



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

Interim Report 2014





BBMG

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CORPORATE INFORMATION

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

* for identification purposes only

CORPORATE INFORMATION

The Supervisory Board

Supervisors

Wang Xiaojun (*Chairman*)
Li Bichi
Qian Xiaoqiang
Zhang Dengfeng
Zhang Yifeng
Wang Xin
Hu Jingshan (resigned on 27 August 2014)

Committees

Audit Committee

Zhang Chengfu (*Chairman*)
Yu Kaijun
Xu Yongmo
Yip Wai Ming
Wang Guangjin

Remuneration and Nomination Committee

Xu Yongmo (*Chairman*)
Zhang Chengfu
Wang Guangjin
Yu Kaijun
Shi Xijun

Strategic Committee

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

CORPORATE INFORMATION

Authorised Representatives

Wang Hongjun
Lau Fai Lawrence

Board Secretary

Wu Xiangyong

Company Secretary

Lau Fai Lawrence

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

Stock name

BBMG

Board lot

500 shares

Stock code

02009.HK

CORPORATE INFORMATION

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
Certified Public Accountants

Legal advisers

Paul Hastings
As to Hong Kong law

Guantao Law Firm
As to PRC law

CHAIRMAN'S STATEMENT



Jiang Weiping
Chairman

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of BBMG Corporation (hereinafter referred to as “**BBMG**” or the “**Company**”), I am pleased to present to you the interim results of the Company for the six months ended 30 June 2014 (the “**Reporting Period**”), and the operating results of the Company during the said period for your review.

Interim Results

During the Reporting Period, the Company’s operating revenue amounted to approximately RMB20,637.8 million, representing a year-on-year increase of approximately 1.2%; net profit attributable to the shareholders of the parent company was approximately RMB1,380.6 million, representing a year-on-year increase of approximately 6.3%; basic earnings per share was RMB0.30.

Business Environment

During the Reporting Period, the global economy saw a slowdown in growth momentum and the pressure for an economic downturn lingered. China’s overall economy remained steady, as the industrial restructuring achieved progress while maintaining stability and industrial transformation and upgrade gathered strong momentum. Addressing the declining of China’s high growth rate in fixed asset investment which resulted in the limited support for demand and significant contraction of market space, the Company proactively took measures to accelerate the transformation and upgrade and boost capital operations, achieving consistent and steady growth of overall operational efficiency by effectively offsetting the adverse impact through the improvement in the quality of economic operation.

Review

Confronting the complex and grim economic landscape, the Board of the Company 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 rise to the challenges. By carrying forward the reform and development innovation as well as promoting clean production and industrial transformation and upgrade, the Company stepped up efforts to draw upon its leading advantages in strategic planning, resources integration, refined management and technological innovation, and maintained a steady and healthy growth in its operating 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 extremely fierce market competition, achieved steady progress in both economic growth and industrial upgrade, maintaining sound development in the four major business segments.

CHAIRMAN'S STATEMENT

The cement and ready-mixed concrete segment capitalized on its advantage in strategic planning to accelerate transformation and upgrade, reinforce the control over strategic resources and boost market operations, leading to steady growth against the tightening of profit margins in the industry. The property development segment proactively adapted to the changing market and secured the overall profit growth by expediting the sales of inventory, capital collection and revenue recognition. The sound brand image of BBMG was further reinforced through the acceleration of the development, construction and sales of owner-occupied commodity housing (自住型商品房) projects. Adhering to the industrial park-based integrated pattern and the regional marketing mechanism, the modern building materials and commerce and logistics segment consistently enhanced its overall operation quality. The property investment and management segment continued its healthy development through the parallel improvement in project quality and service quality.

With notable improvement in scientific development and innovation momentum and faster pace of transformation and upgrade during the implementation of Beijing Clean Air Action Plan, the Company delivered better results of capital operations and resolved operational problems through refined management, thus securing the overall growth with better synergy.

Prospects

In the second half of 2014, along with the expedited adjustment and relocation of non-core functions of the capital city and the tightening pollution control measures taken by the government, the Company will lay down the path and create the environment for its high-efficiency and high-quality transformation and upgrade to further achieve breakthroughs and development. The accelerated planning on synergetic development of Beijing, Tianjin and Hebei and the synchronized development of Beijing and Tianjin will create not only new market space and new platform for the industrial transformation and upgrade of the Company but also new environment and new opportunities for the fast development of the relevant sectors at a later stage.

The Company will constantly carry forward industrial transformation and facilitate new progress in core businesses through energy conservation and emission reduction, resources integration and utilization, research and development in technology, as well as innovation momentum. The manufacturing segment will proactively adapt to the significantly higher standards for environmental protection and innovatively advance the industrial transformation, effectively carrying out the accelerated upgrade of the core industrial chain. By seizing the historic opportunity of the comprehensively deepening reform of state-owned enterprises, the Company will fully leverage on the favorable policies to facilitate the overall leap-forward development of the Company.

CHAIRMAN'S STATEMENT

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

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

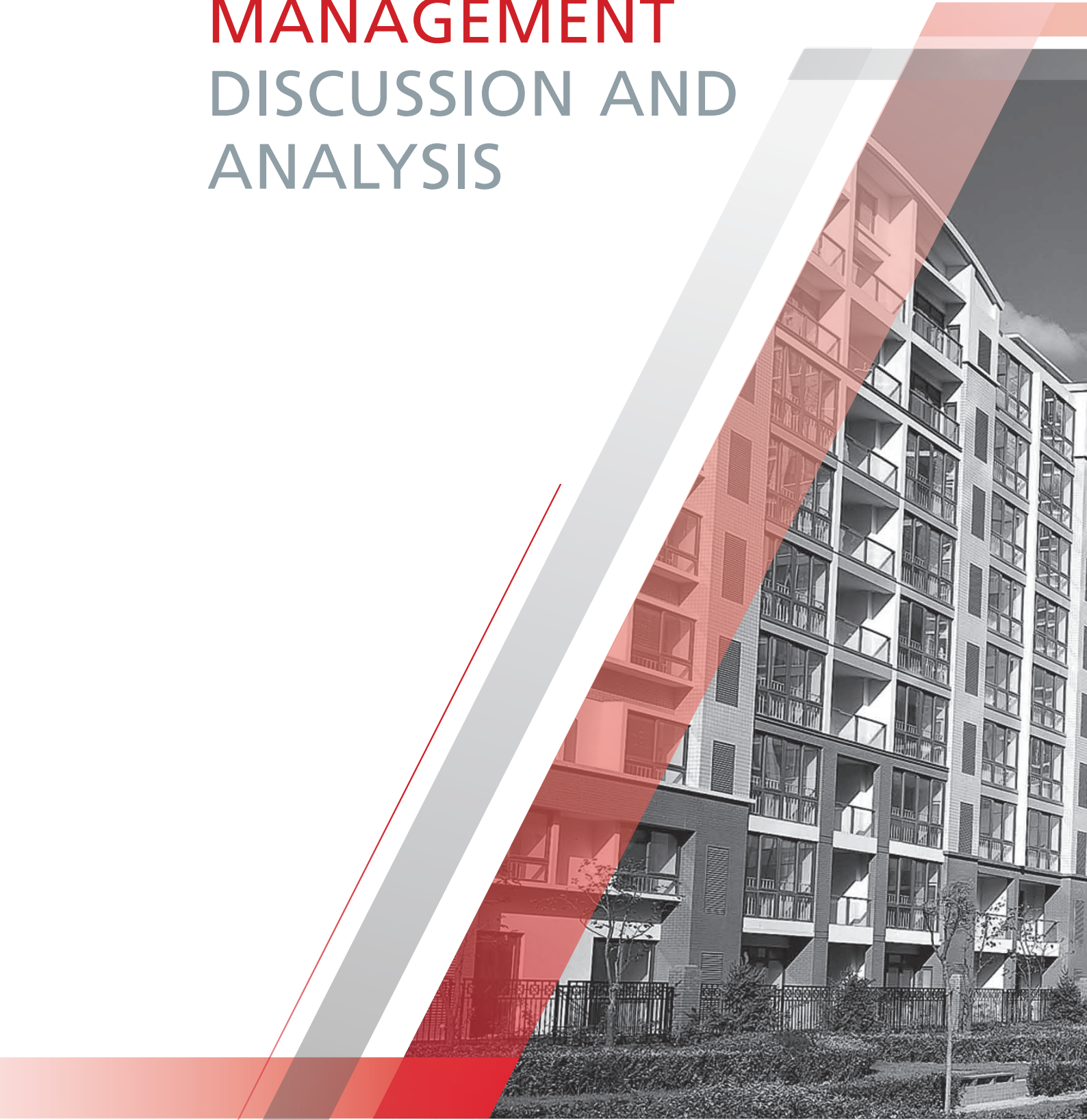
Jiang Weiping

Chairman of the Board

Beijing, the PRC

26 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS





MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Information

Unit: RMB million

	For the six months ended 30 June		Change
	2014 <i>(Unaudited)</i>	2013 (Unaudited)	
Operating revenue	20,637.8	20,386.6	1.2%
Operating revenue from principal business	20,350.2	20,161.1	0.9%
Gross profit from principal business	5,030.0	4,272.5	17.7%
Gross profit margin from principal business (%)	24.72	21.19	an increase of 3.53 percentage points
Total profit	2,086.7	1,722.6	21.1%
Net profit	1,516.8	1,295.8	17.1%
Net profit attributable to the shareholders of the parent company	1,380.6	1,299.0	6.3%
Basic earnings per share (RMB)	0.30	0.30	–

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)	Change
Cash and bank balances	7,125.8	8,595.5	-17.1%
Current assets	63,780.7	60,157.2	6.0%
Current liabilities	49,399.4	52,060.0	-5.1%
Net current assets	14,381.3	8,097.3	77.6%
Non-current assets	39,073.2	38,682.3	1.0%
Non-current liabilities	19,513.7	16,754.3	16.5%
Total assets	102,853.8	98,839.6	4.1%
Equity attributable to the shareholders of the parent company	30,080.0	26,280.1	14.5%
Debt ratio (total liabilities to total assets) (%)	67.0%	69.6%	a decrease of 2.6 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Business Information

	For the six months ended 30 June		Change
	2014	2013	
Cement and Ready-mixed Concrete Segment			
Sales volume of cement (in million tonnes)	18.4	16.4	12.2%
Sales volume of concrete (in million cubic metres)	5.6	5.5	1.8%
Modern Building Materials and Commerce and Logistics Segment			
Refractory materials (in thousand tonnes)	94.7	107.7	-12.1%
Property Development Segment			
Booked GFA (in thousand sq.m.)	782.2	434.9	79.9%
Contracted sales GFA (in thousand sq.m.)	660.3	952.9	-30.7%
Property Investment and Management Segment			
Gross GFA of investment properties (in thousand sq.m.)	760.8	760.8	0.0%

Given the complex and challenging economic conditions and competitive market environment in the first half of 2014, the Board of the Company adhered to scientific development as the main principle, accelerated transformation in development as the major direction and improved the quality and efficiency of economic development as the main task, enabling the Company to stay pragmatic yet innovative, make progress and achieve progress while maintaining stability, as well as realising a steady and sound growth in the overall economy of the Company.

During the Reporting Period, the Company recorded operating revenue of RMB20,637.8 million, representing a year-on-year increase of 1.2%, among which operating revenue from principal business amounted to RMB20,350.2 million, representing a year-on-year increase of 0.9%, total profit amounted to RMB2,086.7 million, representing a year-on-year increase of 21.1%, net profit amounted to RMB1,516.8 million, representing a year-on-year increase of 17.1%, and net profit attributable to the shareholders of the parent company amounted to RMB1,380.6 million, representing a year-on-year increase of 6.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

The four major business segments of the Company, namely cement and ready-mixed concrete, modern building materials and commerce and logistics, property development and property investment and management achieved relatively steady development:

- Operating revenue from the principal business of the cement and ready-mixed concrete segment increased by 5.4% to RMB5,790.5 million, with gross profit from principal business of RMB998.2 million, an increase of 6.3%;
- Operating revenue from the principal business of the modern building materials and commerce and logistics segment decreased by 22.4% to RMB5,807.4 million, with gross profit from principal business of RMB494.2 million, a decrease of 9.8%;
- Operating revenue from the principal business of the property development segment increased by 23.3% to RMB7,937.9 million, with gross profit from principal business of RMB2,904.8 million, an increase of 31.0%; and
- Operating revenue from the principal business of the property investment and management segment increased by 17.8% to RMB1,103.7 million, with gross profit from principal business of RMB674.4 million, an increase of 18.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of the Operation of Business Segments**1. Cement and Ready-Mixed Concrete Segment**

The segment continued to optimize the industrial layout, extend the industrial chain, enrich the essence of the “grand cross-shape” (大十字) strategy of the Company’s cement and ready-mixed concrete segment, and steadily press ahead with the construction of building material bases in southern, central and northern Hebei Province, so as to constantly consolidate and expand its influence over regional markets. By making full use of the advantages of strategic layout, strengthening the control over strategic resources, making innovation on operational strategies, stepping up the momentum of market operation, enhancing refined management and cementing cost control, the Company’s capability of sustainable development and market share of products witnessed continuous improvement, with its operating results maintaining at the leading position among its peers in the regional market. The Company took the lead to accelerate transformation and upgrading during the implementation of the clean air action plan and the relocation of non-core functions of the capital to surrounding regions. By stepping up efforts in technological innovation, industrial upgrade and upgrading of equipment, the Company enhanced the expansion of business fields related to environmental protection such as the synergistic use of cement kiln for the disposal of urban wastes, and the denitrification renovation of cement rotary kilns have been basically completed and material sealing have been implemented in almost all production lines. The Company has reduced energy consumption by 110,000 tonnes of standard coal equivalent and reduced NOx emissions by more than 4,000 tonnes per year, demonstrating the large scale state-owned industry group’s commitment to serving as a role model.

In the first half of 2014, the cement and ready-mixed concrete segment recorded revenue from its principal business of RMB5,790.5 million, a year-on-year increase of 5.4%, with gross profit of RMB998.2 million, a year-on-year increase of 6.3%. The consolidated sales volume of cement and clinker amounted to 18.4 million tonnes, a year-on-year increase of 12.2%, among which cement sales volume was 14.8 million tonnes and clinker sales volume was 3.6 million tonnes, while the aggregate gross profit margin for cement and clinker was 15.94%, a year-on-year decrease of 0.09 percentage point. Sales volume of concrete totaled 5.6 million cubic meters, a year-on-year increase of 1.8%, while the gross profit margin for concrete was 11.71%, a year-on-year decrease of 1.57 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Modern Building Materials and Commerce and Logistics Segment

Following the industrial park-based integrated pattern and the regional marketing mechanism, the segment carried out its production towards a park-based and integrated model supported by comprehensive auxiliary services, while extended its market reach to regional areas, upholding the quantitative standard of becoming a leading player in the industry and leveraging on benchmark management, the segment centred on the principle of “consolidate development foundation, focus on principal business, expand market share, enhance profitability and improve internal control standard”, which consistently enhanced the overall operation quality. The operation and development of the BBMG Dachang Modern Industrial Park and the BBMG Doudian Technology Park achieved the expected effects in industry clusters and advantages in synergistic development, leading to continuous enhancement of the industry maturity and market competitiveness. The commerce and logistics sector made prompt adjustment in response to macro-economic conditions and changes in business environment, and the expansion of its own traditional business and bulk materials business achieved satisfactory results.

In the first half of 2014, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB5,807.4 million, a year-on-year decrease of 22.4%, while the gross profit amounted to RMB494.2 million, a year-on-year decrease of 9.8%.

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, in response to the regulatory control over property market, promptly adjusted the sales strategy and accelerated capital turnover. The segment firmly grasped opportunities and took the initiative to speed up the planning and construction of owner-occupied commodity housing projects. The management and control system were also standardized to enhance projects’ operating efficiency, 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 commodity housing projects in Beijing. It also obtained land for development in other cities, including Shanghai and Chengdu. The development, construction and sales of two owner-occupied commodity housing projects in Beijing, namely “Jinyu Huixingyuan” (金隅匯星苑) and “Jinyu Huijingyuan” (金隅匯景苑) were under smooth progress, further consolidating BBMG’s favourable brand image and strengthening the reputation and influence of BBMG’s property development segment. Satisfactory sales performance was recorded for projects such as “Jinyu Lanwan” (金隅瀾灣) in Beijing, “Jinyu Mengcheng” (金隅夢城) in Ma’anshan, “Jinyu Dacheng Shidai Duhui” (金隅大成時代都匯) in Chongqing and “Jinyu Dachengjun” (金隅大成郡) in Chengdu.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, the property development segment recorded operating revenue from its principal business of RMB7,937.9 million, a year-on-year increase of 23.3%, while the gross profit was RMB2,904.8 million, a year-on-year increase of 31.0%. The booked GFA was 782.2 thousand sq.m, a year-on-year increase of 79.9%, among which booked GFA of commodity housing amounted to 349.4 thousand sq.m, a year-on-year decrease of 10.0%, and booked GFA of affordable housing amounted to 432.8 thousand sq.m, a year-on-year increase of 826.8%. Aggregated contracted sales area was 660.3 thousand sq.m., a year-on-year decrease of 30.7%, among which contracted sales area for commodity housing amounted to 540.3 thousand sq.m, a year-on-year decrease of 9.1%, and contracted sales area for affordable housing amounted to 120.0 thousand sq.m, a year-on-year decrease of 66.5%. As at the end of the Reporting Period, the Company had a land reserve totaling 4,898,000 sq.m.

4. Property Investment and Management Segment

The Company adhered to its strategy of developing real estate projects in Beijing, resulting in continued asset value appreciation and profitability growth. The segment achieved stable and healthy development, driven by efforts in enhancement of operational project management and service and project quality. Efforts were also made to make continuous innovation in operational model, adjust customer structure on an on-going basis, with steady growth of weighted average net rental under renewal tenancy of office buildings. The Company's property management unit continued to enhance its service management quality and launched more innovative services. The hotel and leisure sector enhanced brand building, timely adjusted its marketing strategies, proactively adapted to the market changes and adopted various measures to develop new customer resources, thus reaping the expected operating results. Leveraging on continuous optimization and integration, both the industrial property leasing sector and the community property management sector further enhanced the consolidated service capability, upgraded assets renovation and increased assets return, and gradually demonstrated the brand effects.

In the first half of 2014, the property investment and management segment recorded operating revenue from its principal business of RMB1,103.7 million, a year-on-year increase of 17.8%, while gross profit was RMB674.4 million, a year-on-year increase of 18.4%. As at the end of the Reporting Period, the Company had investment properties totaling 760,800 sq.m in the core districts of Beijing.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment properties held by the Group as at 30 June 2014

	Location	Usage	Property Gross Area (thousand sq.m.)	Fair Value (RMB million)	Rental Unit Price (RMB/day)	Average Occupancy Rate	Unit Fair Value (RMB/sq.m.)
Phase 1 of Global Trade Centre	North Third Ring Road, Beijing	Commercial	105.5	2,679.2	10.4	81.8%	25,395.3
Phase 2 of Global Trade Centre	North Third Ring Road, Beijing	Commercial	145.3	2,915.4	6.7	90.8%	20,064.7
Phase 3 of Global Trade Centre (Ground Floor Commercial)	North Third Ring Road, Beijing	Retail	61.1	1,024.4	6.6	96.6%	16,766.0
Tengda Plaza	West Second Ring Road, Beijing	Commercial	78.0	1,367.3	8.0	81.9%	17,529.5
Jin Yu Building	West Second Ring Road, Beijing	Commercial	44.0	936.6	8.0	87.7%	21,286.4
Jianda Building and Jiancai Jingmao Building	East Second Ring Road, Beijing	Commercial	47.6	1,125.3	4.6	88.8%	23,640.8
Dacheng International Centre	East Fourth Ring Road, Beijing	Commercial	41.9	562.3	9.0	96.7%	13,420.1
	Sub-total		523.4	10,610.5			
Other properties	Beijing Municipality	Commercial and retail	237.4	3,202.5			
	Total		760.8	13,813.0			18,155.9

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Income Statement and Cash Flows Items**1. Gains from changes in fair value of investment properties**

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 recognised in “gains from changes in fair value” in the income statement. The fair value is valued by an independent valuer based on the prices in the open market on a regular basis.

No depreciation or amortisation of investment properties is included in the financial statements. The book value of investment properties is adjusted based on their fair value at the balance sheet date. The difference between the fair value and the original book value is recognised in the profit or loss for the current period.

During the Reporting Period, the gains from changes in fair value of investment properties of the Company were RMB267.1 million, accounting for 12.8% of the profit before tax. The year-on-year decrease of gains from changes in fair value of investment properties of 16.6% during the Reporting Period was mainly due to a downward adjustment to the gains from changes in fair value of the investment properties by the valuer as a result of a year-on-year decrease in rental growth of investment properties in the open market during the Reporting Period.

2. Selling expenses, administrative expenses and finance costs

During the Reporting Period, the expenses incurred by the Group remained basically stable and saw a year-on-year growth due to business expansion.

- (1) Selling expenses were RMB687.3 million in the first half of 2014, an increase of RMB6.4 million year-on-year, remaining relatively flat as compared with the corresponding period of last year.
- (2) Administrative expenses were RMB1,453.1 million in the first half of 2014, an increase of RMB92.8 million year-on-year. Such increase was mainly attributable to a year-on-year increase in labor costs, repair expenses and sewage fees.
- (3) Finance costs were RMB593.3 million in the first half of 2014, an increase of RMB140.3 million year-on-year. Such increase was mainly attributable to a year-on-year increase in borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Cash flows

In the first half of 2014, a net decrease of RMB1,495.1 million in cash and cash equivalents was recognised in consolidated financial statements of the Group. Of which, net cash outflow generated from operating activities was RMB5,073.8 million; net cash outflow generated from investment activities was RMB641.1 million; net cash inflow generated from financing activities was RMB4,220.1 million; and the effect of changes in exchange rate on cash and cash equivalents decreased by RMB0.3 million.

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 synergetic development of Beijing, Tianjin and Hebei Province and the synchronized development of Beijing and Tianjin, the Company has developed notable edges in regional scale and market dominance, and has become a leading cement enterprise which is devoted to low-carbon, environmental protection, energy-saving and emission reduction initiatives, as well as development of the circular economy. As one of the largest affordable housing developers in Beijing, the Company owns low-cost land reserve for property development and abundant industrial land reserve in first-tier cities. Also, the Company is a leading supplier of green, eco-friendly and 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,

MANAGEMENT DISCUSSION AND ANALYSIS

the Company has developed toward the modern service sector, including modern property management services and financial services. The Company has also evolved its edge in modern service sector through “Jingmaotong” (京貿通), the first foreign trade comprehensive services integrated platform in Beijing. The overall advantage stands out with prominent inter-segmental synergy. With industrial chain as the core, the advantages of scale, synergy and integration of the Company have witnessed continuous enhancement.

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 was recognized as a high-tech enterprise in Zhongguancun National Independent Innovation Demonstration Zone (中關村國家自主創新示範區), and has obtained the approval to establish science association and academic expert service centre. The Company’s technology center passed the re-evaluation for national enterprise technology center with outstanding results. BBMG Academia Sinica (金隅中央研究院) was approved as a post-doctoral scientific research workstation, and enterprises including Academy of Scientific Research (科研總院) was approved as Beijing International Science and Technology Cooperation Base. The Company invested nearly RMB300 million in technology R&D in the first half of 2014, representing a year-on-year increase of 8.3%. The Company has applied for 21 patents. More than 20 key technological projects were under smooth progress. The establishment of Engineering Research Centre for Energy-conservation and Environmental-protection Technology of Cement Industry and the Dachang Industrial Park Branch of BBMG Academia Sinica (金隅中央研究院) by the Company has created more favourable conditions for further expediting the industrial transformation and upgrading as well as the building of better innovation-driven patterns. The Company has stepped up its support for technological innovation as well.

3. Competitive Edge in Sustainable Development of Green Operations

Based on the integration of Beijing, Tianjin and Hebei Province and the objective of developing “people-oriented Beijing, high-tech Beijing and green Beijing” (人文北京、科技北京、綠色北京), the Company adapted to the capital’s positioning of core functions by putting more efforts in developing circular economy and low-carbon economy and establishing a sound system for environmental management, with an aim to accelerate its pace towards transformation and upgrading and embark on a sustainable path for green development. As one of the 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

MANAGEMENT DISCUSSION AND ANALYSIS

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 qualification and 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 environmental-friendly, energy-saving and low-carbon with heat-insulation, heat-preservation and fireproof features, which maximized the Company's economic and resource usage efficiencies. As a result, the Company has made significant contributions to urban development, environmental safety and social harmony, and became the first cement enterprise which received the "China's Environment Award" (中華環境獎), a distinctive honor in the environmental protection field. The Company was the only enterprise to win the "Green Ecology Media Award" (綠色生態傳媒大獎) under the Beijing Influence Award (北京影響力). Subsidiaries of the Company including Beijing Xinbeishui Cement Co., Ltd., Beijing Liulihe Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd. were among the first batch of enterprises recognized as "Energy Conservation and Emission Reduction Demonstration Enterprises" in the building material sector.

4. Competitive Edge in Industry-Finance Integration

The establishment and operation of the finance company 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 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 first half of 2014, the Company completed its non-public offering of A Shares and raised funds of approximately RMB2.8 billion. The

MANAGEMENT DISCUSSION AND ANALYSIS

Company extended the maturity of bonds of approximately RMB1.324 billion by successfully reselling the portion of “2009 BBMG Bond” which sold back by investors at a lower rate as compared to bonds of the same category with the same maturity. During the Reporting Period, the Company further diversified the investment methods for overall development, expanded the financing channels and further strengthened capital protection.

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，盡快見到成效). 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、共享、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. BBMG’s brand value has exceeded RMB20 billion and “BBMG” has been consecutively honored the well-known trademark in Beijing. The unique culture raises the brand awareness and prestige of BBMG. The continuous growth in corporate culture has created a sound cultural atmosphere and intelligence support for the materialization of development vision and objectives of the Company.

Liquidity and Financial Resources

As at 30 June 2014, the Group’s consolidated total assets amounted to RMB102,853.8 million, an increase of 4.1% from the beginning of the Reporting Period which were financed by total liabilities of RMB68,913.1 million, minority interests of RMB3,860.7 million and total equity attributable to the shareholders of the parent company of RMB30,080.0 million. The asset quality of the Group was significantly improved; total shareholders’ equity amounted to RMB33,940.8 million, an increase of 13.0% from the beginning of the Reporting Period. As at 30 June 2014, the Group’s net current assets were RMB14,381.3 million, an increase of RMB6,284.0 million from the beginning of the Reporting Period. Debt ratio (total liabilities to total assets) was 67.0%, a decrease of 2.6 percentage points from the beginning of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2014, the Group's cash and bank balances amounted to RMB7,125.8 million, a decrease of RMB1,469.7 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, corporate bonds, medium-term notes and banking facilities provided by its principal bankers in the PRC. As at 30 June 2014, the Group's interest-bearing bank borrowings amounted to RMB20,405.5 million (as at 31 December 2013: RMB21,692.9 million) and bore fixed interest rate. Of these borrowings, approximately RMB12,790.1 million interest-bearing bank borrowings were due for repayment within one year, a decrease of approximately RMB2,022.9 million from the beginning of the Reporting Period. Approximately RMB7,615.4 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB735.5 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 30 June 2014, the Group has no future plans for material investments or capital assets.

Material Contracts

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 “**EGM**”) by way of poll. It was a condition precedent to completion of the Proposed Placing, the Parent Subscription and the Fund Subscription that the Whitewash Waiver was granted by the Executive.

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

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

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

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

On 7 March 2014, the Company received approval from the China Securities Regulatory Commission (hereinafter referred to as the “**CSRC**”) for the Proposed Placing and therefore, all of the conditions precedent of the Proposed Placing, the Parent Subscription and the Fund Subscription have been fulfilled. After completion of the requisite procedures, the issue of A Shares under the Proposed Placing, the Parent Subscription and the Fund Subscription was completed on 26 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Deposit and Actual Use of Proceeds

In accordance with the relevant regulations including the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements on Management and Use of Proceeds by Listed Companies of the CSRC and the Measures of the Shanghai Stock Exchange on Management of Proceeds by Listed Companies (Amended 2013), as well as the requirements of the System on Use and Management of Proceeds by BBMG Corporation, the Company specifically reports the use and management of proceeds from the Proposed Placing in the first half 2014 as follows:

The total proceeds amounted to RMB2,795,039,989.92, and after deducting issuance costs of RMB20,304,100.00, the net proceeds amounted to RMB2,774,735,889.92. The Company deposited the proceeds in a special account for management purposes. As at 30 June 2014, the Company had utilized proceeds of RMB215,475,900.50 cumulatively, the balance of unused proceeds amounted to RMB2,563,768,533.81 (inclusive of temporary working capital replenishment of RMB2,200,000,000.00), and the balance of the special account for the proceeds amounted to RMB363,768,533.81 (inclusive of interest income).

As at 30 June 2014, a total amount of RMB148,374,888.50 of the proceeds was utilized for investing in the BBMG international logistics park; and a total amount of RMB67,101,012.00 was utilized for investing in the furniture manufacturing project.

In order to improve the efficiency in using the proceeds, reduce short-term bank borrowings and lower finance costs, and provided that the construction of projects using the proceeds and use of the proceeds will be unaffected, the Company utilized unused proceeds amounting to RMB2,200,000,000.00 as temporary working capital replenishment, with a term of use of not more than 12 months from the date of consideration and approval by the Board, and to be returned to the special account for the proceeds upon expiry of the term. The matter was approved at the ninth meeting of the third session of the Board of the Company on 11 April 2014, and the Supervisory Board and independent non-executive directors had expressed unequivocal opinions indicating consent. J.P. Morgan First Capital Securities Co., Ltd., the sponsor, agreed to the use of part of the unused proceeds as temporary working capital replenishment by the Company and issued a verification opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

	As at	Unit: RMB
	30 June	As at
	2014	31 December
	(Unaudited)	2013
		(Audited)
Acquisition or construction of fixed assets which is contracted but not completed	294,820,297.23	163,519,660.43
Property development contracts which are contracted and being executed or will be executed	13,401,555,829.35	5,767,254,870.36
	13,696,376,126.58	5,930,774,530.79

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

Contingencies

		As at	Unit: RMB
		30 June	As at
		2014	31 December
		(Unaudited)	2013
			(Audited)
Provision of guarantee to the parent company	Note 1	800,000,000.00	800,000,000.00
Provision of guarantee to third parties	Note 2	8,776,933,780.58	4,301,550,334.04
		9,576,933,780.58	5,101,550,334.04

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Employees

As at 30 June 2014, the Group had 29,021 employees in total (as at 31 December 2013: 28,790). The Group provides its employees in the PRC with retirement insurance, medical insurance, unemployment insurance, maternity insurance and industrial injury insurance as well as a housing provident fund pursuant to the PRC laws and regulations. The Group pays salaries to the employees based on a combination of factors such as their positions, lengths of service and work performance, and reviews these salaries and benefits on a regular basis.

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 trade and bills receivables, 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 material challenges for the Group or had any significant effects on its operations or working capital during the year. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

Pledge of Assets

As at 30 June 2014, certain of the Group's cash and bank balances, inventories, fixed assets and investment properties amounting to approximately RMB7,422.9 million (as at 31 December 2013: RMB6,316.5 million) were pledged to certain banks for securing the loans granted to the Group and the corporate debentures issued by BBMG Group Company Limited and accounted for approximately 7.22% of the total assets of the Group (as at 31 December 2013: 6.39%).

Treasury Policies

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

Substantial Acquisition and Disposal of Subsidiaries and Associates

During the Reporting Period, the Group had not conducted any substantial acquisition or disposal of subsidiaries and associates that were required to be disclosed.

Significant Events after Balance Sheet Date

As at 26 August 2014, the Group did not have any significant event after balance sheet date required to be disclosed.

OTHER INFORMATION

Substantial Shareholder's and Other Person's Interests in Shares

As at 30 June 2014, the total issued share capital of the Company was 4,784,640,284 shares, of which 3,615,257,849 were A shares and 1,169,382,435 were H shares and to the best knowledge of the directors of the Company (the "**Directors**"), the records of interest (being 5% or more of the Company's issued share capital) as registered in the register kept by the Company under section 336 of the Securities and Futures Ordinance (the "**SFO**") were as follows:

Long positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
A Shares	BBMG Group Company Limited	Directly and Beneficially Owned	2,292,881,099	63.42	47.92
A Shares	China National Materials Co., Ltd.	Directly and Beneficially Owned	239,580,000	6.63	5.01
H Shares	JPMorgan Chase & Co.	Directly and Beneficially Owned	103,148,860	8.82	2.16
H Shares	BlackRock, Inc.	Directly and Beneficially Owned	83,493,267	7.14	1.75
H Shares	Sloane Robinson LLP	Directly and Beneficially Owned	70,497,000	6.03	1.47
H Shares	Newberger Berman Group LLC	Directly and Beneficially Owned	59,006,000	5.05	1.23

OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2014, 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 recorded in the register required to be kept under section 336 of the SFO.

Interests and Short Positions of Directors, Supervisors and Chief Executives in Shares and Underlying Shares

As at 30 June 2014, none of the Directors, 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 SFO, Chapter 571 of the Laws of Hong Kong), that was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

OTHER INFORMATION

Update on Information of Directors and Supervisors under Rule 13.51B (1) of the Listing Rules

- (1) Mr. Wang Guangjin has been appointed as an independent non-executive Director with effect from 22 May 2014.
- (2) Mr. Yu Kaijun has been appointed as a non-executive Director with effect from 7 August 2014.
- (3) Mr. Wang Xiaojun has been appointed as a supervisor of the Company with effect from 7 August 2014.
- (4) Mr. Hu Zhaoguang has resigned as an independent non-executive Director with effect from 22 May 2014.
- (5) Mr. Yu Shiliang has resigned as a non-executive Director with effect from 6 June 2014.
- (6) Mr. Liu Yi has resigned as a supervisor of the Company with effect from 6 June 2014.
- (7) Mr. Hu Jingshan has resigned as a supervisor of the Company with effect from 27 August 2014.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the model code for securities transactions by the Directors, supervisors and relevant employees on terms no less exacting than the required trading standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange Limited (the “**Listing Rules**”) (the “**Required Standard**”). Relevant employees who are likely to be in possession of unpublished price sensitive information of the Company in relation to the purchase and sale of the securities of the Company are also required to comply with the Required Standard.

