

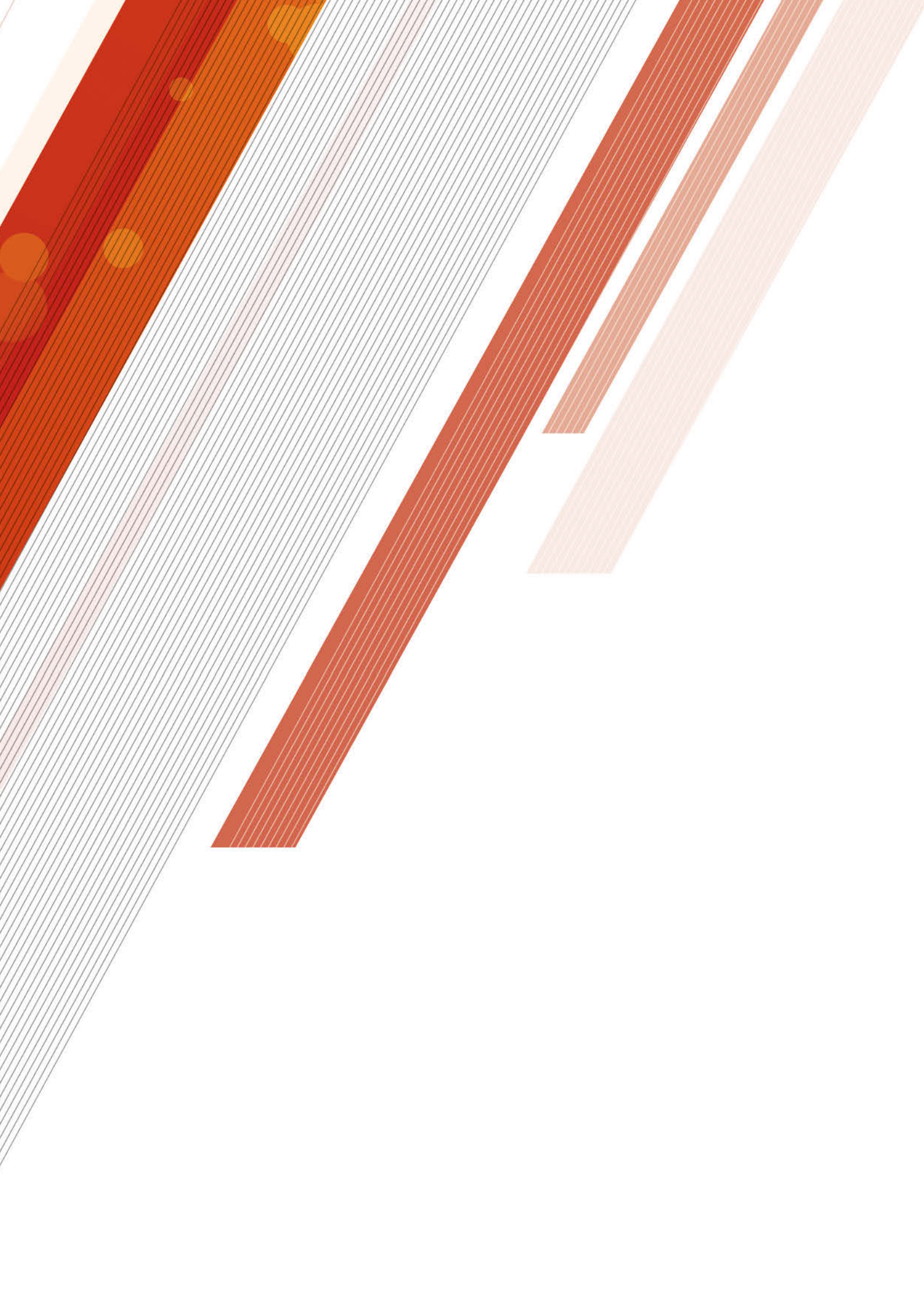


北京金隅股份有限公司
BBMG CORPORATION*

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

INTERIM REPORT

*For identification purposes only



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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 address 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 in Hong Kong	Room 405, Kai Wong Commercial Building 222 Queen's Road Central, Hong Kong
Website of the Company	www.bbmj.com.cn/listco
Legal representative	Jiang Deyi
The Board	
<i>Executive Directors</i>	Jiang Deyi (<i>Chairman</i>) Wu Dong Zhang Jianli Zang Feng Li Weidong (resigned on 5 August 2016) Shi Xijun (resigned on 26 August 2016)
<i>Independent non-executive Directors</i>	Wang Guangjin Tian Lihui Tang Jun Ngai Wai Fung

* for identification purposes only

CORPORATE INFORMATION

The Supervisory Board

Supervisors

Wang Xiaojun (*Chairman*)
Li Bichi
Yu Kaijun
Hu Juan
Zhang Dengfeng
Zhang Yifeng
Wang Xin

Committees

Audit Committee

Tian Lihui (*Chairman*)
Zhang Jianli
Wang Guangjin
Tang Jun
Ngai Wai Fung
Shi Xijun (resigned on 26 August 2016)

*Remuneration and Nomination
Committee*

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

Strategic Committee

Jiang Deyi (*Chairman*)
Wang Guangjin
Tian Lihui
Tang Jun
Ngai Wai Fung
Li Weidong (resigned on 5 August 2016)

CORPORATE INFORMATION

Authorised Representatives

Jiang Deyi
Lau Fai Lawrence

Board Secretary

Zheng Baojin

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.SH

H Shares

H Share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712 – 1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Place of listing

The Stock Exchange of Hong Kong Limited

Stock name

BBMG

Board lot

1,000 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 LLP
Certified Public Accountants

Legal advisers

Paul Hastings
As to Hong Kong law

Guantao Law Firm
As to PRC law

CHAIRMAN'S STATEMENT

Jiang Deyi
Chairman



CHAIRMAN'S STATEMENT

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 2016 (the "**Reporting Period**"), and report on the operating results of the Company during the said period for your review.

Review

Since the beginning of the year, China's economy had a relatively stable start with a rise in investment growth. The development data for some industries was better than expected. Meanwhile, China's economy was in a crucial stage of structural adjustment, during which the conditions of generally low demand and overcapacity were unlikely to show fundamental changes in the short term while the overall economy was still facing significant downward pressure. Under such circumstances, the Company adhered to the main theme of maintaining stability while making progress and strengthened its works in various aspects, including explore potentials and cut costs, enhance quality and efficiency, integration and restructuring, transformation and upgrading, optimize business layout and drive innovation, so that it was able to display sound improvement amidst stability as a whole, thereby establish new competitive edges, gain new achievements and create new landscape for development and live up to its expectation of optimized industrial structure, enhanced quality and approximately better efficiency. During the Reporting Period, the Group recorded aggregate operating revenue of approximately RMB23,446.8 million, representing a year-on-year increase of 29.9%; net profit attributable to the shareholders of the parent company was approximately RMB1,821.1 million, representing a year-on-year increase of 73.8%; basic earnings per share attributable to the shareholders of the parent company was approximately RMB0.34. These hard-won results helped the Group to maintain a leading position among its peers.

CHAIRMAN'S STATEMENT

Prospects

Currently, the synergetic development of Beijing, Tianjin and Hebei Province, the structural reform of the supply front and construction of sub-town centre in Beijing have brought about both pressure and valuable historical opportunity for the future development of BBMG. The Company will have comprehensive understanding of the sustainability and complexity of the “new normal” state of the economy and will seize the historical opportunity to press ahead the strategic restructuring with Jidong Development Group Co., Ltd.* (冀東發展集團有限責任公司) and Tangshan Jidong Cement Co., Ltd.* (唐山冀東水泥股份有限公司), actively establish a sound market order in Beijing, Tianjin and Hebei Province, optimize market ecosystem and enhance its profitability. The Company will also grasp the opportunity offered by the construction of sub-town centre in Beijing to secure the supply of building materials with all its efforts, so as to provide quality and environmentally-friendly products at reasonable price for its projects. In addition, the Company will consistently adhere to the guideline of “adjustment to two structures (兩個結構調整)” and “accelerating cash flow (好水快流)” to further deepen the pilot reform of the management and control model of real estate enterprises, with a view to increasing operation efficiency of projects, building up reasonable reserve of land resources and strengthening the ability of sustainable development of the real estate segment. The Company will work diligently on the Nanluoguxiang renovation and improvement project (南鑼鼓巷修繕整治項目) and use its best endeavors to enhance the Company's comprehensive development ability on city construction projects and the professional level of commercial property operation.

* for identification purposes only



CHAIRMAN'S STATEMENT

Practical action makes our dreams come true and hard work brings us brilliant results. 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 expect continued trust and support from the shareholders and business partners in our course of new value creation and further business development.

Jiang Deyi

Chairman of the Board

Beijing, the PRC

29 August 2016



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Information

Unit: RMB million

	For the six months ended 30 June		Change
	2016 <i>(Unaudited)</i>	2015 (Unaudited)	
Operating revenue	23,446.8	18,056.3	29.9%
Operating revenue from principal business	23,156.0	17,816.9	30.0%
Gross profit from principal business	5,702.0	4,885.9	16.7%
Gross profit margin from principal business (%)	24.6	27.4	a decrease of 2.8 percentage points
Total profit	2,361.4	1,524.7	54.9%
Net profit	1,601.3	1,021.6	56.7%
Net profit attributable to the shareholders of the parent company	1,821.1	1,047.7	73.8%
Basic earnings per share (RMB)	0.34	0.22	54.5%

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)	Change
Cash and bank balances	17,204.4	18,369.9	-6.3%
Current assets	90,246.2	89,335.6	1.0%
Current liabilities	62,395.8	65,186.6	-4.3%
Net current assets	27,850.4	24,149.1	15.3%
Non-current assets	45,876.0	41,411.1	10.8%
Non-current liabilities	30,233.4	23,378.3	29.3%
Total assets	136,122.2	130,746.7	4.1%
Equity attributable to the shareholders of the parent company	39,750.4	38,083.0	4.4%
Debt ratio (total liabilities to total assets) (%)	68.0%	67.7%	an increase of 0.3 percentage point

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Business Information

	For the six months ended 30 June		Change
	2016	2015	
Cement and Ready-mixed Concrete			
Segment			
Sales volume of cement (in million tonnes)	20.3	17.1	18.7%
Sales volume of concrete (in million cubic metres)	5.7	5.2	9.6%
Modern Building Materials and Commerce and Logistics Segment			
Refractory materials (in thousand tonnes)	71.2	99.7	-28.6%
Property Development Segment			
Booked GFA (in thousand sq.m.)	728.3	398.1	82.9%
Contracted sales GFA (in thousand sq.m.)	506.0	357.9	41.4%
Property Investment and Management Segment			
Gross GFA of investment properties (in thousand sq.m.)	732.8	749.0	-2.2%

During the first half of 2016, China's economy was relatively stable with a rise in investment growth. The development data for some industries was better than expected. Meanwhile, China's economy was in a crucial stage of structural adjustment, during which the conditions of generally low demand and overcapacity were unlikely to show fundamental changes in the short term while the overall economy was still facing significant downward pressure. Capitalizing on the strategic opportunities offered by the national strategy of synergetic development of Beijing, Tianjin and Hebei Province, the structural reform of the supply front as well as the acceleration of the transformation of central city area, construction of sub-town centre, transfer of the industrial functions as a capital city and structural adjustment of the industry of Beijing, the Company took the initiative to adapt to the "new normal" status by adhering to the main theme of maintaining stability while making progress. It has also strengthened its works in various aspects, including explore potentials and cut costs, enhance quality and efficiency, integration and restructuring, transformation and upgrading, optimization of business layout and driving innovation, so that it was able to complete all production and operation

MANAGEMENT DISCUSSION AND ANALYSIS

target in a more effective way. Major economic indicators have witnessed significant growth and key projects were making good progress. The development of the overall economy continued to display sound improvement amidst stability.

