I. NON-RECURRING PROFIT AND LOSS ITEMS

#### 1. Summary of non-recurring profit and loss items

	2013
Profit and loss from disposal of non-current assets	46,146,099.51
Government grants recognised through profit and loss for the period (excluding those closely related to the Company's normal business operations, in line with national policies and entitled continuously based on a fixed amount or quantity)	135,178,566.56
Capital occupancy fee from non-financial enterprises recognised through profit or loss for the period (Note V.50, Note 1)	4,968,077.28
Profit and loss from debt restructuring	(1,197,439.57)
Profit and loss from fair value change of investment properties measured subsequently at fair value	671,729,628.37
Other non-operating income and expenses other than the above items	68,721,888.83
Total non-recurring profit and loss	925,546,820.98
Impact on income tax	(231,386,705.25)
Impact on non-controlling interests	(33,171,799.14)
	<b>660,988,316.59</b>

The Group recognised non-recurring profit and loss items in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profit and Loss (CSRC Announcement [2008] No. 43).

## Supplementary Information to Financial Statements

### I. NON-RECURRING PROFIT AND LOSS ITEMS *(continued)*

#### 2. Supplemental information to non-recurring profit and loss

	2013
Non-recurring profit and loss in non-operating income:	
Gains from disposal of non-current assets	66,816,837.93
Gains from debt restructuring	1,080,553.18
Government grants	135,178,566.56
Others	84,959,763.01
	<b>288,035,720.68</b>
Non-recurring profit and loss in non-operating expenses:	
Losses from disposal of non-current assets	20,305,299.15
Among which: Losses from disposal of fixed assets	10,532,712.46
Losses from debt restructuring	2,277,992.75
External donations	876,423.30
Expenses for compensation, penalties and fines	7,959,187.51
Others	7,402,263.37
	<b>38,821,166.08</b>

### II. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2013

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	12.35	0.75	0.75
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	9.81	0.60	0.60

## Supplementary Information to Financial Statements

### II. RETURN ON NET ASSETS AND EARNINGS PER SHARE *(continued)*

2012 (Restated)

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	13.82	0.69	0.69
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	8.94	0.45	0.45

The Company did not have potentially dilutive ordinary shares.

### III. Analysis of changes in the data of financial statement items

- (1) As of 31 December 2013, the balance of cash and bank balance stood at RMB8,595,510,330.36, representing a 45.54% increase on a YOY basis. The increase was mainly due to the increase of borrowing, issuance of bonds and capital increase in cash received from non-controlling shareholders of subsidiaries.
- (2) As of 31 December 2013, the balance of bills receivable stood at RMB1,373,660,444.38, representing a 33.54% increase on a YOY basis. The increase was mainly due to increased settlement via bills by downstream customers, and decreased discounting via external banks by the Group.
- (3) As of 31 December 2013, the balance of accounts receivable stood at RMB5,005,865,494.62, representing a 25.40% increase on a YOY basis. The increase was mainly due to the increase in the sales of the Group.
- (4) As of 31 December 2013, the balance of prepayment stood at RMB3,640,625,094.32, representing a 300.33% increase on a YOY basis. The increase was mainly due to the increase in prepayment for materials in the year.
- (5) As of 31 December 2013, the balance of interest receivable stood at RMB2,641,275.74, representing a 87.18% increase on a YOY basis. The increase was mainly due to the increase borrowing interest from STAR-USG Building Materials Co., Ltd.