As at 30 June 2014, the Directors were not aware of any issues of the Directors, supervisors and relevant employees not in compliance with the Required Standard during the six months ended 30 June 2014. Specific enquiry has been made to all Directors and supervisors, who have confirmed that they had complied with the Required Standard during the Reporting Period.

Purchase, Sales or Redemption of The Company’s Listed Securities

The Group did not sell any securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the six months ended 30 June 2014.

OTHER INFORMATION

Corporate Governance Code

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Board continuously observes the principles of good corporate governance in the interests of shareholders and devotes considerable effort identifying and formalizing best practice. The Board is of the opinion that, for the six months ended 30 June 2014, the Company had complied with all the applicable code provisions contained in the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises six executive Directors, one non-executive Director and four independent non-executive Directors. It has a strong independence element in its composition.

Investor Relations Management

The Group strongly believes that investor relations are an integral part of maintaining good corporate governance of a listed company. During the Reporting Period, 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 and transparent information disclosure. 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 six months ended 30 June 2014, the Group actively participated in various investor relations activities and provided real-time information to investors through its company website.

1. Investor Forums and Conferences

During the six months ended 30 June 2014, 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 met with various analysts, fund managers and financial commentators and maintained close communications with institutional investors, providing them with up-to-date information about the Group.

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 Group 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.

OTHER INFORMATION

3. Results Announcement

The Group had prepared detailed result reports upon finalization of interim and annual results of the Group. Investors' presentations and press conferences 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 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. Information was disseminated through the Company's website www.bbmg.com.cn as the platform to communicate with the public. The Group regularly updates the website contents, disseminates the latest corporate updates, developments and discloses 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 responds to different enquiries made by the shareholders, investors, analysts and media by means of email, facsimile and telephone; and publishes announcements, press releases and other latest updates on the development of the Group, so as to strengthen the effectiveness of information dissemination.

OTHER INFORMATION

Investor Information

1. Share Particulars

H Shares

Listing date	29 July 2009
Stock Exchange	Hong Kong Stock Exchange
Board lot	500 Shares
Number of issued H Shares	1,169,382,435 shares (as at 30 June 2014)
Stock code	02009.HK

A Shares

Listing date	1 March 2011
Stock Exchange	Shanghai Stock Exchange
Board lot	100 Shares
Number of issued A Shares	3,615,257,849 shares (as at 30 June 2014)
Stock code	601992

2. Financial Calendar

2013 annual results announcement	published on 28 March 2014
2014 first quarterly results announcement	published on 24 April 2014
2014 interim results announcement	published on 26 August 2014
2013 annual general meeting	22 May 2014
Closure of register of H shares members to determine the eligibility to attend the 2013 annual general meeting	23 April 2014 – 22 May 2014
Financial year end	31 December

3. Dividends

2013 final dividends	RMB0.078 per share (or equivalent to HK\$0.0981 per share for H Shares)
Closure of register of H shares members to determine the eligibility to the 2013 final dividends entitlement	29 May 2014 – 2 June 2014
Payment of 2013 final dividends of H Shares	18 July 2014

OTHER INFORMATION

For any queries, please contact:

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Fax: (8610) 6641 0889
Email: ir@bbmg.com.cn
Company website: www.bbmg.com.cn/listco

Audit Committee

The Company has established the Audit Committee pursuant to the provisions of the Listing Rules, aimed at reviewing and supervising the Group's financial reporting procedures. The Audit Committee is composed of one non-executive Director and four independent non-executive Directors. At the meeting convened on 26 August 2014, the Audit Committee reviewed the unaudited interim consolidated financial statements for the six months ended 30 June 2014. The Audit Committee reviewed the accounting principles and practices adopted by the Group, considered the Group's financial statements for the first half of 2014 and recommended their adoption by the Board.

As at 26 August 2014, members of the Audit Committee were Mr. Zhang Chengfu (independent non-executive Director), Mr. Yu Kaijun (non-executive Director), Mr. Xu Yongmo (independent non-executive Director), Mr. Yip Wai Ming (independent non-executive Director) and Mr. Wang Guangjin (independent non-executive Director). Mr. Zhang Chengfu is the chairman of the Audit Committee.

Auditors

The Board has engaged Ernst & Young Hua Ming, Certified Public Accountants, to review the interim financial statements of the Company.

Report on Review of Interim Financial Statements



Ernst & Young Hua Ming (2014) Zhuan Zi No. 60667053_A191

To the shareholders of BBMG Corporation:

We have reviewed the accompanying financial statements of BBMG Corporation, which comprise the consolidated and company balance sheet as at 30 June 2014, and the consolidated and company income statements, the consolidated and company statements of changes in equity and statements of cash flows for the six-month period then ended, and explanatory information (collectively as the “**Interim Financial Statements**”). The management of BBMG Corporation is responsible for the preparation of the Interim Financial Statements. Our responsibility is to issue a report on the Interim Financial Statements based on our review.

We conducted our review in accordance with China Standard on Review No. 2101 – Engagements to Review Financial Statements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review consists primarily of inquiries of the company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting, and cannot present fairly, in all material respects, BBMG Corporation’s financial position, operating performance and cash flows.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: **Meng Dong**

Chinese Certified Public Accountant: **Li Wenpeng**

Beijing, the PRC

26 August 2014

Unaudited Interim Consolidated Balance Sheet

As at 30 June 2014

	Note V	30 June 2014 RMB (Unaudited)	31 December 2013 RMB (Audited)
Assets			
Current assets			
Cash and bank balances	1	7,125,781,915.22	8,595,510,330.36
Bills receivable	2	1,290,660,797.16	1,373,660,444.38
Interests receivable	3	5,119,173.58	2,641,275.74
Dividends receivable	4	2,190,000.00	–
Accounts receivable	5	5,673,956,619.08	5,005,865,494.62
Other receivables	6	2,264,872,495.80	2,639,819,809.34
Advances to suppliers	7	3,442,706,473.39	3,640,625,094.32
Inventories	8	42,686,386,003.48	37,602,014,262.50
Other current assets	9	1,289,012,483.79	1,297,088,888.16
Total current assets		63,780,685,961.50	60,157,225,599.42
Non-current assets			
Available-for-sale financial assets	10	505,404,297.22	505,404,297.22
Long-term equity investments	12	344,097,069.35	345,799,792.73
Investment properties	13	13,813,000,000.00	13,545,900,000.00
Fixed assets	14	16,675,857,179.98	16,934,316,116.16
Construction in progress	15	1,948,401,303.64	1,699,222,835.50
Construction materials	16	7,962,030.27	7,869,443.85
Intangible assets	17	3,977,366,831.66	3,962,675,437.19
Goodwill	18	307,562,412.28	307,562,412.28
Long-term deferred expenditures	19	234,933,293.41	204,694,176.91
Deferred income tax assets	20	1,258,575,930.64	1,168,879,507.62
Total non-current assets		39,073,160,348.45	38,682,324,019.46
Total assets		102,853,846,309.95	98,839,549,618.88

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Balance Sheet (continued)

As at 30 June 2014

	Note V	30 June 2014 RMB (Unaudited)	31 December 2013 RMB (Audited)
Liabilities and shareholders' equity			
Current Liabilities			
Short-term loans	23	11,021,200,000.00	13,516,500,000.00
Bills payable	24	297,259,776.81	506,106,696.49
Accounts payable	25	8,324,812,080.79	8,516,698,306.54
Receipts in advance	26	12,803,218,303.72	15,567,949,491.14
Wages payable	27	134,771,682.48	143,861,648.17
Tax payable	28	315,463,798.68	750,894,143.53
Interests payable	29	455,215,430.14	253,810,076.41
Dividends payable	30	403,220,263.41	45,192,199.03
Other payables	31	3,165,839,145.55	2,757,269,782.36
Short-term financing bonds payable	36	6,600,000,000.00	3,000,000,000.00
Non-current liabilities due within one year	33	1,771,452,867.30	3,199,218,336.70
Other current liabilities	34	4,106,954,654.16	3,802,471,794.62
Total current liabilities		<u>49,399,408,003.04</u>	<u>52,059,972,474.99</u>
Non-current liabilities			
Long-term loans	35	7,615,420,000.00	6,879,920,000.00
Bonds payable	36	8,162,657,875.54	6,305,600,000.00
Long-term wages payable	37	435,445,273.00	422,795,184.00
Long-term payables	38	21,094,478.27	22,414,048.18
Accrued liabilities	32	107,047,345.03	101,979,128.78
Deferred income tax liabilities	20	2,549,282,731.03	2,418,825,799.17
Other non-current liabilities	39	622,726,976.68	602,729,940.01
Total non-current liabilities		<u>19,513,674,679.55</u>	<u>16,754,264,100.14</u>
Total liabilities		<u>68,913,082,682.59</u>	<u>68,814,236,575.13</u>

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Balance Sheet (continued)

As at 30 June 2014

	Note V	30 June 2014 RMB (Unaudited)	31 December 2013 RMB (Audited)
Shareholders' equity			
Share Capital	40	4,784,640,284.00	4,283,737,060.00
Capital reserve	41	8,131,966,797.69	5,851,047,176.44
Specific reserve	42	24,423,044.02	13,788,160.64
Surplus reserve	43	711,195,322.63	711,195,322.63
Provision for general risks	44	25,696,727.23	698,454.78
Retained earnings	45	16,402,252,655.28	15,419,803,804.11
Exchange differences on foreign currency translation		(131,577.00)	(130,382.81)
Total equity attributable to shareholders of the parent company		30,080,043,253.85	26,280,139,595.79
Minority interests		3,860,720,373.51	3,745,173,447.96
Total shareholders' equity		33,940,763,627.36	30,025,313,043.75
Total liabilities and shareholders' equity		102,853,846,309.95	98,839,549,618.88

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2014

	Note V	For the six months ended 30 June 2014 RMB (Unaudited)	For the six months ended 30 June 2013 RMB (Unaudited)
Operating revenue	46	20,637,809,082.36	20,386,622,839.47
Less: Operating costs	46	15,481,691,100.41	16,013,389,291.34
Business tax and surcharges	47	818,114,821.61	761,069,018.03
Selling expenses	48	687,298,907.54	680,885,123.98
Administrative expenses	49	1,453,113,406.01	1,360,311,044.25
Finance costs	50	593,339,737.33	453,061,611.81
Asset impairment losses	53	82,852,045.27	(12,393,172.48)
Add: Gains from changes in fair value	51	267,100,000.00	320,192,740.78
Investment income/(losses)	52	1,780,962.60	(23,696,571.08)
Including: Income/(losses) from investment in associates and joint ventures		1,780,962.60	(23,792,766.12)
Operating profit		1,790,280,026.79	1,426,796,092.24
Add: Non-operating income	54	315,196,351.34	309,900,892.74
Less: Non-operating expenses	55	18,814,359.90	14,087,901.77
Including: Loss on disposal of non-current assets		2,714,564.15	4,884,690.18
Total profit		2,086,662,018.23	1,722,609,083.21
Less: Income tax expenses	56	569,862,168.61	426,771,312.14
Net profit		1,516,799,849.62	1,295,837,771.07
Net profit attributable to shareholders of the parent company		1,380,649,065.77	1,299,002,120.31
Minority interests		136,150,783.85	(3,164,349.24)
Earnings per share	57		
Basic earnings per share (RMB/share)		0.30	0.30
Diluted earnings per share (RMB/share)		0.30	0.30

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Income Statement (continued)

For the six months ended 30 June 2014

	Note V	For the six months ended 30 June 2014 RMB (Unaudited)	For the six months ended 30 June 2013 RMB (Unaudited)
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		<u>(20,559,238.00)</u>	—
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		—	2,846,080.01
Exchange differences on foreign currency translation		<u>(1,194.19)</u>	<u>(269.89)</u>
Net other comprehensive income after deducting income tax effect	58	<u>(20,560,432.19)</u>	<u>2,845,810.12</u>
Total comprehensive income		<u>1,496,239,417.43</u>	<u>1,298,683,581.19</u>
Including:			
Total comprehensive income attributable to shareholders of the parent company		<u>1,360,088,633.58</u>	<u>1,301,847,930.43</u>
Total comprehensive income attributable to minority interests		<u>136,150,783.85</u>	<u>(3,164,349.24)</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 (Unaudited)

	Equity attributable to shareholders of the parent company							Total shareholders' equity		
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Provision for general risks	Retained earnings	Exchange differences on foreign currency translation		Subtotal	Non-controlling interests
I. Balance at the beginning of the period	4,283,737,060.00	5,851,047,176.44	13,788,160.64	711,195,322.63	698,454.78	15,419,803,804.11	(130,382.81)	26,280,139,595.79	3,745,173,447.96	30,025,313,043.75
II. Movements during the period	-	-	-	-	-	1,380,649,065.77	-	1,380,649,065.77	136,150,783.85	1,516,799,849.62
(1) Net profit	-	(20,559,238.00)	-	-	-	-	(1,194.19)	(20,560,432.19)	-	(20,560,432.19)
(2) Other comprehensive income	-	(20,559,238.00)	-	-	-	1,380,649,065.77	(1,194.19)	1,360,088,633.58	136,150,783.85	1,496,239,417.43
Total comprehensive income	-	(20,559,238.00)	-	-	-	1,380,649,065.77	(1,194.19)	1,360,088,633.58	136,150,783.85	1,496,239,417.43
(3) Capital contribution and reduction from shareholders	-	27,615,014.62	-	-	-	-	-	27,615,014.62	1,554,985.38	29,170,000.00
1. Capital contribution from minority interests	500,903,224.00	2,273,832,665.92	-	-	-	-	-	2,774,735,889.92	-	2,774,735,889.92
2. Non-public issuance of Shares	-	31,178.71	-	-	-	-	-	31,178.71	(131,178.71)	(100,000.00)
3. Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	(373,201,942.15)	-	(373,201,942.15)	(23,233,810.59)	(396,435,752.74)
1. Dividend to shareholders	-	-	-	-	-	(24,998,272.45)	-	(24,998,272.45)	-	-
2. Appropriation of provision for general risks	-	-	-	-	24,998,272.45	-	-	-	-	-
(5) Specific reserve	-	-	17,601,083.48	-	-	-	-	17,601,083.48	1,880,526.95	19,481,610.43
1. Appropriated during the period	-	-	(6,966,200.10)	-	-	-	-	(6,966,200.10)	(674,381.33)	(7,640,581.43)
2. Paid during the period	-	-	-	-	-	-	-	-	-	-
III. Balance at the end of the period	4,784,640,284.00	8,131,966,797.69	24,423,044.02	711,195,322.63	25,696,727.23	16,402,252,655.28	(131,577.00)	30,080,043,253.05	3,860,720,373.51	33,940,763,627.36

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 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014 (Unaudited)

	Equity attributable to shareholders of the parent company						Total shareholders' equity
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings	Exchange differences on foreign currency translation	
I. Balance at the end of the previous year	4,283,737,060.00	5,395,792,993.51	9,552,984.58	580,552,232.22	12,634,399,124.91	(130,112.92)	25,024,689,123.73
Add: Changes in accounting policies (Note II.2)	-	2,372,004.00	-	356,362.80	5,351,698.20	-	8,080,065.00
II. Balance at the beginning of the period (restated)	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)	25,032,769,188.73
III. Movements during the period							
(1) Net profit	-	-	-	-	1,299,002,120.31	-	1,299,002,120.31
(2) Other comprehensive income	-	2,846,080.01	-	-	-	(269.89)	2,845,810.12
Total comprehensive income	-	2,846,080.01	-	-	1,299,002,120.31	(269.89)	1,298,663,581.19
(3) Capital contribution and reduction from shareholders							
1. Unilateral capital contribution from minority interests	-	(36,602,826.36)	-	-	-	-	932,461,990.24
2. Acquisition of non-controlling interests in subsidiaries	-	3,445,630.18	-	-	-	-	(191,910,000.00)
3. Business combination not under common control	-	-	-	-	-	-	10,391,671.30
(4) Profit distribution							
1. Dividend to shareholders	-	-	-	-	(304,145,331.26)	-	(316,918,086.91)
(5) Specific reserve							
1. Appropriated during the period	-	-	14,819,644.88	-	-	-	17,573,130.38
2. Paid during the period	-	-	(7,972,996.40)	-	-	-	(9,956,819.48)
IV. Balance at the end of the period	4,283,737,060.00	5,367,853,881.34	16,399,633.06	580,908,595.02	13,634,607,612.16	(130,382.81)	26,773,114,655.45

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 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Note V	For the six months ended 30 June 2014 RMB (Unaudited)	For the six months ended 30 June 2013 RMB (Unaudited)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		19,772,213,855.60	20,085,766,881.24
Refunds of taxes		97,603,081.81	130,371,756.05
Cash received from other operating activities	59	927,476,599.18	317,223,009.92
Subtotal of cash inflows from operating activities		20,797,293,536.59	20,533,361,647.21
Cash paid for goods and services		20,636,168,872.23	15,794,259,618.64
Cash paid to and on behalf of employees		1,539,423,604.90	1,318,474,526.65
Cash paid for all types of taxes		2,127,860,769.72	1,728,626,211.57
Cash paid for other operating activities	59	1,567,668,381.76	1,285,758,174.12
Subtotal of cash outflows from operating activities		25,871,121,628.61	20,127,118,530.98
Net cash flows from operating activities	60(1)	(5,073,828,092.02)	406,243,116.23
II. Cash flows from investing activities			
Cash received from return on investments		1,293,685.98	3,992,251.94
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		98,366,103.34	36,404,591.35
Net cash received from acquisition of subsidiaries and other business entities	60(2)	–	3,182,755.40
Net cash received from disposal of subsidiaries and other business entities	60(2)	–	8,697,873.99
Cash received from other investing activities	59	–	2,489,834.15
Subtotal of cash inflows from investing activities		99,659,789.32	54,767,306.83
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		740,786,673.47	1,350,084,146.84
Subtotal of cash outflows from investing activities		740,786,673.47	1,350,084,146.84
Net cash flows from investing activities		(641,126,884.15)	(1,295,316,840.01)

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2014

	Note V	For the six months ended 30 June 2014 RMB (Unaudited)	For the six months ended 30 June 2013 RMB (Unaudited)
III. Cash flows from financing activities			
Cash received from capital contributions		2,808,409,989.92	872,822,100.04
Including: Cash received by subsidiaries from minority interests		29,170,000.00	872,822,100.04
Cash received from borrowings		10,064,018,000.00	9,160,866,359.27
Cash received from issue of bonds		6,924,131,029.99	2,000,000,000.00
Subtotal of cash inflows from financing activities		19,796,559,019.91	12,033,688,459.31
Cash paid for repayment of borrowings		11,351,438,000.00	8,963,308,880.00
Cash paid for distribution of dividends or profits or for interest expenses		854,882,062.89	646,066,339.16
Including: Dividends and profits paid by subsidiaries to minority interests		28,839,788.67	7,254,868.82
Cash paid for redemption of bonds		3,370,000,000.00	–
Cash paid for other financing activities		100,000.00	408,872,381.58
Subtotal of cash outflows from financing activities		15,576,420,062.89	10,018,247,600.74
Net cash flows from financing activities		4,220,138,957.02	2,015,440,858.57
IV. Effect of changes in exchange rate on cash and cash equivalents		(304,561.11)	(234,986.59)
V. Net increase/(decrease) in cash and cash equivalents		(1,495,120,580.26)	1,126,132,148.20
Add: Cash and cash equivalents at the beginning of the period		5,866,492,301.67	3,557,703,110.20
VI. Cash and cash equivalents at the end of the period	60(3)	4,371,371,721.41	4,683,835,258.40

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 53 to 249 form an integral part of these financial statements.

Unaudited Interim Balance Sheet

As at 30 June 2014

	Note XI	30 June 2014 RMB (Unaudited)	31 December 2013 RMB (Audited)
Assets			
Current assets			
Cash and bank balances		2,473,085,564.51	1,890,829,405.71
Accounts receivable		531,095.49	60,332.04
Interests receivable		286,171,898.57	182,081,098.70
Dividends receivable		962,329,113.99	974,975,154.14
Other receivables	1	21,729,768,318.76	19,705,837,953.34
Other current assets		7,407,626.04	—
Total current assets		25,459,293,617.36	22,753,783,943.93
Non-current assets			
Available-for-sale financial assets		500,200,000.00	500,200,000.00
Long-term equity investments	2	23,593,214,847.67	19,666,506,383.12
Investment properties		8,789,057,000.00	8,257,191,000.00
Fixed assets		1,315,163,420.30	1,323,329,966.27
Construction in progress		4,980,000.00	4,980,000.00
Intangible assets		459,305,613.17	466,580,823.46
Total non-current assets		34,661,920,881.14	30,218,788,172.85
Total assets		60,121,214,498.50	52,972,572,116.78
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		11,126,200,000.00	12,818,500,000.00
Accounts payable		7,883,071.33	5,050,771.04
Receipts in advance		71,819,016.96	64,497,785.03
Wages payable		109,430.15	374,749.52
Tax payable		4,452,408.39	30,850,868.54
Interests payable		449,801,983.89	246,525,930.56
Dividends payable		384,735,818.55	21,101,776.09
Other payables		3,788,113,142.03	3,336,506,200.51
Short-term financing bonds payable		6,600,000,000.00	3,000,000,000.00
Non-current liabilities due within one year		100,000,000.00	2,324,228,475.57
Total current liabilities		22,533,114,871.30	21,847,636,556.86

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Balance Sheet (continued)

As at 30 June 2014

	Note XI	30 June 2014	31 December 2013
		RMB	RMB
		(Unaudited)	(Audited)
Non-current liabilities			
Long-term loans		5,995,000,000.00	4,220,000,000.00
Bonds payable		8,162,657,875.54	6,305,600,000.00
Long-term wages payables		427,089,881.72	414,142,674.22
Deferred income tax liabilities		<u>1,674,855,265.00</u>	<u>1,578,510,245.70</u>
Total non-current liabilities		<u>16,259,603,022.26</u>	12,518,252,919.92
Total liabilities		<u>38,792,717,893.56</u>	<u>34,365,889,476.78</u>
Shareholders' equity			
Share capital		4,784,640,284.00	4,283,737,060.00
Capital reserve		8,006,879,440.77	5,753,292,746.85
Surplus reserve		711,195,322.63	711,195,322.63
Retained earnings		<u>7,825,781,557.54</u>	<u>7,858,457,510.52</u>
Total shareholders' equity		<u>21,328,496,604.94</u>	18,606,682,640.00
Total liabilities and shareholders' equity		<u>60,121,214,498.50</u>	<u>52,972,572,116.78</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Income Statement

For the six months ended 30 June 2014

	Note XI	For the six months ended 30 June 2014 RMB (Unaudited)	For the six months ended 30 June 2013 RMB (Unaudited) (Restated)
Operating revenue	3	375,107,665.54	317,635,161.33
Less: Operating costs	3	44,725,209.71	49,733,966.20
Business tax and surcharges		20,493,497.81	16,172,644.93
Selling expenses		6,585,219.95	6,016,139.00
Administrative expenses		94,951,412.65	99,737,773.04
Finance costs		292,249,383.38	147,202,760.18
Asset impairment losses		9,113,985.00	–
Add: Gain from changes in fair value		188,366,000.00	229,234,912.63
Investment income	4	50,490,692.89	10,275,138.30
Including: Income/(losses) from investment in associates and joint ventures		1,196,489.55	(24,457,062.60)
Operating profit		145,845,649.93	238,281,928.91
Add: Non-operating income		12,878,210.57	61,353,699.17
Less: Non-operating expenses		157,506.54	324,689.00
Including: loss on disposal of non-current assets		3,854.00	–
Total profit		158,566,353.96	299,310,939.08
Less: Income tax expenses		26,409,383.73	69,328,548.58
Net profit		132,156,970.23	229,982,390.50

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Income Statement (continued)

For the six months ended 30 June 2014

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Note XI	RMB (Unaudited)	RMB (Unaudited) (Restated)
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 of defined benefit plans	(20,245,972.00)	–
Net other comprehensive income after deducting income tax effect	(20,245,972.00)	–
Total comprehensive income	102,384,498.23	229,982,390.50

The financial statements have been signed by:

Legal representative:

Jiang Weiping

CFO:

Wang Hongjun

Head of the accounting department:

Hu Juan

Unaudited Interim Statement of Changes in Equity

For the six months ended 30 June 2014 (Unaudited)

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the period	<u>4,283,737,060.00</u>	<u>5,753,292,746.85</u>	<u>711,195,322.63</u>	<u>7,858,457,510.52</u>	<u>18,606,682,640.00</u>
II. Movements during the period					
(1) Net profit	-	-	-	132,156,970.23	132,156,970.23
(2) Other comprehensive income	-	(20,245,972.00)	-	-	(20,245,972.00)
Total comprehensive income	-	(20,245,972.00)	-	132,156,970.23	111,910,998.23
(3) Non-public issuance of new shares	500,903,224.00	2,273,832,665.92	-	-	2,774,735,889.92
(4) Profit distribution					
1. Dividend to shareholders	-	-	-	(373,201,942.15)	(373,201,942.15)
(5) Merger of subsidiaries	-	-	-	208,369,018.94	208,369,018.94
III. Balance at the end of the period	<u>4,784,640,284.00</u>	<u>8,006,879,440.77</u>	<u>711,195,322.63</u>	<u>7,825,781,557.54</u>	<u>21,328,496,604.94</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Statement of Changes in Equity (continued)

For the six months ended 30 June 2013 (Unaudited)

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the end of the previous year	4,283,737,060.00	5,679,053,989.85	580,552,232.22	6,986,815,028.10	17,530,158,310.17
Add: Changes in accounting policies (Note II.2)	—	3,567,946.00	356,362.80	3,207,265.20	7,131,574.00
II. Balance at the beginning of the period (restated)	<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>
III. Movements during the period					
(1) Net profit	<u>—</u>	<u>—</u>	<u>—</u>	<u>229,982,390.50</u>	<u>229,982,390.50</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>229,982,390.50</u>	<u>229,982,390.50</u>
(2) Profit distribution					
1. Dividend to shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>(304,145,331.26)</u>	<u>(304,145,331.26)</u>
IV. Balance at the end of the period	<u>4,283,737,060.00</u>	<u>5,682,621,935.85</u>	<u>580,908,595.02</u>	<u>6,915,859,352.54</u>	<u>17,463,126,943.41</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

Unaudited Interim Statement of Cash Flows

For the six months ended 30 June 2014

	Note XI	For the six months ended 30 June 2014 RMB (Unaudited)	For the six months ended 30 June 2013 RMB (Unaudited)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		380,364,883.25	311,220,203.15
Cash received from other operating activities	5	<u>22,517,771,542.97</u>	<u>22,896,266,720.51</u>
Subtotal of cash inflows from operating activities		<u>22,898,136,426.22</u>	<u>23,207,486,923.66</u>
Cash paid for goods and services		15,188,622.22	24,296,746.67
Cash paid to and on behalf of employees		37,628,052.02	41,726,590.46
Cash paid for all types of taxes		82,760,809.41	106,286,509.78
Cash paid for other operating activities	5	<u>23,796,849,848.12</u>	<u>23,172,557,448.18</u>
Subtotal of cash outflows from operating activities		<u>23,932,427,331.77</u>	<u>23,344,867,295.09</u>
Net cash flows from operating activities	6	<u>(1,034,290,905.55)</u>	<u>(137,380,371.43)</u>
II. Cash flows from investing activities			
Cash received from return on investments		9,570,000.00	1,215,425.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	1,523,235.03
Net cash received from disposal of subsidiaries and other business entities		–	<u>61,247,700.00</u>
Subtotal of cash inflows from investing activities		<u>9,570,000.00</u>	<u>63,986,360.03</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		30,875,159.48	58,214,530.63
Cash paid for acquisition of investments		<u>3,743,151,975.00</u>	<u>1,089,278,058.47</u>
Subtotal of cash outflows from investing activities		<u>3,774,027,134.48</u>	<u>1,147,492,589.10</u>
Net cash flows from investing activities		<u>(3,764,457,134.48)</u>	<u>(1,083,506,229.07)</u>

The notes on pages 53 to 249 form an integral part of these financial statements.

Unaudited Interim Statement of Cash Flows (continued)

For the six months ended 30 June 2014

	Note XI	For the six months ended 30 June 2014 RMB (Unaudited)	For the six months ended 30 June 2013 RMB (Unaudited)
III. Cash flows from financing activities			
Cash received from capital contributions		2,779,239,989.92	–
Cash received from borrowings		10,443,996,000.00	8,362,500,000.00
Cash received from issue of bonds	6	6,924,131,029.99	2,000,000,000.00
Subtotal of cash inflows from financing activities		20,147,367,019.91	10,362,500,000.00
Cash paid for repayment of borrowings		10,685,296,000.00	7,757,500,000.00
Cash paid for distribution of dividends and profits or for interest expenses		710,656,725.90	497,597,666.41
Cash paid for redemption of bonds	6	3,370,000,000.00	–
Subtotal of cash outflows from financing activities		14,765,952,725.90	8,255,097,666.41
Net cash flows from financing activities		5,381,414,294.01	2,107,402,333.59
IV. Effect of changes in exchange rate on cash and cash equivalents		(410,095.18)	–
V. Net increase in cash and cash equivalents		582,256,158.80	886,515,733.09
Add: Cash and cash equivalents at the beginning of the period		1,890,829,405.71	998,549,054.78
VI. Cash and cash equivalents at the end of the period	6	2,473,085,564.51	1,885,064,787.87

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 53 to 249 form an integral part of these financial statements.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

I. BASIC INFORMATION OF THE GROUP

BBMG Corporation (the “**Company**”) is a joint stock company with limited liability incorporated in Beijing, the People’s Republic of China. 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, 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 raised 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 resolved by the Company's first extraordinary general meeting in 2013 convened on 30 October 2013 and under the approval of CSRC (Zheng Jian Xu Ke [2014] No. 312) on 20 March 2014, a total of 500,903,224.00 Renminbi-denominated ordinary shares (A Shares) were issued by the Company under private placement to two designated investors, namely BBMG Group and Beijing Jingguofa Equity Investment Fund (Limited Partnership). The issued A shares completed the custody procedures at China Securities Depository and Clearing Corporation Limited, Shanghai Branch on 26 March 2014. The shares newly issued were circulating shares subject to lock-up restriction in nature, which cannot be transferred within 36 months from the date of completion of the issuance and are expected to be released from lock-up period on 26 March 2017. Share capital raised from this private placement of A shares has been verified by Ernst & Young Hua Ming (2014) Yan Zi No. 60667053_A02 prepared by Ernst & Young Hua Ming LLP.

As at 30 June 2014, the Company's registered capital was RMB4,784,640,284, comprising a total of 4,784,640,284 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 26 August 2014. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 promulgated by the Ministry of Finance 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 made according to relevant provisions.

2. Adoption of certain revised/new accounting standards

Between January and March 2014, the Ministry of Finance formulated the Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement, Accounting Standards for Business Enterprises No. 40 – Joint Arrangements and Accounting Standards for Business Enterprises No. 41 – Disclosure of Interests in Other Entities; and revised 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 7 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 early adopted the above 7 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, the accounting treatments adopted by the Group were consistent with those for the financial statements for 2013 in respect of the changes in the accounting standards above, 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 in which 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, 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 applicable to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and thus shall be recognised as available-for-sale financial assets.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 financial statements for the six months ended 30 June 2013:

The Group:

For the six months ended 30 June 2013

	Amount for the period before change in accounting policy	Amount effected by change in accounting policy	Amount for the period after change in accounting policy
Administrative expenses	1,370,281,463.25	(9,970,419.00)	1,360,311,044.25
Finance costs	442,895,708.81	10,165,903.00	453,061,611.81

The Company:

For the six months ended 30 June 2013

	Amount for the period before change in accounting policy	Amount effected by change in accounting policy	Amount for the period after change in accounting policy
Administrative expenses	109,706,342.04	(9,968,569.00)	99,737,773.04
Finance costs	137,234,191.18	9,968,569.00	147,202,760.18

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 30 June 2014 and their financial performance and cash flows for the six months ended 30 June 2014.

4. Accounting period

The accounting year for the Group is from 1 January to 31 December of each calendar year. The accounting period for this report is from 1 January 2014 to 30 June 2014.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

5. Functional currency

The Group's functional currency and the currency used in preparing these financial statements 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 merges 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 temporary. 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.

Business combinations not under common control

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

6. Business combinations *(continued)*

Business combinations not under common control *(continued)*

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

7. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the six months ended 30 June 2014 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 in full on consolidation.

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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

7. Consolidated financial statements *(continued)*

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 non-controlling 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.

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 translating the foreign currency amounts at the spot exchange rates at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rates at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for acquisition and construction of 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

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

For foreign operations, the Group translates their functional currency amounts into Renminbi in preparing the financial statements as follows: asset and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, and equity items other than “retained earnings” are translated using the spot exchange rates at the date of transaction; 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.

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” agreement; 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 given up control of the asset.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

10. Financial Instruments *(continued)*

Recognition and derecognition of financial instruments (continued)

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

Regular way of purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way of 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 market conventions. Trade date is the date that the Group commits to purchase or sell the asset.

Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets 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, the 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 a 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

10. Financial Instruments *(continued)*

Classification and measurement of financial assets (continued)

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as any of the other categories at initial recognition. After initial recognition, available-for-sale financial assets are measured at fair value. The discount/premium is amortised using the effective interest rate method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income in capital reserve, except that impairment losses and foreign exchange gains or losses resulting 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, the 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 amounts recognised.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

10. Financial Instruments *(continued)*

Classification and measurement of financial liabilities (continued)

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

Financial liabilities carried at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition at fair value through profit or loss. A financial liability held for trading is a financial liability that meets one of the following conditions: (i) the financial liability is assumed for the purpose of repurchasing 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.

Other financial liabilities

After initial recognition, such kind of financial liabilities are measured at amortised cost by using the effective interest rate 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 made for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset.

Financial assets carried at amortised cost

If impairment on a financial asset has occurred, the carrying amount of the asset is reduced to the present value of expected future cash flows (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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

10. Financial Instruments *(continued)*

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Available-for-sale financial assets

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

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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

10. Financial Instruments *(continued)*

Transfers of financial assets

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

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

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:

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

11. Receivables *(continued)*

(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.