During the Reporting Period, the Group's operating revenue was RMB23,446.8 million, among which operating revenue from principal business was RMB23,156.0 million, representing a year-on-year increase of 30.0%. Total profit was RMB2,361.4 million, representing a year-on-year increase of 54.9%. Net profit was RMB1,601.3 million, representing a year-on-year increase of 56.7%. Net profit attributable to the shareholders of the parent company was RMB1,821.1 million, representing a year-on-year increase of 73.8%.

Analysis of the Operation of Business Segments

(I) Cement and Ready-Mixed Concrete Segment

The Company further promoted the strategic restructuring and integration of the industries in the same region, maintained market order in regional markets and improved the relationship between regional supply and demand. The Company strived to enhance its profitability by deepening the implementation of unified management, exploring potentials and cutting costs, launching innovative marketing models as well as controlling and cutting accounts receivable and procurement costs. Meanwhile, efforts were also made to expedite transformation and upgrading, highlight environmental protection, strengthen technological innovation and enhance operating control and benchmark management.

During the Reporting Period, the cement and ready-mixed concrete segment recorded revenue from its principal business of RMB5,096.3 million, a year-on-year decrease of 0.9%, with gross profit from its principal business of RMB766.3 million, a year-on-year increase of 13.3%. The consolidated sales volume of cement and clinker amounted to 20.3 million tonnes, a year-on-year increase of 18.7%, among which cement sales volume was 17.5 million tonnes and clinker sales volume was 2.8 million tonnes, while the aggregate gross profit margin for cement and clinker was 9.7%, a year-on-year decrease of 1.0 percentage points. Total sales volume of concrete amounted to 5.7 million cubic metres, a year-on-year increase of 9.6%, while the gross profit margin for concrete was 15.9%, a year-on-year increase of 5.3 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Modern Building Materials and Commerce and Logistics Segment

The Company deepened enterprise diagnosis and commenced a special campaign named “Cut Costs and Expenses while Increasing Production and Sales Volume”, with a view to enhancing the management level and profitability of the enterprise. The Company further accelerated the transformation and upgrading of the enterprise and the transfer of production capacities of Beijing in a systematic manner, so as to increase the quality of the economic operation effectively. In addition, the Company has launched innovative operation models for bulk commodity business and strengthened risk prevention and control in order to achieve stable operation.

During the Reporting Period, Modern Building Materials and Commerce and Logistics Segment recorded revenue from its principal business of RMB5,160.5 million, a year-on-year increase of 0.7%, with gross profit from its principal business of RMB457.0 million, a year-on-year decrease of 10.1%. Among which, the modern building materials manufacturing sector recorded revenue from its principal business of RMB1,280 million, a year-on-year decrease of 14.4%; while the commerce and logistics sector recorded revenue from its principal business of RMB3,881 million, a year-on-year increase of 7.0%.

(III) Property Development Segment

The Company constantly and consistently adhered to the guideline of “adjustment to two structures (兩個結構調整)” and “accelerating cash flow (好水快流)”. It successfully carried out works for the pilot reform of the real estate development segment, with a view to effectively establishing an organisational structure managed and controlled by city companies, further enhancing management efficiencies, capitalizing regional advantages and strengthening growth momentums. The Company also optimized its management system by increasing its efforts on the study of policies and market controls. It also focused on improving the operating capability of projects by leveraging the overall advantages brought by collaboration. During the Reporting Period, projects including “Huixingyuan (匯星苑)”, “Huijingyuan (匯景苑)”, “Changheyuan (暢和園)” and “Jinyu Tianyuanwai (金隅田員外)” in Hangzhou were completed and delivered; projects including “Jinyu Zijinfu (金隅紫金府)” in Nanjing, “Jinyu Hefu (金隅和府)” in Qingdao and “Dachengjun (大成郡)” in Shanghai continued to record robust sales; projects including “Phase II of Jinyufu (金玉府二期)”, “Nankou housing with a price cap (南口限價房)” and “Nanqili (南七里)” in Hefei commenced construction successfully; the construction of the main structure of “Phase III of Jinyu Feili (金隅翡麗三期)” project was completed ahead of schedule. The Company successfully obtained the entitlements of the land project of a dairy cattle farm in Pukou District, Nanjing City. It also entered into a strategic cooperation agreement with the government of Dongcheng District in Beijing to jointly operate the Beijing Nanluoguxiang project.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the property development segment recorded revenue from its principal business of RMB11,726.6 million, a year-on-year increase of 80.6%, while the gross profit from its principal business was RMB3,583.3 million, a year-on-year increase of 21.8%. The booked GFA was 728,300 sq.m., a year-on-year increase of 82.9%, among which booked GFA of commodity housing amounted to 634,800 sq.m., a year-on-year increase of 73.3%, and booked GFA of affordable housing amounted to 93,500 sq.m., a year-on-year increase of 195.0%. Aggregated contracted sales area of the Company was 506,600 sq.m., a year-on-year increase of 41.4%, among which aggregate contracted sales area for commodity housing amounted to 436,200 sq.m., a year-on-year increase of 38.5%, and aggregate contracted sales area for affordable housing amounted to 69,800 sq.m., a year-on-year increase of 62.7%. As at the end of the Reporting Period, the Company had land reserve with a total area of 7,501,500 sq.m.

(IV) Property Investment and Management Segment

Thanks to the Company's continuous optimization of operating mode and improvement of service quality, operating efficiency was enhanced significantly and the segment maintained steady and orderly development. High-end commercial real estate projects such as office buildings realized steady improvement both in terms of rentals and occupancy rate. Revenue and profit from the principal business of hotels and apartments reached a historical high. The Company will further establish its brand as a high-end and professional brand for property management services, with a view to facilitating the sustainable development of commercial property operation. Community properties adopted a flat management approach so as to effectively control operational risks.

During the Reporting Period, the property investment and management segment recorded revenue from its principal business of RMB1,408.3 million, a year-on-year increase of 11.4%, and gross profit from its principal business of RMB935.6 million, a year-on-year increase of 14.1%. As at the end of the Reporting Period, the Company had investment properties with a total area of 732,800 sq.m. in the core districts of Beijing, with consolidated average occupancy rate of 95.5% and consolidated average rental unit price of RMB7.66/sq.m./day.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment properties held by the Group as at 30 June 2016

			Property		Rental	Average	Unit
	Location	Usage	Gross Area	Fair Value	Unit Price	Occupancy	Fair Value
			(thousand sq.m.)	(RMB million)	(RMB/day)	Rate	(RMB/sq.m.)
Phase 1 of Global Trade Centre	North Third Ring Road, Beijing	Commercial	120.5	3,063.4	11.3	94.5%	25,423
Phase 2 of Global Trade Centre	North Third Ring Road, Beijing	Commercial	172.1	3,098.8	8.34	99.5%	18,006
Phase 3 of Global Trade Centre (Ground Floor Commercial)	North Third Ring Road, Beijing	Retail	71.7	1,122.6	7.17	92.9%	15,657
Tengda Plaza	West Second Ring Road, Beijing	Commercial	84.3	1,573.7	9.18	97.8%	18,668
Jin Yu Mansion	West Second Ring Road, Beijing	Commercial	44.8	1,008.3	9.32	95.5%	22,507
Jianda Building and Beijing Building Materials Trading Centre	East Second Ring Road, Beijing	Commercial	59.4	1,256.1	5.32	99.9%	21,146
Dacheng Building	West Second Ring Road, Beijing	Commercial	42.8	962.8	9.49	98.4%	22,496
	Sub-total		595.6	12,085.8			20,292
Other properties	Beijing Municipality	Commercial and retail	137.2	2,806.2			20,456
	Total		732.8	14,892.0		95.5%	20,322

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 using future earnings approach and market-based approach on an open market and existing use basis.

No depreciation or amortisation of investment properties is made by the Company. 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 RMB447.2 million, accounting for 18.9% of the profit before tax. The year-on-year increase of gains from changes in fair value of investment properties of 71.6% during the Reporting Period from the same period in the previous year was mainly due to an upward adjustment to the gains from changes in fair value of the investment properties by the valuer as a result of a year-on-year acceleration in rental growth of investment properties in the open market during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Selling expenses, administrative expenses and finance cost

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

- (1) Selling expenses were RMB724.1 million in the first half of 2016, an increase of RMB20.3 million year-on-year. Such increase was mainly attributable to a year-on-year increase in agency intermediary fee and transportation expenses.
- (2) Administrative expenses were RMB1,522.2 million in the first half of 2016, an increase of RMB56.2 million year-on-year. Such increase was mainly attributable to a year-on-year increase in employee remuneration and tax.
- (3) Finance costs were RMB708.0 million in the first half of 2016, an increase of RMB23.8 million year-on-year. Such increase was mainly attributable to a year-on-year increase in handling fees.

3. Cash flows

In the first half of 2016, a net decrease of RMB2,648.6 million in cash and cash equivalents was recognised in the consolidated financial statements of the Group, of which net cash outflow generated from operating activities was RMB1,645.1 million; net cash outflow generated from investment activities was RMB4,736.8 million; net cash inflow generated from financing activities was RMB3,730.7 million; and the effect of changes in exchange rate on cash and cash equivalents increased by RMB2.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Core Competitiveness Analysis

The Company is one of the 12 large cement enterprises that received key support from the Central Government, and the biggest cement manufacturer and supplier in the region covering Beijing, Tianjin and Hebei Province. Benefiting from the unique geographical advantages and national strategy of synergetic development of Beijing, Tianjin and Hebei Province, and the synchronized development plan of Beijing and Tianjin, the Company has developed notable advantages 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 circular economy. As one of the largest affordable housing developers in Beijing, the Company owns low-cost land reserve for development and abundant industrial land reserve in first-tier cities. Also, the Company is a leading supplier of green, eco-friendly and energy-saving building materials in the Bohai Rim 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 has developed a unique vertically integrated core industrial chain. This core industrial chain is in the form of “cement and ready-mixed concrete – modern building materials manufacturing and commerce and logistics – property development – property investment and management”, resulting in a unique industrial chain development model with all four major business segments incorporated. With acceleration of industrial transformation and upgrading, the cement industry has turned from a grey industry to a green one, while the industry’s development layout has shifted from the development of single product to the development of comprehensive industrial chain. By leveraging the advantages accumulated in the manufacture of green building materials, the Company extends its industrial chain upward and downward and expands toward property development. While focusing on business collaboration and high-end development, the Company has developed toward the modern service sectors, including modern property management services and financial services. Taking advantage of the characteristics of the real estate development industry of large amount of funds and great demand for products, the Company, through market behaviors, drove the application of modern building materials, cement, concrete and other products as well as the

MANAGEMENT DISCUSSION AND ANALYSIS

development of relevant businesses such as design, fitting-out and property management services. The Company, by enhancing the product quality and service capacity of modern building materials and property management services sector, has enhanced its competitiveness and further promoted the quality of real estate projects. By continuously capitalizing on its competitive edges in property operation and high-end property management services in terms of brand, operation, management and techniques, the Company has succeeded in the promotions of values of real estate for both commercial and residential purposes and cutting inventories. Meanwhile, the real estate development industry has pioneered market of the target region backed by various resources and advantages accumulated in the implementation of the “go global” strategy of the cement and building material industries. Different business segments support and promote the development of each other with significant synergistic effect and overwhelming advantages as a whole. Competitive edges in scale centralizing on the industrial chain, coordination among and integration of different segments have been cumulating.