## Supplementary Information to Financial Statements

### III. Analysis of changes in the data of financial statement items *(continued)*

- (6) As of 31 December 2013, the balance of dividends receivable stood at nil, representing a 100% decrease on a YOY basis. The decrease was mainly due to dividends received for the year.
- (7) As of 31 December 2013, the balance of other receivables stood at RMB2,639,819,809.34, representing a 38.97% increase on a YOY basis. The increase was mainly due to the increase in receivables for property projects developed in cooperation with Beijing Landmark Construction Co., Ltd. and land auction deposits.
- (8) As of 31 December 2013, the balance of inventories stood at RMB37,602,014,262.50, representing a 16.46% increase on a YOY basis. The increase was mainly due to the increase in investment in property development projects.
- (9) As of 31 December 2013, the balance of available-for-sale financial assets stood at RMB505,404,297, representing a 4137.84% increase on a YOY basis. The increase was mainly due to purchase of wealth management products from Jianxin Trust.
- (10) As of 31 December 2013, the balance of investment properties stood at RMB13,545,900,000.00, representing a 5.49% increase on a YOY basis. The increase was mainly due to the turbulence of the fair value of investment properties.
- (11) As of 31 December 2013, the balance of fixed assets stood at RMB16,934,316,116.16, representing a 10.46% increase on a YOY basis. The increase was mainly due to the purchase and construction of this year, as well as the constructions in progress converting to fixed assets.
- (12) As of 31 December 2013, the balance of construction materials stood at RMB7,869,443.85, representing a 44.90% decrease on a YOY basis. The decrease was mainly due to the decrease in consumption of construction materials during the year.
- (13) As of 31 December 2013, the balance of short-term borrowings stood at RMB13,516,500,000.00, representing an 18.69% increase on a YOY basis. The increase was mainly due to additional borrowings
- (14) As of 31 December 2013, the balance of accounts payable stood at RMB8,516,698,306.54, representing a 29.65% increase on a YOY basis. The increase was mainly due to the increase of payable material purchasing fees.

## Supplementary Information to Financial Statements

### III. Analysis of changes in the data of financial statement items *(continued)*

- (15) As of 31 December 2013, the balance of receipts in advance stood at RMB15,567,949,491.14, representing a 9.58% increase on a YOY basis. The increase was mainly due to the pre-sale process of the properties.
- (16) As of 31 December 2013, the balance of tax payable stood at RMB750,894,143.53, representing a 42.63% decrease on a YOY basis. The decrease was mainly due to the reversal of part of the income tax corresponding to the relocation compensation income in accordance with the settlement of income tax for 2012.
- (17) As of 31 December 2013, the balance of interest payable stood at RMB253,810,076.41, representing a 63.46% increase on a YOY basis. The increase was mainly due to the increase of interest in payable for bonds and short-term financing bonds.
- (18) As of 31 December 2013, the balance of short-term financing bonds stood at RMB3,000,000,000.00, representing a 200.00% increase on a YOY basis. The increase was mainly due to the additional borrowings for the year.
- (19) As of 31 December 2013, the balance of long-term borrowings stood at RMB6,879,920,000.00, representing a 44.63% increase on a YOY basis. The increase was mainly due to the expansion of the business scope of the Group which leads to a higher demand of liquid fund and financing by the bank.
- (20) As of 31 December 2013, the balance of bonds payable stood at RMB6,305,600,000.00, representing a 5.78% decrease on a YOY basis. The decrease was mainly due to the transfer out of bills payable due in one year for the year.
- (21) As of 31 December 2013, the balance of long-term payables stood at RMB22,414,048.18, representing a 100.00% increase on a YOY basis. The decrease was mainly due to the additional finance leases of Badaling for the year.
- (22) As of 31 December 2013, the balance of capital reserve stood at RMB5,851,047,176.44, representing an 8.39% increase on a YOY basis. The increase was mainly due to the increase in actuarial gains on the benefit plan for the year.
- (23) As of 31 December 2013, the balance of specialized reserve stood at RMB13,788,160.64, representing a 44.33% increase on a YOY basis. The increase mainly due to the safe production fees counted and drew.
- (24) As of 31 December 2013, the operating revenue stood at RMB44,789,759,261.89, representing a 31.53% increase on a YOY basis. The increase was mainly due to the growth in the trade of bulk commodity and sales of properties.