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

Within the construction expenses, public ancillary facilities represent government-approved public ancillary projects, including expenses on roads. The relevant costs are recognised under the properties under development, and are accounted for and allotted by cost subject and cost item. Land for development purpose is also accounted for as 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 its 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 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

13. Long-term equity investments

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

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 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 recognises 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.27 for the test for impairment and recognition of provision for impairment.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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" of the income statement. Reasons for the adoption of the fair value model as the accounting policy for subsequent measurement by the Group are as follows:

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

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

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

The Group has engaged a valuer with relevant qualifications to conduct 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 adopted by the Group and major uncertainties 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 economically 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.27.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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.27.

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

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

- (1) expenditures for the asset have been incurred;
- (2) borrowing costs have been 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 capitalised 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 capitalised 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 is 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 rights.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

18. Intangible assets *(continued)*

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

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

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and 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.27.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

19. Long-term deferred expenditures

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

20. 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 on 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 have 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 on 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

22. Government grants

Government grants are recognised when all attaching conditions can be complied with and the grant can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value 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 recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period.

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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 on condition that they are examined by government authorities with no quality issues identified during 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 at fair value, the integral part of an enterprise (or non-current assets) that meet all of the following conditions are classified by the Group 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 by the Group of 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 entered into 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. Impairment of assets

The Group determines impairment of assets, other than impairment of inventories, investment properties measured at fair value, deferred income tax assets and financial assets, using the following methods:

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

27. Impairment of assets *(continued)*

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.

28. 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

28. Employee benefits *(continued)*

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.

29. Distribution of profit

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

30. 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.

31. Fair value measurement

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 as at the date of measurement. 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.

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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

32. 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, 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.

Classification between investment properties and fixed assets

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

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

Uncertainty of estimation

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

Deferred income tax assets

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

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

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

Impairment of goodwill

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

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

Uncertainty of estimation (continued)

Land appreciation tax

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

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.

Impairment of accounts receivable and other receivables

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

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

Uncertainty of estimation (continued)

Provision of decline in value of inventory

The Group's inventory is measured at the lower of the costs and net realisable value. Net realizable value of inventory is the estimated selling price of inventory less the estimated costs upon completion of production, the estimated selling expenses and the related taxes and surcharges necessary to make the sale. 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. 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

III. TAXATION *(continued)*

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

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.

(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 2014 in respect of their eligible cement products. Such subsidiaries include Beijing Liulihe Cement Co., Ltd., Beijing BBMG Pinggu Cement Co., Ltd., Luquan BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang BBMG Cement Co., Ltd., Beijing Taihang Qianjing Cement Co., Ltd., Baoding Taihang Heyi Cement Co., Ltd., Beijing Qianglian Cement Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Zanzhuang BBMG Cement Co., Ltd., Zhangjiakou 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., Xuanhua BBMG Cement Co., Ltd., Beijing Chinefarge Cement Co., Ltd., BBMG Shunfa Lafarge Cement Co., Ltd. and Bo'ai BBMG Cement Co., Ltd..
- (2) Some of the Group's subsidiaries engaged in concrete production enjoyed the VAT exemption preferential policy in 2014 in respect of their eligible concrete products. Such subsidiaries include Beijing Jianhua-Bulangni Concrete Co., Ltd., Beijing BBMG Concrete Co., Ltd., Guantao BBMG Taihang Concrete Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Tianjin BBMG Concrete Co., Ltd., Shijiazhuang BBMG Xucheng Concrete Co., Ltd., Handan Fengfeng BBMG Concrete Co. Ltd., Shijiazhuang BBMG Beiyue Concrete Co., Ltd., Handan Hanshan BBMG Concrete Co., Ltd. and Handan County BBMG Concrete Co., Ltd..

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

III. TAXATION *(continued)*

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

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

- (3) The Group's subsidiaries Beijing BBMG Aerated Concrete Co., Ltd., BBMG Mortar Co., Ltd. and Tianjin Jinyu Treasure Bright Mortar Co., Ltd. enjoyed the VAT exemption preferential policy in respect of their selected building materials in 2014.

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).

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, Beijing Bio-Island Science and Technology Co., Ltd, a subsidiary of the Group, 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., Beijing Bio-Island Science and Technology Co., Ltd. and Beijing Liulihe Cement 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).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

III. TAXATION *(continued)*

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

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 2014 pursuant to the implementation rules of the Law on Enterprise Income Tax of the People's Republic of China and the Notice of the State Administration of Taxation of the PRC regarding Corporate Income Tax Preferences for High-tech Enterprises (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..

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) Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. complies with the income tax preferential conditions set for energy and water saving environmental friendly enterprises, and enjoys the preferential corporate income tax policy of "three-year exemption and three-year 50% reduction" from 1 January 2010 to 31 December 2015.
- (2) Beijing Bio-Island Science and Technology Co., Ltd. is levied corporate income tax at the tax rate of 12.5% of its taxable income. Pursuant to the approval by Fangshan State Administration of Taxation, it complies with the income tax preferential conditions set for energy and water saving environmental friendly enterprises, and enjoys the preferential corporate income tax policy of 50% reduction from 1 January 2012 to 31 December 2014.
- (3) 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 2011 to 2020.
- (4) Beijing Liulihe 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.
- (5) Zanhuang BBMG Cement Co., Ltd., Beijing Liulihe Cement Co., Ltd. and Qinyang BBMG Cement Co., Ltd. were approved to deduct its corporate income tax with 10% of total investment in energy conservation and environmental friendly equipment.
- (6) Qinyang BBMG Cement Co., Ltd. complies with the requirements of the "Indices on Corporate Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects", and enjoys the corporate income tax preferential policy of exemption for three years and 50% reduction for another three years from 1 January 2014 to 31 December 2019.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 period RMB ten thousand		Percentage of equity Direct (%)	Indirect (%)	Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
						Direct (%)	Indirect (%)					
Subsidiaries acquired through establishment, investment or other ways (continued)												
Limited liability	Siping	Jiang Changlu	Manufacture and sale of cement and cement product etc.	30,000.00	6961362205	15,600.00	52.00	-	-	52.00	Yes	15,357.49
Limited liability	Shijiazhuang	Li Fuhai	Sales of concretes	10,000.00	05545166-9	7,000.00	-	70.00	-	70.00	Yes	2,803.75
Limited liability	Lan County	Liu Wenyan	Manufacture and sale of cement and cement product	20,030.00	5514789403	16,024.00	80.00	-	-	80.00	Yes	2,608.05
Limited liability	Qinyang	Jiang Changlu	Manufacture and sale of cement and clinker etc.	16,645.00	553167610X	14,414.51	86.60	-	-	86.60	Yes	1,601.44
Limited liability	Lingchuan County	Li Junlin	Manufacture and sale of cement and clinker	25,000.00	5613345503	25,000.00	100.00	-	-	100.00	Yes	-
Limited liability	Beijing	Zhang Jun	Sale of metal and other mining material products	500.00	5803555505	500.00	100.00	-	-	100.00	Yes	-
Limited liability	Zuoquan County	Li Qiang	Technical consultation service on cement clinker	36,530.00	575961380X	36,530.00	100.00	-	-	100.00	Yes	-
Limited liability	Xuanhua County	Jiang Changlu	Manufacture and sale of cement and clinker	500.00	575518290X	325.00	65.00	-	-	65.00	Yes	(1,971.05)
Limited liability	Bo'ai County	Zheng Yongsheng	Manufacture and sale of cement and clinker	30,000.00	5860453502	28,500.00	95.00	-	-	95.00	Yes	1,545.97
Limited liability	Guangling County	Wei Weidong	Manufacture and sale of cement clinker	31,700.00	05626630-X	31,700.00	100.00	-	-	100.00	Yes	-
Limited liability	Beijing	Cai Luhong	Manufacture and sale of dry mix mortar	10,000.00	05136722-4	10,000.00	80.00	20.00	-	100.00	Yes	-
Limited liability	Tianjin	Cai Luhong	Manufacture and sale of mortar	4,900.00	03870889-6	3,430.00	-	70.00	-	70.00	Yes	1,681.39
Limited liability	Handan	Li Huijiang	Manufacture and sale of prepared components and processing of concrete	3,000.00	06571549-6	3,000.00	100.00	-	-	100.00	Yes	-
Limited liability	Handan	Li Huijiang	Manufacture and sale of commercial concrete and crushed stone	3,000.00	06703702-7	2,760.00	92.00	-	-	92.00	Yes	300.31

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For the six months ended 30 June 2014

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 period RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)											
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (德義通達中原耐火材料有限公司)	Limited liability	Gongyi	Feng Yunsheng	Manufacture and sale of refractory materials etc.	1,050.00	1705000607	1,620.13	-	100.00	Yes	-
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd. (德義通達中原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	-	100.00	Yes	-
Beijing Jinyu Energy-Saving Technology Co., Ltd. (北京金裕節能保溫科技有限公司)	Limited liability	Beijing	Li Hubin	Manufacture and sale of building materials	31,496.77	1011240503	34,245.06	100.00	-	Yes	-
Zhangjiakou Star Building Materials Co., Ltd. (張家口星牌建築材料有限公司)	Limited liability	Beijing	Li Hubin	Manufacture, processing and sale of rock wool products	500.00	589693200	969.57	-	100.00	Yes	-
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 Quan	Construction contracting	2,001.12	1011320307	2,252.86	-	100.00	Yes	-
Beijing Aerated Concrete Co., Ltd. (北京市加氣混凝土有限公司)	Limited liability	Beijing	Zhang Xiangliang	Manufacture and sale of aerated concrete panels	8,681.75	1019575703	11,010.78	100.00	-	Yes	-
Beijing Jinyu Aerated Concrete Co., Ltd. (北京金裕加氣混凝土有限公司)	Limited liability	Beijing	Jin Xuofeng	Manufacture and sale of aerated concrete products etc.	10,000.00	1022992609	10,794.64	100.00	-	Yes	-
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	296.71	-	100.00	Yes	-
Beijing BBMG Coating Co., Ltd. (北京金耀塗料有限公司)	Limited liability	Beijing	Chen Jun	Manufacture of coating, professional contracting	8,900.00	787340703	9,542.12	100.00	-	Yes	-
Dachang BBMG Coating Co., Ltd. (大倉金耀塗料有限公司)	Limited liability	Dachang County	Chen Jun	Manufacture and sale of coating	3,000.00	5648915704	3,000.00	-	100.00	Yes	-
Xinjiang BBMG Coating Co., Ltd. (新疆金耀塗料有限公司)	Limited liability	Urumqi	Qiu Feng	Manufacture of coating; sale of building materials etc.	100.00	6734073704	55.00	-	55.00	Yes	128.05
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 Zhaojia	Development, manufacture and sale of building materials etc.	16,000.00	400709490X	16,246.78	100.00	-	Yes	-
Beijing Building Materials Testing Centre Co., Ltd. (北京建築材料試驗中心有限公司)	Limited liability	Beijing	Wang Zhaojia	Testing for building material quality etc.	1,000.13	7951149204	1,000.13	-	100.00	Yes	-

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For the six months ended 30 June 2014

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 period RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Beijing Keshi Harroway Co., Ltd. (北京市科翼五金有限责任公司)	Limited liability	Beijing	Liu Guosheng	Manufacture of modern products like construction hardware	6,595.92	1011231703	100.00	-	100.00	Yes	-
Beijing BBMG Dongrun Construction Materials Co., Ltd. (北京金隅東潤建材有限公司)	Limited liability	Beijing	Kou Yingyue	Wholesale of building materials etc.	2,000.00	6900160009	-	51.00	51.00	Yes	1,268.41
Beijing BBMT-Xinke Building Materials Co., Ltd. (北京建興新科建材有限公司)	Limited liability	Beijing	Cao Zhanjing	Purchase and sale of building materials etc.	17,000.00	7002424300	-	100.00	100.00	Yes	-
Qingdao BBMT-Xinke Building Materials Co., Ltd. (青島建興新科建材有限公司)	Limited liability	Qingdao	Cao Zhanjing	Wholesale and retail of building materials etc.	100.00	7353337306	-	60.00	60.00	Yes	14.91
BBMG Home Furnishing Co., Ltd. (北京金隅家居有限公司)	Limited liability	Beijing	Kou Yingyue	Purchase and sale of building materials and metals etc.	600.00	6631036706	-	100.00	100.00	Yes	-
Beijing BBMG Decoration and Engineering Co., Ltd. (北京金隅裝飾工程有限公司)	Limited liability	Beijing	Cao Yuhai	Design and construction of building decoration	3,000.00	6000253302	-	100.00	100.00	Yes	-
Beijing Jianru Design and Research Institute Co., Ltd. (北京建研設計研究院有限公司)	Limited liability	Beijing	Zheng Sicheng	Design of modern building materials etc.	954.12	4008419401	100.00	-	100.00	Yes	-
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	6000370206	-	100.00	100.00	Yes	-
Beijing Sanjichong Mirror Co., Ltd. (北京三達鏡業有限公司)	Limited liability	Beijing	Li Huijin	Manufacture and sale of glass-made spectacle lenses	5,766.00	6000322804	-	100.00	100.00	Yes	-
BBMG Dachang Modern Industrial Park Management Co., Ltd. (北京金隅達昌現代工業園管理有限公司)	Limited liability	Dachang County	Jiang Hangjun	Manufacture of various modern building materials etc.	50,000.00	6636835207	100.00	-	100.00	Yes	-
Yangquan Tongda BBMG Refractory Materials Co., Ltd. (陽泉金隅通達高溫材料有限公司)	Limited liability	Yangquan	Feng Yunsheng	Manufacture and sale of refractory ceramic etc.	6,000.00	6942918902	-	100.00	100.00	Yes	-
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.	66,000.00	5585089700	100.00	-	100.00	Yes	-
Dachang BBMG Jintaiyan Glass Wool Co., Ltd. (大廠金隅金泰岩玻璃棉有限公司)	Limited liability	Dachang County	Zhao Yanjun	Manufacture and sale of glass wool products	8,000.00	679306540X	-	100.00	100.00	Yes	-

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For the six months ended 30 June 2014

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 period RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
						Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)										
BBMG Material Industrial (Shanghai) Co., Ltd. (金隅物產上海有限公司)	Shanghai	Kou Yingqie	Import and export of coke, iron ore and metal materials	8,000.00	59971945-9	4,080.00	51.00	Yes	4,191.09	
Tangshan Jiwei Aeraled Concrete Co., Ltd. (唐山金隅加業綠泰士有限責任公司)	Tangshan	Jin Xuefeng	Manufacture and sale of aerated concrete panels	6,860.00	06048276-9	4,596.20	67.00	Yes	1,947.55	
BBMG GEM Real Estate Development Co., Ltd. (北京金隅業房地產開發有限公司)	Beijing	Huang An' nan	Property development and operation etc.	340,000.00	1017180907	306,513.84	100.00	Yes	-	
BBMG (Qingdao) Property Development Co., Ltd. (金隅(青島)房地產開發有限公司)	Qingdao	Huang An' nan	Property development and trading agent	5,000.00	5912837500	5,000.00	100.00	Yes	-	
Inner Mongolia BBMG Property Investment Co., Ltd. (內蒙古金隅置業投資有限公司)	Hohhot	Huang An' nan	Property development and management etc.	20,000.00	7901884300	20,000.00	100.00	Yes	-	
BBMG (Hangzhou) Property Development Co., Ltd. (金隅(杭州)房地產開發有限公司)	Hangzhou	Huang An' nan	Property development and management etc.	60,000.00	6680245102	63,482.70	100.00	Yes	-	
Hangzhou BBMG Mountain Villa Property Development Co., Ltd. (杭州金隅山墅房地產開發有限公司)	Hangzhou	Huang An' nan	Property development and others	10,000.00	5687961001	10,000.00	100.00	Yes	-	
BBMG (Tianjin) Property Development Co., Ltd. (金隅(天津)房地產開發有限公司)	Tianjin	Huang An' nan	Property development and sales etc.	80,000.00	55103542804	80,000.00	100.00	Yes	-	
Tangshan BBMG Julong Property Development Co., Ltd. (唐山金隅王龍房地產開發有限公司)	Tangshan	Huang An' nan	Property development and management etc.	5,000.00	53530917200	4,000.00	80.00	Yes	927.04	
Beijing BBMG Property Development Co., Ltd. (北京金隅豐地房地產開發有限公司)	Beijing	Huang An' nan	Property development and sales etc.	5,000.00	5549780304	5,000.00	100.00	Yes	-	
Beijing Xisang High Tech New Building Material City Management and Development Co., Ltd. (北京西三旗高新建材城管理開發有限公司)	Beijing	Chang Yuanhong	Property rental and development etc.	6,129.76	1011439607	12,358.04	100.00	Yes	-	
Chengdu BBMG Dacheng Property Development Co., Ltd. (成都金隅大成房地產開發有限公司)	Chengdu	Zhang Xiaobing	Property development etc.	5,000.00	5875634304	4,000.00	80.00	Yes	172.25	

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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 period RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Chongqing BBMG Dacheng Property Development Co., Ltd. (重慶金鼎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	-	100.00	100.00	Yes	-
Beijing BBMG Chieroyuan Property Development Co., Ltd. (北京金鼎翠園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	5656560003	100.00	-	100.00	Yes	-
Beijing Jinyuancheng Property Management Co., Ltd. (北京金源誠物業管理有限責任公司)	Limited liability	Beijing	Zhao Dianming	Property management	50.00	7609198209	-	100.00	100.00	Yes	-
Inner Mongolia BBMG Dacheng Property Management Co., Ltd. (內蒙古金鼎大成物業管理有限公司)	Limited liability	Hohhot	Xu Stan	Property management	200.00	6769102704	-	100.00	100.00	Yes	-
BBMG Property Management Co., Ltd. (北京錦湖物業管理有限責任公司)	Limited liability	Beijing	Xu Chuanhui	Property management	1,000.00	636869700	100.00	-	100.00	Yes	-
Beijing Jintuyuan Property Management Co., Ltd. (北京錦湖物業管理有限公司)	Limited liability	Beijing	Xu Chuanhui	Property management	50.00	7001721209	-	100.00	100.00	Yes	-
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金鼎鳳凰山溫泉度假村有限公司)	Limited liability	Beijing	Liu Weiyou	Provision of accommodation and dining services etc.	19,998.91	1026918903	100.00	-	100.00	Yes	-
Beijing Jiaruiyuan Hotel Co., Ltd. (北京市建蕊源酒店有限公司)	Limited liability	Beijing	Liu Weiyou	Provision of accommodation and dining services	1,000.53	101129680X	-	100.00	100.00	Yes	-
Beijing Jiani Assets Management Co., Ltd. (北京建業資產管理有限公司)	Limited liability	Beijing	An Zhiqiang	Self-owned property rental, property management etc.	17,433.78	1016498209	100.00	-	100.00	Yes	-
Beijing Jinihayan Assets Management Co., Ltd. (北京金鼎益瀚資產管理有限責任公司)	Limited liability	Beijing	Zhao Yanjun	Self-owned property rental, property management etc.	8,282.36	101124580X	100.00	-	100.00	Yes	-
Beijing Jinihayan Property Management Co., Ltd. (北京金鼎益瀚物業管理有限公司)	Limited liability	Beijing	Ma Hong	Property management	500.00	101850160X	100.00	-	100.00	Yes	-
BBMG Operation Management Co., Ltd. (北京金鼎操作管理有限公司)	Limited liability	Beijing	Xu Chuanhui	Commercial housing rental, property and hotel management etc.	9,900.00	6691139407	100.00	-	100.00	Yes	-

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For the six months ended 30 June 2014

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 period RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)											
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	-	100.00	100.00	Yes	-
Beijing Kaicheng 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	-	100.00	100.00	Yes	-
Beijing Wan Cheng Tassang Property Management Co., Ltd. (北京萬成塔桑物業管理有限公司)	Limited liability	Beijing	Chen Xu	Property management	200.00	78861032-1	-	100.00	100.00	Yes	-
Beijing Jiyu Chaixin Tandi Property Investment Co., Ltd. (北京嘉裕信泰物業投資有限公司)	Limited liability	Tianjin	Huang Ai'nan	Property development and operation etc.	5,000.00	06123861-7	-	100.00	100.00	Yes	-
Beijing Jinyu Chaoxin Tandi Property Investment Co., Ltd. (北京金耀新天置地置業有限公司)	Limited liability	Beijing	Huang Ai'nan	Property development and management etc.	1,000.00	06491200-9	-	100.00	100.00	Yes	-
Beijing Jinyu Xijiyi Jiaoye 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 Ai'nan	Property development and management etc.	1,000.00	06282874-3	-	100.00	100.00	Yes	-
Jinyu Mengcheng (Ma'an Shan) Property Development Co., Ltd. (金隅夢城(馬鞍山)房地產開發有限公司)	Limited liability	Ma'an Shan	Huang Ai'nan	Property development and sale of commodity housing etc.	5,000.00	06653447-8	-	75.00	75.00	Yes	1,133.15
Beijing BBMG Finance Co., Ltd. (北京金隅財務有限公司)	Limited liability	Beijing	Wang Hongjun	Operation of finance business and financing advisory business etc.	100,000.00	L0181H-211000001	100.00	-	100.00	Yes	-
Hangzhou BBMG Guanchao Real Estate Development Co., Ltd. (杭州金隅觀潮房地產開發有限公司)	Limited liability	Hangzhou	Huang Ai'nan	Property development and operation etc.	58,600.00	07431015-9	-	100.00	100.00	Yes	-
Beijing BBMG Chengyang Jiaoye 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 Ai'nan	Property development and sale of commodity housing etc.	1,000.00	08282523-2	-	100.00	100.00	Yes	-
BBMG Nanjing Real Estate Development Co., Ltd. (金隅南京房地產開發有限公司)	Limited liability	Nanjing	Huang Ai'nan	Property development and operation etc.	122,000.00	06867974-2	-	100.00	100.00	Yes	-

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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 period RMB ten thousand		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
						Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)										
Dachang BBMG Alavus Energy Saving Components Co., Ltd. (大碱金博梁屋建業節能部品有限公司)	Dachang County	Meng Xiangbin	Provision of timber for construction purpose and processing of timber products	3,000.00	07748427-7	3,006.08	-	100.00	Yes	-
Beijing Tongda New Green High-Temperature Materials Engineering Research Center Co., Ltd. (北京通達綠色高溫新材料工程研究中心有限公司)	Beijing	Feng Yunsheng	Research, experimentation and development of engineering and technology	1,000.00	08052319-3	980.00	-	98.00	Yes	89.73
Beijing Dacheng Chongjun Properties Limited (北京大成崇君置業有限公司)	Beijing	Zhang Xiaobing	Property development and operation	1,000.00	07853103-9	820.00	-	82.00	Yes	180.07
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd. (重慶金博大誠山水地產有限公司)	Chongqing	Zhang Xiaobing	Property development and sale etc.	96,568.61	5567783807	73,562.45	-	51.00	Yes	115,935.34
*Jilin Tiantan Furniture Co., Ltd. (吉林省天壇家具有限公司)	Huadian	Xue Zhi	Manufacture and sale of furniture, fixture etc.	3,000.00	30788803-2	825.00	-	100.00	Yes	-
* Beijing BBMG Cement-Environmental Protection Technology Co., Ltd. (北京金博水泥環保工程技術有限公司)	Beijing	Wang Zhaojia	Construction project management, construction contracting and eco-friendly technology development etc.	1,000.00	09535064-3	1,000.00	-	100.00	Yes	-
* Beijing BBMG Pension Industry Investment Management Co., Ltd. (北京金博養老產業投資管理有限公司)	Beijing	Huang An'nan	Property development and management etc.	1,000.00	07410095-2	700.00	-	100.00	Yes	-

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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 period RMB ten thousand		Percentage of equity Direct (%)	Indirect (%)	Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
						Direct (%)	Indirect (%)					
Subsidiaries acquired through business combination under common control												
Beijing Lvdaistangle Science and Technology Co., Ltd. (北京绿岛科技投资有限公司)	Beijing	Fu Qitao	Sale of building materials and provision of technical services, etc.	2,784.85	1026464109	4,574.17	100.00	-	100.00	100.00	Yes	-
Beijing Yanshu Assets Management Co., Ltd. (北京燕水资产管理有限公司)	Beijing	An Zhiqiang	Manufacture of cement	6,266.85	1011004006	27,504.04	100.00	-	100.00	100.00	Yes	-
Zhangjiakou Jinyu Cement Co., Ltd. (张家口金隅水泥有限公司)	Zhangjiakou	Zhang Manjiang	Manufacture and sale of cement and cement products	33,500.00	6870473605	35,307.18	100.00	-	100.00	100.00	Yes	-
Zhuoli Jinyu Cement Co., Ltd. (涿鹿金隅水泥有限公司)	Zhuoli County	Zhao Qigang	Manufacture and sale of cement and cement products	30,000.00	73423470X	30,000.00	100.00	-	100.00	100.00	Yes	-
Qiyang Jinyu Cement Co., Ltd. (曲阳金隅水泥有限公司)	Qiyang County	Fan Guoliang	Manufacture and sale of cement and drinker	28,000.00	6827766400	24,933.35	90.00	-	100.00	90.00	Yes	3,388.23
Beijing Boesland Science and Technology Co., Ltd. (北京生奥科技投资有限公司)	Beijing	Ren Liming	Development of technologies for waste disposal and comprehensive utilization and environmental protection	5,000.00	7877523309	5,000.00	-	100.00	100.00	100.00	Yes	-
Tianjin Zhenxing Cement Co., Ltd. (天津振兴水泥有限公司)	Tianjin	Jiang Chengliu	Manufacture of cement	55,811.02	1030713003	40,010.14	60.64	-	60.64	60.64	Yes	27,566.49
Tongda Refractory Technology Co., Ltd. (通遼耐火技术股份有限公司)	Beijing	Feng Yunsheng	Research and development and manufacture of new refractory materials, etc.	28,517.14	7886140704	49,803.04	92.83	-	92.83	92.83	Yes	5,228.47
Shanghai Sanning Building Materials Co., Ltd. (上海三钢建材有限公司)	Shanghai	Zhou Chuangyao	Manufacture and sale of modern building materials	2,700.00	6074059208	2,550.99	-	100.00	100.00	100.00	Yes	-
BBMG Human Resources Management Co., Ltd. (北京金隅人力资源管理有限公司)	Beijing	Liu Shengli	Dispatch of labour	50.00	690001720X	49.08	-	100.00	100.00	100.00	Yes	-
BBMG Badaling Hot Spring Resort Co., Ltd. (北京金隅八达温泉度假村有限责任公司)	Beijing	Liu Weyu	Provision of travelling service and accommodation, etc.	28,600.00	6000657005	4,125.69	-	100.00	100.00	100.00	Yes	-
Beijing Oakland Building Waterproofing Materials Co., Ltd. (北京奥坎建筑防水材料有限公司)	Beijing	Tang Yiming	Processing and sale of waterproof materials	500.00	6000054003	-	-	100.00	100.00	100.00	Yes	-

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of principal business	Registration/Place of principal business	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through business combination under common control (continued)											
Limited liability	Beijing	Beijing	Wang Haitao	Manufacture of low to medium pressure steam and distilled water, etc.	7,560.00	6330695402	-	100.00	100.00	Yes	-
Limited liability	Beijing	Beijing	Xu Chuanhui	Property rental and management, etc.	200.00	6675186902	100.00	-	100.00	Yes	-
Limited liability	Beijing	Beijing	Xu Stan	Property management	500.00	1018504500	100.00	-	100.00	Yes	-
Limited liability	Beijing	Beijing	Zhang Xiaobing	Property development, etc.	290,000.00	7226160402	100.00	-	100.00	Yes	-
Limited liability	Beijing	Beijing	Zhang Xiaobing	Property development, etc.	4,635.00	7333002000	-	100.00	100.00	Yes	-
Limited liability	Haikou	Haikou	Zhang Xiaobing	Property development, etc.	1,600.00	2012958307	-	100.00	100.00	Yes	-
Limited liability	Hong Kong	Hong Kong	Xu Chuanhui	Self-owned property rental	(HKD)100.00	N/A	100.00	-	100.00	Yes	-
Limited liability	Beijing	Beijing	Zhang Quan	Design of projects decoration and furniture decoration, etc.	8,500.00	101123780X	100.00	-	100.00	Yes	-
Limited liability	Beijing	Beijing	Zhang Quan	Decorative design technical services	2,000.00	1018876204	-	100.00	100.00	Yes	-
Limited liability	Beijing	Beijing	Wang Zhijun	Manufacture of furniture, etc.	1,292.40	1011231801	-	100.00	100.00	Yes	-
Limited liability	Beijing	Beijing	Kou Yingyue	Wholesale of building materials, etc.	500.00	6699036606	-	67.50	67.50	Yes	86.30
Limited liability	Beijing	Beijing	Zhou Zhitao	Manufacture of insulation and energy-saving building materials, etc.	15,037.66	1012091307	100.00	-	100.00	Yes	-

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 period RMB ten thousand	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through business combination not under common control											
Limited liability	Heiliao	Jiang Changlu	Manufacture and sale of concrete	2,040.80	6792864809	1,428.19	-	51.00	Yes	1,296.56	
Herlan Yule Sand Stone Company Limited (利田市玉砾砂石有限公司)											
Limited liability	Luquan	Zhou Chengyao	Manufacture and sale of concrete and clinker, etc.	130,000.00	7434157902	145,440.00	100.00	-	Yes	-	
Luquan BBMG Dingxin Cement Co., Ltd. (唐山金隅鼎鑫水泥有限公司)											
Limited liability	Handan	Wang Nan	Mining of limestone and cement products operation	22,800.00	7373777500	19,195.21	100.00	-	Yes	-	
Hebei Taihang Huaxin Building Materials Co., Ltd. (河北太行華信建材有限公司)											
Limited liability	Beijing	Zheng Baojin	Manufacture and sale of cement and cement products, etc.	10,000.00	6000945006	6,760.00	67.00	-	Yes	7,768.79	
Beijing Taihang Qianjing Cement Co., Ltd. (北京太行新景水泥有限公司)											
Limited liability	Beijing	Wang Zhao	Manufacture and sale of cement and cement products, etc.	2,000.00	7634494102	1,640.00	-	82.00	Yes	(969.09)	
Baoding Taihang Xingsheng Cement Co., Ltd. (保定太行興盛水泥有限公司)											
Limited liability	Yi county	Jiang Changlu	Manufacture and sale of cement and cement products, etc.	16,000.00	7456331402	12,000.00	75.00	-	Yes	8,470.09	
Beoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司)											
Limited liability	Yi county	Wang Zhao	Sale of lime and rock materials, etc.	2,100.00	7965723002	2,500.00	-	100.00	Yes	-	
Yixian Fenghui Mineral Building Materials Company Limited (易縣豐輝礦建建材有限公司)											
Limited liability	Handan	Li Huijiang	Manufacture of cement	500.00	730795500X	703.80	-	51.00	Yes	(71.63)	
Handan Taihang Cement Co., Ltd. (邯鄲市太行水泥有限公司)											
Limited liability	Beijing	Zhao Xiangdong	Manufacture of cement	2,000.00	7461002806	3,796.41	-	60.00	Yes	766.43	
Beijing Qianqian Cement Co., Ltd. (北京強聯水泥有限公司)											
Limited liability	Handan	Li Huijiang	Manufacture of cement	65,000.00	5560754101	71,998.66	94.67	-	Yes	5,783.09	
Handan BBMG Taihang Cement Co., Ltd. (邯鄲金隅太行水泥有限公司)											
Limited liability	Cheng'an	Li Huijiang	Manufacture of cement	6,000.00	554806008	4,500.00	-	75.00	Yes	1,788.62	
Cheng'an BBMG Taihang Cement Co., Ltd. (河南金隅太行水泥有限公司)											
Limited liability	Guizhou	Li Huijiang	Manufacture and sale of commodity concrete	1,000.00	573895402	1,000.00	-	100.00	Yes	-	
Guizhou BBMG Taihang Concrete Co., Ltd. (貴州金隅太行混凝土有限公司)											
Limited liability	Shi county	Li Huijiang	Manufacture and sale of cement	10,000.00	6652936808	18,167.87	91.00	-	Yes	1,594.30	
Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司)											
Limited liability	Tianjin	Jiang Changlu	Concrete construction and manufacturing	31,765.13	7548416007	34,745.47	88.79	-	Yes	4,717.51	
**Tianjin BBMG Concrete Co., Ltd. (天津金隅混凝土有限公司)											
Limited liability	Shijiazhuang	Liu Wenyan	Manufacture and sale of concrete	20,000.00	7575353006	20,204.70	97.80	-	Yes	514.27	
Shijiazhuang BBMG Xucheng Concrete Co., Ltd. (石家莊金隅旭成混凝土有限公司)											

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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	Percentage of equity		Voting right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
						Direct (%)	Indirect (%)			
Subsidiaries acquired through business combination not under common control										
<i>(continued)</i>										
Beijing Cement Plant Co., Ltd. (北京水泥廠有限公司)	Beijing	Liu Wenyan	Manufacture of cement and mining of limestone, etc.	96,346.28	6343918302	-	100.00	100.00	Yes	-
Beijing Chimeifang Cement Co., Ltd. (北京興發水泥有限公司)	Beijing	Jiang Changlu	Manufacture of cement and clinker, etc.	31,500.00	6000225909	95.70	-	95.70	Yes	2,126.18
BBMG Shunfa Large Cement Co., Ltd. (北京金隅華發水泥有限公司)	Beijing	Jiang Changlu	Manufacture of cement and clinker, etc.	15,000.00	6000968501	70.00	-	70.00	Yes	867.81
Beijing Alaxus Energy Saving Components Co., Ltd. (北京愛樂星建築節能部品有限公司)	Beijing	Sai Bao	Manufacture, sale and repair of energy efficient doors and windows	(EUR)400.00	7177440105	82.00	-	82.00	Yes	1,207.32
Chengde BBMG Cement Co., Ltd. (承德金隅水泥有限公司)	Chengde	Jiang Changlu	Manufacture of cement and clinker, etc.	30,000.00	78855130-X	80.00	-	80.00	Yes	5,988.45
Beijing Dymea Chemical Industry Co., Ltd. (北京大礦化工有限公司)	Beijing	Wang Daizhang	Manufacture of wood-based panels, resin for impregnated paper, etc.	1,868.81	700007422-2	100.00	-	100.00	Yes	-
BBMG Yanke Property Development Co., Ltd. (北京金隅萬科房地產開發有限公司)	Beijing	Huang Anman	Property development and sale, etc.	19,000.00	66560151305	-	51.00	51.00	Yes	28,441.2

* Newly-established subsidiaries during the period.