- 2 Competitive Edge in Technology R&D: The Company enhances its overall strength through technology innovation and continues to increase investment in technology R&D, which gives the Company a sharp edge in the industry in respect of technologies. Technology innovation nurtures new economic growth point and strengthens the momentum of industrial development for the Company. The Company owns a state-level enterprise technology center, and obtained the approval to establish science association and academician and expert service centre. BBMG Academia Sinica was approved as a post-doctoral scientific research workstation, and enterprises including Academy of Scientific Research were approved as Beijing International Science and Technology Cooperation Base. The Company established the technology innovation system of “1+N+X” with BBMG Academia Sinica, professional R&D institutions as well as the enterprise’s technology centre, engineering centre and key laboratory as its core players. The Company also established a mature cooperation mechanism of “production, study, research and application” with tertiary institutes and scientific research institutions including the Peking University, Beijing University of Technology and University of Science & Technology Beijing. In addition, the Company established and improved the system of dispatching chief technology officer, realizing the localization, regionalization, normalization of technical support service. The Company built technology innovation platforms of various levels including the academician workstation, the municipal-level technology cooperation base and the state-level testing centre.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2016, the Company had an investment of approximately RMB360 million in technology, with a few technological innovation projects making good progress. Among which, Beijing Liulihe Cement Co., Ltd. had actively developed its “tailored-made cement” business and the newly-developed cement products had been applied to the construction of the new airport main terminal in Beijing; Hebei BBMG Dingxin Cement Co., Ltd. had strengthened its product innovation with six special cement products of four major types launched into the market, including Portland cement for nuclear power; Tianjin BBMG Concrete Co., Ltd. had succeeded in the experiment in respect of the vertical pumping of C130 high-strength high-performance cement through a 880-meter high-rise pumping pipe, which is the first case of the same sort in the industry in China, while its terminal started the modulation of the intelligent project; Qinyang BBMG Cement Co., Ltd. was recognized as National Technology Centre for Circular Economy (全國循環經濟技術中心), while Handan BBMG Taihang Cement Co., Ltd. received the title of High New Technology Enterprise in Hebei Province; BBMG GEM Real Estate Development Co., Ltd. had actively promoted the industrialization of residential properties and the development and practice of modern residential properties, such as passive residential properties and environmentally-friendly residential properties, as well as the related technology; the Company’s subsidiaries, such as Guangling Jinyu Cement Co., Ltd., had basically completed the construction of energy management centres and the construction in relation to energy efficiency enhancement and integration. The above measures successfully boosted technology innovation and created new conditions for the Company to further promote industrial transformation and upgrade and to build an innovation-driven environment.

- 3 Competitive Edge in Sustainable Development of Green Operations: Based on the synergistic development of Beijing, Tianjin and Hebei Provinces and Beijing’s objective of developing “people-oriented Beijing, high-tech Beijing and green Beijing”, 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 protection management, with an aim to accelerating its pace towards transformation and upgrading and embarking on a sustainable path for green development. As one of the first pilot enterprises in China to develop circular economy, the Company cooperates with the government to build a

MANAGEMENT DISCUSSION AND ANALYSIS

garbage pollution-free city by promoting the circular economy model with “resources-products-wastes-renewable resources” as its core procedure. The Company has accumulated a wealth of experience in the synergetic use of cement kiln for the disposal of waste and has developed a comprehensive scientific research system that focuses on hazard-free disposal of urban waste. In addition, the Company independently developed, built and operated a number of environmental protection facilities, including the first demonstration line of utilizing cement kiln for hazard-free disposal of industrial solid waste in China, the first production line applying the synergetic use of cement kiln for the disposal of fly ashes from garbage incineration in China, 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, 10,000 tonnes of fly ashes and over 40 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 modern 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, which are environmentally-friendly, energy-saving and low-carbon with heat-insulation, heat preservation and fireproof features. The Company successfully formulated quality and quantity standards for the transformation and upgrading of manufacturing enterprises, efficiently promoted the standardization of environmental protection, the environmental self-supervision and examination as well as the rectification and implementation mechanism for the enterprise, which maximize the Company’s economic and resource usage efficiencies. 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”, a distinctive honor in the environmental protection field. The Company was the only enterprise to win the “Green Ecology Media Award” under the Beijing Influence Award. Beijing Cement Plant Co., Ltd., Beijing Liulihe Cement Co., Ltd. and Tianjin Zhenxing Cement Co., Ltd., all of which are subsidiaries of the Company, were among the first batch of enterprises recognized as “Energy Conservation and Emission Reduction Model Enterprises” in the building material sector in China.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2016, the Company had formulated the “General Plan for Adjustment and Transformation of Cement Enterprises in Beijing” (《在京水泥企業調整轉型總體方案》). Meanwhile, all of the cement enterprises in Beijing had been transformed into environmentally-friendly technology companies and were successfully included in the scope of management of city environmental services and facilities. Beijing Liulihe Cement Co., Ltd. had obtained the approval from the government for its project in respect of the processing of 30,000 tonnes of fly ashes. Currently, the production line for fly ashes has met the production standards and reached its full capacity, and eventually over-achieved its targets; Beijing Cement Plant Co., Ltd. has further accelerated its transformation towards an environmentally-friendly enterprise and stepped up its efforts in waste-handling, with the volume of solid waste processed exceeding 7,000 tonnes per month; the transformation project of Beijing Chinefarge Cement Co., Ltd., a demonstration project in which the company will be successfully transformed from a traditional cement manufacturer into a production-type service provider, is well underway. In addition, with focus on the acceleration of the transformation and upgrading of cement plants outside Beijing, the projects regarding the synergetic use of cement kiln for the disposal of hazardous waste had been officially implemented by various subsidiaries, including Chengde BBMG Cement Co., Ltd. and Quyang Jinyu Cement Co., Ltd.; Handan BBMG Taihang Cement Co., Ltd.’s project in relation to synergetic hazard-free disposal of household garbage and Zanhuang BBMG Cement Co., Ltd.’s demonstration project in relation to synergetic hazard-free disposal of sludge have passed the environmental assessment.

- 4 Competitive Edge in Industry-Finance Integration: BBMG Finance Co., Ltd. and BBMG Finance Lease Co., Ltd. offer a new platform to enhance the Company’s overall capital operational efficiency, diversify financing channels and prevent capital risks, thereby facilitating the organic integration between industry capital and financial capital. By broadly cooperating with various banks and financial institutions, the Company has explored and adopted a wide variety of financing methods, including non-public offering, corporate bonds and convertible bonds. The multi-level and multi-channel financing approach effectively improves capital operational capacity and management efficiency, and further reduces financing costs.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2016, the Company seized the favourable timing offered by the prevailing capital market to successfully issue two tranches of ultrashort financing bonds in an aggregate amount of RMB5,000,000,000 and successfully completed the public issue of corporate bonds in an aggregate amount of RMB5,000,000,000 to qualified investors, among which, 16 Jinyu 01 has a final coupon rate as low as 3.12%, which has enhanced the operation safety and assets mobility of the Company, bettered the structure of assets and liabilities of the Company in an effective way and improved the capability for sustainable development. Meanwhile, the Company continued to strengthen the cooperation with financial institutions by commencing both non-public and public issue of corporate bonds in an amount of not more than RMB5,000,000,000 each. The Company further diversified the investment methods, expanded the financing channels and further strengthened capital protection for its overall development.

- 5 Competitive Edge in Corporate Culture and Branding: The Company has established a scientific model for the control and management of corporate culture and improved the management procedures of the same. The Company forms core values of “faith, respect and responsibility” under the basic framework for the core essence of BBMG’s corporate culture which is composed of human spirits of “three emphasis and one endeavor”, “integration, communion, mutual benefit and prosperity”, “eight specials” and “boost enterprise growth with practical actions”. The Company established a comprehensive talent-fostering project to form BBMG’s talent cultural concept of “adopting people-oriented approach for everyone to develop their talents”, and established and improved the mechanism to foster, appoint, evaluate, encourage and exchange talents, thereby strengthening the employees’ loyalty, sense of identity and sense of belonging to the enterprise, as well as igniting and maintaining the powerful momentum to effectively drive the development of the enterprise. According to China’s 500 Most Valuable Brands issued by the World Brand Lab, BBMG’s brand value has exceeded RMB40 billion and “BBMG” has been consecutively honored as a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's consolidated total assets amounted to RMB136,122.2 million, an increase of 4.1% from the beginning of the Reporting Period, which comprised total liabilities of RMB92,629.2 million, minority interests of RMB3,742.6 million and total equity attributable to the shareholders of the parent company of RMB39,750.4 million. As at 30 June 2016, total shareholders' equity amounted to RMB43,493.0 million, an increase of 3.1% from the beginning of the Reporting Period. As at 30 June 2016, the Group's net current assets were RMB27,850.4 million, an increase of RMB3,701.4 million from the beginning of the Reporting Period. Debt ratio (total liabilities to total assets) was 68.0%, an increase of 0.3 percentage point from the beginning of the Reporting Period.

As at 30 June 2016, the Group's cash and bank balances amounted to RMB17,204.4 million, a decrease of RMB1,165.5 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 2016, the Group's interest-bearing bank borrowings amounted to RMB26,233.3 million (as at 31 December 2015: RMB25,504.6 million) and bore fixed interest rates and were all denominated in Renminbi. Of these borrowings, approximately RMB17,644.2 million interest-bearing bank borrowings were due for repayment within one year, a decrease of approximately RMB971.8 million from the beginning of the Reporting Period. Approximately RMB8,589.1 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB1,700.5 million from the beginning of the Reporting Period.

During the Reporting Period, the Company signed cooperation agreements with various banks to obtain credit facilities. As at the end of the Reporting Period, the Company was granted total bank credit facilities of RMB55,300 million and drew down borrowings of RMB21,700 million. The balance of credit facilities was RMB33,600 million. During the Reporting Period, the Company had repaid the principal and interest of borrowings as scheduled. The Company has sufficient capital for its operation. As at 30 June 2016, the Group had no future plans for material investments or capital assets.

PROPOSED ISSUE OF BONUS SHARES AND CHANGE IN BOARD LOT SIZE

The Company conducted a bonus share issue on the basis of one bonus share for every one existing share on 17 June 2016 (for H shares) and 7 July 2016 (for A shares). After completion of the bonus share issue, the issued share capital of the Company increased to 10,677,771,134 shares (comprising 2,338,764,870 H Shares and 8,339,006,264 A Shares). On 20 June 2016, the board lot size of the H shares of the Company was also changed from 500 H shares to 1,000 H shares. Please refer to the announcement of the Company dated 23 March 2016 and the circular of the Company dated 25 April 2016 for further details of the proposed issue of bonus shares and change in board lot size.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE 2013 PROPOSED PLACING AND THE 2015 PROPOSED PLACING

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

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

On 26 March 2015, the Board resolved and proposed to place A shares of the Company to raise gross proceeds of up to RMB5,000 million to not more than 10 target subscribers (including BBMG Group) (the **"2015 Proposed Placing"**) to finance the resident and commercial property development projects of the Group in Beijing, Nanjing and Tianjin and to supplement the working capital of the Group, details of which have been set out in the announcements of the Company dated 26 March 2015, 1 April 2015, 4 May 2015, 27 May 2015, 11 June 2015, 26 June 2015, 28 July 2015, 12 August 2015, 20 August 2015, 18 September 2015 and 28 October 2015 and the circular of the Company dated 30 April 2015. At the annual general meeting for 2014 held on 27 May 2015 and the first extraordinary general meeting for 2015 held on 12 August 2015, the relevant resolutions in relation to the 2015 Proposed Placing were duly passed.