## Supplementary Information to Financial Statements

### III. Analysis of changes in the data of financial statement items *(continued)*

- (25) As of 31 December 2013, the operating costs stood at RMB34,799,883,524.55, representing a 35.28% increase on a YOY basis. The increase was mainly due to the growth in the trade of bulk commodity and sales of properties.
- (26) As of 31 December 2013, the tax and surcharges stood at RMB1,586,185,890.01, representing a 5.31% decrease on a YOY basis. The decrease was mainly due to the reduction in both gross profit and appreciation rate when compared with last year for property projects which booked profits in the year,, and this led to a reduction in LAT.
- (27) As of 31 December 2013, the selling expenses stood at RMB1,566,232,335.03, representing a 15.97% increase on a YOY basis. The increase was mainly due to the increase in the cost of human resources and marketing.
- (28) As of 31 December 2013, the administrative expenses stood at RMB2,811,322,533.52, representing a 28.64% increase on a YOY basis. The increase was mainly due to the increase in the cost of human resources, repairs and loss of discontinued.
- (29) As of 31 December 2013, the finance costs stood at RMB1,017,497,260.29, representing a 12.75% increase on a YOY basis. The increase was mainly due to the enlargement of financing scale, resulting in increased interest expenses for the year.
- (30) As of 31 December 2013, the assets impairment losses stood at RMB380,923,672.60, representing a 698.26% increase on a YOY basis. The increase was mainly due to the asset impairment losses for plant, equipment and other fixed assets as part of polluting enterprises shut down during the year.
- (31) As of 31 December 2013, the gains from changes in fair value stood at RMB671,729,628.37, representing a 28.25% decrease on a YOY basis. The decrease was mainly due to the lower fair value appreciation of investment properties when compared with last year.
- (32) As of 31 December 2013, the investments losses stood at RMB34,746,071.77, representing a 386.46% increase on a YOY basis. The increase was mainly due to the investments income from disposal of subsidiaries in 2012 while there was no such item this year.
- (33) As of 31 December 2013, the non-operating income stood at RMB767,847,286.22, representing a 17.53% decrease on a YOY basis. The decrease was mainly due to the government grants reduced as compared with last year.
- (34) As of 31 December 2013, the non-operating expenses stood at RMB38,821,166.08, representing a 45.02% decrease on a YOY basis. The decrease was mainly due to that in 2012 the Company has disposed of certain non-current assets while there was no such item this year.
- (35) As of 31 December 2013, the income tax expenses stood at RMB750,565,753.75, representing a 6.62% decrease on a YOY basis. The decrease was mainly due to the reversal of income tax expenses for income tax expenses corresponding to the relocation compensation income in last year in accordance with the settlement of income tax for the year.

## 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

	2013 RMB'000	2012 (Restated) RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
OPERATING REVENUE	<b>44,789,759</b>	34,054,096	28,744,794	23,189,597	12,767,014
NET PROFIT	<b>3,243,158</b>	3,153,158	3,593,125	2,990,750	1,972,679
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	<b>3,215,183</b>	2,968,714	3,428,645	2,755,658	1,887,165
DIVIDEND	<b>373,202</b>	304,145	308,429	299,862	271,133
DIVIDEND PER SHARE	<b>RMB0.078</b>	RMB0.071	RMB0.072	RMB0.070	RMB0.070
EARNINGS PER SHARE (BASIC)	<b>RMB0.75</b>	RMB0.69	RMB0.81	RMB0.71	RMB0.58

### ASSETS, LIABILITIES AND MINORITY INTERESTS

	2013 RMB'000	2012 (Restated) RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS	<b>38,682,324</b>	36,059,925	32,188,730	28,858,404	19,833,232
CURRENT ASSETS	<b>60,157,226</b>	47,101,879	44,726,243	33,132,460	21,978,920
TOTAL ASSETS	<b>98,839,550</b>	83,161,804	76,914,972	61,990,865	41,812,151
CURRENT LIABILITIES	<b>52,059,972</b>	43,462,947	39,299,199	27,750,136	14,323,372
NON-CURRENT LIABILITIES	<b>16,754,264</b>	14,666,087	15,900,158	15,293,248	9,296,961
TOTAL LIABILITIES	<b>68,814,237</b>	58,129,034	55,199,356	43,043,384	23,620,333
MINORITY INTERESTS	<b>3,745,173</b>	2,120,785	1,561,837	1,883,269	1,862,624
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	<b>26,280,140</b>	22,911,984	20,153,779	61,990,864	16,329,194
NET ASSETS VALUE PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	<b>RMB6.13</b>	RMB5.35	RMB4.70	RMB4.41	RMB4.22

BBMG



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