** In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted the corresponding voting rights of the 11.21% equity interests held in Tianjin BBMG Concrete Co., Ltd. to the Company with a term of 8 years. As at 30 June 2014, the Company held 88.79% equity interests in Tianjin BBMG Concrete Co., Ltd. with 100% voting rights.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

2. Investee that the Group holds half or more of its shareholdings but without control over it

Investee	Place of registration	Principal activities	Registered capital (RMB ten thousand)	Investment amount (RMB ten thousand)	Percentage of equity (%)	Voting right (%)	Reason for not having control
Beijing Beizhuan Gas Station	Beijing	Retail of refined oil	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 of agricultural products	40.00	38.00	95.00	-	Contracted operation

3. Change in scope of consolidation

Except for the new subsidiaries established during the period, the scope of consolidation for the financial statements remains the same as that of last year.

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

	Average exchange rate For the six months ended		Exchange rate at the end of the period/year	
	30 June 2014	2013	30 June 2014	31 December 2013
HKD	0.7951	0.7927	0.8005	0.7808

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

5. 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 Dacheng Shanshui**”).

	30 June 2014	31 December 2013
Percentage of minority interests:		
BBMG Vanke	49.00%	49.00%
BBMG Mangrove	49.00%	49.00%
Chongqing Dacheng Shanshui	49.00%	49.00%
	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Profit or loss attributable to minority interests:		
BBMG Vanke	47,866,312.33	6,599,574.32
BBMG Mangrove	19,393,034.01	7,213,083.59
Chongqing Dacheng Shanshui	94,892,388.37	–
	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Dividend paid to minority interests:		
BBMG Vanke	–	–
BBMG Mangrove	–	–
Chongqing Dacheng Shanshui	–	–

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

5. Significant minority shareholdings *(continued)*

	30 June 2014	31 December 2013
Accumulative balance of minority interests as at the balance sheet date:		
BBMG Vanke	284,411,226.60	236,544,914.27
BBMG Mangrove	1,266,913,965.23	1,246,205,332.33
Chongqing Dacheng Shanshui	1,159,353,371.08	1,064,460,982.72

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

	BBMG Vanke	BBMG Mangrove	Chongqing Dacheng Shanshui
Revenue	783,717,418.55	613,880,380.28	893,624,124.00
Net profit	97,686,351.69	39,577,620.43	193,657,935.44
Total comprehensive income	97,686,351.69	39,577,620.43	193,657,935.44
Current assets	1,985,114,670.35	2,459,070,670.12	3,739,050,544.03
Non-current assets	75,234,671.87	1,603,727,405.86	1,040,023.24
Current liabilities	1,427,634,424.02	1,195,125,864.73	924,063,279.35
Non-current liabilities	52,283,843.50	282,133,506.70	450,000,000.00
Net cash flows from operating activities	66,186,128.42	(2,853,694.95)	47,398,967.03
Net cash flows from investing activities	(2,560,322.43)	(43,279,281.10)	–
Net cash flows from financing activities	(17,527,686.63)	97,670,084.08	(516,013,250.57)
Net increase/(decrease) in cash and cash equivalents	<u>46,098,119.36</u>	<u>51,537,108.03</u>	<u>(468,614,283.54)</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2014			31 December 2013		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash on hand						
RMB			4,025,724.29			2,564,221.39
IDR	1,820,000.00	0.0005	910.00	1,820,000.00	0.0005	910.00
			<u>4,026,634.29</u>			<u>2,565,131.39</u>
Cash at banks						
RMB			6,676,995,792.62			8,324,426,848.62
USD	307,475.98	6.2042	1,907,642.48	300,232.90	6.0543	1,817,700.05
EUR	211,662.57	8.4942	1,797,904.20	55,266.66	8.3217	459,912.56
HKD	2,648,030.00	0.8005	2,119,748.02	5,074,948.54	0.7808	3,962,519.82
JPY	24,259,841.00	0.0612	1,484,702.27	24,259,829.00	0.0575	1,394,940.17
			<u>6,684,305,789.59</u>			<u>8,332,061,921.22</u>
Others						
RMB			<u>28,249,388.04</u>			<u>17,502,572.00</u>
Statutory deposit reserve placement with central bank by Finance Company						
RMB			<u>409,200,103.30</u>			<u>243,380,705.75</u>
			<u>7,125,781,915.22</u>			<u>8,595,510,330.36</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

1. Cash and bank balances *(continued)*

	30 June 2014	31 December 2013
Pledged cash and bank balances:		
Statutory deposit reserve placement with central bank by Finance Company	409,200,103.30	243,380,705.75
Deposits for letter of credit	22,123,741.76	69,664,988.35
Quality/performance deposits	90,601,750.39	81,643,118.95
Deposits for acceptance bills	102,353,051.60	130,068,004.30
Other cash and bank balances with restrictions:		
Restricted part of property pre-sale funds	2,114,614,520.15	2,173,262,645.12
Others	15,517,026.61	30,998,566.22
	<u>2,754,410,193.81</u>	<u>2,729,018,028.69</u>

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

2. Bills receivable

	30 June 2014	31 December 2013
Commercial acceptance bills	127,580,590.00	139,426,301.73
Bank acceptance bills	1,163,080,207.16	1,234,234,142.65
	<u>1,290,660,797.16</u>	<u>1,373,660,444.38</u>

As at 30 June 2014, there was no bills receivable pledged (31 December 2013: Nil).

As at 30 June 2014, there was no transfer of bills receivable into accounts receivable due to default on the part of the drawer (31 December 2013: Nil).

As at 30 June 2014, there was no outstanding bills receivable endorsed to other parties (31 December 2013: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

3. Interests receivable

	Balance at the beginning of the period	Increase in the period	Decrease in the period	Balance at the end of the period
STAR-USG Building Materials Co., Ltd.	2,641,275.74	2,477,897.84	–	5,119,173.58

As at 30 June 2014, there was no outstanding interests receivable (31 December 2013: Nil).

4. Dividends receivable

	Balance at the beginning of the period	Increase in the period	Decrease in the period	Balance at the end of the period
Dividends receivable	–	3,483,685.98	1,293,685.98	2,190,000.00

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:

	30 June 2014	31 December 2013
Within 1 year	5,046,586,088.01	4,436,957,762.02
1 to 2 years	673,730,143.49	622,181,383.91
2 to 3 years	188,509,395.96	147,972,157.16
3 to 4 years	39,867,606.48	29,200,238.34
4 to 5 years	35,224,332.49	21,734,976.76
Over 5 years	64,915,188.21	79,396,423.43
	6,048,832,754.64	5,337,442,941.62
Provision for bad debts	(374,876,135.56)	(331,577,447.00)
	5,673,956,619.08	5,005,865,494.62

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

5. Accounts receivable *(continued)*

The movements in provision for bad debts are as follows:

	For the six months ended 30 June 2014	2013
At the beginning of the period/year	331,577,447.00	291,243,701.70
Provision for the period/year	69,016,225.88	71,905,204.33
Transferred in upon acquisition of subsidiaries	–	615,971.05
Reversal for the period/year	(24,286,625.40)	(31,581,367.38)
Write-off for the period/year	(1,430,911.92)	(606,062.70)
At the end of the period/year	374,876,135.56	331,577,447.00

	30 June 2014			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	–	–	–	–
Provision for bad debts by aging				
Within 1 year (inclusive of 1 year)	5,026,923,227.38	83.11	–	–
1 to 2 years (inclusive of 2 years)	564,457,797.17	9.33	169,337,339.15	30.00
2 to 3 years (inclusive of 3 years)	134,403,121.55	2.22	80,641,872.93	60.00
3 to 4 years (inclusive of 4 years)	35,505,461.36	0.59	30,179,642.16	85.00
4 to 5 years (inclusive of 5 years)	23,650,818.71	0.39	23,650,818.71	100.00
Over 5 years	59,260,051.72	0.98	59,260,051.72	100.00
	5,844,200,477.89	96.62	363,069,724.67	
Provision for bad debts for special credit characteristics group	179,826,326.97	2.97	–	–
Individually not significant but subject to separate provision for bad debts	24,805,949.78	0.41	11,806,410.89	47.60
	6,048,832,754.64	100.00	374,876,135.56	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (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	-	-	-	-
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
	5,083,047,423.02	95.23	311,148,987.97	
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
	<u>5,337,442,941.62</u>	<u>100.00</u>	<u>331,577,447.00</u>	

As at 30 June 2014, 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	9,288,498.82	274,950.56	2.96	Partly uncollectible
Second	5,804,948.35	5,804,948.35	100.00	Uncollectible likely
Third	2,838,524.28	2,838,524.28	100.00	Uncollectible likely
Fourth	1,254,003.26	1,254,003.26	100.00	Uncollectible likely
Fifth	1,044,230.41	232,892.14	22.30	Partly uncollectible
Others	4,575,744.66	1,401,092.30	30.62	Partly uncollectible
	<u>24,805,949.78</u>	<u>11,806,410.89</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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	<u>10,557,148.82</u>	<u>8,872,737.76</u>	84.04	Partly uncollectible
	<u>22,374,100.76</u>	<u>20,428,459.03</u>		

For the six months ended 30 June 2014, there was no reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant impaired accounts receivable (2013: Nil).

For the six months ended 30 June 2014, the accounts receivable that have been written off are as follows:

	Nature	Amount written off	Reason	Related party transactions
First	Accounts receivable	480,024.58	Uncollectible	No
Second	Accounts receivable	295,683.00	Uncollectible	No
Third	Accounts receivable	213,000.00	Uncollectible	No
Fourth	Accounts receivable	150,334.03	Uncollectible	No
Fifth	Accounts receivable	123,557.22	Uncollectible	No
Others		<u>168,313.09</u>		
		<u>1,430,911.92</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

5. Accounts receivable *(continued)*

During 2013, the accounts receivable that have been written off 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>		

As at 30 June 2014, the Group had no accounts receivable from the shareholders holding 5% or more of the Company's voting rights (31 December 2013: Nil).

As at 30 June 2014, no accounts receivable were pledged as guarantee for the Group's bank loans (31 December 2013: Nil).

Accounts receivable from related parties as at 30 June 2014 and 31 December 2013 are set out in Note VI. Related Party Relationships and Transactions.

As at 30 June 2014, 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	2.51
Customer 2	Third party	80,006,336.00	Within 1 year	1.32
Customer 3	Third party	62,552,291.06	Within 1 year	1.03
Customer 4	Third party	42,070,717.17	Within 1 year	0.70
Customer 5	Third party	<u>39,630,285.54</u>	Within 1 year	<u>0.66</u>
		<u>375,815,603.77</u>		<u>6.22</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

5. Accounts receivable *(continued)*

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	<u>31,832,003.30</u>	Within 1 year	<u>0.60</u>
		<u>348,462,629.42</u>		<u>6.53</u>

6. Other receivables

An aging analysis of other receivables is as follows:

	30 June 2014	31 December 2013
Within 1 year	1,691,737,207.90	2,026,679,990.10
1 to 2 years	149,985,499.77	192,936,880.11
2 to 3 years	424,725,628.94	443,439,565.60
3 to 4 years	35,020,035.03	11,973,399.72
4 to 5 years	6,040,012.23	7,055,518.98
Over 5 years	<u>83,512,876.11</u>	<u>77,769,106.18</u>
	2,391,021,259.98	2,759,854,460.69
Provision for bad debts of other receivables	<u>(126,148,764.18)</u>	<u>(120,034,651.35)</u>
	<u>2,264,872,495.80</u>	<u>2,639,819,809.34</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

6. Other receivables *(continued)*

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

	For the six months ended 30 June 2014	2013
At the beginning of the period/year	120,034,651.35	111,097,223.13
Provision for the period/year	9,417,390.98	10,096,779.47
Reversal for the period/year	(2,410,121.01)	(779,406.57)
Write-off for the period/year	(893,157.14)	–
Transferred out on disposal of subsidiaries	–	(379,944.68)
At the end of the period/year	126,148,764.18	120,034,651.35

	30 June 2014			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	80,128,733.06	3.35	49,411,768.06	61.67
Provision for bad debts by aging				
Within 1 year (inclusive of 1 year)	1,206,261,065.25	50.45	–	–
1 to 2 years (inclusive of 2 years)	7,341,345.53	0.31	2,202,403.66	30.00
2 to 3 years (inclusive of 3 years)	3,656,571.13	0.15	2,193,942.68	60.00
3 to 4 years (inclusive of 4 years)	669,287.33	0.03	568,894.23	85.00
4 to 5 years (inclusive of 5 years)	2,054,534.49	0.08	2,054,534.49	100.00
Over 5 years	44,667,659.20	1.87	44,667,659.20	100.00
	1,264,650,462.93	52.89	51,687,434.26	
Provision for bad debts for special credit characteristics group	1,017,316,721.00	42.55	–	–
Individually not significant but subject to separate provision for bad debts	28,925,342.99	1.21	25,049,561.86	86.60
	2,391,021,259.98	100.00	126,148,764.18	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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
	<u>2,759,854,460.69</u>	<u>100.00</u>	<u>120,034,651.35</u>	

As at 30 June 2014, other receivables which were individually significant and separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Second	29,697,783.06	20,246,783.06	68.18	Partly uncollectible
Third	20,051,000.00	20,051,000.00	100.00	Uncollectible likely
	<u>80,128,733.06</u>	<u>49,411,768.06</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 30 June 2014, other receivables which were not individually significant and 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	<u>13,391,082.71</u>	<u>12,551,043.64</u>	93.73	Partly uncollectible
Total	<u>28,925,342.99</u>	<u>25,049,561.86</u>		

As at 31 December 2013, other receivables which were not individually significant and 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	<u>16,141,122.56</u>	<u>8,849,694.56</u>	54.83	Partly uncollectible
Total	<u>31,675,382.84</u>	<u>21,348,212.78</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

6. Other receivables *(continued)*

During the six months ended 30 June 2014, there was no reversal or recovery of provision for bad debts of significant other receivables (2013: nil).

During the six months ended 30 June 2014, no individually significant other receivables have been written off (2013: Nil).

As at 30 June 2014, 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	361,560,000.00	Within 1 year	15.12
Unit 2	Third party	312,840,899.31	2 to 3 years	13.08
Unit 3	Joint venture	88,198,352.69	Within 1 year, 2 to 3 years, over 3 years	3.69
Unit 4	Third party	68,427,758.87	Within 1 year	2.86
Unit 5	Third party	<u>55,782,501.50</u>	Within 1 year	<u>2.33</u>
		<u>886,809,512.37</u>		<u>37.08</u>

As at 30 June 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	<u>68,497,583.50</u>	Within 1 year	<u>2.48</u>
		<u>1,459,509,746.95</u>		<u>52.89</u>

As at 30 June 2014, there were no receivables due from shareholders that held 5% or more of the Company's voting rights (31 December 2013: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

6. Other receivables *(continued)*

Other receivables from related parties as at 30 June 2014 and 31 December 2013 are set out in Note VI. Related Party Relationships and Transactions.

As at 30 June 2014, government grants receivable were as follows:

	Description of government grant	Amount	Aging	Expected time of receipt
Unit 1	Refund of VAT	89,010,184.93	Within 1 year	Second half of 2014
Unit 2	Refund of VAT	68,427,758.87	Within 1 year	Second half of 2014
Unit 3	Refund of VAT	51,627,039.62	Within 1 year, 1 to 2 years	Second half of 2014
Unit 4	Refund of VAT	28,260,667.11	Within 1 year	Second half of 2014
Unit 5	Refund of VAT	17,618,551.26	Within 1 year	Second half of 2014
Unit 6	Refund of VAT	13,066,717.43	Within 1 year	Second half of 2014
Unit 7	Refund of VAT	10,006,236.88	Within 1 year	Second half of 2014
Unit 8	Refund of VAT	8,515,149.62	Within 1 year	Second half of 2014
Unit 9	Refund of VAT	6,471,413.00	Within 1 year	Second half of 2014
Unit 10	Refund of VAT	4,819,372.19	Within 1 year	Second half of 2014
Others	Refund of VAT	8,557,936.39	Within 1 year	Second half of 2014
		<u>306,381,027.30</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 the second half of 2014.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

7. Advances to suppliers

An aging analysis of advances to suppliers is as follows:

	30 June 2014		31 December 2013	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	3,371,578,833.24	97.93	3,592,784,738.61	98.68
1 to 2 years	55,134,370.74	1.60	33,019,646.90	0.91
2 to 3 years	4,458,723.38	0.13	6,470,152.48	0.18
Over 3 years	11,534,546.03	0.34	<u>8,350,556.33</u>	<u>0.23</u>
	<u>3,442,706,473.39</u>	<u>100.00</u>	<u>3,640,625,094.32</u>	<u>100.00</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

7. Advances to suppliers *(continued)*

As at 30 June 2014, the top 5 advances to suppliers were as follows:

	Relationship with the Group	Amount	Aging	Reasons for being not settled
Unit 1	Third party	2,202,117,494.38	Within 1 year	Settlement date undue
Unit 2	Third party	60,368,491.64	Within 1 year	Settlement date undue
Unit 3	Third party	33,792,293.95	Within 1 year	Settlement date undue
Unit 4	Third party	33,078,998.62	Within 1 year	Settlement date undue
Unit 5	Third party	<u>30,847,527.82</u>	Within 1 year	Settlement date undue
		<u>2,360,204,806.41</u>		

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	<u>55,630,693.66</u>	Within 1 year	Settlement date undue
		<u>2,458,959,745.91</u>		

As at 30 June 2014, there was no advance to shareholders that held 5% or more of the Company's voting rights (31 December 2013: Nil). As at 30 June 2014, there was no significant advance aging more than one year (31 December 2013: Nil).

The advances to related parties as at 30 June 2014 and 31 December 2013 are set out in Note VI "Related Party Relationships and Transactions".

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

8. Inventories

	30 June 2014		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	995,023,948.66	(22,381,528.16)	972,642,420.50
Work in progress	771,809,097.96	(19,035,193.84)	752,773,904.12
Finished goods	502,915,532.42	(13,580,542.37)	489,334,990.05
Turnover materials	71,972,067.08	(4,569,291.97)	67,402,775.11
Trading goods	475,687,073.39	(141,828.29)	475,545,245.10
Properties under development	32,073,788,387.70	(7,169,850.12)	32,066,618,537.58
Completed properties held for sale	<u>7,862,068,131.02</u>	<u>–</u>	<u>7,862,068,131.02</u>
	<u>42,753,264,238.23</u>	<u>(66,878,234.75)</u>	<u>42,686,386,003.48</u>

	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	<u>7,467,102,424.84</u>	<u>–</u>	<u>7,467,102,424.84</u>
	<u>37,645,984,740.90</u>	<u>(43,970,478.40)</u>	<u>37,602,014,262.50</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

8. Inventories *(continued)*

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

For the six months ended 30 June 2014

	Opening balance	Provision for the period	Decrease in the period			Closing balance
			Disposal of subsidiaries	Reversal	Write-off	
Raw materials	14,018,794.74	8,499,627.85	-	-	(136,894.43)	22,381,528.16
Work in progress	6,010,407.59	13,024,786.25	-	-	-	19,035,193.84
Finished goods	12,060,305.69	1,986,482.08	-	-	(466,245.40)	13,580,542.37
Turnover materials	4,569,291.97	-	-	-	-	4,569,291.97
Trading goods	141,828.29	-	-	-	-	141,828.29
Properties under development	7,169,850.12	-	-	-	-	7,169,850.12
	43,970,478.40	23,510,896.18	-	-	(603,139.83)	66,878,234.75

2013

	Opening balance	Provision for the year	Decrease in the year			Closing balance
			Disposal of subsidiaries	Reversal/ Transfer out	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
	25,785,239.10	21,999,260.98	-	-	(3,814,021.68)	43,970,478.40

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories (continued)

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

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	30 June 2014	31 December 2013
Chongqing-Shidaiduhui	December 2011	September 2014	3,946,847,900.00	1,497,133,551.23	2,151,707,998.57
Chongqing-Nanshanjun	December 2011	December 2014	4,171,004,500.00	1,826,664,653.76	1,761,624,271.16
Chengdu-Shuangliu Project	December 2012	October 2014	1,450,000,000.00	1,481,664,703.89	876,620,854.55
Hangzhou-Banshan Project	November 2012	October 2014	2,216,520,000.00	1,739,230,547.03	1,606,321,385.32
Inner Mongolia-Jinyu Times City	October 2007	September 2014	2,450,000,000.00	214,878,091.98	400,926,138.10
Inner Mongolia-Jinyu Elegancy City	April 2013	June 2015	938,950,000.00	536,977,364.44	434,572,068.68
Hangzhou-Guanlan Times	March 2010	March 2015	4,873,945,342.00	647,944,324.89	584,841,387.84
Hangzhou 2D Plot	May 2013	May 2016	598,668,946.24	223,740,208.32	302,563,026.33
Haikou-Haidianxi Project	June 2014	December 2015	1,700,000,000.00	619,475,526.60	567,794,101.26
Tangshan-Jinyu Lefu	June 2011	December 2014	2,478,239,600.00	1,210,329,063.98	1,188,108,658.36
Beijing-Xisanqi Commercial Residential Project	October 2012	October 2014	1,717,830,000.00	1,435,892,745.84	1,271,041,939.85
Tianjin-Jinyu Yuecheng	September 2010	December 2014	5,208,000,000.00	2,210,452,215.95	1,970,782,654.02
Tianjin-Elegancy City	May 2013	December 2015	2,294,700,000.00	1,251,480,583.79	1,131,425,140.40
Beijing-Jinyu Vanke City	March 2008	November 2014	4,011,000,000.00	28,798,431.54	776,901,859.63
Beijing-Dawayao	-	-	-	210,838,293.41	210,838,293.41
Beijing-Guogongzhuang Project	March 2013	December 2014	2,509,040,000.00	2,044,468,119.30	1,732,249,895.70
Beijing-Chaoyang New City	September 2009	July 2014	2,004,600,000.00	976,118,525.10	794,722,727.47
Beijing-Jinyu Town-House	February 2009	August 2014	593,280,000.00	61,642,111.97	59,916,011.49
Beijing-Kanghuiyuan	February 2009	March 2016	1,893,020,000.00	131,567,764.65	127,893,030.83
Beijing-Hongshizuo	March 2012	December 2015	520,000,000.00	310,410,538.29	293,508,167.80
Beijing-Jinyu Lanwan	August 2012	December 2014	1,140,000,000.00	695,413,386.27	582,301,385.52
Beijing-Tuqiao Project	October 2009	October 2015	4,672,150,000.00	554,619,348.36	1,343,977,738.10
Beijing-Binheyuan	September 2011	-	3,384,510,000.00	-	1,518,019,268.83
Beijing-I Cube	November 2011	October 2014	880,000,000.00	368,233,165.44	467,697,222.28
Beijing-Ruiheyuan	December 2012	December 2014	831,700,000.00	1,292,517,509.43	314,822,127.49
Beijing-Phase III of Tuqiao	December 2012	November 2014	1,335,000,000.00	677,341,581.76	445,606,713.17
Qingdao-Plot at Jिंगgangshan Road	May 2013	June 2015	220,000,000.00	164,688,744.34	147,210,996.78
Beijing-Plot 1 of Changyang University of Science and Technology	March 2014	October 2016	3,000,000,000.00	1,828,509,024.94	1,765,000,000.00
Nanjing-Plot A2 of Xinglong Avenue North	March 2014	May 2017	4,877,030,000.00	3,043,845,400.69	1,465,326,283.30
Hangzhou-Plot at Laochengxiang	July 2014	December 2016	2,374,000,000.00	950,780,454.59	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	538,632,034.57	246,634,373.38
Hangzhou-Plot 2G	2015	Estimated to be completed by 2018	Still under planning	35,607,771.98	-
Hangzhou-Plot 2F	2015	Estimated to be completed by 2018	Still under planning	86,113,840.39	-
Beijing-Phase II of Dandian	April 2014	September 2016	5,857,710,000.00	2,138,112,537.51	-
Beijing-Nankou Project	-	-	682,970,000.00	124,590,775.90	-
Beijing-Huixingyuan	April 2014	June 2016	3,106,710,000.00	732,968,930.54	-
Others	-	-	-	174,936,664.91	175,379,775.44
Total				32,066,618,537.58	27,385,804,841.05

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories (continued)

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

As at 30 June 2014, the balance of properties under development included the capitalized interest of RMB1,364,302,841.32 (31 December 2013: RMB1,371,750,622.71), of which RMB416,223,350.00 was capitalized during the current period (2013: RMB520,472,305.00), and the rate of interest capitalization was 6% (2013: 6%).

As at 30 June 2014, the properties under development with carrying amount of RMB2,410,814,456.32 were pledged as guarantee for the Group's bank loans (31 December 2013: RMB4,351,941,452.22) (Note V.22).

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

Project name	Completion date of the latest phase	Opening balance	Increase in the period	Decrease in the period	Closing balance
Beijing-Jinyu Town-House	March 2011	30,861,338.12	-	240,920.63	30,620,417.49
Beijing-Chaoyang New City	June 2012	65,858,227.30	102,435.75	1,176,460.01	64,784,203.04
Beijing-Miaopu Housing Renovation Project	December 2008	4,307,791.32	-	168,201.61	4,139,589.71
Beijing-Lijingyuan	June 2010	9,021,862.86	-	296,749.08	8,725,113.78
Beijing-Meiheyuan	June 2010	6,828,909.76	-	-	6,828,909.76
Beijing-Kanghuiyuan	March 2011	182,617,101.89	-	10,115,398.69	172,501,703.20
Beijing-Jiaheyuan	June 2011	4,136,765.09	-	-	4,136,765.09
Beijing-Tuqiao Project	February 2014	150,145,246.99	812,225,178.80	205,075,059.69	757,295,366.10
Beijing-Guanlan Times (觀瀾時代)	June 2013	123,332,524.92	-	115,499,507.72	7,833,017.20
Beijing-Yueheyuan	September 2013	2,795,124.46	-	1,947,041.65	848,082.81
Beijing-Binheyuan	June 2014	64,781,674.11	1,809,658,660.49	1,680,297,690.62	194,142,643.98
Beijing-Taiheyuan	December 2013	392,540,533.45	159.70	298,182,436.08	94,358,257.07
Beijing-Jinyu Vanke City	June 2014	976,713,029.69	787,851,064.66	548,805,523.57	1,215,758,570.78
Inner Mongolia-Jinyu Times City	June 2014	19,239,101.71	299,203,270.35	79,736,256.41	238,706,115.65
Hangzhou-Guanlan Times	June 2014	1,634,554,440.24	14,111,570.44	136,125,140.87	1,512,540,869.81
Beijing-Chang'an New City	December 2007	91,844,167.70	-	23,967,239.46	67,876,928.24
Beijing-Dachengjun	August 2012	58,020,224.53	31,170.73	5,742,164.76	52,309,230.50
Beijing-Dacheng Times Center	November 2010	162,834,598.27	-	-	162,834,598.27
Beijing-Linglong Tiandi	June 2013	4,723,327.61	-	32,892.03	4,690,435.58
Beijing-Liyuan Jincheng Center	December 2013	1,488,172,970.00	18,414,614.76	962,416,488.92	544,171,095.84
Beijing-Western Group (西組團) public facilities	January 2013	28,206,826.44	-	1,806,357.73	26,400,468.71
Hainan-Dacheng Business Apartments	February 2005	40,712,088.47	-	-	40,712,088.47
Haikou-Meilinghu	December 2013	105,976,091.84	-	57,069,144.15	48,906,947.69
Tianjin-Jinyu Yuecheng	December 2013	284,006,745.79	4,082,125.25	88,729,080.47	199,359,790.57
Beijing-Jianxinyuan Affordable Housing	December 2008	97,347,905.58	16,836.44	397,228.05	96,967,513.97
Beijing-Tiantan Gongguan	June 2008	19,236,530.33	-	148,277.05	19,088,253.28
Tangshan-Jinyu Lefu	December 2013	489,394,735.15	-	49,052,589.76	440,342,145.39
Beijing-Jinyu Feili	July 2013	285,801,338.40	757,667.50	16,790,703.22	269,768,302.68
Beijing-I Cube	June 2014	117,586,058.91	153,517,720.50	186,861,341.97	84,242,437.44
Chongqing-Nanshanjun	December 2013	322,787,012.19	-	-	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
Chongqing-Shidaiduhui	March 2014	-	1,060,224,201.80	538,512,144.95	521,712,056.85
Chengdu-Dachengjun	June 2014	-	449,599,634.10	2,893,553.64	446,706,080.46
Others		53,015,283.10	1,555,024.12	4,300,036.42	50,270,270.80
Total		7,467,102,424.84	5,411,351,335.39	5,016,385,629.21	7,862,068,131.02

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

9. Other current assets

	30 June 2014	31 December 2013
Prepaid income tax	233,589,368.44	172,930,336.09
Prepaid land appreciation tax	264,550,831.39	230,346,732.44
Prepaid business tax and other tax	637,050,152.63	779,431,964.56
Prepaid expenses	60,118,466.39	26,656,914.28
Amortisation of long-term prepaid expenses within one year	25,323,712.31	29,866,506.29
Others	68,379,952.63	57,856,434.50
	<u>1,289,012,483.79</u>	<u>1,297,088,888.16</u>

10. Available-for-sale financial assets

	Note	30 June 2014	31 December 2013
Available-for-sale financial assets	(1)	500,000,000.00	500,000,000.00
Available-for-sale equity instruments-unlisted companies	(2)	5,404,297.22	5,404,297.22
		<u>505,404,297.22</u>	<u>505,404,297.22</u>

- (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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

- (2) As at 30 June 2014, 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 period	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Provision for impairment	Cash dividends for the period
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	10.00	-	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京市房山區城關農村信用合作社)	101,000.00	101,000.00	-	101,000.00	0.00	0.00	-	-
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油銷售有限公司)	3,000,000.00	3,000,000.00	-	3,000,000.00	10.00	10.00	-	-
*Beijing Beizhuan Gas Station (北京市北磚加油站)	648,297.22	648,297.22	-	648,297.22	62.50	-	-	-
*Beijing Xinjianxinyuan Farmer's Market Co., Ltd. (北京市鑫建欣苑農貿市場有限公司)	380,000.00	380,000.00	-	380,000.00	95.00	-	-	-
Beijing Tianyun Industrial Co., Ltd. (北京天雲實業)	75,000.00	75,000.00	-	75,000.00	0.00	0.00	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司)	200,000.00	200,000.00	-	200,000.00	0.20	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	-
Total	11,417,415.76	11,417,415.76	-	11,417,415.76			6,013,118.54	-

As at 30 June 2014 and 31 December 2013, 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.

** Although the Company holds more than 20% equity interest in this company, the management has made full provision for impairment and has withdrawn from the decision-making process of the management and operation of the investee. As such, the Company has no significant influence over the investee.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investments in joint ventures and associates

30 June 2014

	Type of enterprise	Place of registration/ Place of principal business	Authorized representative	Business nature/scope of operation	Registered capital RMB thousand	Code of organization
Joint ventures						
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Limited liability	Dachang County	Zhan Nifu	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
Associates						
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 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	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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investments in joint ventures and associates (continued)

31 December 2013

	Type of enterprise	Place of registration/Place of principal business	Authorized representative	Business nature/scope of operation	Registered capital RMB thousand	Code of organization
Joint ventures						
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
Associates						
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
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科複合材料(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

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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

11. Investments in joint ventures and associates *(continued)*

	30 June 2014	31 December 2013
Cash and cash equivalents	18,784,380.54	29,968,978.61
Other current assets	97,138,029.80	79,056,460.63
Current assets	115,922,410.34	109,025,439.24
Non-current assets	263,935,502.31	275,956,645.04
Financial liabilities	211,809,119.83	194,021,300.52
Other current liabilities	56,456,203.86	53,472,391.20
Current liabilities	268,265,323.69	247,493,691.72
Net assets	111,592,588.96	137,488,392.56
Adjusted to the Group's interests in the joint venture:		
The Group's proportion of shareholding	50.00%	50.00%
The Group's share of net assets in the joint venture	55,796,294.48	68,744,196.28
Carrying amount of investments	55,796,294.48	68,744,196.28
	For the six months ended 30 June 2014	2013
Revenue	98,162,760.89	204,460,994.57
Interest income	61,743.92	173,679.44
Depreciation and amortisation	12,574,997.76	25,150,758.01
Interest expenses	6,600,480.47	12,307,151.46
Income tax expenses	-	-
Net loss	(25,895,803.60)	(52,001,871.62)
Total comprehensive income	(25,895,803.60)	(52,001,871.62)

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	For the six months ended 30 June 2014	2013
Share of net profit of joint ventures attributable to the Group	533,564.99	1,572,631.85
Share of other comprehensive income of joint ventures attributable to the Group	–	–
Share of total comprehensive income of joint ventures attributable to the Group	533,564.99	1,572,631.85
Carrying amount of investments in joint ventures from the Group	<u>4,147,062.00</u>	<u>4,907,182.99</u>

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.