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2016, the Company had utilized the proceeds from the 2013 Proposed Placing and the 2015 Proposed Placing of RMB7,294,542,644.73 (including the use of idle proceeds of RMB7,950,000,000.00 as temporary replenishment of working capital, repayment of RMB4,767,600,000.00 to the designated account for proceeds with working capital, the actual use of RMB4,107,604,563.47 of the proceeds, intermediary fee paid of RMB4,504,100.00 and bank charges paid of RMB33,981.26), and obtained interest earned from depositing of RMB7,220,717.85. The balance of the proceeds was RMB133,418,062.88, including the intermediary fee unpaid of RMB3,624,960.00.

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

According to the Management System of Proceeds, regarding the 2013 Proposed Placing and the 2015 Proposed Placing, the Company and Beijing Aerated Concrete Co., Ltd., BBMG (Dachang) Modern Industrial Park Management Co., Ltd., Beijing BBMG Tiantan Furniture Co., Ltd., BBMG GEM Real Estate Development Co., Ltd., Jinyu Ligang (Tianjin) Property Development Co., Ltd. and BBMG Nanjing Real Estate Development Co., Ltd., all being wholly-owned subsidiaries of the Company, have established designated saving accounts for the proceeds raised from the 2013 Proposed Placing and the 2015 Proposed Placing respectively. Upon the receipt of the proceeds raised from the 2013 Proposed Placing and the 2015 Proposed Placing, the Company entered into a Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (《募集資金專戶存儲三方監管協議》) with the bank and the sponsor for the joint supervision over the use of proceeds. The principal terms of the agreement are in line with the Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (Template) (《募集資金專戶存儲三方監管協議(範本)》) issued by the Shanghai Stock Exchange with no significant discrepancy. As of 30 June 2016, the parties to the agreement had exercised their rights and performed their obligations in accordance with the requirements of the Tri-Party Supervisory Agreement for Designated Saving Accounts of Proceeds Raised.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2016, the deposit of the designated account for proceeds from 2013 Proposed Placing and 2015 Proposed Placing of the Company was as follows:

				Unit: RMB
No.	Name of bank	Bank account	Account holder	Deposit as of 30 June 2016
1	Bank of Communications Co., Ltd., Beijing Municipal Branch	110060149018170182242	The Company	22,333,091.9
2	Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch	0200203319020196563	The Company	82,837.17
3	Industrial and Commercial Bank of China Limited, Shijingshan Branch	0200013419200040504	Beijing Aerated Concrete Co., Ltd. (北京市加氣混凝土有限責任公司)	7,942,607.38
4	China Construction Bank Corporation, Dachang Sub-branch	13001707748050506500	BBMG (Dachang) Modern Industrial Park Management Co., Ltd. (大廠金隅現代工業園管理有限公司)	1,927,203.26
5	ICBC, Beijing Anzhen Branch	0200064819024649727	Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天壇家具股份有限公司)	27,131,710.44
6	CCB, Beijing Urban Construction Development Professional Branch	11050138360000000048	BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	5,789,886.67
7	CCB, Beijing Urban Construction Development Professional Branch	11050138360000000047	BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	25,965,039.36
8	Agricultural Bank of China Limited, Tianjin Yong'an Road Branch	02280101040015072	Jinyu Ligang (Tianjin) Property Development Co., Ltd. (金隅麗港(天津)房地產開發有限公司)	37,910,921.9
9	Agricultural Bank of China Limited, Nanjing Xinglong Street Branch	10109201040009981	BBMG Nanjing Real Estate Development Co., Ltd. (金隅南京房地產開發有限公司)	4,334,764.8
Total				133,418,062.88

MANAGEMENT DISCUSSION AND ANALYSIS

The Company strictly followed the Management System of Proceeds when using the proceeds from the 2013 Proposed Placing and 2015 Proposed Placing. The details of the actual use of proceeds as of 30 June 2016 were as follows:

Breakdown of Use of Proceeds as of 30 June 2016

Unit: RMB'000

Committed investment project	Changed project	Total committed investment from proceeds	Total investment adjustment	Total investment after adjustment	Committed investment amount as of the end of the period (1)	Investment during the year	Accumulated investment amount as of the end of the period (2)	Investment amount as of the end of the period (3)=(2)-(1)	Investment progress as of the end of the period (%) (4)=(2)/(1)	Date of project ready for its intended use	Achieved results during the year	Achieve the intended results or not	Significant changes in project feasibility	Reason for failure to reach the scheduled progress
Engineering project of BBMG international logistics park (北京金隅國際物流園工程項目)	-	97,953.00	97,953.00	97,953.00	97,953.00	10,175.48	40,986.31	56,966.69	41.84%	It is expected to be completed in December 2016	-	-	No	-
Production line project with an annual production capacity of 0.8 million pieces of furniture (年產80萬件家具生產線項目)(Note 1)	-	181,551.00	90,000.00	90,000.00	90,000.00	9,268.09	51,220.25	38,779.75	56.91%	It is expected to be completed in November 2016	-	-	No	-
Replenishment of working capital	-	-	89,520.59	89,520.59	89,520.59	-	89,520.59	-	100.00%	-	-	-	No	-
Chaoyang District Chaoyang North Road (Former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project (朝陽區朝陽北路(原星輝建築用品廠)B01、B02、B03地塊二期居住、中小學校、托幼用地項目)(Note 2)	-	170,000.00	170,000.00	170,000.00	170,000.00	24,751.74	57,895.61	112,104.39	34.06%	It is expected to be completed in August 2017	-	-	No	-
Chaoyang District Dongda Dandian secondary residential and primary school project (朝陽區東單二期居住、小學用地項目)	-	50,000.00	50,000.00	50,000.00	50,000.00	7,423.84	32,131.02	17,668.98	64.26%	It has been basically completed	-	-	No	-
BBMG Zhongbei Town residential project (金隅中北鎮住宅項目)(Note 3)	-	100,000.00	100,000.00	100,000.00	100,000.00	20,533.91	38,761.13	61,238.87	38.76%	It is expected to be completed in April 2019	-	-	No	-
Nanjing City Jianye District Xinlong Street North A2 project (南京市建邺區興隆大街北側A2項目)	-	60,000.00	60,000.00	60,000.00	60,000.00	0	60,000.00	0	100.00%	-	-	-	No	-
Replenishment of working capital	-	749,504.00	741,261.09	741,261.09	741,261.09	77,365.56	410,760.46	330,500.63	55.41%	-	-	-	-	-
Total	-	749,504.00	741,261.09	741,261.09	741,261.09	77,365.56	410,760.46	330,500.63	55.41%					

Total proceeds
Change in use of total proceeds:
Proportion of change in use of total proceeds:

749,504.00 Total proceeds used for investment during the year
89,520.59 Total accumulated proceeds used for investment
12%

77,382.20
321,266.51

MANAGEMENT DISCUSSION AND ANALYSIS

Note 1: The difference between committed investment before and after fund raising of the production line project with an annual production capacity of 0.8 million pieces of furniture was due to the deduction of issuance expense of RMB20.3041 million, as well as the deduction of RMB895.2059 million from the change in proceed-financed project. As of the date of this report, the committed investment proceeds for the production line project with an annual production capacity of 0.8 million pieces of furniture changed to RMB900 million. Such change was considered and approved at the 2014 annual general meeting of the Company.

Note 2: The difference between committed investment before and after fund raising of Chaoyang District Chaoyang North Road (Former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project was due to the deduction of issuance expense of RMB62.1250 million.

Note 3: BBMG Zhongbei Town residential project has been basically completed, but is still required to settle part of the remaining balance in relation to certain construction, procurement and installation.

The Company did not have any prepayment for investment projects and replacement in relation to the proceeds during the reporting period.

Use of idle proceeds for temporary replenishment of working capital during the reporting period

(I) 2013 Proposed Placing

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

According to the "resolution for considering the temporary supplement of working capital by certain idle proceeds" considered and passed at the eighteenth meeting of the third session of the Board held on 14 April 2015, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, the independent non-executive directors and the Supervisory Board of the Company agreed with the resolution and made an announcement accordingly.

As at 18 March 2016, the Company had returned in full the proceeds of RMB2,200 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds and made an announcement accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

2 Use of idle proceeds for temporary replenishment of working capital

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the fourth meeting of the fourth session of the Board held on 23 March 2016, the Company agreed to use RMB900 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, the independent non-executive directors and the Supervisory Board of the Company agreed with the resolution and made an announcement accordingly.

(II) 2015 Proposed Placing

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the second meeting of the fourth session of the Board held on 26 December 2015, the Company agreed to use RMB2,650 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, the independent non-executive directors and the Supervisory Board of the Company agreed with the resolution and made an announcement accordingly.

The Company did not change any of the proceeds-financed projects during the Reporting Period.

MAJOR TRANSACTION AND PROPOSED SPIN-OFF

On 15 April 2016, the Company entered into a framework agreement (the “**Framework Agreement**”) with State-owned Assets Supervision and Administration Commission of Tangshan* (唐山市人民政府國有資產監督管理委員會) (“**Tangshan SASAC**”) and Jidong Development Group Co., Ltd.* (冀東發展集團有限責任公司) (“**Jidong Development**”) in relation to (i) the possible acquisition of not less than 51% equity interests in Jidong Development by the Company (the “**Equity Restructuring**”); and (ii) the possible injection of cement and concrete businesses into Tangshan Jidong Cement Co., Ltd.* (唐山冀東水泥股份有限公司) (“**Jidong Cement**”) by the Company and/or Jidong Development (the “**Asset Restructuring**”). For further details of the Framework Agreement, please refer to the announcement of the Company dated 17 April 2016.

* for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

On 31 May 2016, the Company entered into the following agreements in relation to the Equity Restructuring: (i) the capital increase agreement (the “**Capital Increase Agreement**”) with Tangshan SASAC and Jidong Development, pursuant to which the Company has agreed to subscribe for the registered share capital of Jidong Development at the consideration of RMB4,750,000,000, of which RMB1,239,752,040 will be injected into Jidong Development as its paid-up capital and RMB3,510,247,960 will be its capital reserve; and (ii) the equity transfer agreement (the “**Equity Transfer Agreement**”) with Zhongtai Trust Co., Ltd.* (中泰信託有限責任公司) (“**Zhongtai Trust**”), pursuant to which the Company has agreed to purchase, and Zhongtai Trust has agreed to sell, its 10% equity interests in Jidong Development at the consideration of RMB475,000,000. Upon completion of the Equity Restructuring, Jidong Development will become a non-wholly owned subsidiary of the Company. For further details of the Capital Increase Agreement and the Equity Transfer Agreement, please refer to the announcement of the Company dated 31 May 2016.

On 29 June 2016, the Company entered into the share issuance and asset purchase agreement (the “**Share Issuance and Asset Purchase Agreement**”) with Jidong Cement in relation to the Asset Restructuring, pursuant to which the Company has agreed to dispose of, and Jidong Cement has agreed to purchase, the relevant cement and concrete businesses and assets (the “**Subject Assets**”) held by the Company at the disposal consideration subject to the terms and conditions of the Share Issuance and Asset Purchase Agreement. To settle the disposal consideration, Jidong Cement will issue consideration shares to the Company at the issue price of RMB9.31 per share (subject to adjustment).

As the minority shareholders of certain subsidiaries engaging in the manufacturing and sale of cement and ready-mixed concrete (the “**Entrustment Companies**”) have not consented to the transfer of the equity interests in the Entrustment Companies by the Company to Jidong Cement and giving up of their right of first refusal, these Entrustment Companies will not be subject to transfer under the Asset Restructuring. The Company undertakes that the equity interests in the Entrustment Companies will be transferred to Jidong Cement for cash consideration in the event minority shareholders’ consent is obtained in the future. To prevent business competition with Jidong Cement, on 29 June 2016, the Company entered into the entrustment agreement (the “**Entrustment Agreement**”) with Jidong Cement, pursuant to which the Company shall entrust Jidong Cement to manage all rights other than ownership and income right of the Entrustment Companies, including but not limited to shareholders’ voting right of the Entrustment Companies, and right of appointment or choice of the managers. Except where the Company has consented in writing, Jidong Cement shall not dispose

* for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

of the Entrustment Companies, including creating pledges or third-party interests in other forms. Pursuant to the Entrustment Agreement, the Company shall pay Jidong Cement a fixed entrustment fee of RMB1,000,000 per annum and floating entrustment fees equivalent to the 10% of the net profit of the relevant Entrustment Companies for the year, multiplied by the percentage of the relevant equity interests held by the Company. For further details of the Share Issuance and Asset Purchase Agreement and the Entrustment Agreement, please refer to the announcement of the Company dated 29 June 2016.

In connection with the Asset Restructuring, the valuation of the mining assets of the Subject Assets proposed to be transferred by the Company in consideration for the subscription of shares in Jidong Cement (the “**Target Mining Rights**”) was based on future profit forecast. In accordance with the Administrative Measures on Significant Asset Restructuring of Listed Companies and related regulations of the CSRC, the Company is required to provide profit compensation undertaking for Jidong Cement in relation to the Target Mining Rights under the Asset Restructuring. On 6 July 2016 and 12 July 2016, the Company entered into the profit compensation agreement and the profit compensation supplemental agreement (collectively, the “**Profit Compensation Agreements**”) with Jidong Cement respectively. For further details of the Profit Compensation Agreements, please refer to the announcements of the Company dated 6 July 2016 and 12 July 2016.

The transfer of the Subject Assets by the Company to Jidong Cement in exchange for the issue of the consideration shares pursuant to the Share Issuance and Asset Purchase Agreement constitutes a spin-off (the “**Proposed Spin-off**”) pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Company has submitted a spin-off proposal to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) pursuant to Practice Note 15 in relation to the Proposed Spin-off. On 4 August 2016, the Hong Kong Stock Exchange granted approval to the Company in relation to the requirements under Practice Note 15 for the Proposed Spin-off.

For further details of the Equity Restructuring, Asset Restructuring and the Proposed Spin-off, please refer to the circular of the Company dated 29 July 2016 and the announcements of the Company dated 13 July 2016, 15 July 2016, 19 July 2016, 3 August 2016, 4 August 2016 and 10 August 2016.

At the 2016 first extraordinary general meeting of the Company held on 15 August 2016, the resolutions, among others, for the Equity Restructuring, Asset Restructuring and Profit Compensation Agreements have been duly passed.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

	As at 30	Unit: RMB
	June 2016	As at 31
	(Unaudited)	December 2015
		(Audited)
Contracted but not provided for		
Capital commitments	434,019,547.24	361,924,923.37
Property development contracts	10,435,216,898.88	8,413,910,062.16
	10,869,236,446.12	8,775,834,985.53

CONTINGENCIES

	As at 30	Unit: RMB
	June 2016	As at 31
	(Unaudited)	December 2015
		(Audited)
Provision of guarantee to third parties (Note)	9,269,980,077.95	5,669,464,952.49

Note: 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.

PLEDGE OF ASSETS

As at 30 June 2016, certain of the Group's inventories, fixed assets, investment properties, intangible assets (land use rights) and bills receivable totaling RMB12,417.2 million (as at 31 December 2015: RMB11,337.6 million) were pledged to secure the short-term and long-term loans of the Group, which accounted for approximately 9.1% of the total assets of the Group (as at 31 December 2015: 8.7%).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 30 June 2016, the Group had 28,779 employees in total (as at 31 December 2015: 28,619). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB902.0 million (for the six months ended 30 June 2015: RMB892.7 million), representing an increase of approximately 1.0%. 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 PRC laws and regulations. The Group pays salaries to its 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.

TRAINING SCHEME

The Company's training scheme mainly encompasses theoretical study classes for department heads and cadres in factories, training for three lines of backup talent teams, training for grassroots party workers, that for party representatives, that for senior corporate operation and management personnel, that for league secretary, that for orientation of college graduates, that for human resource managers, continuing education for legal advisers, training for special operating personnel, that in standardized environmental construction and implementation plans, that in petition business and that for chief employees.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates its business in the PRC. During the Reporting Period, sales proceeds and procurement expenses of the Group were mainly denominated in RMB. Most of the Group's financial instruments such as accounts and bills 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 to the Group or have any significant effects on its operations or working capital during the Reporting Period. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

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

SUBSTANTIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, save as disclosed above under the section headed "Major Transaction and Proposed Spin-off", the Group had not conducted any substantial acquisition or disposal of subsidiaries, associates and joint ventures that were required to be disclosed.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

As at the date of this report, the Group did not have any significant events after balance sheet date required to be disclosed.

OTHER INFORMATION

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

As at 30 June 2016, the total issued share capital of the Company was 6,508,268,002 shares, of which 4,169,503,132 were A Shares and 2,338,764,870 were H Shares. 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	Beneficial owner	4,797,357,572 (Note 2)	57.53	44.93
	Beijing State-owned Capital Operation and Management Center (Note 1)	Held by controlled corporation	4,797,357,572 (Note 2)	57.53	44.93
	State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1)	Held by controlled corporation	4,797,357,572 (Note 2)	57.53	44.93
H Shares	JPMorgan Chase & Co.	Beneficial owner	70,460,716 (Note 2)	3.01	0.66
		Investment manager	217,990,000 (Note 2)	9.32	2.04
		Custodian corporation/ approved lending agent	227,362,400 (Note 2)	9.72	2.13
H Shares	FMR LLC	Investment manager	252,207,500 (Note 2)	10.78	2.36
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	250,276,512 (Note 2)	10.70	2.34
H Shares	BlackRock Global Funds	Person having a security interest in shares	183,620,000 (Note 2)	7.85	1.72
H Shares	Sloane Robinson LLP	Investment manager	140,994,000 (Note 2)	6.03	1.32

OTHER INFORMATION

Lending pool:

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 (%)
H Shares	JPMorgan Chase & Co.	Custodian-corporation/ approved lending agent	113,681,200 (Note 2)	4.86	1.06

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 (%)
H Shares	JPMorgan Chase & Co.	Beneficial owner	3,851,000 (Note 2)	0.16	0.04
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	1,764,000 (Note 2)	0.08	0.02

Note 1: BBMG Group is a wholly-owned subsidiary of Beijing State-owned Capital Operation and Management Center (the "Center"). The Center is a collectively-owned enterprise established under the laws of the PRC with registered capital fully paid up by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Note 2: As the Company conducted a bonus share issue on the basis of one bonus share for every one existing share on 17 June 2016 (for H shares) and 7 July 2016 (for A shares), the number of shares in the table had been calculated by the Company based on the latest filings made by the substantial shareholder as at 30 June 2016, and as appropriate, multiplied by two. The shareholding percentages were based on the assumption that the total number of shares upon completion of the bonus issue of A shares would be 10,677,771,134 Shares (comprising 2,338,764,870 H Shares and 8,339,006,264 A Shares) as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, 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.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests or short positions of the Company's Directors, supervisors or chief executives in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name	Position	Capacity and nature of interest	Number of Shares held	Type of shareholding	Percentage of such shareholding in the same type of issued share capital (%)	Percentage of total issued share capital (%)
Jiang Deyi (Note 1)	Director and President	Beneficial owner	63,000 Shares (Note 2)	A Shares	0.00%	0.00%
Wu Dong	Director	Beneficial owner	60,000 Shares (Note 2)	A Shares	0.00%	0.00%
Zhang Jianli	Director	Beneficial owner	41,800 Shares (Note 2)	A Shares	0.00%	0.00%
Li Weidong (Note 1)	Director	Beneficial owner	51,200 Shares (Note 2)	A Shares	0.00%	0.00%

All the shareholding interests listed in the above table are "long" positions.

Note 1: On 5 August 2016, Jiang Deyi resigned as the President and an executive director of the Company, and Li Weidong resigned as an executive director of the Company.

Note 2: As the Company conducted a bonus share issue on the basis of one bonus share for every one existing share on 17 June 2016 (for H shares) and 7 July 2016 (for A shares), the number of shares in the above table had been calculated by the Company based on the latest filings made by the Directors as at 30 June 2016, and as appropriate, multiplied by two. The shareholding percentages were based on the assumption that the total share capital upon completion of the bonus issue of A shares would be 10,677,771,134 Shares (comprising 2,338,764,870 H Shares and 8,339,006,264 A Shares) as at 30 June 2016.

OTHER INFORMATION

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

- (1) The Board received a resignation letter from Mr. Wang Shizhong because of his work re-designation on 19 February 2016 in respect of his duty as an executive Director of the Company and a member of the Strategic Committee with effect from 19 February 2016.
- (2) The Board received a resignation letter from Mr. Jiang Deyi because of his work adjustment on 5 August 2016 in respect of his duty as the president of the Company with effect from 5 August 2016.
- (3) The Board received a resignation letter from Mr. Li Weidong because of his work re-designation on 5 August 2016 in respect of his duty as an executive Director of the Company and a member of the Strategic Committee with effect from 5 August 2016.
- (4) The Board received a resignation letter from Mr. Shi Xijun because of his work re-designation on 26 August 2016 in respect of his duty as an executive Director of the Company and a member of the Audit Committee with effect from 26 August 2016.

Model Code for Securities Transactions by Directors and Supervisors

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

As at 30 June 2016, the Directors were not aware of any issues of the Directors, supervisors and relevant employees not in compliance with the Model Code during the six months ended 30 June 2016. Specific enquiry has been made to all Directors and supervisors, who have confirmed that they had complied with the Model Code during the Reporting Period.

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

The Group did not sell, repurchase or redeem any of the securities of the Company during the six months ended 30 June 2016.

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. During the Reporting Period, the Company had reviewed its corporate governance documents and the Board is of the view that the Company had fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules other than Code provision A.2.1, which requires that the roles of chairman and chief executive officer should be two separate roles and should not be performed by the same individual. Since 1 July 2015, Mr. Jiang Deyi has served as the Chairman as well as the President of the Company. Despite such deviation, the Directors believe that vesting such roles in Mr. Jiang Deyi will allow for more effective planning and execution of business strategies of the Company. As all major decisions are made in consultation with other members of the Board, the Company believes that there is appropriate balance of power and authority in place.