	For the six months ended 30 June 2014	2013
Cash and cash equivalents	11,418,852.69	16,588,905.45
Other current assets	<u>98,176,953.51</u>	<u>58,849,218.90</u>
Current assets	<u>109,595,806.20</u>	<u>75,438,124.35</u>
Non-current assets	334,160,166.36	342,469,508.42
Financial liabilities	15,000,000.00	500,000.00
Other current liabilities	<u>92,345,137.38</u>	<u>76,503,917.13</u>
Current liabilities	<u>107,345,137.38</u>	<u>77,003,917.13</u>
Net assets	<u>336,410,835.18</u>	<u>340,903,715.64</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

11. Investments in joint ventures and associates *(continued)*

Adjusted to the Group's interests in the associate:

	For the six months ended 30 June 2014	2013
The Group's proportion of shareholding	30.00%	30.00%
The Group's share of net assets in the associate	100,923,250.55	102,271,114.69
Carrying amount of investments	100,923,250.55	102,271,114.69
Income	142,883,112.70	332,739,938.28
Total comprehensive income	(4,492,880.46)	(26,410,742.59)

The following table sets forth the consolidated financial information on associates which are not individually significant to the Group:

	For the six months ended 30 June 2014	2013
Share of net profit of associates attributable to the Group	15,543,163.55	(1,982,325.57)
Share of other comprehensive income of associates attributable to the Group	–	–
Share of total comprehensive income of associates attributable to the Group	15,543,163.55	(1,982,325.57)
Carrying amount of investments in associates from the Group	183,230,462.32	169,877,298.77

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

	30 June 2014	31 December 2013
Long-term equity investments	349,566,504.02	351,269,227.40
Less: Provision for impairment of long-term investments	(5,469,434.67)	(5,469,434.67)
	344,097,069.35	345,799,792.73

For the six months ended 30 June 2014

	Investment cost	Opening balance	Increase/ decrease for the period	Closing balance	Percentage of Shareholding (%)	Percentage of voting right (%)	Provision for impairment	Cash dividend for the period
Joint ventures								
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	184,628,800.88	68,744,196.28	(12,947,901.80)	55,796,294.48	50.00	50.00	-	-
BBMG Landao Commercial Operation Management Co., Ltd. (北京藍島金隅商業運營管理有限公司)	3,758,666.48	4,907,182.99	(760,120.99)	4,147,062.00	50.00	50.00	-	1,293,685.98
Subtotal for joint ventures	<u>188,387,467.36</u>	<u>73,651,379.27</u>	<u>(13,708,022.79)</u>	<u>59,943,356.48</u>			<u>-</u>	<u>1,293,685.98</u>
Associates								
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	15,723,518.14	27,561,913.48	(238,487.91)	27,323,425.57	25.00	25.00	-	2,190,000.00
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	102,271,114.69	(1,347,864.14)	100,923,250.55	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	81,940,177.36	11,977,896.93	93,918,074.29	26.70	26.70	-	-
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科複合材料(北京)有限公司)	27,557,054.00	54,139,111.52	1,562,846.47	55,701,957.99	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	6,236,096.41	50,908.06	6,287,004.47	23.00	23.00	-	-
Subtotal for associates	<u>315,421,677.25</u>	<u>277,617,848.13</u>	<u>12,005,299.41</u>	<u>289,623,147.54</u>			<u>5,469,434.67</u>	<u>2,190,000.00</u>
Total	<u>503,809,144.61</u>	<u>351,269,227.40</u>	<u>(1,702,723.38)</u>	<u>349,566,504.02</u>			<u>5,469,434.67</u>	<u>3,483,685.98</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

13. Investment properties

For the six months ended 30 June 2014

	Opening balance	Increase in the period		Decrease in the period		Closing balance
		Addition	Transferred from self-occupied properties or inventories	Gains from changes in fair value	Disposal	
Cost						
Buildings	6,356,446,142.83	-	-	-	-	6,356,446,142.83
Changes in fair value						
Buildings	7,189,453,857.17	-	-	267,100,000.00	-	7,456,553,857.17
Carrying value						
Buildings	13,545,900,000.00	-	-	267,100,000.00	-	13,813,000,000.00

2013

	Opening balance	Increase in the year		Decrease in the year		Closing balance
		Addition	Transferred from self-occupied properties or inventories (note)	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

Note: In light of the new leasing contracts and leasing areas, certain properties were transferred from inventories to investment properties during the corresponding period of last year. The difference between the fair value at the time of transfer and the carrying amount was recognized as capital reserves.

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

13. Investment properties *(continued)*

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 30 June 2014 was RMB13,813,000,000.00 (31 December 2013: RMB13,545,900,000.00).

As at 30 June 2014, procedures for the title certificates for the investment properties with carrying amount of approximately RMB277,300,000.00 were yet to be completed. These investment properties were acquired through the business combination under common control in 2011, and the Group is in the process of handling the procedures for changing the relevant titles. The management of the Company is of the view that the Group has the legitimate and valid right to occupy and use or dispose of the above properties.

As at 30 June 2014, investment properties with carrying amount of RMB902,200,000.00 were pledged as securities for the debts of the parent BBMG Group (31 December 2013: RMB889,300,000.00) (Note V.22 and Note VI.5(3)); and investment properties with carrying amount of RMB3,477,700,000.00 (31 December 2013: RMB542,400,000.00) were pledged as securities for the bank loans of the Group (Note V.22).

Hierarchies of fair value

The following table sets forth the fair value of the investment properties of the Group as at 30 June 2014 in accordance with the hierarchies of fair value measurement.

	Fair value as at 30 June 2014		Total
	Level 2 Significant observable inputs	Level 3 Significant observable inputs	
Commercial properties	645,300,000.00	13,167,700,000.00	13,813,000,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

13. Investment properties *(continued)*

Hierarchies of fair value (continued)

The following table sets forth the changes in Level 3 fair value of the investment properties of the Group for the six months ended 30 June 2014:

	Commercial properties RMB
Value as at 1 January 2014	12,901,900,000.00
Losses or gains from changes in fair value	<u>265,800,000.00</u>
Value as at 30 June 2014	<u>13,167,700,000.00</u>

All of the Group's investment properties are commercial properties.

For the six months ended 30 June 2014, there was no change in fair value hierarchies of investment properties of the Group.

The following sets forth the valuation method and key inputs used for the valuation of fair value of the investment properties:

Valuation method	Significant unobservable inputs	Range of variation
Future income approach	Unit rental (RMB/sq.m./day)	1.43-15.76
	Term yield	5.50%-8.00%
	Reversionary yield	6.00%-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 lease of the investment property at an appropriate market yield expected by investors for the type of properties to calculate the fair value of investment properties.

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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

14. Fixed assets

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Original book value				
Buildings	11,464,921,065.21	165,655,233.84	52,889,461.56	11,577,686,837.49
Machinery equipment	11,376,243,073.61	136,925,018.64	59,597,413.01	11,453,570,679.24
Transport equipment	973,950,853.31	54,398,467.66	20,260,184.27	1,008,089,136.70
Electronic equipment	268,589,784.31	20,862,169.08	975,972.48	288,475,980.91
Office equipment	215,452,207.89	3,842,933.68	16,067,472.55	203,227,669.02
	<u>24,299,156,984.33</u>	<u>381,683,822.90</u>	<u>149,790,503.87</u>	<u>24,531,050,303.36</u>
Accumulated depreciation				
Buildings	2,402,728,400.40	204,774,833.72	18,089,535.95	2,589,413,698.17
Machinery equipment	3,800,757,307.77	324,456,218.26	39,273,335.25	4,085,940,190.78
Transport equipment	463,180,786.71	42,213,250.37	15,726,529.47	489,667,507.61
Electronic equipment	180,193,711.11	24,854,305.43	953,866.98	204,094,149.56
Office equipment	140,911,060.58	9,730,184.51	14,240,334.62	136,400,910.47
	<u>6,987,771,266.57</u>	<u>606,028,792.29</u>	<u>88,283,602.27</u>	<u>7,505,516,456.59</u>
Net book value				
Buildings	9,062,192,664.81			8,988,273,139.32
Machinery equipment	7,575,485,765.84			7,367,630,488.46
Transport equipment	510,770,066.60			518,421,629.09
Electronic equipment	88,396,073.20			84,381,831.35
Office equipment	74,541,147.31			66,826,758.55
	<u>17,311,385,717.76</u>			<u>17,025,533,846.77</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

14. Fixed assets *(continued)*

For the six months ended 30 June 2014 *(continued)*

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Provision for impairment				
Buildings	145,087,499.21	–	17,001,275.73	128,086,223.48
Machinery equipment	223,194,862.69	7,573,568.07	17,965,601.97	212,802,828.79
Transport equipment	7,090,305.97	–	30,335.75	7,059,970.22
Electronic equipment	1,406,557.62	–	–	1,406,557.62
Office equipment	290,376.11	30,710.57	–	321,086.68
	<u>377,069,601.60</u>	<u>7,604,278.64</u>	<u>34,997,213.45</u>	<u>349,676,666.79</u>
Book value				
Buildings	8,917,105,165.60			8,860,186,915.84
Machinery equipment	7,352,290,903.15			7,154,827,659.67
Transport equipment	503,679,760.63			511,361,658.87
Electronic equipment	86,989,515.58			82,975,273.73
Office equipment	74,250,771.20			66,505,671.87
	<u>16,934,316,116.16</u>			<u>16,675,857,179.98</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

14. Fixed assets *(continued)*

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Original book value				
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
	<u>21,575,788,621.65</u>	<u>3,421,849,704.06</u>	<u>698,481,341.38</u>	<u>24,299,156,984.33</u>
Accumulated depreciation				
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
	<u>6,101,149,493.77</u>	<u>1,100,637,634.83</u>	<u>214,015,862.03</u>	<u>6,987,771,266.57</u>
Net book value				
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
	<u>15,474,639,127.88</u>			<u>17,311,385,717.76</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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
Provision for impairment				
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
	<u>143,488,497.08</u>	<u>300,104,276.67</u>	<u>66,523,172.15</u>	<u>377,069,601.60</u>
Book value				
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
	<u>15,331,150,630.80</u>			<u>16,934,316,116.16</u>

The amount of depreciation provided for the six months ended 30 June 2014 was RMB606,028,792.29 (2013: RMB1,081,226,011.71). The amount transferred to cost of fixed assets from construction in progress was RMB296,331,515.26 (2013: RMB2,834,199,721.29).

As at 30 June 2014, buildings with book value of RMB7,884,249.22 were pledged as securities for bank borrowings of the Group (31 December 2013: RMB8,141,747.38) (Note V.22).

As at 30 June 2014, the Group had no temporarily idle fixed assets (31 December 2013: Nil).

As at 30 June 2014, 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, RMB2,163,623.10 and RMB24,115,200.30 (31 December 2013: RMB24,614,497.92), respectively.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

14. Fixed assets *(continued)*

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

	30 June 2014	31 December 2013
Buildings	886,403,425.84	846,076,802.52
Machinery equipment	364,093,489.57	382,874,102.92
Total	1,250,496,915.41	1,228,950,905.44

As at 30 June 2014, there were no fixed assets held for sale.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress

	Gross carrying amount	30 June 2014 Provision for impairment	Carrying amount	Gross carrying amount	31 December 2013 Provision for impairment	Carrying amount
Beijing Lulihe Cement						
– Renovation project for line 1 coal vertical mills	16,565,017.23	–	16,565,017.23	13,451,149.83	–	13,451,149.83
Luquan BBMG Dingxin						
– Stripping of 1st sub orebody	56,473,357.14	–	56,473,357.14	42,438,443.89	–	42,438,443.89
– Stripping of 2nd sub orebody	42,977,904.60	–	42,977,904.60	32,443,164.60	–	32,443,164.60
Baoding Taihang Heyi						
– Activated limestone project	–	–	–	11,093,420.00	–	11,093,420.00
Handan BBMG Taihang Cement						
– Upgrading on kiln feed homogenizing silo	11,508,989.15	–	11,508,989.15	–	–	–
Handan BBMG Taihang Building Materials						
– Project concerning 2 million tonnes of slag powder	125,830,571.89	–	125,830,571.89	96,604,326.86	–	96,604,326.86
Zanhuang BBMG Cement						
– Sandstone mine	22,523,974.78	–	22,523,974.78	10,549,892.48	–	10,549,892.48
Beijing Bio-Island Science and Technology						
– Waste treatment project	21,062,868.82	–	21,062,868.82	–	–	–
– Pre-treatment centre project	–	–	–	13,005,826.72	–	13,005,826.72
BBMG Mineral Industry						
– Integration of non-coal mines in Fangshan District	64,716,334.30	–	64,716,334.30	61,001,504.86	–	61,001,504.86
Beijing Cement Plant						
– Upgrading of 3# cement grinding to combined grinding	23,937,632.35	–	23,937,632.35	39,456,477.30	–	39,456,477.30
– Demonstration project for brick making by stone crusher	28,389,954.16	–	28,389,954.16	33,975,784.58	–	33,975,784.58
Zuoquan BBMG Cement						
– Clinker production line with capacity of 2,500 tonnes per day	18,089,274.46	–	18,089,274.46	9,486,209.03	–	9,486,209.03
Xuanhua BBMG Cement						
– Project concerning improvement of cement production by utilisation of carbide slag	41,652,442.50	–	41,652,442.50	–	–	–
BBMG Mortar						
– Pinggu production line	18,282,978.01	–	18,282,978.01	92,000.00	–	92,000.00
Chengde BBMG Cement						
– 4,000 tonnes/day clinker production line	739,835,979.76	–	739,835,979.76	730,113,186.60	–	730,113,186.60
Beijing Aerated Concrete						
– Phase I of the logistics park	46,921,510.49	–	46,921,510.49	21,513,607.29	–	21,513,607.29
Beijing Jinyu Aerated Concrete						
– Phase II of aerated production line	7,714,740.95	–	7,714,740.95	24,598,257.03	–	24,598,257.03
Beijing Building Materials Academy						
– National testing center for fire prevention products	31,454,756.47	–	31,454,756.47	26,647,591.46	–	26,647,591.46
BBMG (Dachang) Modern Industrial Park						
– Tiantan furniture project (Phase I)	118,395,530.82	–	118,395,530.82	91,395,105.76	–	91,395,105.76
Beijing BBMG Doudian Technology						
– Fire prevention detection project	100,250.00	–	100,250.00	30,853,536.84	–	30,853,536.84
– Phase II of the aeration project	–	–	–	34,000,453.00	–	34,000,453.00
Badaling Hot Spring						
– Project concerning the expansion of eastern area	94,015,847.16	–	94,015,847.16	43,382,667.16	–	43,382,667.16
Xisanqi Heating						
– Coal-to-gas conversion project for boilers	14,164,929.12	–	14,164,929.12	628,188.68	–	628,188.68
Others	413,558,623.54	(9,772,164.06)	403,786,459.48	342,264,205.59	(9,772,164.06)	332,492,041.53
	1,958,173,467.70	(9,772,164.06)	1,948,401,303.64	1,708,994,999.56	(9,772,164.06)	1,699,222,835.50

As at 30 June 2014, the Group had no construction in progress the ownership of which was subject to restrictions (31 December 2013: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

For the six months ended 30 June 2014

Projects	Budget RMB thousand	Opening balance	Increase in the period	Transferred to fixed assets in the period	Closing balance	Source of funding	Percentage of project investment in budget %
Beijing Lulihe Cement							
– Renovation project for line 1 coal vertical mills	25,000	13,451,149.83	3,113,867.40	–	16,565,017.23	Self-financing	66.00
– Phase II Project of cement grinding mill	65,000	2,975,245.32	1,921,082.24	–	4,896,327.56	Self-financing	8.00
Luquan BBMG Dingxin							
– Stripping of 1st sub orebody	190,000	42,438,443.89	14,034,913.25	–	56,473,357.14	Self-financing	30.00
– Stripping of 2nd sub orebody	120,000	32,443,164.60	10,534,740.00	–	42,977,904.60	Self-financing	36.00
Baoding Taihang Heyi							
– “Green Mine”	30,200	273,220.35	223,300.97	–	496,521.32	Self-financing	2.00
– Activated limestone project	110,184	11,093,420.00	–	11,093,420.00	–	Self-financing/ borrowing	100.00
Zhuolu Jinyu Cement							
– 500,000 tonnes fly ash warehouse project	73,400	–	25,100.00	–	25,100.00	Self-financing	1.00
Zanhuang BBMG Cement							
– Sandstone mine	42,360	10,549,892.48	11,974,082.30	–	22,523,974.78	Self-financing	53.00
Tianjin Zhenxing Cement							
– Upgrading on 1# mill	27,663	220,650.94	1,030,402.15	–	1,251,053.09	Self-financing	5.00
– Clinker storage tent	27,470	–	900.00	–	900.00	Self-financing	1.00
BBMG Mineral Industry							
– Integration of non-coal mines in Fangshan District	157,920	61,001,504.86	3,714,829.44	–	64,716,334.30	Self-financing/ borrowing	41.00
Beijing Cement Plant							
– Upgrading of 3# cement grinding to combined grinding	37,800	39,456,477.30	21,993,537.05	37,512,382.00	23,937,632.35	Self-financing	99.00
– Demonstration project for brick making by stone crusher	25,000	33,975,784.58	14,224,702.08	19,810,532.50	28,389,954.16	Self-financing	99.00
Zuoquan BBMG Cement							
– Clinker cement production line with capacity of 2,500 tonnes per day	545,420	9,486,209.03	8,603,065.43	–	18,089,274.46	Self-financing	99.00
Xuanhua BBMG Cement							
– Project concerning improvement of cement production by utilisation of carbide slag	60,000	–	52,126,943.88	10,474,501.38	41,652,442.50	Self-financing	99.00
BBMG Mortar							
– Pinggu production line	55,170	92,000.00	18,190,978.01	–	18,282,978.01	Self-financing	33.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

For the six months ended 30 June 2014 (continued)

Projects	Budget RMB thousand	Opening balance	Increase in the period	Transferred to fixed assets in the period	Closing balance	Source of funding	Percentage of project investment in budget %
Chengde BBMG Cement – 4,000 tonnes/day clinker production line	833,940	730,113,186.60	9,722,793.16	–	739,835,979.76	Self-financing/ borrowing	91.00
Handan BBMG Taihang Building Materials – Project concerning 2 million tonnes of slag powder	251,000	96,604,326.86	29,226,245.03	–	125,830,571.89	Self-financing	50.00
Beijing Bio-Island Science and Technology – Waste treatment project	25,000	–	21,062,868.82	–	21,062,868.82	Self-financing	84.00
Beijing Jinyu Aerated Concrete – Phase II of aerated production line	68,560	24,598,257.03	33,190,820.80	50,074,336.88	7,714,740.95	Self-financing	84.00
Beijing Aerated Concrete – Phase I of the logistics park	140,000	21,513,607.29	25,407,903.20	–	46,921,510.49	Self-financing	34.00
Beijing BBMG Doudian Technology – Fire prevention detection project	45,150	30,853,536.84	9,695,394.00	40,448,680.84	100,250.00	Borrowing	90.00
– Phase II of the aeration project	61,950	34,000,453.00	17,677,745.05	51,678,198.05	–	Borrowing	100.00
BBMG (Dachang) Modern Industrial Park – Tiantan furniture project (Phase I)	155,900	91,395,105.76	27,000,425.06	–	118,395,530.82	Self-financing/ borrowing	76.00
Beijing Building Materials Academy – National testing center for fire prevention products	34,830	26,647,591.46	4,807,165.01	–	31,454,756.47	Borrowing	100.00
Xisanqi Heating – Coal-to-gas conversion project for boilers	65,000	628,188.68	13,536,740.44	–	14,164,929.12	Self-financing	22.00
Badaling Hot Spring – Project concerning the expansion of eastern area	100,000	43,382,667.16	50,633,180.00	–	94,015,847.16	Self-financing	94.0
Others		351,800,915.70	141,836,258.63	75,239,463.61	418,397,710.72		
		1,708,994,999.56	545,509,983.40	296,331,515.26	1,958,173,467.70		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 investment in budget %
Beijing Liulhe Cement							
– Renovation 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	100.00
Zhangjiakou BBMG							
– Works for cement grinding station with capacity of 1 million tonnes	85,759	68,097,901.80	8,209,543.74	76,307,445.54	–	Self-financing	100.00
Tianjin Zhenxing Cement							
– Composite micro powder project	160,000	65,650.94	40,000.00	–	105,650.94	Self-financing	1.00
– Energy-saving technological improvement of line 1 cement mill	40,730	38,246,556.57	–	38,246,556.57	–	Self-financing	100.00
Qinyang BBMG							
– Clinker cement production line	381,142	11,297,540.06	369,844,170.49	381,141,710.55	–	Self-financing	100.00
BBMG Mineral Industry							
– Integration of non-coal mines in Fangshan District	157,920	42,377,141.36	18,624,363.50	–	61,001,504.86	Self-financing/ borrowing	39.00
Beijing Cement Plant							
– Upgrading of 3# cement grinding to combined grinding	37,800	–	39,456,477.30	–	39,456,477.30	Self-financing	99.00
– Demonstration project for 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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 fixed assets in the year	Closing balance	Source of funding	Percentage of project investment in budget %
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
Guangling Jinyu Cement							
– Clinker cement production line	184,169	107,867,495.19	76,301,531.19	184,169,026.38	–	Self-financing	100.00
Chengde BBMG Cement							
– 4,000 tonnes/day clinker production line	833,940	–	730,260,186.60	147,000.00	730,113,186.60	Self-financing/ borrowing	88.00
Handan Jinyu Taihang Building Materials							
– 2 million tonnes slag powder project	251,000	–	96,604,326.86	–	96,604,326.86	Self-financing	38.00
Beijing Jinyu Aerated Concrete							
– Phase II of aerated production line project	68,560	–	24,598,257.03	–	24,598,257.03	Self-financing	36.00
Beijing Aerated Concrete							
– Phase I of the logistics park	140,000	–	21,513,607.29	–	21,513,607.29	Self-financing	15.00
Beijing BBMG Doudian Technology							
– Fire prevention detection project	45,150	8,594.32	30,844,942.52	–	30,853,536.84	Borrowing	68.00
– Phase II of the aeration project	61,950	–	34,000,453.00	–	34,000,453.00	Borrowing	55.00
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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

For the six months ended 30 June 2014

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: interest capitalized for the period	Capitalization rate for the period (%)
Tianjin Zhenxing Cement				
– wind-and dust-proof net for depot	99.00	92,530.51	92,530.51	6.00
– denitrification project of cement kiln	75.00	144,991.97	144,991.97	6.00
BBMG Mineral Industry				
– Integration project for non-coal mines in Fangshan District	41.00	18,413,397.96	–	–
Chengde BBMG Cement				
– 4,000 tonnes/day cement clinker production line	91.00	18,073,228.51	11,971,825.90	6.00
BBMG (Dachang) Modern Industrial Park				
– Tiantan furniture project (Phase I)	76.00	3,743,126.68	2,412,876.42	6.00
Beijing BBMG Doudian Technology				
– Fire prevention detection project	100.00	–	136,971	6.00
– Phase II of the aeration project	100.00	–	917,445	6.00
Total		<u>40,467,275.63</u>	<u>15,676,640.80</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

15. Construction in progress *(continued)*

2013

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

Provision for impairment of construction in progress for the six months ended 30 June 2014:

	Opening balance	Increase in the period	Decrease in the period	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 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. (北京金隅水泥經貿有限公司) – 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
	9,772,164.06	–	–	9,772,164.06	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 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. (北京金隅水泥經貿有限公司)					
– 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
	<u>8,717,380.85</u>	<u>1,054,783.21</u>	<u>–</u>	<u>9,772,164.06</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

16. Construction materials

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Special-purpose equipment	20,345,829.89	12,235,020.82	16,423,054.52	16,157,796.19
Special-purpose materials	1,598,957.89	863,236.82	934,024.98	1,528,169.73
Equipment and instruments	2,265,382.40	1,093,971.11	377,371.45	2,981,982.06
Provision for impairment	(16,340,726.33)	–	(3,634,808.62)	(12,705,917.71)
	<u>7,869,443.85</u>	<u>14,192,228.75</u>	<u>14,099,642.33</u>	<u>7,962,030.27</u>

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)
	<u>14,281,785.80</u>	<u>90,392,292.82</u>	<u>96,804,634.77</u>	<u>7,869,443.85</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

17. Intangible assets

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Cost				
Land use rights	3,395,593,577.94	46,151,606.60	–	3,441,745,184.54
Computer software licenses	35,222,990.60	1,376,233.57	141,247.86	36,457,976.31
Mining rights	1,116,003,138.48	14,727,120.15	–	1,130,730,258.63
Trademark rights	16,670,000.00	–	–	16,670,000.00
Others	73,325,133.77	840,000.00	1,023,864.58	73,141,269.19
	<u>4,636,814,840.79</u>	<u>63,094,960.32</u>	<u>1,165,112.44</u>	<u>4,698,744,688.67</u>
Accumulated amortization				
Land use rights	474,802,742.33	36,390,570.49	–	511,193,312.82
Computer software licenses	20,184,075.26	2,370,159.74	91,467.04	22,462,767.96
Mining rights	92,959,083.68	8,656,603.14	–	101,615,686.82
Trademark rights	–	–	–	–
Others	38,839,660.62	876,893.36	964,306.28	38,752,247.70
	<u>626,785,561.89</u>	<u>48,294,226.73</u>	<u>1,055,773.32</u>	<u>674,024,015.30</u>
Net book value				
Land use rights	2,920,790,835.61			2,930,551,871.72
Computer software licenses	15,038,915.34			13,995,208.35
Mining rights	1,023,044,054.80			1,029,114,571.81
Trademark rights	16,670,000.00			16,670,000.00
Others	34,485,473.15			34,389,021.49
	<u>4,010,029,278.90</u>			<u>4,024,720,673.37</u>
Provision for impairment				
Land use rights	–	–	–	–
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>47,353,841.71</u>	<u>–</u>	<u>–</u>	<u>47,353,841.71</u>
Book value				
Land use rights	2,920,790,835.61			2,930,551,871.72
Computer software licenses	15,038,915.34			13,995,208.35
Mining rights	983,000,213.09			989,070,730.10
Trademark rights	11,670,000.00			11,670,000.00
Others	32,175,473.15			32,079,021.49
	<u>3,962,675,437.19</u>			<u>3,977,366,831.66</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

17. Intangible assets *(continued)*

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Cost				
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
	<u>4,190,009,436.60</u>	<u>509,743,432.47</u>	<u>62,938,028.28</u>	<u>4,636,814,840.79</u>
Accumulated amortization				
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
	<u>535,633,556.62</u>	<u>94,962,645.80</u>	<u>3,810,640.53</u>	<u>626,785,561.89</u>
Net book value				
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
	<u>3,654,375,879.98</u>			<u>4,010,029,278.90</u>
Provision for impairment				
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>53,694,240.82</u>	<u>–</u>	<u>6,340,399.11</u>	<u>47,353,841.71</u>
Book value				
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
	<u>3,600,681,639.16</u>			<u>3,962,675,437.19</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	30 June 2014	31 December 2013
Less than 50 years	2,921,799,997.54	2,912,038,961.43
Longer than 50 years (inclusive)	8,751,874.18	8,751,874.18
Total	2,930,551,871.72	2,920,790,835.61

For the six months ended 30 June 2014, the amortisation amount of intangible assets was RMB48,294,226.73 (2013: RMB94,962,645.80).

For the six months ended 30 June 2014, the useful life of trademark rights with a carrying amount of RMB11,670,000.00 was indefinite (31 December 2013: RMB11,670,000.00). The Group can apply for extension at the end of the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during indefinite periods.

For the six months ended 30 June 2014, the Group had no intangible assets the ownership of which was subject to restrictions (31 December 2013: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

18. Goodwill

Asset group	30 June 2014	31 December 2013
Luquan BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing Taihang Qianjing Cement Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Handan Taihang Cement Co., Ltd.	522,323.32	522,323.32
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	2,742,710.29
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	56,276,121.38	56,276,121.38
	312,051,745.55	312,051,745.55
Provision for impairment	(4,489,333.27)	(4,489,333.27)
	307,562,412.28	307,562,412.28

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 present value of estimated future cash flows, which are based on the five-year financial budget approved by the management at a discount rate of 12%-14% (2013: 12%-14%). The estimated cash flows of these assets groups in five years are measured at a fixed growth rate of 1% (2013: 1%) per annum. Other key assumptions adopted during the evaluation include the estimated cash inflows and outflows relevant to the estimated 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 market development.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

19. Long-term deferred expenditures

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Amortisation for the period	Closing balance
Decoration	94,777,887.19	3,617,064.28	10,564,504.04	87,830,447.43
Leasehold improvement for fixed assets rented	12,584,984.79	8,524,344.92	1,984,844.09	19,124,485.62
Land lease prepayments	21,318,569.71	2,007,932.22	1,783,597.14	21,542,904.79
Cost of stripping mines	42,487,262.22	32,443,164.60	6,730,389.08	68,200,037.74
Others	63,391,979.29	6,463,620.85	6,296,470.00	63,559,130.14
	234,560,683.20	53,056,126.87	27,359,804.35	260,257,005.72
Including: Amount categorised as amortisation of current assets within one year	29,866,506.29			25,323,712.31
Non-current assets portion	204,694,176.91			234,933,293.41

2013

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	30 June 2014	31 December 2013
Deferred income tax assets		
Provision for LAT	426,017,816.09	389,751,500.33
Deductible tax losses	150,245,068.60	56,310,000.22
Provisions for impairment of assets	133,532,783.30	127,564,837.05
Accrual of property development cost	340,352,952.36	257,897,803.08
Unrealised profits and losses of internal transactions	186,042,871.96	317,459,408.11
Others	22,384,438.33	19,895,958.83
	<u>1,258,575,930.64</u>	<u>1,168,879,507.62</u>
Deferred income tax liabilities		
Revaluation of investment properties	1,627,476,887.86	1,560,701,887.86
Differences arising from deductible depreciation expenses	377,620,648.99	313,733,206.95
Fair value adjustment arising from business combination	227,483,946.60	235,204,680.05
Others	316,701,247.58	309,186,024.31
	<u>2,549,282,731.03</u>	<u>2,418,825,799.17</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 temporary differences are as follows:

Amount of temporary differences of deferred income tax assets recognised

	30 June 2014	31 December 2013
Deductible differences:		
Provision for LAT	1,704,071,264.36	1,559,006,001.32
Deductible tax losses	600,980,274.40	225,240,000.88
Provisions for impairment of assets	534,131,133.20	510,259,348.20
Accrual of property development cost	1,361,411,809.44	1,031,591,212.32
Unrealised profits and losses of internal transactions	744,171,487.84	1,269,837,632.44
Others	89,537,753.32	79,583,835.32
	<u>5,034,303,722.56</u>	<u>4,675,518,030.48</u>
Taxable differences:		
Revaluation of investment properties	6,520,436,657.13	6,253,336,657.13
Differences arising from		
deductible depreciation expenses	1,510,482,595.96	1,254,932,827.80
Fair value adjustment arising from		
business combination	909,935,786.40	940,818,720.20
Others	1,256,275,884.63	1,226,214,991.55
	<u>10,197,130,924.12</u>	<u>9,675,303,196.68</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

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

Unrecognised deferred income tax assets are as follows:

	30 June 2014	31 December 2013
Deductible tax losses	767,151,174.80	581,761,530.66
Deductible temporary differences	453,280,591.55	435,859,562.25
	<u>1,220,431,766.35</u>	<u>1,017,621,092.91</u>

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

	30 June 2014	31 December 2013
2014	17,663,258.62	23,500,367.26
2015	22,275,037.53	22,919,387.95
2016	61,246,449.34	62,398,739.39
2017	166,905,095.31	166,905,095.31
2018	304,744,901.22	306,037,940.75
2019	194,316,432.78	—
	<u>767,151,174.80</u>	<u>581,761,530.66</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

21. Provisions for impairment of assets

For the six months ended 30 June 2014

	Opening balance	Provision for the period	Transferred in upon acquisition of subsidiaries	Disposal of subsidiaries	Reversal for the period	Write-off for the period	Closing balance
Provision for bad debts:	451,612,098.35	78,433,616.86	-	-	(26,696,746.41)	(2,324,069.06)	501,024,899.74
Of which: Accounts receivable	331,577,447.00	69,016,225.88	-	-	(24,286,625.40)	(1,430,911.92)	374,876,135.56
Other receivables	120,034,651.35	9,417,390.98	-	-	(2,410,121.01)	(893,157.14)	126,148,764.18
Provision for decline in value of inventories	43,970,478.40	23,510,896.18	-	-	-	(603,139.83)	66,878,234.75
Provision for impairment of available-for-sale financial assets	6,013,118.54	-	-	-	-	-	6,013,118.54
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	-	5,469,434.67
Provision for impairment of fixed assets	377,069,601.60	7,604,278.64	-	-	-	(34,997,213.45)	349,676,666.79
Provision for impairment of construction materials	16,340,726.33	-	-	-	-	(3,634,808.62)	12,705,917.71
Provision for impairment of construction in progress	9,772,164.06	-	-	-	-	-	9,772,164.06
Provision for impairment of intangible assets	47,353,841.71	-	-	-	-	-	47,353,841.71
Provision for impairment of goodwill	4,489,333.27	-	-	-	-	-	4,489,333.27
	<u>962,090,796.93</u>	<u>109,548,791.68</u>	<u>-</u>	<u>-</u>	<u>(26,696,746.41)</u>	<u>(41,559,230.96)</u>	<u>1,003,383,611.24</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

21. Provisions for impairment of assets *(continued)*

2013

	Opening balance	Provision for the year	Transferred in upon acquisition of subsidiaries	Disposal of subsidiaries	Reversal for the year	Write-off for the year	Closing balance
Provision for bad debts:	402,340,924.83	82,001,983.80	615,971.05	(379,944.68)	(32,360,773.95)	(606,062.70)	451,612,098.35
Of which: Accounts receivable	291,243,701.70	71,905,204.33	615,971.05	-	(31,581,367.38)	(606,062.70)	331,577,447.00
Other receivables	111,097,223.13	10,096,779.47	-	(379,944.68)	(779,406.57)	-	120,034,651.35
Provision for decline in value of inventories	25,785,239.10	21,999,260.98	-	-	-	(3,814,021.68)	43,970,478.40
Provision for impairment of available-for-sale financial assets	6,013,118.54	-	-	-	-	-	6,013,118.54
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	-	5,469,434.67
Provision for impairment of fixed assets	143,488,497.08	300,104,276.67	-	(12,062,607.47)	-	(54,460,564.68)	377,069,601.60
Provision for impairment of construction materials	12,705,917.71	3,634,808.62	-	-	-	-	16,340,726.33
Provision for impairment of construction in progress	8,717,380.85	1,054,783.21	-	-	-	-	9,772,164.06
Provision for impairment of intangible assets	53,694,240.82	-	-	(6,340,399.11)	-	-	47,353,841.71
Provision for impairment of goodwill	-	4,489,333.27	-	-	-	-	4,489,333.27
	<u>658,214,753.60</u>	<u>413,284,446.55</u>	<u>615,971.05</u>	<u>(18,782,951.26)</u>	<u>(32,360,773.95)</u>	<u>(58,880,649.06)</u>	<u>962,090,796.93</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

22. Assets with title restrictions

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance	Note
Pledged assets					
Cash and bank balances					
Statutory deposit reserve placement with central bank by Finance Company	243,380,705.75	165,819,397.55	-	409,200,103.30	(1)
Guarantee deposit for L/C	69,664,988.35	-	47,541,246.59	22,123,741.76	(1)
Quality/performance deposits	81,643,118.95	8,958,631.44	-	90,601,750.39	(1)
Guarantee deposits for acceptance bills	130,068,004.30	-	27,714,952.70	102,353,051.60	(1)
Inventories	4,351,941,452.22	-	1,941,126,995.90	2,410,814,456.32	(2)
Fixed assets	8,141,747.38	-	257,498.16	7,884,249.22	(2)
Investment properties	1,431,700,000.00	2,948,200,000.00	-	4,379,900,000.00	(2)
Cash and bank balances whose titles are restricted for other reasons					
Restricted cash arising from pre-sales of properties	2,173,262,645.12	-	58,648,124.97	2,114,614,520.15	(3)
Others	30,998,566.22	-	15,481,539.61	15,517,026.61	
	<u>8,520,801,228.29</u>	<u>3,122,978,028.99</u>	<u>2,090,770,357.93</u>	<u>9,553,008,899.35</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Assets with title restrictions (continued)

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)
Cash and bank balances 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:

- (1) As at 30 June 2014, the Group's pledged cash and bank balances amounted to RMB624,278,647.05 (31 December 2013: RMB524,756,817.35), of which the amount paid by BBMG Finance Co., Ltd. (金隅財務有限公司) to the People's Bank of China as statutory deposit reserve in accordance with relevant regulations, which cannot be used for daily operations, was RMB409,200,103.30 (31 December 2013: RMB243,380,705.75).
- (2) As at 30 June 2014, the Group obtained bank borrowings of RMB4,700,655,904.61 secured by inventories with a carrying amount of RMB2,410,814,456.32, fixed assets with a carrying amount of RMB7,884,249.22 and investment properties with a carrying amount of RMB3,477,700,000.00 (Note V.8, 13 and 14). As at 30 June 2014, investment properties with carrying amount of RMB902,200,000.00 were secured for a guarantee in favour of the parent company (Note VI.5(3)).
- (3) In accordance with relevant provisions, funds from pre-sales of commodity housing shall 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 shall 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

23. Short-term loans

	30 June 2014	31 December 2013
Guaranteed loans (Note 1)	581,978,000.00	628,000,000.00
Credit loans	<u>10,439,222,000.00</u>	<u>12,888,500,000.00</u>
	<u>11,021,200,000.00</u>	<u>13,516,500,000.00</u>

Note 1: As at 30 June 2014, the guaranteed loans were guaranteed by the Company and its subsidiaries.