The Board received a resignation letter from Mr. Jiang Deyi because of his work adjustment on 5 August 2016 in respect of his duty as the President of the Company with effect from 5 August 2016. The Board has also approved the appointment of Mr. Zeng Jin as the President of the Company on 5 August 2016, for a term commencing from 5 August 2016 and expiring on the date of the annual general meeting of the Company for the year 2017. The Board also proposed to appoint Mr. Zeng Jin as an executive director of the Company. According to the Articles of Association of the Company, the appointment of Mr. Zeng Jin is subject to shareholders' approval at a general meeting. The Company will further announce the relevant general meeting arrangement for the proposed appointment of Mr. Zeng Jin as an executive director of the Company in due course. Accordingly, the Company has complied with code provision A.2.1 of Appendix 14 to the Listing Rules since 5 August 2016. For details of the resignation of Mr. Jiang Deyi as the President of the Company and the proposed appointment of Mr. Zeng Jin as the President of the Company, please refer to the announcement of the Company dated 5 August 2016.

BOARD COMPOSITION

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

OTHER INFORMATION

The Board received a resignation letter from Mr. Wang Shizhong because of his work re-designation on 19 February 2016 in respect of his duty as an executive director of the Company and a member of the Strategic Committee with effect from 19 February 2016. After the Reporting Period, the Board also received a resignation letter from Mr. Li Weidong because of his work re-designation on 5 August 2016 in respect of his duty as an executive director of the Company and a member of the Strategic Committee with effect from 5 August 2016; on 26 August 2016, the Board received a resignation letter from Mr. Shi Xijun because of his work re-designation in respect of his duty as an executive director of the Company and a member of the Audit Committee with effect from 26 August 2016.

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 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 2016, 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 2016, 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 fund managers and analysts in various regions. 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 release of interim and annual results. 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 news media interviews with the management of the Group, 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.bbm.com.cn/listco) as the platform to communicate with the public. The Group regularly updates the website contents, disseminates the latest corporate updates and 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***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 2015) 8,339,006,264 shares (as at 29 August 2016 upon the completion of the issue of bonus shares)
Stock code	601992.SH

H Shares

Listing date	29 July 2009
Stock Exchange	Hong Kong Stock Exchange
Board lot	1,000 Shares
Number of issued H Shares	1,169,382,435 shares (as at 30 June 2015) 2,338,764,870 shares (as at 29 August 2016 upon the completion of the issue of bonus shares)
Stock code	02009.HK

2. Financial Calendar

2015 annual results announcement	published on 23 March 2016
2016 first quarterly results announcement	published on 26 April 2016
2016 interim results announcement	published on 29 August 2016
2015 annual general meeting	held on 18 May 2016
Closure of register of H shares members to determine the eligibility to attend the 2015 annual general meeting	19 April 2016 – 18 May 2016
Financial year end	31 December

OTHER INFORMATION

3. Dividends

2015 final dividends	RMB0.03 per share (inclusive of applicable tax) (or equivalent to HK\$0.0357 per share for H Shares)
Closure of register of H shares members to determine the entitlement to the 2015 final dividends	26 May 2016 – 31 May 2016
Payment of 2015 final dividends of H Shares	18 July 2016

4. Issue of Bonus Shares and Change in Board Lot Size

Book closure period for H Shares for determining entitlement to Bonus Shares	26 May 2016 to 31 May 2016
Dispatch of certificates for Bonus H Shares	17 June 2016
Effective date of change of board lot size from 500 to 1,000 H Shares each	20 June 2016
Commencement of dealing in Bonus H Shares in board lots of 1,000 Shares each	20 June 2016

For any queries, please contact:

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Beijing 100013
The People's Republic of China

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

OTHER INFORMATION

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 executive Director and four independent non-executive Directors. At the meeting convened on 29 August 2016, the Audit Committee had reviewed the unaudited interim consolidated financial statements for the six months ended 30 June 2016. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, considered the Group's financial statements for the first half of 2016 and recommended their adoption by the Board.

As at 29 August 2016, members of the Audit Committee are Mr. Zhang Jianli (executive Director), Mr. Wang Guangjin (independent non-executive Director), Mr. Tian Lihui (independent non-executive Director), Mr. Tang Jun (independent non-executive Director) and Mr. Ngai Wai Fung (independent non-executive Director). Mr. Tian Lihui is the chairman of the Audit Committee.

Auditors

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

Report on Review of Interim Financial Statements



Ernst & Young Hua Ming (2016) Zhuan Zi No. 60667053_A33

To the shareholders of BBMG Corporation:

We have reviewed the accompanying financial statements of BBMG Corporation, which comprise the consolidated and company balance sheets as at 30 June 2016, 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 notes to the financial statements (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 Standard on Review Engagements for CPAs of China 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 any 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: **Ma Yue**

Chinese Certified Public Accountant: **Liu Xuejin**

Beijing, the PRC

29 August 2016

Unaudited Interim Consolidated Balance Sheet

	Note V	As at 30 June 2016 RMB	As at 31 December 2015 RMB
Assets			
Current assets			
Cash and bank balances	1	17,204,382,213.00	18,369,880,691.10
Bills receivable	2	2,160,594,347.01	2,197,924,429.70
Accounts receivable	3	6,435,953,517.16	6,882,068,508.58
Advances to suppliers	4	3,722,850,459.78	3,615,007,054.08
Interests receivable	5	–	6,716,763.51
Dividends receivable	6	5,741,700.00	3,922,700.00
Other receivables	7	2,631,082,977.14	1,998,699,709.21
Inventories	8	56,002,916,149.84	54,007,187,185.94
Other current assets	9	2,082,672,821.58	2,254,225,698.11
Total current assets		90,246,194,185.51	89,335,632,740.23
Non-current assets			
Available-for-sale financial assets	10	604,367,250.00	604,367,250.00
Long-term receivables	11	966,981,132.08	–
Long-term equity investments	12	291,044,124.42	305,693,498.67
Investment properties	13	14,891,986,324.09	14,444,803,327.98
Fixed assets	14	17,580,442,608.82	18,141,169,689.04
Construction in progress	15	1,687,096,780.51	1,249,188,812.32
Construction materials	16	6,931,417.93	7,281,479.06
Intangible assets	17	4,015,870,362.89	4,087,252,597.86
Goodwill	18	258,366,898.28	258,366,898.28
Long-term deferred expenditures	19	408,774,326.13	404,769,379.15
Deferred income tax assets	20	1,607,327,340.94	1,423,631,430.99
Other non-current assets	21	3,556,835,545.08	484,547,210.58
Total non-current assets		45,876,024,111.17	41,411,071,573.93
Total assets		136,122,218,296.68	130,746,704,314.16

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Balance Sheet (continued)

	Note V	As at 30 June 2016 RMB	As at 31 December 2015 RMB
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	23	16,964,173,130.73	16,805,996,379.53
Bills payable	24	367,714,927.78	436,477,804.74
Accounts payable	25	8,426,237,255.63	8,625,713,523.10
Receipts in advance	26	16,979,530,457.16	19,034,031,504.51
Wages payable	27	103,588,988.27	118,602,647.04
Tax payable	28	1,315,112,633.46	1,464,513,273.35
Interests payable	29	532,390,548.89	429,133,043.75
Dividends payable	30	284,157,390.00	55,274,219.13
Other payables	31	3,445,331,682.31	3,078,563,379.11
Short-term financing bonds payable	35	7,000,000,000.00	6,000,000,000.00
Non-current liabilities due within one year	32	885,707,814.88	3,907,504,794.13
Other current liabilities	33	6,091,832,572.24	5,230,763,450.32
Total current liabilities		62,395,777,401.35	65,186,574,018.71
Non-current liabilities			
Long-term borrowings	34	8,589,100,000.00	6,888,600,000.00
Bonds payable	35	17,000,000,000.00	12,000,000,000.00
Long-term payables	36	15,023,067.18	19,054,327.53
Long-term wages payable	37	445,821,939.00	457,687,351.00
Accrued liabilities	38	202,528,582.62	136,446,352.28
Deferred income	39	613,688,012.65	628,921,179.69
Deferred income tax liabilities	20	2,765,715,122.91	2,645,986,691.73
Other non-current liabilities	40	601,559,996.42	601,559,996.42
Total non-current liabilities		30,233,436,720.78	23,378,255,898.65
Total liabilities		92,629,214,122.13	88,564,829,917.36

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Balance Sheet (continued)

	Note V	As at 30 June 2016 RMB	As at 31 December 2015 RMB
Shareholders' equity			
Share capital	41	5,338,885,567.00	5,338,885,567.00
Other equity instruments	42	990,000,000.00	990,000,000.00
Capital reserve	43	11,581,663,988.37	11,579,704,575.56
Other comprehensive income	44	208,844,277.40	206,047,349.73
Specific reserve	45	10,594,802.52	8,896,481.87
Surplus reserve	46	1,053,285,969.67	1,053,285,969.67
Provision for general risks	47	74,524,605.00	59,993,193.86
Retained earnings	48	<u>20,492,607,375.25</u>	<u>18,846,160,038.86</u>
Total equity attributable to shareholders of the parent company		39,750,406,585.21	38,082,973,176.55
Minority interests		<u>3,742,597,589.34</u>	<u>4,098,901,220.25</u>
Total shareholders' equity		<u>43,493,004,174.55</u>	<u>42,181,874,396.80</u>
Total liabilities and shareholders' equity		<u>136,122,218,296.68</u>	<u>130,746,704,314.16</u>

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Income Statement

	Note V	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
Operating revenue	49	23,446,783,708.59	18,056,290,640.79
Less: Operating costs	49	17,621,384,491.95	13,107,106,371.02
Business tax and surcharges	50	891,810,000.02	1,006,148,156.47
Selling expenses	51	724,144,708.76	703,873,139.55
Administrative expenses	52	1,522,244,341.36	1,465,997,581.26
Finance costs	53	708,011,578.48	684,185,255.43
Asset impairment losses	54	235,358,195.62	25,856,388.20
Add: Gains from changes in fair value	55	447,182,996.11	260,611,970.35
Investment losses	56	(11,593,967.67)	(12,579,115.88)
Including: Losses from investment in associates and joint ventures		(11,768,428.97)	(12,636,756.41)
Operating profit		2,179,419,420.84	1,311,156,603.33
Add: Non-operating income	57	209,466,642.57	245,682,418.40
Including: Gain on disposal of non-current assets		7,329,967.04	3,344,742.68
Less: Non-operating expenses	58	27,464,754.78	32,141,893.22
Including: Loss on disposal of non-current assets		2,516,014.49	5,322,143.01
Total profit		2,361,421,308.63	1,524,697,128.51
Less: Income tax expenses	60	760,138,314.35	503,095,443.62
Net profit		1,601,282,994.28	1,021,601,684.89
Net profit attributable to shareholders of the parent company		1,821,145,314.54	1,047,743,415.43
Minority interests		(219,862,320.26)	(26,141,730.54)

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Income Statement (continued)

	Note V	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
Other comprehensive income (net of tax)			
Other comprehensive income (net of tax) attributable to shareholders of the parent company	44	<u>2,796,927.67</u>	<u>1,437.58</u>
Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting periods Changes arising from re-measurement of net liabilities or net assets of defined benefit plans		<u>-</u>	<u>-</u>
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting periods Exchange differences on foreign currency translation		<u>2,796,927.67</u>	<u>1,437.58</u>
Other comprehensive income (net of tax) attributable to minority interests		<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,604,079,921.95</u>	<u>1,021,603,122.47</u>
Including:			
Total comprehensive income attributable to shareholders of the parent company		<u>1,823,942,242.21</u>	<u>1,047,744,853.01</u>
Total comprehensive income/(losses) attributable to minority interests		<u>(219,862,320.26)</u>	<u>(26,141,730.54)</u>

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Income Statement (continued)

	Note V	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
Earnings per share	61		
Basic earnings per share (RMB/share)		<u>0.34</u>	<u>0.22</u>
Diluted earnings per share (RMB/share)		<u>0.34</u>	<u>0.22</u>

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

RMB	Equity attributable to shareholders of the parent company										Total equity
	Share capital	Perpetual bonds	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Minority interests		
	5,338,885,567.00	990,000,000.00	11,579,704,575.56	8,886,481.87	1,035,285,969.67	59,993,193.86	18,846,160,038.86	38,082,973,176.55	4,098,901,220.25	42,181,874,396.80	
1. Balance at the beginning of the period	-	-	206,047,343.73	-	-	-	1,821,145,314.54	1,823,942,242.21	(219,862,320.26)	1,604,079,921.95	
2. Movements during the period											
(1) Total comprehensive income	-	-	-	-	-	-	-	-	12,000,000.00	12,000,000.00	
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	(16,107,358.02)	(16,107,358.02)	
1. Capital contribution from minority shareholders	-	-	1,959,412.81	-	-	-	-	1,959,412.81	-	-	
2. Acquisition of minority interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	
(3) Profit distribution	-	-	-	-	-	-	(160,166,567.01)	(160,166,567.01)	(133,376,471.38)	(293,543,038.39)	
1. Dividend to shareholders	-	-	-	-	-	-	(14,531,411.14)	(14,531,411.14)	-	-	
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	
(4) Specific reserve	-	-	-	13,885,811.86	-	-	-	13,885,811.86	2,825,167.67	16,710,979.53	
1. Appropriated during the period	-	-	-	(12,187,491.21)	-	-	-	(12,187,491.21)	(1,782,648.92)	(13,970,140.13)	
2. Paid during the period	-	-	-	-	-	-	-	-	-	-	
3. Balance at the end of the period	5,338,885,567.00	990,000,000.00	208,844,277.40	10,594,802.52	1,035,285,969.67	74,524,605.00	20,492,407,375.25	39,750,406,585.21	3,742,597,589.34	43,493,004,174.55	

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2015

RMB	Equity attributable to shareholders of the parent company							Minority interests	Total equity	
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings			Subtotal
1. Balance at the beginning of the period	4,784,640,284.00	7,898,685,039.67	234,799,933.63	7,925,485.30	828,495,276.27	37,637,667.87	17,315,084,511.06	31,107,268,197.80	5,140,119,943.63	36,247,388,141.43
2. Movements during the period	-	-	1,437.58	-	-	-	1,047,743,415.43	1,047,744,853.01	(26,141,730.54)	1,021,603,122.47
(1) Total comprehensive income	-	-	1,437.58	-	-	-	1,047,743,415.43	1,047,744,853.01	(26,141,730.54)	1,021,603,122.47
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	21,000,000.00	21,000,000.00
1. Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	(1,107,727,336.23)	(1,107,727,336.23)
2. Capital reduction from minority shareholders	-	(392,272,663.77)	-	-	-	-	-	(392,272,663.77)	-	(1,500,000,000.00)
3. Deemed acquisition of minority interests	-	255,100.30	-	-	-	-	-	255,100.30	(255,100.30)	-
4. Business combination not under common control	-	-	-	-	-	-	-	-	163,779,066.67	163,779,066.67
(3) Profit distribution	-	-	-	-	-	-	(239,232,014.20)	(239,232,014.20)	(82,238,365.18)	(321,470,379.38)
1. Dividend to shareholders	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	8,945,882.98	(8,945,882.98)	-	-	-
(4) Specific reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriated during the period	-	-	-	9,589,912.52	-	-	-	9,589,912.52	2,631,179.27	12,221,091.79
2. Paid during the period	-	-	-	(4,219,027.52)	-	-	-	(4,219,027.52)	(1,115,015.90)	(5,334,043.42)
3. Balance at the end of the period	4,784,640,284.00	7,506,667,476.20	234,801,371.21	13,296,370.30	828,495,276.27	46,583,550.85	18,114,650,029.31	31,529,134,358.14	4,110,052,641.42	35,639,186,999.56

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Statement of Cash Flows

	Note V	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		19,539,144,727.71	18,477,868,557.25
Refunds of taxes		72,296,804.15	87,845,469.63
Net decrease in deposits placed with the Central Bank		–	481,753,512.78
Cash received from other operating activities	62	451,648,385.56	488,730,697.57
Subtotal of cash inflows from operating activities		20,063,089,917.42	19,536,198,237.23
Cash paid for goods and services		15,741,110,900.86	13,902,208,086.60
Net increase in deposits placed with the Central Bank		221,180,113.25	–
Cash paid to and on behalf of employees		1,613,404,627.11	1,760,638,399.38
Cash paid for all types of taxes		2,154,499,455.22	2,069,817,519.35
Cash paid for other operating activities	62	1,978,023,104.46	1,729,583,192.70
Subtotal of cash outflows from operating activities		21,708,218,200.90	19,462,247,198.03
Net cash flows from operating activities	63(1)	(1,645,128,283.48)	73,951,039.20
II. Cash flows from investing activities			
Cash received from return on investments		1,236,406.58	340,202.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,487,630.08	16,697,354.04
Cash received from other investing activities	62	–	93,590,000.00
Subtotal of cash inflows from investing activities		14,724,036.66	110,627,556.41
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		767,358,455.35	956,739,991.04
Cash paid for acquisition of investments		3,014,147,945.21	–
Net cash paid for acquisition of subsidiaries and other business entities	63(2)	–	196,534,880.00
Cash paid relating to other investing activities	62	970,000,000.00	24,500,000.00
Subtotal of cash outflows from investing activities		4,751,506,400.56	1,177,774,871.04
Net cash flows used in investing activities		(4,736,782,363.90)	(1,067,147,314.63)

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Consolidated Statement of Cash Flows (continued)

	Note V	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
III. Cash flows from financing activities			
Cash received from capital contributions		12,000,000.00	21,000,000.00
<i>Including: Cash received by subsidiaries from minority interests</i>		12,000,000.00	21,000,000.00
Cash received from borrowings		8,694,800,000.00	7,014,896,037.45
Cash received from issuance of bonds		10,000,000,000.00	4,500,000,000.00
Subtotal of cash inflows from financing activities		18,706,800,000.00	11,535,896,037.45
Cash paid for repayment of borrowings		7,966,123,248.80	6,774,842,707.79
Cash paid for distribution of dividends or profits or for interest expenses		1,109,955,510.23	1,288,656,796.95
<i>Including: Dividends and profits paid by subsidiaries to minority interests</i>		7,195,626.95	10,854,240.19
Cash paid for redemption of bonds		5,900,000,000.00	5,600,000,000.00
Subtotal of cash outflows from financing activities		14,976,078,759.03	13,663,499,504.74
Net cash flows used in financing activities		3,730,721,240.97	(2,127,603,467.29)
IV. Effect of changes in exchange rate on cash and cash equivalents		2,626,890.83	944,765.54
V. Net decrease in cash and cash equivalents		(2,648,562,515.58)	(3,119,854,977.18)
Add: Cash and cash equivalents at the beginning of the period		11,213,584,868.55	6,479,735,571.22
VI. Cash and cash equivalents at the end of the period	63(3)	8,565,022,352.97	3,359,880,594.04

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Balance Sheet

	Note XV	As at 30 June 2016 RMB	As at 31 December 2015 RMB
Assets			
Current assets			
Cash and bank balances		5,718,341,411.88	8,307,879,520.89
Accounts receivable		1,088,365.90	1,475,647.10
Interests receivable		619,779,130.48	514,835,805.73
Dividends receivable		2,796,782,071.85	2,115,301,793.57
Other receivables	1	34,153,778,548.52	32,078,773,920.10
Other current assets		10,432,916.87	4,258,369.41
Total current assets		43,300,202,445.50	43,022,525,056.80
Non-current assets			
Available-for-sale financial assets		200,000.00	200,000.00
Long-term equity investments	2	26,753,799,868.21	25,287,352,565.89
Investment properties	3	9,698,995,324.09	9,399,343,431.98
Fixed assets		1,322,341,428.77	1,356,131,023.87
Intangible assets		432,579,504.41	439,323,833.78
Deferred income tax assets		124,318,160.31	108,754,719.36
Other non-current assets		3,000,000,000.00	–
Total non-current assets		41,332,234,285.79	36,591,105,574.88
Total assets		84,632,436,731.29	79,613,630,631.68
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		15,610,000,000.00	15,410,000,000.00
Accounts payable		7,883,071.33	7,883,071.33
Advances from customers		112,951,890.78	108,520,447.23
Wages payable		85,430.15	85,430.15
Taxes payable		8,183,908.30	4,470,007.37
Interest payable		526,043,743.93	423,624,547.80
Dividends payable		124,129,734.53	21,427,408.09
Other payables		4,283,425,461.38	4,258,315,417.14
Short-term financing bonds payable		7,000,000,000.00	6,000,000,000.00
Non-current liabilities due within one year		680,000,000.00	2,863,054,949.10
Other current liabilities		7,233.77	7,233.77
Total current liabilities		28,352,710,474.17	29,097,388,511.98

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Balance Sheet (continued)

	As at 30 June 2016 RMB	As at 31 December 2015 RMB
Non-current liabilities		
Long-term loans	6,212,600,000.00	6,216,600,000.00
Bonds payable	17,000,000,000.00	12,000,000,000.00
Long-term wages payable	437,365,249.78	448,670,717.78
Deferred income	710,000.00	–
Deferred income tax liabilities	1,965,094,594.23	1,890,181,621.20
Total non-current liabilities	25,615,769,844.01	20,555,452,338.98
Total liabilities	53,968,480,318.18	49,652,840,850.96
Shareholders' equity		
Share capital	5,338,885,567.00	5,338,885,567.00
Other equity instruments	990,000,000.00	990,000,000.00
Capital reserve	12,013,740,469.82	12,013,740,469.82
Other comprehensive income	31,669,377.79	31,669,377.79
Surplus reserve	1,053,285,969.67	1,053,285,969.67
Retained earnings	11,236,375,028.83	10,533,208,396.44
Total shareholders' equity	30,663,956,413.11	29,960,789,780.72
Total liabilities and shareholders' equity	84,632,436,731.29	79,613,630,631.68

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Income Statement

	Note XV	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
Operating revenue	4	488,636,066.12	425,731,974.44
Less: Operating costs	4	33,313,749.98	42,383,293.09
Business tax and surcharges		19,057,385.40	23,686,939.56
Selling expenses		16,105,773.00	13,665,334.47
Administrative expenses		103,452,887.82	96,900,413.77
Finance costs		388,710,398.51	341,173,015.16
Asset impairment loss		(1,330,781.12)	–
Add: Gain from changes in fair value		299,651,892.11	113,149,130.35
Investment income	5	687,123,912.32	(10,243,464.41)
Including: Share of losses of associates and joint ventures		(11,534,797.68)	(13,114,464.41)
Operating profit		916,102,456.96	10,828,644.33
Add: Non-operating income		6,581,956.02	2,808,483.33
Including: Gain on disposal of non-current assets		–	103,550.00
Less: Non-operating expenses		1,681.50	5,369,544.00
Including: Loss on disposal of non-current assets		1,681.50	–
Total profit		922,682,731.48	8,267,583.66
Less: Income tax expenses		59,349,532.08	(5,203,992.11)
Net profit		863,333,199.40	13,471,575.77