As at 30 June 2014, the above loans bore an interest rate of 5.4%-6.6% (31 December 2013: 5%-7.22%) per annum.

As at 30 June 2014, the Group had no outstanding short-term loans that were due.

As at 30 June 2014, the Group's short-term credit loans included entrusted loans of RMB436,200,000.00 (31 December 2013: RMB3,646,000,000.00) borrowed from BBMG Group.

24. Bills payable

	30 June 2014	31 December 2013
Bank acceptance bills	294,611,400.81	484,106,696.49
Commercial acceptance bills	<u>2,648,376.00</u>	<u>22,000,000.00</u>
	<u>297,259,776.81</u>	<u>506,106,696.49</u>

As at 30 June 2014, all the balances of this account would be due in one year.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	30 June 2014	31 December 2013
Within 1 year	5,963,281,871.14	5,823,071,526.78
1 to 2 years	2,070,796,964.25	1,942,470,635.46
2 to 3 years	118,425,213.19	622,394,795.70
Over 3 years	172,308,032.21	128,761,348.60
	<u>8,324,812,080.79</u>	<u>8,516,698,306.54</u>

As at 30 June 2014, there were no accounts payable to shareholders holding 5% or more of the Company's voting rights (31 December 2013: Nil).

Please refer to note VI. Related Party Relationships and Transactions for accounts payable to related parties as at 30 June 2014.

As at 30 June 2014, significant accounts payable aging over 1 year were as follows:

	Relationship with the Group	Amount	Percentage of total accounts payable (%)	Reasons for non-payment
Customer 1	Third party	257,263,087.79	3.09	Undue
Customer 2	Third party	134,699,426.16	1.62	Undue
Customer 3	Third party	101,478,788.49	1.22	Undue
Customer 4	Third party	66,988,058.79	0.80	Undue
Customer 5	Third party	49,012,791.60	0.59	Undue

Of the above significant accounts payable aging over one year, an amount of RMB26,473,503.04 was settled subsequent to the balance sheet date.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

26. Receipts in advance

An aging analysis on receipts in advance is as follows:

	30 June 2014	31 December 2013
Within 1 year	10,530,630,136.86	13,863,348,931.27
1 to 2 years	2,234,661,259.19	1,616,131,426.54
2 to 3 years	23,647,748.48	75,605,972.14
Over 3 years	14,279,159.19	12,863,161.19
	<u>12,803,218,303.72</u>	<u>15,567,949,491.14</u>

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

	30 June 2014	31 December 2013
Advances on sale of goods	1,013,853,357.36	1,272,501,372.95
Advances on pre-sale of properties	11,344,518,935.07	13,787,043,067.47
Advances on construction costs	76,861,942.10	90,368,185.31
Advances on rents and property fees	367,984,069.19	418,036,865.41
	<u>12,803,218,303.72</u>	<u>15,567,949,491.14</u>

As at 30 June 2014, there were no receipts in advance from shareholders holding 5% or more of the Company's voting rights (31 December 2013: Nil).

Please refer to Note VI. Related Party Relationships and Transactions for receipts in advance from related parties as at 30 June 2014.

As at 30 June 2014, significant receipts in advance aging over 1 year mainly included proceeds from pre-sale of properties of RMB2,163,428,295.40, which were not yet settled because the properties have not been delivered

Of the above significant receipts in advance aging over 1 year, an amount of RMB247,793,489.00 was settled subsequent to the balance sheet date.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 next batch	Proportion of the pre-sales	30 June 2014	31 December 2013
Beijing – Chaoyang New City	December 2014	99%	17,648,138.80	29,574,507.20
Beijing – Jinyu Town-House	December 2014	95%	65,219,417.22	61,759,417.22
Beijing – Tuqiao Huashijiang	December 2014	86%	870,692,048.04	633,662,912.91
Beijing – Tuqiao Tongheyuan	December 2014	100%	797,538,801.92	42,177,554.41
Beijing – Kanghuiyuan	December 2014	94%	23,085,991.26	30,984,255.36
Beijing – Guanlan Times	December 2014	100%	1,362,812.77	142,441,979.81
Beijing – Yueheyuan	December 2014	100%	825,732.00	2,662,991.00
Beijing – Jinheyuan	December 2014	100%	2,421,945.96	2,421,945.96
Beijing – Taiheyuan	December 2014	96%	93,674,475.29	648,108,826.20
Beijing – Tuqiao Ziyozhu	December 2014	83%	4,113,550.44	885,497,100.06
Beijing – Binheyuan	December 2014	98%	152,334,657.28	2,710,634,732.42
Beijing – Ruiheyuan	September 2014	100%	525,481,601.31	514,481,601.31
Beijing – Meiheyuan	December 2014	99%	8,546,886.07	20,637,544.07
Beijing – Jiaheyuan	December 2014	60%	219,503,602.20	113,476,307.31
Hangzhou – Guanlan Times	March 2015	65%	136,206,697.00	211,055,798.00
Hangzhou – Banshan project	October 2014	17%	380,156,196.00	314,360,827.00
Beijing – Chang'an New City	December 2014	100%	23,647,086.02	22,978,910.02
Beijing – Dacheng Times	December 2014	100%	8,915,534.00	6,962,447.00
Beijing – Linglong Tiandi	December 2014	100%	4,127,006.00	2,157,006.00
Beijing – Dachengjun	December 2014	97%	77,661,664.00	132,791,491.00
Beijing – Western Group (西組團) public facilities	December 2014	94%	18,140,941.00	18,072,689.00
Beijing – Liyuan Jingcheng Center	December 2014	87%	128,690,861.00	1,109,199,444.00
Beijing – Guogongzhuang project	December 2014	59%	1,775,312,683.00	1,167,392,228.00
Tianjin – Jinyu Yuecheng	December 2014	80%	970,274,114.00	514,807,370.00
Inner Mongolia – Jinyu Times City	December 2014	99%	116,620,767.45	178,447,708.43
Inner Mongolia – Jinyu Elegancy City	December 2015	12%	107,651,749.71	32,206,325.70
Tangshan – Jinyu Lefu	September 2014	21%	128,779,589.47	105,717,092.49
Beijing – Jinyu Feili	November 2014	78%	1,414,383,083.00	830,958,438.00
Beijing – Jinyu Vanke City	December 2014	99%	1,610,460.72	719,184,425.00
Haikou – Meilinghu	December 2014	100%	50,254,977.01	65,828,439.01
Chongqing – Chayuan project	December 2014	33%	705,921,603.40	1,069,983,101.00
Chongqing – Nanshanjun	December 2014	28%	200,677,615.12	110,477,346.00
Chengdu – Shuangliu project	December 2014	42%	793,683,546.00	573,785,186.00
Beijing – I Cube	July 2014	91%	377,079,919.58	617,359,205.60
Qingdao – Plot at Jinggangshan Road	August 2015	77%	101,097,443.55	66,272,776.08
Ma'anshan – Project at the Eastern Foot of Jiashan Hill (佳山)	June 2015	37%	137,322,517.00	–
Beijing-Jinyu Lanwan	June 2015	39%	296,236,773.43	–
Beijing – Phase III of Tuqiao	March 2015	58%	264,601,654.72	–
Beijing – Jinyu Huixingyuan	June 2016	100%	103,600,000.00	–
Dacheng International	–	–	160,152,555.10	–
Others	–	–	79,262,237.23	78,523,138.90
			11,344,518,935.07	13,787,043,067.47

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Wages payable

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	74,230,104.91	1,019,430,254.81	1,025,396,318.72	68,264,041.00
Staff welfare	4,699,980.41	82,487,427.93	83,980,685.32	3,206,723.02
Social insurance	34,436,748.50	255,518,968.55	256,544,674.40	33,411,042.65
Including: Medical insurance	21,263,097.80	84,450,884.34	88,968,377.54	16,745,604.60
Basic pension	10,364,400.92	126,628,155.39	123,149,562.37	13,842,993.94
Annuity payment	-	21,948,786.00	21,926,449.00	22,337.00
Unemployment insurance	1,010,000.20	9,891,086.68	9,619,928.77	1,281,158.11
Work injury insurance	1,209,039.32	7,243,135.31	7,540,942.63	911,232.00
Maternity insurance	590,210.26	5,356,920.83	5,339,414.09	607,717.00
Housing funds	5,289,007.00	72,908,968.00	74,205,405.00	3,992,570.00
Compensation for termination	-	27,782,074.67	27,782,074.67	-
Union fund and employee education fund	21,499,714.24	23,560,383.01	22,373,006.92	22,687,090.33
Others	3,706,093.11	7,008,761.00	7,504,638.63	3,210,215.48
	<u>143,861,648.17</u>	<u>1,488,696,837.97</u>	<u>1,497,786,803.66</u>	<u>134,771,682.48</u>

As at 30 June 2014, there was no wages payable in arrears, and all balances are expected to be paid within one year.

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
	<u>153,463,306.96</u>	<u>2,700,894,339.62</u>	<u>2,710,495,998.41</u>	<u>143,861,648.17</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

28. Tax payable

	30 June 2014	31 December 2013
VAT	(200,254,071.72)	(231,932,222.35)
Business tax	65,958,849.67	162,291,868.89
Corporate income tax	346,814,349.71	647,506,940.28
Individual income tax	4,488,781.60	13,708,604.00
City maintenance and construction tax	9,112,330.48	13,130,179.29
Education surcharges	8,275,146.95	9,639,781.44
Resource tax	12,610,406.71	13,912,202.77
Land appreciation tax	54,199,716.15	106,912,723.10
Urban and rural land use tax	5,455,075.66	4,482,694.80
Real estate tax	4,250,745.16	3,458,802.19
Others	4,552,468.31	7,782,569.12
	315,463,798.68	750,894,143.53

29. Interest payable

	30 June 2014	31 December 2013
Interests on borrowings	37,026,541.25	33,277,854.18
Of which: Interests on long-term borrowings	14,006,018.74	13,063,003.92
Interests on short-term borrowings	23,020,522.51	20,214,850.26
Interests of corporate bonds (Note V.36)	418,188,888.89	220,532,222.23
	455,215,430.14	253,810,076.41

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

30. Dividends payable

	30 June 2014	31 December 2013
BBMG Group	178,844,725.72	–
Sinoma	35,457,840.00	16,770,600.00
Other shareholders of the Company	170,433,252.83	4,331,176.09
Dividends payable to non-controlling shareholders	18,484,444.86	24,090,422.94
	403,220,263.41	45,192,199.03

31. Other payables

An aging analysis of other payables is as follows:

	30 June 2014	31 December 2013
Within 1 year	2,159,588,897.49	1,849,627,597.08
1 to 2 years	575,827,131.89	626,696,411.50
2 to 3 years	229,626,772.31	32,018,561.68
Over 3 years	200,796,343.86	248,927,212.10
	3,165,839,145.55	2,757,269,782.36

An analysis on other payables by nature is as follows:

	30 June 2014	31 December 2013
Payables to related parties (Note VI.7)	27,350,073.13	12,632,885.28
Construction costs payable	169,554,010.58	194,444,225.75
Payables for acquisition of equity investments	103,872,451.14	128,210,431.14
Payables for relocation compensation	142,549,687.77	135,643,813.15
Payables for land use right	93,558,179.01	87,062,419.01
Deposits	719,125,371.80	589,544,252.41
Amounts collected on behalf and temporary receipts	1,082,644,761.77	841,627,474.35
Current portion of defined benefit obligations	40,469,714.00	40,813,993.00
Others	786,714,896.35	727,290,288.27
	3,165,839,145.55	2,757,269,782.36

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

31. Other payables *(continued)*

As at 30 June 2014, other than other amounts payable to the BBMG Group of RMB26,488,881.34 (31 December 2013: RMB12,106,934.79), there were no balances payable to other shareholders holding 5% or more of the Company's voting rights.

Please refer to Note VI. Related Party Relationships and Transactions for other payables to related parties as at 30 June 2014.

As at 30 June 2014, significant other payables aging more than one year were as follows:

	Relationship with the Group	Amount	Percentage of total other payable (%)	Reasons for non-payment
Customer 1	Third party	69,177,896.00	2.19	Not yet settled
Customer 2	Third party	54,523,171.71	1.72	Not yet settled
Customer 3	Third party	52,038,129.11	1.64	Not yet settled
Customer 4	Third party	43,356,334.61	1.37	Not yet settled
Customer 5	Third party	29,653,438.33	0.94	Not yet settled

For the above significant other payables aging more than one year, an amount of RMB811,748.76 was settled subsequent to the balance sheet date.

32. Accrued liabilities

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Estimated concrete loss Expense on recovery of mines	39,912,059.69	1,933,299.84	2,103,341.30	39,742,018.23 ^{Note 1}
Legal cost	61,067,069.09	6,262,279.68	994,021.97	66,335,326.80 ^{Note 2}
	1,000,000.00	-	30,000.00	970,000.00
	101,979,128.78	8,195,579.52	3,127,363.27	107,047,345.03

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

32. Accrued liabilities *(continued)*

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 ^{Note 1}
Expense on recovery of mines	60,166,504.00	3,974,124.09	3,073,559.00	61,067,069.09 ^{Note 2}
Legal cost	–	1,000,000.00	–	1,000,000.00
	<u>100,077,202.17</u>	<u>4,975,485.61</u>	<u>3,073,559.00</u>	<u>101,979,128.78</u>

Note 1: 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.

33. Non-current liabilities due within one year

	30 June 2014	31 December 2013
Long-term loans due within one year	1,768,855,904.61	1,296,475,904.61
Bonds payable due within one year	–	1,900,228,475.57
Long-term payables due within one year	2,596,962.69	2,513,956.52
	<u>1,771,452,867.30</u>	<u>3,199,218,336.70</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

33. Non-current liabilities due within one year *(continued)*

Long-term loans due within one year are as follows:

	30 June 2014	31 December 2013
Mortgaged loans (Note 1)	1,511,155,904.61	834,055,904.61
Guaranteed loans (Note 2)	257,700,000.00	462,420,000.00
	1,768,855,904.61	1,296,475,904.61

Note 1: Collaterals and their value for mortgaged loans of the Group as at 30 June 2014 are detailed in Note V.22.

Note 2: As at 30 June 2014, included in the guaranteed loans, balances of RMB139,700,000.00 (31 December 2013: RMB76,500,000.00) were guaranteed by BBMG Group, while the remaining were guaranteed by the Company and its subsidiaries.

As at 30 June 2014, no extension was made to long-term loans due within one year upon expiry.

As at 30 June 2014, the five highest amounts of long-term loans due within one year were as follows:

Loan unit	Commencement		Currency	Interest rate (%)	Balances at the end of the period
	date	Expiry date			
Construction Bank of China, Beijing Urban Construction Development Professional Branch	23 October 2012	22 April 2015	RMB	6.15	1,000,000,000.00
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
Agricultural Bank of China, Xuanwu Branch	13 December 2010	12 December 2014	RMB	5.54	100,000,000.00
Bank of Communication Co. Ltd	2 September 2010	25 December 2015	RMB	6.55	67,000,000.00
					<u>1,651,655,904.61</u>

As at 30 June 2014, there were no outstanding long-term loans that were due within one year.

As at 30 June 2014, long-term payables due within one year were the lease fees payable in the next accounting year by the Company's subsidiary BBMG Badaling Hot Spring Resort Co., Ltd. (hereinafter referred to as "Badaling") for geothermal well equipment under the finance lease.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

34. Other current liabilities

	30 June 2014	31 December 2013
Deferred income	39,194,433.59	49,469,425.70
Accrued expenses	4,067,760,220.57	3,753,002,368.92
Of which: Accrued development cost	2,224,027,636.92	2,029,655,708.59
Accrued LAT	1,775,872,947.25	1,646,767,461.23
Accrued costs for treatment of solid waste	20,072,053.20	24,336,077.69
Other accrued expenses	47,787,583.20	52,243,121.41
	4,106,954,654.16	3,802,471,794.62

Details of deferred income are as follows:

	30 June 2014	31 December 2013
Government grants related to assets		
Environmental protection projects	19,479,639.66	22,092,495.02
Cogeneration projects	1,089,137.88	2,398,275.76
Relocation compensation	11,215,743.64	11,215,743.64
Others	3,625,812.39	7,860,650.75
Government grants related to income		
Research and development funds	3,784,100.02	5,902,260.53
	39,194,433.59	49,469,425.70

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

35. Long-term loans

	30 June 2014	31 December 2013
Mortgaged loans (Note 1)	3,189,500,000.00	2,648,000,000.00
Guaranteed loans (Note 2)	2,055,920,000.00	2,031,920,000.00
Credit loans	<u>2,370,000,000.00</u>	<u>2,200,000,000.00</u>
	<u>7,615,420,000.00</u>	<u>6,879,920,000.00</u>

Note 1: The details and value of collaterals corresponding to mortgaged loans of the Group as at 30 June 2014 are set out in Note V. 22.

Note 2: As at 30 June 2014, included in the guaranteed loans, balances of RMB981,600,000.00 (31 December 2013: 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:

	30 June 2014	31 December 2013
Within 2 years	5,024,420,000.00	3,307,420,000.00
3 to 5 years (both years inclusive)	1,096,000,000.00	3,562,500,000.00
Over 5 years	<u>1,495,000,000.00</u>	<u>10,000,000.00</u>
	<u>7,615,420,000.00</u>	<u>6,879,920,000.00</u>

As at 30 June 2014, there were no outstanding long-term loans that were due (31 December 2013: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

35. Long-term loans *(continued)*

As at 30 June 2014, the five highest long-term loans were as follows:

Loan unit	Commencement date	Expiry date	Currency	Interest rate (%)	Balances at the end of the period
Agricultural Bank of China, Xuanwu Branch	13 December 2010	13 December 2015	RMB	5.76	1,000,000,000.00
Agricultural Bank of China, Xuanwu Branch	8 January 2014	5 January 2026	RMB	5.54	995,000,000.00
Construction Bank of China, Beijing Urban Construction Development Professional Branch	16 May 2013	19 March 2016	RMB	5.84	600,000,000.00
Bank of Communication Co. Ltd, Fuwai Branch	17 October 2012	17 October 2015	RMB	5.54	500,000,000.00
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	17 January 2014	5 January 2026	RMB	5.54	500,000,000.00
					4,095,000,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

36. Bonds payable

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Non-current:				
Corporate bonds	–	1,858,757,875.54	–	1,858,757,875.54
Medium-term notes	6,305,600,000.00	–	1,700,000.00	6,303,900,000.00
	<u>6,305,600,000.00</u>	<u>1,858,757,875.54</u>	<u>1,700,000.00</u>	<u>8,162,657,875.54</u>
Current:				
Short-term financing bonds	3,000,000,000.00	5,600,000,000.00	2,000,000,000.00	6,600,000,000.00
	<u>9,305,600,000.00</u>	<u>7,458,757,875.54</u>	<u>2,001,700,000.00</u>	<u>14,762,657,875.54</u>

2013

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Non-current:				
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>
Current:				
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>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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%. Bond holders may exercise their sale back rights on 27 April 2014, being the 5-year maturity date. On 11 April 2014, the Company published a notice through the website of China Bond (www.chinabond.com.cn) reminding investors of 2009 BBMG Bond (098064) to exercise their sale back rights. Of the total, the amount of bonds on which bond holders exercised their sale back rights was RMB1,370,000,000, and the amount of bonds on which bond holders did not exercise such rights was RMB530,000,000. In respect of the RMB1,370,000,000 worth of bonds on which sale back rights were exercised, the Company re-sold such portion of bonds with the same nominal interest rate of 4.32% on 27 April 2014, and actual interest rate was 6.15%. The maturity date of the original RMB530,000,000 worth of bonds and the RMB1,370,000,000 worth of bonds re-sold is 27 April 2016.

Upon consideration and approval by the 2009 annual general meeting of the Company held on 29 June 2010, the Company intended to issue medium-term notes of no more than RMB3,400,000,000 with a maturity of 5 years. On 8 September 2010, the registration for the issue of the medium-term notes was accepted by the National Association of Financial Market Institutional Investors pursuant to the Notice of Registration Acceptance (Zhong Shi Xie Zhu [2010] No.MTN89). According to the notice, the medium-term notes issued by the Company had a registered amount of RMB2,800,000,000, which would be valid for 2 years, and may be issued in tranches within the validity period of the registration. On 29 September 2010, the Company issued the first tranche of medium-term notes totaling RMB2,000,000,000 with a term of 5 years and a nominal interest rate of 4.38%. On 7 December 2010, the Company issued the second tranche of medium-term notes totaling RMB800,000,000 with a term of 5 years and a nominal interest rate of 5.85%.

Upon consideration and approval by the 2011 annual general meeting of the Company held on 24 May 2012, the Company intended to issue bonds (including short-term financing bonds and medium-term notes) of no more than RMB3,000,000,000. Pursuant to the file Zhong Shi Xie Zhu [2012] No. MTN241 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes totaling RMB2,000,000,000 from 18 September 2012 to 19 September 2012 with a term of 5 years and a coupon of 5.58%. Pursuant to the file Zhong Shi Xie Zhu [2012] No. CP243 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds totaling RMB1,000,000,000 on 18 September 2012 with a term of 365 days and a coupon of 4.80%.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

36. Bonds payable *(continued)*

Upon consideration and approval by the 19th meeting of the 2nd session of the Board held on 28 August 2012 and the first extraordinary general meeting in 2012 held on 26 October 2012, the Company intended to issue short-term financing bonds of no more than RMB7,600,000,000. Pursuant to the document Zhong Shi Xie Zhu [2013] No. CP54 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2013 from 13 March to 19 March 2013, totaling RMB2,000,000,000 with a coupon of 4.27%; and the Company issued its second tranche of short-term financing bonds for 2013 on 22 July 2013, totaling RMB1,000,000,000 with a coupon of 5.2%. Pursuant to the document Zhong Shi Xie Zhu [2014] No. CP54 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2014 on 23 January 2014, totaling RMB2,600,000,000 with a coupon of 6.5%. The Company issued its second tranche of short-term financing bonds for 2014 on 17 March 2014, totaling RMB2,000,000,000 with a coupon of 5.49%; and the Company issued its third tranche of short-term financing bonds for 2014 on 4 May 2014, totaling RMB1,000,000,000 with a coupon of 5.35%.

Pursuant to the document Zhong Shi Xie Zhu [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 payable of the above corporate bonds, medium-term notes and short-term financing bonds for the period were charged to interests payable.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

36. Bonds payable *(continued)*

As at 30 June 2014, bonds payable were as follows:

	Par value	Issuance date	Term	Issuance amount	Balance as at end of the period
Non-current:					
2009 BBMG Bond	1,900,000,000.00	27 April 2014	2 years	1,900,000,000.00	1,858,757,875.54
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	804,200,000.00
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	1,498,200,000.00
	<u>8,200,000,000.00</u>			<u>8,200,000,000.00</u>	<u>8,162,657,875.54</u>
Current:					
RMB2 billion short-term financing bonds	2,000,000,000.00	13 March 2013	1 year	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
RMB2.6 billion short-term financing bonds	2,600,000,000.00	23 January 2014	1 year	2,600,000,000.00	2,600,000,000.00
RMB2 billion short-term financing bonds	2,000,000,000.00	17 March 2014	1 year	2,000,000,000.00	2,000,000,000.00
RMB1 billion short-term financing bonds	1,000,000,000.00	4 May 2014	1 year	1,000,000,000.00	1,000,000,000.00
	<u>8,600,000,000.00</u>			<u>8,600,000,000.00</u>	<u>6,600,000,000.00</u>
	<u>16,800,000,000.00</u>			<u>16,800,000,000.00</u>	<u>14,762,657,875.54</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

36. Bonds payable *(continued)*

	Interest at beginning of the period	Accrued interest for the period	Interest paid for the period	Interest payable at end of the period (Note V.29)
Non-current:				
2009 BBMG Bond	54,720,000.00	41,040,000.00	82,080,000.00	13,680,000.00
RMB2 billion medium-term notes	21,900,000.00	43,800,000.00	-	65,700,000.00
RMB800 million medium-term notes	3,250,000.00	23,400,000.00	-	26,650,000.00
RMB2 billion medium-term notes	31,000,000.00	55,800,000.00	-	86,800,000.00
RMB1.5 billion medium-term notes	18,850,000.00	43,500,000.00	-	62,350,000.00
	<u>129,720,000.00</u>	<u>207,540,000.00</u>	<u>82,080,000.00</u>	<u>255,180,000.00</u>
Current:				
RMB2 billion short-term financing bonds (2013)	67,845,555.56	17,554,444.44	85,400,000.00	-
RMB1 billion short-term financing bonds (2013)	22,966,666.67	26,000,000.00	-	48,966,666.67
RMB2.6 billion short-term financing bonds (2014)	-	73,702,777.78	-	73,702,777.78
RMB2 billion short-term financing bonds (2014)	-	31,720,000.00	-	31,720,000.00
RMB1 billion short-term financing bonds (2014)	-	8,619,444.44	-	8,619,444.44
	<u>90,812,222.23</u>	<u>157,596,666.66</u>	<u>85,400,000.00</u>	<u>163,008,888.89</u>
	<u>220,532,222.23</u>	<u>365,136,666.66</u>	<u>167,480,000.00</u>	<u>418,188,888.89</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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
Non-current:					
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>
Current:					
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 2012	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>
	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)	
Non-current:					
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>	
Current:					
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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

37. Long-term wages payable

	30 June 2014	31 December 2013
Defined benefit obligations	435,445,273.00	422,795,184.00

The Group operates a defined benefit plan without fund injection for its employees in China who retired before 31 December 2007.

The Group's defined benefit plan is a supplementary benefit plan targeting at employees retiring before 31 December 2007, and the plan is subject to impacts from interest rate risk and changes in the life expectancy of pension beneficiaries.

The present value of the 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 30 June 2014 using the projected accumulated benefit units method.

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

	For the six months ended 30 June 2014
Discount rate (%)	4%-4.25%
Expected growth rate of future retiree benefit costs (%)	2.50%

The following table sets forth the quantitative sensitivity analysis of significant assumptions used as at 30 June 2014:

	Increase/(decrease) in present value of defined benefit		Increase/(decrease) in present value of defined benefit	
	Increase (%)	obligations	Decrease (%)	obligations
Discount rate (%)	0.25	(10,256,532)	(0.25)	10,683,964
Expected growth rate of future retiree benefit costs (%)	0.50	19,175,625	(0.50)	(17,754,354)

The above sensitivity analysis represents the inference on the impacts over the defined benefit obligations based on reasonable changes in key assumptions as at the balance sheet date.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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	10,772,754.00
	<u>10,772,754.00</u>
Charged to finance expenses	10,772,754.00
	<u>10,772,754.00</u>

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

Present value as at 1 January 2014	463,609,177.00
Cost of retirement benefits for the period	10,772,754.00
Retirement benefits paid for the period	(19,026,182.00)
Actuarial gains recognised in other comprehensive income	20,559,238.00
Of which: Actuarial changes arising from changes in financial assumptions	20,559,238.00
Actuarial (gains) on difference in experience	<u>–</u>
Present value as at 30 June 2014	<u>475,914,987.00</u>

Projected future payments to be made for the defined benefit obligations in future:

	For the
	six months ended
	30 June 2014
<hr/>	
Within 1 year	40,469,714.00
2 to 5 years	153,201,887.00
5 to 10 years	162,544,996.00
Over 10 years	<u>392,602,208.00</u>
	<u>748,818,805.00</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

38. Long-term payables

	30 June 2014	31 December 2013
Finance leases	<u>21,094,478.27</u>	<u>22,414,048.18</u>

Badaling, a subsidiary of the Company, rented geothermal well equipment in 2013 under finance lease. The value of the fixed assets 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 30 June 2014, the balance of long-term payables was RMB23,691,440.96, of which RMB2,596,962.69 would be due within one year.

39. Other non-current liabilities

	30 June 2014	31 December 2013
Deferred income – government grants	<u>622,726,976.68</u>	<u>602,729,940.01</u>

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

	30 June 2014	31 December 2013
Government grants related to assets		
Environmental protection projects	323,865,447.39	299,964,190.86
Cogeneration projects	14,799,822.25	16,108,960.13
Relocation compensation	286,869,187.82	292,477,059.62
Others	32,257,852.80	37,401,894.59
Government grants related to income		
Research and development funds	<u>4,129,100.01</u>	<u>6,247,260.51</u>
	<u>661,921,410.27</u>	<u>652,199,365.71</u>
Less: Deferred income carried over within one year and included in current liabilities	<u>(39,194,433.59)</u>	<u>(49,469,425.70)</u>
	<u>622,726,976.68</u>	<u>602,729,940.01</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

39. Other non-current liabilities *(continued)*

As at 30 June 2014, the main liabilities items related to government grants were as follows:

	Opening balance	Additions in the period	Recognised in non-operating income in the period	Closing balance	Related to assets/gains
Subsidy for relocation fee of Tiantan	235,361,908.06	–	4,686,659.70	230,675,248.36	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	218,605,657.50	–	7,687,958.82	210,917,698.68	Related to assets
Appropriation for mud project of Beijing Cement Plant	39,806,388.88	–	1,488,333.34	38,318,055.54	Related to assets
Relocation compensation for Hengye Qunying	57,115,151.56	–	921,212.10	56,193,939.46	Related to assets
Subsidy for Zanhuang – 2,500 tonnes new dry method clinker production line project	10,168,444.44	–	365,333.34	9,803,111.10	Related to assets

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 protection equipment for Bio-Island project	233,981,575.14	–	15,375,917.64	218,605,657.50	Related to assets
Appropriation for mud project of Beijing Cement Plant	42,783,055.55	–	2,976,666.67	39,806,388.88	Related to assets
Relocation compensation for Hengye 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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Share capital

For the six months ended 30 June 2014

	Opening balance	Increase/(decrease) in the period			Closing balance
		Issue of new shares	Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	1,844,852,426.00	448,028,673.00	(1,844,852,426.00)	1,396,823,753.00	448,028,673.00
2. Other domestic shareholdings	2,952,000.00	52,874,551.00	-	52,874,551.00	55,826,551.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	1,847,804,426.00	500,903,224.00	(1,844,852,426.00)	(1,343,949,202.00)	503,855,224.00
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	1,266,550,199.00	-	1,844,852,426.00	1,844,852,426.00	3,111,402,625.00
2. Foreign listed shares	1,169,382,435.00	-	-	-	1,169,382,435.00
Total shares not subject to lock-up restriction	2,435,932,634.00	-	1,844,852,426.00	1,844,852,426.00	4,280,785,060.00
Total share capital	4,283,737,060.00	500,903,224.00	-	500,903,224.00	4,784,640,284.00

2013

	Opening balance	Increase/(decrease) in the period			Closing balance
		Issue of new shares	Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	1,844,852,426.00	-	-	-	1,844,852,426.00
2. Other domestic shareholdings	2,952,000.00	-	-	-	2,952,000.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	1,847,804,426.00	-	-	-	1,847,804,426.00
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	1,266,550,199.00	-	-	-	1,266,550,199.00
2. Foreign listed shares	1,169,382,435.00	-	-	-	1,169,382,435.00
Total shares 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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Share capital (continued)

As resolved by the Company's first extraordinary general meeting for 2013 held on 30 October 2013 and under the approval (Zheng Jian Xu Ke [2014] No. 312) of CSRC on 20 March 2014, the Company issued 500,903,224.00 RMB ordinary shares (A Shares) to two specific investors, including BBMG Group and Beijing Jingguofa Equity Investment Fund (Limited Partnership), by way of non-public issue. The fund raised through non-public offering of A-shares was verified by Ernst & Young Hua Ming (2014) Yan Zi No. 60667053_A02 prepared by Ernst & Young Hua Ming LLP.

41. Capital reserve

For the six months ended 30 June 2014

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	5,271,487,116.02	2,301,478,859.25	–	7,572,965,975.27
Changes arising from re-measurement of net liabilities of the defined benefit plan	73,142,405.00	–	20,559,238.00	52,583,167.00
Other capital reserves	506,417,655.42	–	–	506,417,655.42
	<u>5,851,047,176.44</u>	<u>2,301,478,859.25</u>	<u>20,559,238.00</u>	<u>8,131,966,797.69</u>

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 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
	<u>5,398,164,997.51</u>	<u>484,214,870.62</u>	<u>31,332,691.69</u>	<u>5,851,047,176.44</u>

See the Statement of Changes in Equity and Note V.58 for the reasons of movements in capital reserve.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

42. Specialized reserve

For the six months ended 30 June 2014

	Opening Balance	Amount provided for the period	Amount paid for the period	Closing balance
Production safety cost	<u>13,788,160.64</u>	<u>17,601,083.48</u>	<u>6,966,200.10</u>	<u>24,423,044.02</u>

2013

	Opening Balance	Amount provided for the year	Amount paid for the year	Closing balance
Production safety cost	<u>9,552,984.58</u>	<u>26,575,853.06</u>	<u>22,340,677.00</u>	<u>13,788,160.64</u>

Pursuant to the requirements of the Administrative Measures on Provision and Usage of Production Safety Cost of Enterprises" (Caiqi [2012] No.16) issued by the PRC Ministry of Finance and the State Administration of Work Safety, enterprises of specific industries should provide production safety cost subject to a fixed proportion, the details of which are set out in Note II.30. Production safety cost.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

43. Surplus reserve

For the six months ended 30 June 2014

	Opening Balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	<u>711,195,322.63</u>	<u>-</u>	<u>-</u>	<u>711,195,322.63</u>

2013

	Opening Balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>580,908,595.02</u>	<u>130,286,727.61</u>	<u>-</u>	<u>711,195,322.63</u>

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

44. Provision for general risks

For the six months ended 30 June 2014

	Opening Balance	Increase in the period	Decrease in the period	Closing balance
Provision for general risks	<u>698,454.78</u>	<u>24,998,272.45</u>	<u>–</u>	<u>25,696,727.23</u>

2013

	Opening Balance	Increase in the year	Decrease in the year	Closing balance
Provision for general risks	<u>–</u>	<u>698,454.78</u>	<u>–</u>	<u>698,454.78</u>

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.

45. Retained earnings

For the
six months ended
30 June 2014

Retained earnings as at the beginning of the period	15,419,803,804.11
Net profit attributable to the owners of the parent company	1,380,649,065.77
Less: Cash dividends declared for ordinary shares (Note 1)	(373,201,942.15)
Less: Appropriation of surplus reserve	–
Less: Appropriation of provision for general risks (Note V.44)	<u>(24,998,272.45)</u>
Retained earnings at the end of the period	<u>16,402,252,655.28</u>

Note 1: Upon the consideration and approval by the 2013 annual general meeting of BBMG Corporation convened on 22 May 2014, profit distribution for the year 2013 was calculated based on 4,784,640,284 ordinary shares in issue, with the distribution of a dividend of RMB0.78 per 10 shares (tax inclusive) in an aggregate amount of cash dividends of RMB373,201,942.15.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

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:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Revenue from principal operations	20,350,151,825.28	20,161,051,297.58
Revenue from other operations	287,657,257.08	225,571,541.89
	20,637,809,082.36	20,386,622,839.47

Operating costs are as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Cost of principal operations	15,320,152,410.17	15,888,516,006.05
Cost of other operations	161,538,690.24	124,873,285.29
	15,481,691,100.41	16,013,389,291.34

Operating revenues and operating costs of principal operations by segment:

	<u>For the six months ended 30 June 2014</u>		<u>For the six months ended 30 June 2013</u>	
	Revenue	Operating costs	Revenue	Operating costs
Cement	5,798,407,234.39	4,777,477,384.05	5,492,377,704.88	4,623,186,916.37
New building materials	5,574,290,564.24	5,104,049,339.41	7,302,903,939.77	6,678,726,911.03
Real estate development	7,921,964,579.92	5,020,735,085.50	6,422,750,826.00	4,211,623,316.69
Property investment and management	1,055,489,446.73	417,890,601.21	943,018,826.93	374,978,861.96
	20,350,151,825.28	15,320,152,410.17	20,161,051,297.58	15,888,516,006.05

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

46. Operating revenues and operating costs *(continued)*

Information of principal operations by product:

	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Revenue	Operating costs	Revenue	Operating costs
Sale of products	7,061,942,691.15	5,745,366,148.86	7,089,827,283.02	5,860,699,627.08
Bulk commodity trade	3,443,614,430.35	3,418,727,649.18	4,792,866,339.60	4,775,761,179.03
Sale of properties and land	7,896,276,773.00	5,016,385,629.21	6,422,750,826.00	4,211,623,316.69
Including: Sale of affordable properties	3,218,640,598.38	2,534,370,721.64	280,183,391.48	254,375,881.96
Rental income from				
investment properties	502,547,463.48	39,359,018.72	457,475,047.12	52,731,483.88
Property management	336,819,211.78	238,841,773.00	275,771,515.40	178,122,274.00
Hotel management	170,030,348.70	128,416,740.88	204,955,141.80	114,742,032.93
Income from decoration	543,403,319.80	486,099,616.62	644,192,144.00	500,839,646.24
Disposal of solid waste	209,217,167.73	159,259,857.71	193,737,524.28	128,575,072.44
Others	186,300,419.29	87,695,975.99	79,475,476.36	65,421,373.76
	20,350,151,825.28	15,320,152,410.17	20,161,051,297.58	15,888,516,006.05

Information of principal operations by region:

	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Revenue	Operating costs	Revenue	Operating costs
North China	17,901,819,441.81	13,361,859,980.93	17,505,390,650.46	13,596,417,486.98
East China	1,031,761,285.93	985,397,893.07	1,558,108,228.76	1,424,830,751.36
Central China	154,166,391.17	138,904,885.61	299,763,750.64	256,095,496.50
South China	112,635,951.88	74,350,510.28	342,586,491.09	222,890,360.50
Northeast China	197,849,310.37	164,107,667.35	277,579,591.57	224,302,754.12
Southwest China	901,973,543.49	544,389,881.27	126,724,366.94	118,965,766.04
Northwest China	49,945,900.63	51,141,591.66	50,898,218.12	45,013,390.55
	20,350,151,825.28	15,320,152,410.17	20,161,051,297.58	15,888,516,006.05

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

46. Operating revenues and operating costs *(continued)*

Operating revenues from the top 5 customers for the six months ended 30 June 2014 are as follows:

	Amount	Percentage of the operating revenue (%)
Customer 1	298,354,786.14	1.45
Customer 2	225,987,687.00	1.10
Customer 3	171,618,588.71	0.83
Customer 4	171,289,418.48	0.83
Customer 5	138,538,620.00	0.67
	<u>1,005,789,100.33</u>	<u>4.88</u>

Operating revenues from the top 5 customers for the six months ended 30 June 2013 are as follows:

	Amount	Percentage of the operating revenue (%)
Customer 1	1,229,359,580.21	6.03
Customer 2	1,181,268,854.62	5.79
Customer 3	319,728,403.36	1.57
Customer 4	301,312,609.78	1.48
Customer 5	210,228,258.30	1.03
	<u>3,241,897,706.27</u>	<u>15.90</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

46. Operating revenues and operating costs *(continued)*

Operating revenues are as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Sale of products	7,120,105,920.58	7,089,827,283.02
Bulk commodity trade	3,443,614,430.35	4,792,866,339.60
Sale of properties and land	7,896,276,773.00	6,422,750,826.00
Rental income	601,957,924.12	540,107,034.92
Including: Rental income from investment properties	502,547,463.48	457,475,047.12
Other rental income	99,410,460.64	82,631,987.80
Property management	336,819,211.78	275,771,515.40
Hotel management	170,030,348.70	204,955,141.80
Income from construction work	543,403,319.80	644,192,144.00
Disposal of solid waste	209,217,167.73	193,737,524.28
Others	316,383,986.30	222,415,030.45
	<u>20,637,809,082.36</u>	<u>20,386,622,839.47</u>

47. Business Tax and surcharges

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Business tax	496,176,049.30	401,251,084.60
City maintenance and construction tax	49,584,592.61	39,926,469.41
Education surcharge	33,211,851.43	29,555,337.87
LAT	229,140,192.52	284,288,829.81
Others	10,002,135.75	6,047,296.34
	<u>818,114,821.61</u>	<u>761,069,018.03</u>

See Note III. Taxes for tax base.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

48. Selling expenses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Employee remuneration	202,220,013.44	184,885,849.86
Office expenses	65,332,018.90	64,223,646.22
Lease fee	52,803,337.69	38,642,354.31
Agency intermediary fee	104,488,393.02	103,579,365.46
Advertisement fee	86,997,847.29	101,206,555.25
Transportation and travelling expenses	171,015,223.59	181,665,366.60
Others	4,442,073.61	6,681,986.28
	<u>687,298,907.54</u>	<u>680,885,123.98</u>

49. Administrative expenses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013 (Restated)
Employee remuneration	674,978,266.47	632,367,604.12
Office expenses	210,671,490.83	278,456,666.52
R&D expenses	29,456,225.55	27,800,876.13
Professional fees	64,714,358.54	53,341,637.93
Lease and utilities	57,113,148.49	37,730,912.08
Tax	100,180,022.47	86,911,419.40
Sewage and afforestation fees	33,029,795.22	18,767,640.04
Others	282,970,098.44	224,934,288.03
	<u>1,453,113,406.01</u>	<u>1,360,311,044.25</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

50. Finance costs

	For the six months ended 30 June 2014	For the six months ended 30 June 2013 (Restated)
Interest expenses	1,020,578,098.24	773,329,838.94
Including: Interests on bank loans, overdrafts and other loans to be fully repaid within 5 years	1,020,578,098.24	767,475,168.10
Other interest expenses	–	5,854,670.84
Less: Interest income (Note 1)	40,290,333.39	32,882,368.67
Less: capitalised interest (Note 2)	431,899,990.48	315,363,651.06
Exchange gains and losses	304,561.11	234,986.59
Bank charges	31,440,679.24	10,890,545.88
Others	13,206,722.61	16,852,260.13
	<u>593,339,737.33</u>	<u>453,061,611.81</u>

Note 1: Interest income included the interests accrued on the loan to STAR-USG Building Materials Co., Ltd of RMB2,477,897.84. 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 RMB15,676,640.48 and properties under development of RMB416,223,350.00 (Note V.8).

51. Gains from changes in fair value

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Investment properties measured at fair value	<u>267,100,000.00</u>	<u>320,192,740.78</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

52. Investment income/(losses)

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Long-term equity investment income/(losses) measured under equity method	1,780,962.60	(23,792,766.12)
Including: Investment income/(losses) of associates	14,195,299.41	(9,960,826.28)
Investment losses of joint ventures	(12,414,336.81)	(13,831,939.84)
Investment income from disposal of subsidiaries	–	96,195.04
	1,780,962.60	(23,696,571.08)

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	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Reasons for increase/decrease
Zehnder (China) Indoor Climate Co., Ltd.	11,977,896.93	(5,115,812.90)	Changes in results
Beijing Gaoqiang Concrete Co., Ltd.	1,951,512.09	304,275.80	Changes in results
OCV Reinforcements (Beijing) Co., Ltd.	1,562,846.47	380,511.44	Changes in results
Krono (Beijing) Woods Co., Ltd.	(1,347,864.14)	(5,582,370.07)	Changes in results
STAR-USG Building Materials Co., Ltd.	(12,947,901.80)	(14,344,132.86)	Changes in results

As at 30 June 2014, there were no significant restrictions on the repatriation of investment income of the Group. For the six months ended 30 June 2014, there was no income arising from investment in listed equities within the Group's investment income (for the six months ended 30 June 2013: nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

53. Asset impairment losses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Losses on bad debts	51,736,870.45	(12,393,172.48)
Losses on decline in value of inventory	23,510,896.18	–
Losses on impairment of fixed assets	7,604,278.64	–
	82,852,045.27	(12,393,172.48)

54. Non-operating income

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Gains from disposal of fixed assets	2,029,997.10	61,339,813.20
Gains from debt restructuring	987,786.89	337,916.44
Net gains from fines	6,542,322.56	3,288,222.39
Government grants	284,028,073.80	234,267,183.96
Unpayable amounts	3,410,974.48	1,588,314.16
Others	18,197,196.51	9,079,442.59
	315,196,351.34	309,900,892.74

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

54. Non-operating income *(continued)*

Government grants credited to profit or loss for the current period are as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Refunds of VAT	158,777,233.87	176,759,862.55
Transferred from deferred income	91,326,835.93	51,899,449.61
Other government compensation income	33,924,004.00	5,607,871.80
	284,028,073.80	234,267,183.96

55. Non-operating expenses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Loss from disposal of fixed assets	2,714,564.15	4,884,690.18
Loss from debt restructuring	303,346.08	162,047.66
Donation	508,417.91	484,823.30
Expense on compensation, penalties and fines	8,699,346.98	2,837,099.38
Others	6,588,684.78	5,719,241.25
	18,814,359.90	14,087,901.77

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

56. Income tax expenses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Current income tax expenses	529,101,659.77	186,223,657.15
Deferred income tax expenses	40,760,508.84	240,547,654.99
	569,862,168.61	426,771,312.14

Details of reconciliation of income tax expenses and total profit are listed as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013 (Restated)
Total profit	2,086,662,018.23	1,722,609,083.21
Income tax expenses calculated at statutory tax rate of 25% (Note 1)	521,665,504.56	430,652,270.80
Effect of different tax rates applicable to certain subsidiaries	(7,882,084.42)	(7,519,784.07)
Share of profits and losses of joint ventures and associates	(445,240.65)	5,948,191.53
Income not subject to tax	(856,614.61)	(357,657.28)
Expenses not deductible for tax	16,807,001.62	12,394,318.13
Tax losses utilised from previous years	(3,089,680.00)	(1,510,628.82)
Adjustments in respect of current income tax of previous periods	(10,793,550.13)	(67,592,847.36)
Deductible temporary differences and deductible loss not recognized	54,456,832.24	54,757,449.21
	569,862,168.61	426,771,312.14

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: For the six months ended 30 June 2014, the shares of taxes attributable to jointly-controlled entities and associates were RMB176,531.76 and RMB708,184.58 respectively (for the six months ended 30 June 2013: RMB341,462.01 and RMB89,472.63 respectively).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 Company did not have potentially dilutive ordinary shares.

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013 (Restated)
Earnings		
Net profit for the period attributable to the ordinary shareholders of the Company	<u>1,380,649,065.77</u>	<u>1,299,002,120.31</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>4,556,451,037.51</u>	<u>4,283,737,060.00</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

58. Other comprehensive income

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Other comprehensive income not reclassifiable into profit or loss in subsequent accounting periods		
Changes arising from re-measurement of net liabilities of defined benefit plans	(20,559,238.00)	–
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting periods		
Other comprehensive income generated from investment properties transferred from inventories/fix assets	–	3,794,773.35
Less: Income tax effect generated from investment properties transferred from inventories/fix assets	–	(948,693.34)
Exchange differences from translation of foreign statements	(1,194.19)	(269.89)
	<u>(20,560,432.19)</u>	<u>2,845,810.12</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

59. Notes to items of statement of cash flows

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Cash received from other operating activities		
Deposits and relevant amounts received	469,581,119.39	40,000,000.00
Compensation received	55,326,090.72	106,273,000.00
Others	402,569,389.07	170,950,009.92
	927,476,599.18	317,223,009.92
Cash paid relating to other operating activities		
Bidding deposits of land items and relevant amounts	369,541,046.26	390,000,000.00
Selling and administrative expenses paid	1,128,877,783.72	700,334,653.67
Others	69,249,551.78	195,423,520.45
	1,567,668,381.76	1,285,758,174.12
Cash received from other investing activities		
Interests received from the joint venture STAR-USG Building Materials Co., Ltd.	–	2,489,834.15
Cash paid relating to other financing activities		
Acquisition of minority interests	100,000.00	191,910,000.00
Prepayment for acquisition of minority interests	–	216,962,381.58

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013 (Restated)
Net profit	1,516,799,849.62	1,295,837,771.07
Add: Provisions for assets impairment	82,852,045.27	(12,393,172.48)
Depreciation of fixed assets	606,028,792.29	530,696,486.07
Amortisation of intangible assets	48,294,226.73	45,923,954.06
Amortisation of long-term deferred expenses	27,359,804.35	22,901,397.56
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	684,567.05	(56,455,123.02)
Gains from changes in fair value	(267,100,000.00)	(320,192,740.78)
Finance expenses	588,982,668.87	455,739,624.43
Investment losses/(gains)	(1,780,962.60)	23,696,571.08
(Increase)/decrease in deferred income tax assets	(89,696,423.02)	27,919,866.01
Increase in deferred income tax liabilities	130,456,931.86	212,627,788.98
Increase in inventories	(4,691,659,287.16)	(471,274,282.98)
Increase in operating receivables	(856,504,956.74)	(2,984,572,243.81)
Increase/(decrease) in operating payables	(2,168,545,348.54)	1,635,787,220.04
Net cash flows from operating activities	<u>(5,073,828,092.02)</u>	<u>406,243,116.23</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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)*

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Material financing activities not involving cash:		
Non-monetary capital contribution of non-controlling shareholders (Note 1)	–	59,639,890.02
Net movements in cash and cash equivalents:		
Balances of cash at end of the period	4,371,371,721.41	4,683,835,258.40
Less: Balances of cash at beginning of the period	5,866,492,301.67	3,557,703,110.20
Net increase/(decrease) in cash and cash equivalents	(1,495,120,580.26)	1,126,132,148.20

Note 1: This refers to in specie capital contribution made by non-controlling shareholders.

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

Information on acquisition of subsidiaries and other operating units

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Cash consideration paid for acquisition of subsidiaries and other operating units	–	233,671,549.99
Less: Cash and cash equivalents held by acquired subsidiaries and other operating units	–	236,854,305.39
Net cash received for acquisition of subsidiaries and other operating units	–	3,182,755.40
Net assets of acquirees	–	250,345,533.94
Current assets	–	237,078,748.67
Non-current assets	–	16,985,490.47
Current liabilities	–	3,718,705.20

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Price of disposal of subsidiaries and other operating units	—	12,150,000.00
Cash and cash equivalents received from disposal of subsidiaries and other operating units	—	8,700,000.00
Less: Cash and cash equivalents held by disposed subsidiaries and other operating units	—	2,126.01
Net cash received from disposal of subsidiaries and other operating units	—	8,697,873.99
Net assets of disposed subsidiaries	—	12,053,804.96
Current assets	—	2,126.01
Non-current assets	—	12,053,109.45
Current liabilities	—	1,430.50

(3) Cash and cash equivalents

	30 June 2014	31 December 2013
Cash	4,371,371,721.41	5,866,492,301.67
Including: Cash on hand	4,026,634.29	2,565,131.39
Bank deposits on demand	4,339,095,699.08	5,846,424,598.28
Other monetary fund on demand	28,249,388.04	17,502,572.00
Balance of cash and cash equivalents at the end of the period/year	4,371,371,721.41	5,866,492,301.67

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Type of company	Place of registration	Legal representative	Nature of Business	Registered capital RMB ten thousand	Proportion of shareholding (%)	Proportion of votes (%)	Organisation 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	47.92	47.92	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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

4. Other related parties

Names of other related parties	Relationship with related parties	Code of organisation
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 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
China National Materials Co., Ltd.	Shareholder with shareholding over 5%	10000610-0

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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	For the six months ended 30 June 2014		For the six months ended 30 June 2013		
	Amount	Percentage (%)	Amount	Percentage (%)	
Purchase of goods and receipt of services from related parties					
Transactions with jointly-controlled entities and associates					
Beijing Dynea Chemical Industry Co., Ltd.	Purchase of raw materials	–	–	66,532.00	0.00
STAR-USG Building Materials Co., Ltd	Purchase of raw materials	527,036.43	0.00	918,812.66	0.01
Krono (Beijing) Woods Co., Ltd.	Purchase of raw materials	58,099,220.46	0.38	18,988,598.17	0.12
Beijing Sinobaide Technology Co., Ltd.	Purchase of raw materials	6,730,876.00	0.04	7,277,266.71	0.05
Zehnder (China) Indoor Climate Co., Ltd.	Purchase of raw materials	1,075,449.00	0.01	1,172,387.95	0.01
		<u>66,432,581.89</u>	<u>0.43</u>	<u>28,423,597.49</u>	<u>0.19</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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	For the six months ended 30 June 2014		For the six months ended 30 June 2013		
	Amount	Percentage (%)	Amount	Percentage (%)	
Transactions with other related parties					
Beijing Building Materials Sales Center	Purchase of raw materials	-	-	1,451,433.42	0.01
Beijing Doors and Windows Co., Ltd.	Receipt of services	-	-	416,009.10	0.00
BBMG Assets Management Co., Ltd.	Purchase of raw materials	28,992.00	0.00	27,549.00	0.00
Beijing Building Materials Boiler and Pressure Vessel Supervision and Inspection Institution	Receipt of services	5,158.00	0.00	85,150.00	0.00
Beijing Building Materials Industry Metrological Supervision Institute	Receipt of services	19,600.00	0.00	14,438.00	0.00
Beijing Longfengshan Sands and Stone Factory	Receipt of services	430,136.02	0.00	1,364,127.28	0.01
Beijing Jiaye Xincheng Labor Force-dispatching Co., Ltd.	Receipt of services	-	-	32,400.00	0.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Receipt of services	5,200.00	0.00	2,000.00	0.00
Beijing Jinyu Scien-tech School	Receipt of services	56,190.00	0.00	-	-
		545,276.02	0.00	3,393,106.80	0.02
		66,977,857.91	0.43	31,816,704.29	0.21

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
		Amount	Percentage (%)	Amount	Percentage (%)
Sale of goods and render of services to related parties					
Transactions with the parent company					
BBMG Group	Render of services	1,056,941.80	0.01	1,749,300.00	0.01
BBMG Group	Sale of goods	—	—	2,393.16	0.00
		1,056,941.80	0.01	1,751,693.16	0.01
Transactions with jointly-controlled entities and associates					
Krono (Beijing) Woods Co., Ltd.	Sale of goods and render of services	16,116,533.13	0.08	30,422,351.84	0.15
Beijing Dynea Chemical Industry Co., Ltd.	Sale of goods	—	—	499,477.83	0.00
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	40,186.40	0.00	—	—
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	8,601,201.83	0.04	85,725,109.45	0.42
STAR-USG Building Materials Co., Ltd	Sale of goods	745,977.23	0.00	1,062,100.94	0.01
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	9,577,085.51	0.05	7,624,707.34	0.04
		35,080,984.10	0.17	125,333,747.40	0.62

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
		Amount	Percentage (%)	Amount	Percentage (%)
Transactions with other related parties					
Handan Hanni Building Materials Co., Ltd.	Sale of goods	215,711.18	0.00	415,133.94	0.00
BBMG Properties Limited	Render of services	-	-	380,000.00	0.00
Beijing Building Materials Sales Center	Render of services	-	-	256,410.26	0.00
BBMG Sports Culture Co., Ltd.	Render of services	1,764,470.00	0.01	60,000.00	0.00
	Sale of goods	-	-	115,287.71	0.00
Beijing Wooden Furniture Quality Assurance Centre (北京市木材家具質量監督檢驗站)	Render of services	40,078.97	0.00	-	-
Beijing Xisha Assets Management Co., Ltd.	Render of services	800,000.00	0.00	-	-
	Sale of goods	43,133,900.00	0.21	-	-
Beijing Jinyu Scien-tech School	Render of services	-	-	50,000.00	0.00
Beijing Dacheng Real Estate Development Co., Ltd.	Render of services	343,008.21	0.00	524,558.13	0.00
	Sale of goods	20,000.00	0.00	-	-
Beijing Guanghua Woodworking Factory	Render of services	2,800,000.00	0.01	416,000.00	0.00
Beijing Doors and Windows Co., Ltd.	Sale of properties	-	-	119,567,500.00	0.59
		49,117,168.36	0.23	121,784,890.04	0.59
		85,255,094.26	0.41	248,870,330.60	1.22

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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)*

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.

(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 recognised for the six months ended 30 June 2014	Rental income recognised for the six months ended 30 June 2013
STAR-USG Building Materials Co., Ltd	Building	28 August 2012	28 August 2017	4,947,327.68	7,721,998.26
STAR-USG Building Materials Co., Ltd	Building	1 January 2010	31 December 2019	643,795.50	634,795.50
Krono (Beijing) Woods Co., Ltd.	Building	30 December 2012	30 December 2016	4,755,100.76	4,205,444.89
Beijing Dynea Chemical Industry Co., Ltd.	Building	1 January 2013	31 December 2013	-	54,750.00
OCV Reinforcements (Beijing) Co., Ltd.	Plant	1 August 2013	31 July 2014	168,000.00	275,450.00
OCV Reinforcements (Beijing) Co., Ltd.	Plant	1 January 2014	31 December 2015	726,915.75	484,610.50
Beijing Sinobaide Technology Co., Ltd.	Building	1 March 2014	28 February 2015	130,236.56	260,472.00
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Building	1 January 2012	31 December 2013	-	108,554.00
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Building	1 January 2012	31 May 2013	-	995,181.14
Beijing Dacheng Real Estate Development Co., Ltd.	Building	1 January 2014	31 December 2014	2,387,690.16	1,724,442.90
				13,759,066.41	16,465,699.19

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 income recognised for the six months ended 30 June 2014	Rental income recognised for the six months ended 30 June 2013
Beijing Longfengshan Sands and Stone Factory	Premise	1 May 2013	30 April 2015	50,000.00	–
Beijing Xisha Assets Management Co., Ltd.	Building	1 January 2012	31 December 2015	1,613,500.00	1,144,162.00
				1,663,500.00	1,144,162.00

The rentals from the assets leased out to or leased from related parties by the Group are based on the terms of the agreements entered into between the Group and related parties by making reference to market prices.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

For the six months ended 30 June 2014

Guarantor	Guaranteed party	Amount			Completion of Performance of guarantee or not
		guaranteed	Starting date	Maturity date	
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,600,000.00	22 December 2009	22 December 2014	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,600,000.00	22 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,400,000.00	29 December 2009	22 December 2014	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,400,000.00	29 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,000,000.00	1 February 2010	22 December 2014	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,000,000.00	1 February 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	28,800,000.00	16 August 2010	22 December 2014	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	28,800,000.00	16 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,700,000.00	20 August 2010	22 December 2014	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	5,700,000.00	20 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,600,000.00	13 October 2010	22 December 2014	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	9,600,000.00	13 October 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,900,000.00	2 March 2011	22 December 2014	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	3,900,000.00	2 March 2011	22 December 2015	No
BBMG Group	Quyang Jinyu Cement Co., Ltd.	350,000,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyang Jinyu Cement Co., Ltd.	40,000,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyang 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
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	20,000,000.00	18 April 2014	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	6 May 2014	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	7 May 2014	26 June 2016	No
		1,372,000,000.00			

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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)

For the six months ended 30 June 2013

Guarantor	Guaranteed party	Amount		Starting date	Maturity date	Completion of Performance of guarantee or not
		guaranteed				
BBMG Group	Beijing Building Decoration and Design Engineering Co., Ltd.	30,000,000.00		7 November 2012	6 November 2013	No
BBMG Group	Beijing BBMG Business and Trading Co., Ltd	20,000,000.00		15 March 2012	14 March 2013	Yes
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	150,000,000.00		21 May 2012	21 May 2014	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	420,000,000.00		27 June 2013	27 June 2016	No
BBMG Group	Tianjin BBMG Concrete Co., Ltd.	30,000,000.00		2 November 2012	1 November 2013	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	22,800,000.00		24 November 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	200,100,000.00		2 September 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	5,700,000.00		2 March 2011	25 December 2015	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	No
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
		<u>1,076,600,000.00</u>				

The above related parties provided guarantees in respect of borrowings for the Group with nil consideration.

Guarantees provided to related parties

On 30 June 2014, 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 2013: 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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

(4a): 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 the People's Bank of China in the corresponding period. For the six months ended 30 June 2014, the interest income recognised for borrowings with a principal amount of RMB81,688,940.00 was RMB2,477,897.84 (for the six months ended 30 June 2013: RMB2,461,550.04).

Borrowings

For the six months ended 30 June 2014

	Note	Amount	Commencement date	Maturity date
BBMG Group	(4b)	303,110,700.00	3 March 2014	18 April 2014
BBMG Group	(4b)	60,200,000.00	10 March 2014	10 March 2015
BBMG Group	(4b)	1,250,685,300.00	10 March 2014	18 April 2014

For the six months ended 30 June 2013

	Note	Amount	Commencement date	Maturity date
BBMG Group	(4b)	500,000,000.00	4 January 2013	25 October 2013
BBMG Group	(4b)	500,000,000.00	10 April 2013	10 April 2014
BBMG Group	(4b)	170,000,000.00	25 April 2013	25 April 2014
BBMG Group	(4b)	300,000,000.00	6 May 2013	6 May 2014
BBMG Group	(4b)	400,000,000.00	9 May 2013	9 May 2014

Note (4b): Through financial institutions, the Group obtained entrusted loans of RMB1,613,996,000.00 from BBMG Group, which were used for liquidity purposes. As of 30 June 2014, the balance of these loans was RMB436,200,000.00 (31 December 2013: RMB3,646,000,000.00). The interest rates of the aforesaid loans were in line with the benchmark rates issued by the People's Bank of China on the drawdown date for such loan and its credit period for the corresponding ranking and period. For the six months ended 30 June 2014, the total interest expenses recognised for the loans were RMB73,132,966.83 (for the six months ended 30 June 2013: RMB117,618,410.96).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
STAR-USG Building Materials Co., Ltd.	2,477,897.84	2,461,550.04

Interest expenses from borrowing:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
BBMG Group	73,132,966.83	117,618,410.96

(5) *Transactions of other related parties*

Remuneration for key management personnel

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Remuneration for key management personnel	2,133,510.00	2,159,940.0

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables due from related parties

	30 June 2014	31 December 2013
Trade receivables		
Due from associates		
Beijing Gaoqiang Concrete Co., Ltd.	71,291,102.57	70,727,696.43
OCV Reinforcements (Beijing) Co., Ltd.	<u>28,000.00</u>	–
	<u>71,319,102.57</u>	<u>70,727,696.43</u>
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<u>6,960,974.95</u>	4,382,746.43
Due from other related parties		
Beijing Dacheng Real Estate Development Co., Ltd	<u>6,714,732.78</u>	7,274,660.10
	<u>84,994,810.30</u>	<u>82,385,102.96</u>
Advances to a supplier		
Beijing Building Materials Sales Center	<u>38,521.61</u>	–
Other receivables		
Due from associates		
Zehnder (China) Indoor Climate Co., Ltd.	2,871,971.22	2,871,971.22
Krono (Beijing) Woods Co., Ltd.	16,065,872.52	13,620,915.91
Krono (Beijing) Flooring Co., Ltd.	200,000.00	200,000.00
OCV Reinforcements (Beijing) Co., Ltd.	<u>633,664.50</u>	–
	<u>19,771,508.24</u>	<u>16,692,887.13</u>
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<u>88,198,352.69</u>	86,808,579.96
	<u>107,969,860.93</u>	<u>103,501,467.09</u>
Interest receivable		
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<u>5,119,173.58</u>	2,641,275.74

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

7. Balances of payables to related parties

	30 June 2014	31 December 2013
Accounts payable		
Due to associates		
Zehnder (China) Indoor Climate Co., Ltd.	221,500.00	221,500.00
Krono (Beijing) Woods Co., Ltd.	4,333,817.38	—
	<u>4,555,317.38</u>	<u>221,500.00</u>
Due to a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	—	844,017.57
Due to other related parties		
Beijing Building Materials Sales Center	865,187.64	826,666.03
	<u>5,420,505.02</u>	<u>1,892,183.60</u>
Advances from customers		
Advances received from other related parties		
Beijing Xisha Assets Management Co., Ltd.	120,205,200.00	163,339,100.00
Other payables		
Due to the parent company		
BBMG Group	26,488,881.34	12,106,943.79
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	—	143,290.11
OCV Reinforcements (Beijing) Co., Ltd.	159,200.00	159,200.00
	<u>159,200.00</u>	<u>302,490.11</u>
Due to a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	701,991.79	223,451.38
	<u>27,350,073.13</u>	<u>12,632,885.28</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

7. Balances of payables to related parties *(continued)*

	30 June 2014	31 December 2013
Bills payable		
Due to an associate		
Krono (Beijing) Woods Co., Ltd.	3,564,001.14	–
Short-term borrowings		
BBMG Group	436,200,000.00	3,646,000,000.00

Except for the balances due from STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司) 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.

VII. CONTINGENCIES

	Note	30 June 2014	31 December 2013
Providing guarantee for related parties	Note 1	800,000,000.00	800,000,000.00
Providing guarantee for third parties	Note 2	8,776,933,780.58	4,301,550,334.04
		9,576,933,780.58	5,101,550,334.04

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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

VIII. COMMITMENTS

	30 June 2014	31 December 2013
Acquisition or construction of fixed assets which are contracted but not completed	294,820,297.23	163,519,660.43
Property development contracts which are contracted and being executed or will be executed	13,401,555,829.35	5,767,254,870.36
	13,696,376,126.58	5,930,774,530.79

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

IX. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

None.

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:

	30 June 2014	31 December 2013
Within 1 year (inclusive of 1 year)	796,906,116.03	685,541,608.52
1 to 2 years (inclusive of 2 years)	461,287,464.62	495,736,089.68
2 to 3 years (inclusive of 3 years)	262,220,155.81	308,169,288.70
Over 3 years	520,787,990.35	543,936,916.83
	2,041,201,726.81	2,033,383,903.73

Please refer to Note V.13 and 14 for details of investment properties and fixed assets leased under operating leases

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	30 June 2014	31 December 2013
Within 1 year (inclusive of 1 year)	45,656,415.13	75,336,684.16
1 to 2 years (inclusive of 2 years)	15,208,180.52	24,797,503.25
2 to 3 years (inclusive of 3 years)	11,382,524.40	18,194,683.88
Over 3 years	65,850,257.56	73,176,394.79
	138,097,377.61	191,505,266.08

2. Assets and liabilities measured at fair value

For the six months ended 30 June 2014

	Amount at beginning of the period	Profit or loss on changes of fair value for the current period	Accumulated fair values included in equity	Provision of impairment for the current period	Amount at end of the period
Investment properties	13,545,900,000.00	267,100,000.00	264,241,107.60	-	13,813,000,000.00

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	12,840,400,000.00	671,729,628.37	264,241,107.60	-	13,545,900,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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 Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

3. Segment reporting *(continued)*

Operating segments (continued)

For the six months ended 30 June 2014

	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	5,915,604,421.39	5,656,858,793.40	7,924,658,899.78	1,140,686,967.79	-	-	20,637,809,082.36
Revenues from inter-segment transactions	9,226,811.28	233,136,032.71	-	69,691,524.75	-	(312,054,368.74)	-
	<u>5,924,831,232.67</u>	<u>5,889,994,826.11</u>	<u>7,924,658,899.78</u>	<u>1,210,378,492.54</u>	<u>-</u>	<u>(312,054,368.74)</u>	<u>20,637,809,082.36</u>
Gains/(losses) on investment in joint ventures and associates	1,951,512.10	(704,114.48)	-	533,564.98	-	-	1,780,962.60
Losses from impairment of assets	45,995,471.88	4,269,129.31	(37,437.10)	32,624,881.18	-	-	82,852,045.27
Depreciation and amortisation	520,267,545.74	59,521,764.81	4,757,125.56	85,992,883.50	11,143,503.76	-	681,682,823.37
Total profits	57,864,155.66	(858,131.13)	1,774,697,210.88	652,274,977.53	(387,200,796.03)	(10,115,398.68)	2,086,662,018.23
Income tax expense	35,826,568.62	(6,783,799.24)	460,836,524.61	179,311,923.30	(96,800,199.01)	(2,528,849.67)	569,862,168.61
Increase in other non-current assets (excluding long-term equity investments)	469,095,416.75	198,173,259.63	8,671,301.22	85,270,629.38	-	-	761,210,606.98
Total assets	27,587,826,812.20	9,963,429,181.37	49,504,017,532.88	23,394,129,126.73	1,071,986,000.65	(8,667,542,343.88)	102,853,846,309.95
Total liabilities	13,418,169,135.36	4,095,021,974.44	39,312,377,185.54	6,241,468,075.65	12,314,963,829.14	(6,468,917,517.54)	68,913,082,682.59
Other disclosure							
Long-term equity investment in joint ventures and associates	27,323,425.57	312,626,581.78	-	4,147,062.00	-	-	344,097,069.35

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS (continued)

3. Segment reporting (continued)

Operating segments (continued)

For the six months ended 30 June 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	5,582,864,866.04	7,386,332,884.03	6,439,065,228.13	978,359,861.27	-	-	20,386,622,839.47
Revenues from inter-segment transactions	10,542,898.18	173,941,338.55	1,300,000.00	26,606,772.31	-	(212,391,009.04)	-
	<u>5,593,407,764.22</u>	<u>7,560,274,222.58</u>	<u>6,440,365,228.13</u>	<u>1,004,966,633.58</u>	<u>-</u>	<u>(212,391,009.04)</u>	<u>20,386,622,839.47</u>
Gains/(losses) on investment in joint ventures and associates	304,275.80	(24,609,234.92)	-	512,193.00	-	-	(23,792,766.12)
Losses from impairment of assets	(10,450,989.63)	(1,939,847.36)	(2,335.49)	-	-	-	(12,393,172.48)
Depreciation and amortisation	470,891,814.11	51,750,985.81	4,341,995.02	61,096,221.10	11,440,821.65	-	599,521,837.69
Total profits	66,692,448.04	45,040,996.63	1,175,154,927.72	731,505,933.47	(248,484,702.65)	(47,105,036.00)	1,722,804,567.21
Income tax expense	54,282,212.25	(44,837,985.23)	298,773,925.46	182,058,650.12	(62,121,175.66)	(1,384,314.80)	426,771,312.14
Increase in other non-current assets (excluding long-term equity investments)	1,223,679,491.15	192,157,724.66	4,292,172.74	66,461,977.61	-	-	1,486,591,366.16
31 December 2013							
Total assets	26,953,297,268.28	7,347,728,501.51	46,640,002,525.23	23,716,865,976.67	1,046,002,711.94	(6,864,347,364.74)	98,839,549,618.88
Total liabilities	13,513,654,404.62	3,444,506,813.84	38,982,641,695.29	8,775,645,236.78	11,089,680,924.84	(6,991,892,500.24)	68,814,236,575.13
Other disclosure							
Long-term equity investment in joint ventures and associates	24,961,909.45	342,564,157.67	10,000,000.00	3,846,744.16	-	-	381,372,811.28

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 the six months ended 30 June 2014, none of sales income arising from any single customer of the Group exceeds 10% of the Group's total revenues (for the six months ended 30 June 2013: nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks

The Group's principal financial instruments comprise bank and 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:

Financial assets	30 June 2014		31 December 2013	
	Loans and receivables	Available-for-sale financial assets	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	7,125,781,915.22	–	8,595,510,330.36	–
Bills receivable	1,290,660,797.16	–	1,373,660,444.38	–
Accounts receivable	5,673,956,619.08	–	5,005,865,494.62	–
Interests receivable	5,119,173.58	–	2,641,275.74	–
Dividends receivable	2,190,000.00	–	–	–
Other receivables	1,958,491,468.50	–	2,388,356,569.88	–
Available-for-sale financial assets	–	505,404,297.22	–	505,404,297.22
	16,056,199,973.54	505,404,297.22	17,366,034,114.98	505,404,297.22

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks *(continued)*

	30 June 2014	31 December 2013
	Other financial liabilities	Other financial liabilities
Financial liabilities		
Short-term loans	11,021,200,000.00	13,516,500,000.00
Bills payable	297,259,776.81	506,106,696.49
Accounts payable	8,324,812,080.79	8,516,698,306.54
Interest payable	455,215,430.14	253,810,076.41
Dividend payable	403,220,263.41	45,192,199.03
Other payables	3,125,369,431.55	2,716,455,789.36
Non-current liabilities due within one year	1,771,452,867.30	3,199,218,336.70
Long-term loans	7,615,420,000.00	6,879,920,000.00
Bonds payable	8,162,657,875.54	6,305,600,000.00
Short-term financing bonds payable	6,600,000,000.00	3,000,000,000.00
Long-term payables	21,094,478.27	22,414,048.18
	47,797,702,203.81	44,961,915,452.71

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.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over the balances of accounts receivable.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks *(continued)*

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 30 June 2014 and 31 December 2013 the aging analysis of financial assets which are not considered to be impaired is as follows:

As at 30 June 2014

	Total	Neither past	Within 3 months	Past due	Over 6 months
		due nor impaired		3 to 6 months	
Accounts receivable	5,206,749,554.35	3,540,574,880.92	1,014,638,872.20	233,598,833.19	417,936,968.04
Other receivables	1,917,196,758.95	1,917,196,758.95	-	-	-
Bills receivable	1,290,660,797.16	1,290,660,797.16	-	-	-
Interest receivable	5,119,173.58	5,119,173.58	-	-	-
Dividend receivable	2,190,000.00	2,190,000.00	-	-	-
Available for sale financial assets	505,404,297.22	505,404,297.22	-	-	-

As at 31 December 2013

	Total	Neither past	Within 3 months	Past due	Over 6 months
		due nor impaired		3 to 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	-	-	-

As at 30 June 2014, the accounts receivable that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

As at 30 June 2014, the accounts receivable that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks *(continued)*

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 raised 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 RMB50,723,000,000.00 as at 30 June 2014, of which RMB26,575,869,296.28 remained unutilised.

The table below summarises the maturity profile of financial liabilities based on the undiscounted contractual cash flows:

As at 30 June 2014

	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts payable	8,324,812,080.79	-	-	-	8,324,812,080.79
Interests payable	455,215,430.14	-	-	-	455,215,430.14
Dividends payable	403,220,263.41	-	-	-	403,220,263.41
Other payables	3,125,369,431.55	-	-	-	3,125,369,431.55
Bills payable	297,259,776.81	-	-	-	297,259,776.81
Long-term payables	4,020,000.00	4,020,000.00	4,020,000.00	14,070,000.00	26,130,000.00
Interest-bearing borrowings	13,609,384,546.36	5,365,409,617.89	1,159,490,070.55	2,270,259,963.70	22,404,544,198.50
Bonds payable	7,404,780,000.00	3,220,480,000.00	2,186,080,000.00	3,791,000,000.00	16,602,340,000.00
	<u>33,624,061,529.06</u>	<u>8,589,909,617.89</u>	<u>3,349,590,070.55</u>	<u>6,075,329,963.70</u>	<u>51,638,891,181.20</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks *(continued)*

Liquidity risk (continued)

As at 31 December 2013

	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts payable	8,516,698,306.54	-	-	-	8,516,698,306.54
Interests payable	253,810,076.41	-	-	-	253,810,076.41
Dividends payable	45,192,199.03	-	-	-	45,192,199.03
Other payables	2,716,455,789.36	-	-	-	2,716,455,789.36
Bills payable	506,106,696.49	-	-	-	506,106,696.49
Long-term payables	4,020,000.00	4,020,000.00	4,020,000.00	16,080,000.00	28,140,000.00
Interest-bearing borrowings	15,550,181,389.28	3,646,499,314.90	3,593,490,124.66	90,524,383.56	22,880,695,212.40
Bonds payable	<u>5,457,880,000.00</u>	<u>3,138,400,000.00</u>	<u>204,000,000.00</u>	<u>3,791,000,000.00</u>	<u>12,591,280,000.00</u>
	<u>33,050,344,457.11</u>	<u>6,788,919,314.90</u>	<u>3,801,510,124.66</u>	<u>3,897,604,383.56</u>	<u>47,538,378,280.23</u>

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 six months ended 30 June 2014 and the six months ended 30 June 2013 would decrease or increase by approximately RMB117,700,516.64 and RMB130,744,452.26 respectively, and except for retained earnings, it would have no impact on other constituents of the Group's consolidated equity.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks *(continued)*

Market risk *(continued)*

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 Group's exposure to foreign exchange risk is relatively immaterial as its financial assets principally choose Renminbi as the functional currency,

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	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Financial assets				
Available-for-sale financial assets	505,404,297.22	505,404,297.22	505,404,297.22	505,404,297.22
Financial liabilities				
Long-term loans	7,615,420,000.00	6,879,920,000.00	7,615,420,000.00	6,879,920,000.00
Bonds payable	8,162,657,875.54	6,305,600,000.00	8,162,657,875.54	6,305,600,000.00
Long-term payables	22,414,048.18	22,414,048.18	22,414,048.18	22,414,048.18
	15,800,491,923.72	13,207,934,048.18	15,800,491,923.72	13,207,934,048.18

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 and other payables, etc, 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks *(continued)*

Fair value (continued)

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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 30 June 2014, the Group's exposure to non-performance risk associated with the long-term and short-term borrowings is assessed as insignificant.

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. For the six months ended 30 June 2014 and the year of 2013, there was no change in the Group's capital management objectives, policies or procedures.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks *(continued)*

Fair value (continued)

Capital management (continued)

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the ownership interest. 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:

	30 June 2014	31 December 2013
Interest-bearing borrowings	20,405,475,904.61	21,692,895,904.61
Bonds payable	8,162,657,875.54	8,205,828,475.57
Short-term financing bonds	<u>6,600,000,000.00</u>	<u>3,000,000,000.00</u>
	35,168,133,780.15	32,898,724,380.18
Less: Cash and bank balances	<u>(7,125,781,915.22)</u>	<u>(8,595,510,330.36)</u>
Net debts	<u>28,042,351,864.93</u>	<u>24,303,214,049.82</u>
Ownership Interest	<u>33,940,763,627.36</u>	<u>30,025,313,043.75</u>
Leverage ratio	<u>82.62%</u>	<u>80.94%</u>

5. Comparative figures

As described in Note II.2, as a number of enterprise accounting standards were early adopted by the Group in 2013, 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 period have been adjusted, and some comparative figures have been reclassified and restated to conform to requirements of the current period's presentation and accounting treatment.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

6. Supplemental information to the balance sheet

Net current assets (consolidated)	30 June 2014	31 December 2013
Current assets	63,780,685,961.50	60,157,225,599.42
Less: current liabilities	(49,399,408,003.04)	(52,059,972,474.99)
Net current assets	14,381,277,958.46	8,097,253,124.43
Total assets less current liabilities (consolidated)	30 June 2014	31 December 2013
Total assets	102,853,846,309.95	98,839,549,618.88
Less: current liabilities	(49,399,408,003.04)	(52,059,972,474.99)
Total assets less current liabilities	53,454,438,306.91	46,779,577,143.89
Net current assets (the Company)	30 June 2014	31 December 2013
Current assets	25,459,293,617.36	22,753,783,943.93
Less: current liabilities	(22,533,114,871.30)	(21,847,636,556.86)
Net current assets	2,926,178,746.06	906,147,387.07
Total assets less current liabilities (the Company)	30 June 2014	31 December 2013
Total assets	60,121,214,498.50	52,972,572,116.78
Less: current liabilities	(22,533,114,871.30)	(21,847,636,556.86)
Total assets less current liabilities	37,588,099,627.20	31,124,935,559.92

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

X. OTHER SIGNIFICANT MATTERS *(continued)*

7. Supplemental information on profit before tax

The Group's primary costs and expenses by nature are as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Consumption of materials	3,049,537,273.16	3,085,650,668.87
Procurement costs of tradable goods	3,953,299,681.12	5,267,494,954.78
Cost of sales of real estate	5,016,385,629.21	4,211,623,316.69
Employees' remuneration expenses	1,460,914,763.30	1,315,829,645.44
Depreciation expenses	606,028,792.29	530,696,486.07
Amortisation expenses	75,654,031.08	68,825,351.62
Maintenance expenses	261,215,992.51	179,376,996.34
Asset impairment loss	73,738,060.27	(12,393,172.48)

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

An aging analysis of other receivables is as follows:

	30 June 2014	31 December 2013
Within 1 year	21,606,781,318.97	19,596,670,442.04
1 to 2 years	23,091,355.60	99,167,348.32
2 to 3 years	99,167,348.32	–
4 to 5 years	–	30,379,950.00
Over 5 years	41,698,366.10	11,318,416.10
	21,770,738,388.99	19,737,536,156.46
Provision for bad debt of other receivables	(40,970,070.23)	(31,698,203.12)
	21,729,768,318.76	19,705,837,953.34

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	30 June 2014	31 December 2013
Amount at beginning of the period/year	31,698,203.12	31,698,203.12
Provision for the period	9,113,985.00	–
Transferred from subsidiaries	157,882.11	–
Amount at end of the period/year	40,970,070.23	31,698,203.12

	30 June 2014				31 December 2013			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount	Proportion (%)	Amount	Provision proportion (%)
Individually significant and subject to separate provision	60,077,733.06	0.28	29,360,768.06	48.87	29,697,783.06	0.15	20,246,783.06	68.18
Subject to provision by groups:								
Within 1 year (inclusive of 1 year)	18,074,756.26	0.08	–	–	15,175,486.90	0.08	–	–
Over 5 years	9,754,425.49	0.04	9,754,425.49	100.00	9,754,425.49	0.05	9,754,425.49	100.00
	27,829,181.75	0.12	9,754,425.49		24,929,912.39	0.13	9,754,425.49	
Special credit characteristics group	21,680,912,432.12	99.59	–	–	19,681,147,301.06	99.71	–	–
Individually not significant but subject to separate provision for bad debt	1,919,042.06	0.01	1,854,876.68	96.66	1,761,159.95	0.01	1,696,994.57	96.36
	21,770,738,388.99	100.00	40,970,070.23		19,737,536,156.46	100.00	31,698,203.12	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

As at 30 June 2014, 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	6,965,680,112.23	Within 1 year	32.00
Beijing BBMG Dacheng Property Development Co., Ltd.	Subsidiary	1,772,640,517.55	Within 1 year	8.14
BBMG (Hangzhou) Property Development Limited	Subsidiary	1,474,235,053.97	Within 1 year	6.77
BBMG (Tianjin) Property Development Limited	Subsidiary	1,078,426,491.30	Within 1 year	4.95
Jinyu Ligang (Tianjin) Property Development Co., Ltd.	Subsidiary	760,000,000.00	Within 1 year	3.49
		<u>12,050,982,175.05</u>		<u>55.35</u>

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>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

Other receivables including the amounts due from the parent, subsidiaries, jointly-controlled entities and associates were as follows:

	30 June 2014	31 December 2013
Amounts due from subsidiaries	21,594,063,106.08	19,581,494,955.14
Amounts due from a jointly-controlled entity	81,688,940.00	81,688,940.00
Amounts due from associates	2,871,971.22	2,871,971.22
	21,678,624,017.30	19,666,055,866.36

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 2013: nil).

2. Long-term equity investments

For the six months ended 30 June 2014

	Investment cost	Opening balance	Increase/ (decrease) in the period	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the period
Cost method:							
Beijing Liulhe Cement Co., Ltd.	684,505,052.96	629,405,052.96	55,100,000.00	684,505,052.96	100.00	100.00	-
Beijing BBMG Concrete Co., Ltd.	359,235,910.27	359,235,910.27	-	359,235,910.27	100.00	100.00	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	1,093,444,400.00	1,093,444,400.00	-	1,093,444,400.00	51.00	51.00	-
Luquan BBMG Dingxin Cement Co., Ltd.	1,454,400,000.00	1,454,400,000.00	-	1,454,400,000.00	100.00	100.00	-
Hebei Taihang Huaxin Building Materials Co., Ltd.	191,952,088.44	191,952,088.44	-	191,952,088.44	100.00	100.00	-
Zanhuang BBMG Cement Co., Ltd.	600,000,000.00	600,000,000.00	-	600,000,000.00	100.00	100.00	-
BBMG Cement Trading Co., Ltd.	500,000,000.00	50,000,000.00	450,000,000.00	500,000,000.00	100.00	100.00	-
Beijing BBMG Cement Energy Saving Technology Co., Ltd.	25,000,000.00	25,000,000.00	-	25,000,000.00	100.00	100.00	-
Zhangjiakou Jinyu Cement Co., Ltd.	353,071,805.81	318,071,805.81	35,000,000.00	353,071,805.81	100.00	100.00	-
Tianjin Zhenxing Cement Co., Ltd.	392,950,236.38	392,950,236.38	-	392,950,236.38	60.64	60.64	-
Quyong Jinyu Cement Co., Ltd.	245,747,261.65	245,747,261.65	-	245,747,261.65	90.00	90.00	-
Siping BBMG Cement Co., Ltd.	156,000,000.00	156,000,000.00	-	156,000,000.00	52.00	52.00	23,400,000.00
Shijiazhuang BBMG Xu Cheng Concrete Co., Ltd.	202,047,000.00	202,047,000.00	-	202,047,000.00	97.80	97.80	-
Lanxian BBMG Cement Co., Ltd.	160,240,000.00	160,240,000.00	-	160,240,000.00	80.00	80.00	-
Qinyang BBMG Cement Co., Ltd.	144,145,100.00	144,145,100.00	-	144,145,100.00	86.60	86.60	-
Zhuolu Jinyu Cement Co., Ltd.	286,677,498.05	286,677,498.05	-	286,677,498.05	100.00	100.00	-
Beijing BBMG Tiantan Furniture Co., Ltd.	464,305,960.36	464,305,960.36	-	464,305,960.36	97.11	97.11	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.16	54,556,261.16	-	54,556,261.16	100.00	100.00	-
Tongda Refractory Technology Co., Ltd.	498,030,444.48	498,030,444.48	-	498,030,444.48	92.83	92.83	-
Beijing Jinyu Energy-Saving Technology Co., Ltd.	342,450,576.31	342,450,576.31	-	342,450,576.31	100.00	100.00	-
Beijing Jinyu Aerated Concrete Co., Ltd.	107,946,419.68	47,946,419.68	60,000,000.00	107,946,419.68	100.00	100.00	-
Beijing Building Materials Academy Co., Ltd.	162,467,784.68	122,467,784.68	40,000,000.00	162,467,784.68	100.00	100.00	-
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	64,098,826.55	-	64,098,826.55	100.00	100.00	-

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2014 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the period	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the period
Beijing Jiandu Design and Research Institute Co., Ltd. BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	9,405,299.48	9,405,299.48	-	9,405,299.48	100.00	100.00	-
BBMG Alavus Energy Saving Components Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100.00	100.00	-
BBMG Jiaye Real Estate Development Co., Ltd.	29,980,669.86	29,980,669.86	-	29,980,669.86	82.00	82.00	1,221,554.54
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	3,065,138,411.45	1,665,138,411.45	1,400,000,000.00	3,065,138,411.45	100.00	100.00	-
BBMG Property Management Co., Ltd.	123,580,431.35	123,580,431.35	-	123,580,431.35	100.00	100.00	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	89,264,530.92	89,264,530.92	-	89,264,530.92	100.00	100.00	-
BBMG Jianji Assets Management Co., Ltd.	202,480,361.57	202,480,361.57	-	202,480,361.57	100.00	100.00	-
Beijing Jinhaiyan Assets Management Co., Ltd.	163,182,181.75	163,182,181.75	-	163,182,181.75	100.00	100.00	-
BBMG Property Operation Management Co., Ltd.	78,479,818.89	78,479,818.89	-	78,479,818.89	100.00	100.00	-
Beijing BBMG Dacheng Property Development Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100.00	100.00	-
*Tianjin BBMG Concrete Co., Ltd.	2,994,735,641.87	1,594,735,641.87	1,400,000,000.00	2,994,735,641.87	100.00	100.00	-
Beijing Jinyu Pinggu Cement Co., Ltd.	347,454,707.80	347,454,707.80	-	347,454,707.80	88.79	100.00	-
Beijing BBMG Mining Co., Ltd.	150,000,000.00	150,000,000.00	-	150,000,000.00	100.00	100.00	-
Lingchuan BBMG Cement Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00	100.00	-
Beijing BBMG Coating Co., Ltd.	250,000,000.00	180,000,000.00	70,000,000.00	250,000,000.00	100.00	100.00	-
Beijing BBMG Business and Trading Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100.00	100.00	-
Beijing Jinhaiyan Property Management Co., Ltd.	660,000,000.00	410,000,000.00	250,000,000.00	660,000,000.00	100.00	100.00	-
Beijing BBMG Chengyuan Property Development Co., Ltd.	5,633,292.75	5,633,292.75	-	5,633,292.75	100.00	100.00	-
Beijing Building Decoration and Design Engineering Co., Ltd.	473,509,857.53	473,509,857.53	-	473,509,857.53	100.00	100.00	-
Beijing Lvdu Shangke Science and Technology Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100.00	100.00	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	43,615,552.98	43,615,552.98	-	43,615,552.98	100.00	100.00	-
Beijing Yanshui Asset Management Co., Ltd.	152,788,777.09	152,788,777.09	-	152,788,777.09	100.00	100.00	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100.00	100.00	-
BBMG Hong Kong Limited	815,331,413.51	815,331,413.51	-	815,331,413.51	100.00	100.00	-
BBMG Dacheng Property Management Co., Ltd.	37,137.91	37,137.91	-	37,137.91	100.00	100.00	-
Beijing Taihang Qianjing Cement Co., Ltd.	11,198,711.92	11,198,711.92	-	11,198,711.92	100.00	100.00	-
Baoding Taihang Heji Cement Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67.00	67.00	-
Handan BBMG Taihang Cement Co., Ltd.	120,000,000.00	120,000,000.00	-	120,000,000.00	75.00	75.00	-
Handan Shexian BBMG Cement Co., Ltd.	719,986,626.30	719,986,626.30	-	719,986,626.30	94.67	94.67	-
Beijing Chinefarge Cement Co., Ltd.	181,678,700.00	181,678,700.00	-	181,678,700.00	91.00	91.00	15,102,648.80
BBMG Shunfa Lafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95.70	95.70	9,570,000.00
Zuoquan BBMG Cement Co., Ltd.	110,681,119.42	110,681,119.42	-	110,681,119.42	70.00	70.00	-
Xuanhua BBMG Cement Co., Ltd.	365,300,000.00	215,300,000.00	150,000,000.00	365,300,000.00	100.00	100.00	-
BBMG Material Industrial (Shanghai) Co., Ltd.	3,250,000.00	3,250,000.00	-	3,250,000.00	65.00	65.00	-
BBMG Mortar Co., Ltd.	40,800,000.00	40,800,000.00	-	40,800,000.00	51.00	51.00	-
Guangling Jinyu Cement Co., Ltd.	80,000,000.00	80,000,000.00	-	80,000,000.00	80.00	80.00	-
Chengde BBMG Cement Co., Ltd.	317,000,000.00	300,000,000.00	17,000,000.00	317,000,000.00	100.00	100.00	-
Fengfeng BBMG Concrete Co., Ltd.	240,000,000.00	240,000,000.00	-	240,000,000.00	80.00	80.00	-
Handan Hanshan BBMG Concrete Co., Ltd.	30,000,000.00	30,000,000.00	-	30,000,000.00	100.00	100.00	-
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.	27,600,000.00	27,600,000.00	-	27,600,000.00	92.00	92.00	-
Beijing Aerated Concrete Co., Ltd.	9,200,000.00	9,200,000.00	-	9,200,000.00	92.00	92.00	-
Bo'ai BBMG Cement Co., Ltd.	110,107,838.28	110,107,838.28	-	110,107,838.28	100.00	100.00	-
BBMG Finance Co., Ltd.	285,000,000.00	285,000,000.00	-	285,000,000.00	95.00	95.00	-
Beijing Dynea Chemical Industry Co., Ltd.	1,000,000,000.00	1,000,000,000.00	-	1,000,000,000.00	100.00	100.00	-
	35,358,791.69	34,756,816.69	601,975.00	35,358,791.69	100.00	100.00	-
Total under cost method	23,259,551,844.79	19,331,849,869.79	3,927,701,975.00	23,259,551,844.79			49,294,203.34

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2014 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the period	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the period
Equity method:							
Joint ventures							
STAR-USG Building Materials Co., Ltd.	184,628,800.88	68,744,196.28	(12,947,901.80)	55,796,294.48	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	102,271,114.69	(1,347,864.14)	100,923,250.55	30.00	30.00	-
Zehnder (China) Indoor Climate Co., Ltd.	78,150,006.67	81,940,177.36	11,977,896.93	93,918,074.29	26.70	26.70	-
OCV Reinforcements (Beijing) Co., Ltd.	27,557,054.00	54,139,111.52	1,562,846.47	55,701,957.99	20.00	20.00	-
Beijing Gaoqiang Concrete Co., Ltd.	15,723,518.14	27,561,913.48	(238,487.91)	27,323,425.57	25.00	25.00	2,190,000.00
Total of associates	310,471,129.01	265,912,317.05	11,954,391.35	277,866,708.40			2,190,000.00
Total under equity method	495,099,929.89	334,656,513.33	(993,510.45)	333,663,002.88			2,190,000.00
	<u>23,754,651,774.68</u>	<u>19,666,506,383.12</u>	<u>3,926,708,464.55</u>	<u>23,593,214,847.67</u>			<u>51,484,203.34</u>

As at 30 June 2014, there was no listed investment in long-term equity investment.

* In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted the voting rights as represented by the 11.21% equity interests held in Tianjin BBMG Concrete Co., Ltd. to the Company with a term of 8 years. As at 30 June 2014, the Company held 88.79% equity interests in Tianjin BBMG Concrete Co., Ltd. with 100% voting rights.

3. Operating revenues and costs

Operating revenues are as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Revenue from principal operations	355,091,210.05	295,107,723.74
Revenue from other operations	20,016,455.49	22,527,437.59
	<u>375,107,665.54</u>	<u>317,635,161.33</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

3. Operating revenues and costs (continued)

Operating costs are as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Costs of principal operations	44,725,209.71	49,733,966.20

Information by products is as follows:

	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Revenues	Costs	Revenues	Costs
Rental income	355,091,210.05	44,725,209.71	295,107,723.74	49,733,966.20
Others	20,016,455.49	-	22,527,437.59	-
	375,107,665.54	44,725,209.71	317,635,161.33	49,733,966.20

All operating revenues are derived from North China.

Operating revenues from the five largest customers for the six months ended 30 June 2014 are as follows:

	Amount	Percentage of operating revenue (%)
Customer 1	12,695,377.74	3.58
Customer 2	9,657,921.00	2.72
Customer 3	6,299,701.70	1.77
Customer 4	6,164,485.26	1.74
Customer 5	6,056,071.08	1.71
	40,873,556.78	11.52

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

3. Operating revenue and cost (continued)

Operating revenues from the five largest customers for the six months ended 30 June 2013 are as follows:

	Amount	Percentage of operating revenue (%)
Customer 1	11,535,373.50	3.63
Customer 2	6,299,701.70	1.98
Customer 3	6,164,485.26	1.94
Customer 4	6,056,071.08	1.91
Customer 5	5,465,614.08	1.72
	<u>35,521,245.62</u>	<u>11.18</u>

4. Investment income/(losses)

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Income from long-term equity investments under cost method	49,294,203.34	33,484,500.90
Income from long-term equity investments under equity method	1,196,489.55	(24,457,062.60)
Including: Loss from investments in joint ventures	(12,947,901.80)	(10,112,929.75)
Income/(losses) from investments in associates	14,144,391.35	(14,344,132.85)
Investment income from disposal of subsidiaries	–	1,247,700.00
	<u>50,490,692.89</u>	<u>10,275,138.30</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

4. Investment income/(losses) (continued)

The investee with long-term equity investment income under cost method accounting for more than 5% of total profits:

Name of Investee	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Reason for the change
Beijing Chinefarge Cement Co., Ltd.	9,570,000.00	4,491,501.39	Fluctuation of results
Siping BBMG Cement Co., Ltd.	23,400,000.00	–	Fluctuation of results
Handan Shexian BBMG Cement Co., Ltd.	15,102,648.80	–	Fluctuation of results
Beijing Alavus Building Energy Saving Components Co., Ltd.,	1,221,554.54	–	Fluctuation of results
	49,294,203.34	4,491,501.39	

Long-term equity investment income under equity method:

Name of Investee	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Reason for the change
Beijing Gaoqiang Concrete Co., Ltd.	1,951,512.09	304,275.80	Fluctuation of results
Beijing Dynea Chemical Industry Co., Ltd.	–	(99,534.01)	Fluctuation of results
Krono (Beijing) Woods Co., Ltd.	(1,347,864.14)	(5,582,370.07)	Fluctuation of results
OCV Reinforcements (Beijing) Co., Ltd.	1,562,846.47	380,511.44	Fluctuation of results
Zehnder (China) Indoor Climate Co., Ltd.	11,977,896.93	(5,115,812.90)	Fluctuation of results
STAR-USG Building Materials Co., Ltd.	(12,947,901.80)	(14,344,132.86)	Fluctuation of results
	1,196,489.55	(24,457,062.60)	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

XI. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

5. Notes to items of statement of cash flows

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Cash received relating to other operating activities		
Cash received from subordinate units	9,496,978,972.70	22,589,867,664.31
Cash received from repayment of internal borrowings and interests among subsidiaries	6,179,186,671.34	115,000,000.00
Interests income	14,147,873.23	27,076,889.53
Current accounts	6,827,458,025.70	164,322,166.67
	<u>22,517,771,542.97</u>	<u>22,896,266,720.51</u>
Cash paid relating to other operating activities		
Cash expensed for subsidiaries	5,143,801,030.00	3,037,389,310.95
Cash paid to subordinate units	11,004,027,046.22	19,555,016,059.79
Inter-group current accounts	7,597,005,061.60	505,890,507.78
Expenses and costs of the headquarters	52,016,710.30	74,261,569.66
	<u>23,796,849,848.12</u>	<u>23,172,557,448.18</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2014

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:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Net profit	132,156,970.23	229,982,390.50
Add: Provisions for assets impairment	9,113,985.00	–
Depreciation of fixed assets	33,257,559.44	30,462,516.52
Amortisation of intangible assets	7,275,210.29	7,459,866.05
Loss/(Gain) from disposal of fixed assets, intangible assets and other long-term assets	3,854.00	(64,017,992.86)
Gain from fair value change	(188,366,000.00)	(229,234,912.63)
Finance costs	917,041,244.39	411,745,103.91
Investment income	(50,490,692.89)	(10,275,138.30)
Increase in deferred income tax liabilities	44,235,998.51	190,843,966.01
Increase in operating receivables	(1,917,914,007.73)	(617,529,707.58)
Decrease in operating payables	(20,605,026.79)	(86,816,463.05)
Net cash flow generated from operating activities	<u>(1,034,290,905.55)</u>	<u>(137,380,371.43)</u>

(2) Cash and cash equivalents

	30 June 2014	31 December 2013
Cash	2,473,085,564.51	1,868,279,405.71
Including: Cash on hand	220.25	95.81
Bank deposits on demand	<u>2,473,085,344.26</u>	<u>1,868,279,309.90</u>
Balance of cash and cash equivalents at end of the period/year	<u>2,473,085,564.51</u>	<u>1,868,279,405.71</u>

Supplementary Information to Unaudited Interim Financial Statements

I. NON-RECURRING PROFIT AND LOSS ITEMS

1. Summary of non-recurring profit and loss items

	For the six months ended 30 June 2014
Profit and loss from disposal of non-current assets	(684,567.05)
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)	113,883,746.49
Capital occupancy fee from non-financial enterprises recognized through profit or loss for the period (Note V.50, Note 1)	2,477,897.84
Profit and loss from debt restructuring	684,440.81
Profit and loss from fair value change of investment properties measured subsequently at fair value	267,100,000.00
Other non-operating income and expenses other than the above items	<u>12,354,043.88</u>
Total non-recurring profit and loss	395,815,561.97
Impact on income tax	98,953,890.49
Impact on non-controlling interests	<u>7,840,874.53</u>
	<u>289,020,796.95</u>

Included in the government grants that charged to current period profit or loss, items not regarded as extraordinary profit or loss items because of being closely intimately related to normal business operation, and subject to certain standard fixed amount or quantity in accordance with the state's policy are as follows:

	For the six months ended 30 June 2014	Reason
Refunds of VAT	158,777,233.87	related to operation
Grants of sale of heat	11,367,093.44	related to operation

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 Unaudited Interim Financial Statements (continued)

I. NON-RECURRING PROFIT AND LOSS ITEMS *(continued)*

2. Supplemental information to non-recurring profit and loss

	For the six months ended 30 June 2014
<hr/>	
Non-recurring profit and loss in non-operating income:	
Gains from disposal of non-current assets	2,029,997.10
Gains from debt restructuring	987,786.89
Government grants	113,883,746.49
Others	<u>28,150,493.55</u>
	<u>145,052,024.03</u>
Non-recurring profit and loss in non-operating expenses:	
Losses from disposal of non-current assets	2,714,564.15
Among which: Losses from disposal of fixed assets	1,825,171.53
Losses from debt restructuring	303,346.08
External donations	508,417.91
Expenses for compensation, penalties and fines	8,699,346.98
Others	<u>6,588,684.78</u>
	<u>18,814,359.90</u>

Supplementary Information to Unaudited Interim Financial Statements (continued)

II. RETURN ON NET ASSETS AND EARNINGS PER SHARE

For the six months ended 30 June 2014

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	4.86	0.30	0.30
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	3.84	0.24	0.24

For the six months ended 30 June 2013

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	5.53	0.30	0.30
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	4.19	0.23	0.23

The Company did not have potentially dilutive ordinary shares.



BBMG

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