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Income Statement (continued)

	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
Other comprehensive income (net of tax)	—	—
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	—	—
Total comprehensive income	863,333,199.40	13,471,575.77

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Statement of Changes in Equity

For the six months ended 30 June 2016

RMB	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
	Share capital	Including: Perpetual bonds					
I. Balance at the end of the previous period	<u>5,338,885,567.00</u>	<u>990,000,000.00</u>	<u>12,013,740,469.82</u>	<u>31,669,377.79</u>	<u>1,053,285,969.67</u>	<u>10,533,208,396.44</u>	<u>29,960,789,780.72</u>
II. Movements during the period							
(1) Total comprehensive income	-	-	-	-	-	863,333,199.40	863,333,199.40
(2) Profit distribution							
1. Dividend to shareholders	-	-	-	-	-	(160,166,567.01)	(160,166,567.01)
III. Balance at the end of the period	<u>5,338,885,567.00</u>	<u>990,000,000.00</u>	<u>12,013,740,469.82</u>	<u>31,669,377.79</u>	<u>1,053,285,969.67</u>	<u>11,236,375,028.83</u>	<u>30,663,956,413.11</u>

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Statement of Changes in Equity (continued)

For the six months ended 30 June 2015

RMB	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
I. Balance at the beginning of the period	<u>4,784,640,284.00</u>	<u>7,930,110,712.98</u>	<u>62,510,991.79</u>	<u>828,495,276.27</u>	<u>8,749,324,170.04</u>	<u>22,355,081,435.08</u>
II. Movements during the period						
(1) Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,471,575.77</u>	<u>13,471,575.77</u>
(2) Profit distribution						
1. Dividend to shareholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(239,232,014.20)</u>	<u>(239,232,014.20)</u>
III. Balance at the end of the period	<u>4,784,640,284.00</u>	<u>7,930,110,712.98</u>	<u>62,510,991.79</u>	<u>828,495,276.27</u>	<u>8,523,563,731.61</u>	<u>22,129,320,996.65</u>

The financial statements have been signed by:

Legal representative:
Jiang DeyiCFO:
Chen GuogaoHead of the accounting department:
Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Statement of Cash Flows

	Note XV	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		497,205,397.37	447,549,005.84
Cash received from other operating activities	6	11,871,418,743.94	14,394,205,842.86
Subtotal of cash inflows from operating activities		12,368,624,141.31	14,841,754,848.70
Cash paid for goods and services		7,120,426.14	17,967,052.06
Cash paid to and on behalf of employees		30,822,821.86	34,579,645.87
Cash paid for all types of taxes		70,895,019.92	74,214,043.31
Cash paid for other operating activities	6	13,423,945,973.53	15,319,202,614.47
Subtotal of cash outflows from operating activities		13,532,784,241.45	15,445,963,355.71
Net cash flows used in operating activities	7(1)	(1,164,160,100.14)	(604,208,507.01)
II. Cash flows from investing activities			
Cash received from return on investments		19,796,000.00	34,755,459.12
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	7,104,580.00
Subtotal of cash inflows from investing activities		19,796,000.00	41,860,039.12
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,775,470.02	33,537,213.64
Cash paid for acquisition of investments		4,480,748,742.19	299,034,880.00
Subtotal of cash outflows from investing activities		4,483,524,212.21	332,572,093.64
Net cash flows used in investing activities		(4,463,728,212.21)	(290,712,054.52)

The notes on pages 68 to 266 form an integral part of these financial statements.

Unaudited Interim Statement of Cash Flows (continued)

	For the six months ended 30 June 2016 RMB	For the six months ended 30 June 2015 RMB
III. Cash flows from financing activities		
Cash received from borrowings	7,680,000,000.00	7,500,000,000.00
Cash received from issuance of bonds	10,000,000,000.00	4,500,000,000.00
Subtotal of cash inflows from financing activities	17,680,000,000.00	12,000,000,000.00
Cash paid for repayment of borrowings	7,774,000,000.00	5,970,000,000.00
Cash paid for distribution of dividends and profits or for interest expenses	967,746,438.85	1,172,908,501.32
Cash paid for redemption of bonds	5,900,000,000.00	5,600,000,000.00
Subtotal of cash outflows from financing activities	14,641,746,438.85	12,742,908,501.32
Net cash flows used in financing activities	3,038,253,561.15	(742,908,501.32)
IV. Effect of changes in exchange rate on cash and cash equivalents	-	-
V. Net increase in cash and cash equivalents	(2,589,634,751.20)	(1,637,829,062.85)
Add: Cash and cash equivalents at the beginning of the period	8,258,522,946.00	3,965,411,184.97
VI. Cash and cash equivalents at the end of the period	5,668,888,194.80	2,327,582,122.12

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The notes on pages 68 to 266 form an integral part of these financial statements.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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 and was established on 22 December 2005. The Renminbi-denominated ordinary shares (A shares) and H shares of the Company are listed on the Shanghai Stock Exchange (“**Shanghai Stock Exchange**”) and The Stock Exchange of Hong Kong Limited (“**Stock Exchange of Hong Kong**”), respectively. The Company’s headquarters is located at No. 36, North Third Ring East Road, Dongcheng District, Beijing.

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

The Group’s parent and ultimate holding company is Beijing BBMG Group Co., Ltd. (“**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 29 August 2016.

The scope of consolidated financial statements was determined on the basis of control. Refer to Note VI. for changes during the period.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The interim financial statements are prepared in accordance with the requirements as stipulated in Accounting Standards for Business Enterprises No. 32 – Interim Financial Statements, and do not contain all the information and disclosed content in the audited financial statements for 2015. Therefore, the interim financial statements shall be read together with the audited financial statements for 2015 which were prepared by the Group according to the Accounting Standards for Business Enterprises.

The financial statements are presented on a going concern basis.

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES

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

1. Statement of compliance with Accounting Standards for Business Enterprises

The interim financial statements are prepared in accordance with the Accounting Standards for Business Enterprises No. 32 – Interim Financial Statements and present fairly and fully the financial position of the Company and the Group as at 30 June 2016 and their financial performance and cash flows for the six months ended 30 June 2016. The accounting policies adopted in the preparation of the interim financial statements are the same as those adopted in the financial statements of last year which were prepared in accordance with the Accounting Standards for Business Enterprises.

2. 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 2016 to 30 June 2016.

3. Functional currency

The Company'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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

4. Business combinations

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

Business combinations under common control

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

4. Business combinations *(continued)*

Business combinations not under common control

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

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

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

For a business combination not under common control achieved in stages, the equity interest in the acquiree before the acquisition date will be remeasured at fair value on the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; previously held equity interests in the acquiree involving other comprehensive income under the equity method will be subject to accounting treatment on the same basis as direct disposal of underlying assets or liabilities by the investee, and other changes in shareholders' equity will be reclassified as profit or loss for the period in which the acquisition date falls, except for net profit or loss, other comprehensive income and profit distribution.

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries as of 30 June 2016. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural entity controlled by the Company, etc.) that is controlled by the Company.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

5. Consolidated financial statements *(continued)*

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

Where the amount of losses for the current period attributed to the 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 minority interests.

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

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

The Group reassesses whether or not it controls an investee if facts or circumstances indicate that there are changes to one or more elements of control.

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

6. Classification of joint arrangements and joint operation

Joint arrangements are divided into joint operation and joint venture. Joint operation refers to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations of the liabilities relating to the arrangement. Joint venture refers to a joint arrangement whereby the parties that have joint control of the arrangement only have rights to the net assets of the arrangement.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand for payment purposes. Cash equivalents are short-term, highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

8. Foreign currency transactions and translation of financial statements prepared in foreign currencies

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

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period established by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the asset.

Classification and measurement of financial assets

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

9. Financial instruments *(continued)*

Classification and measurement of financial assets (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

9. Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Available-for-sale financial assets

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

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

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

9. Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

Other financial liabilities

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet to the extent that there is a currently enforceable legal right to offset the recognised amounts and that there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of each financial asset. If there is objective evidence indicating a financial asset may be impaired, a provision is made for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Objective evidence that a financial asset is impaired includes: significant financial difficulty of the issuer or obligor; a breach of contract by the obligor, such as a default or delinquency in interest or principal payments; it becoming probable that the obligor will become bankrupt or carry out other financial reorganisations; and observable data indicating that there is a measurable decrease in the estimated future cash flows of the obligor.

Financial assets carried at amortised cost

If impairment on a financial asset has occurred, the carrying amount of the asset is reduced to the present value of the expected future cash flows through a deduction item (excluding future credit losses that have not been incurred). Impairment is recognised in profit or loss for the current period. The present value of the expected future cash flows is discounted at the financial asset's original effective interest rate (i.e. effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income of the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss. Loans and receivables together with any associated provision for impairment are written off when there is no realistic prospect of future recovery and all collaterals have been realised or have been transferred to the Group.

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

9. Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

If, subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery can be objectively related to an event occurring after the impairment was recognised, the previously 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 on the date the impairment is reversed.

Available-for-sale financial assets

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

Objective evidence that an available-for-sale equity instrument investment is impaired includes a significant or prolong decline in fair value. "Significant" is evaluated against the extent that the fair value is less than the cost, while "prolong" is evaluated by the length of duration when the fair value is less than the cost. Where there is objective evidence that a financial asset is impaired, the transferred cumulative loss is calculated using its acquisition cost less its current fair value and any impairment loss previously recognised in profit or loss. Impairment losses for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. Increase in their fair value after impairment is recognised directly in other comprehensive income.

The determination of what is "significant" and "prolong" requires judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost.

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

Financial assets carried at cost

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

9. Financial instruments *(continued)*

Transfers of financial assets

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

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

Continuing involvement that takes the form of a financial guarantee over the transferred financial asset is measured at the lower of the carrying amount of the financial asset and the amount of financial guarantee. The amount of financial guarantee refers to the maximum amount of consideration that the Group could be required to repay.

10. Receivables

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

10. Receivables *(continued)*

(2) *Receivables that are assessed for bad debt provision by group of credit risk characteristics*

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

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

11. Inventories

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

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

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

The Group adopts a perpetual inventory system.

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

12. Non-current assets classified as held for sale

Save for financial assets, deferred income tax assets and investment properties measured at fair value, the integral part of an entity (or non-current assets) that meets all of the following criteria is classified as held for sale:

- (1) the integral part of an entity (or non-current assets) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such integral part;
- (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-revocable transfer agreement has been signed with the transferee;
- (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 or accounted for using equity method, 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

13. Long-term equity investments

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

A long-term equity investment is initially measured at its initial investment cost on acquisition. For a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the carrying amount of the absorbing party's share of the owner's equity of the party being absorbed on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted against capital reserve (where the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). Other comprehensive income prior to the date of the merger is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. The initial investment cost of the long-term equity investment is the cost of acquisition for a business combination not under common control (for a business combination not under common control achieved in stages, the initial investment cost is measured at the carrying amount of the equity investments in the acquiree before the acquisition date plus the additional investment cost incurred on the acquisition date). The cost of combination includes the assets transferred and the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued. Other comprehensive income held prior to the date of the acquisition and recognised using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. Any change in accumulated fair value of the equity investment held prior to the date of the acquisition included in other comprehensive income as financial instruments are transferred to profit or loss for the current period in full when the cost method is adopted. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: (i) if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; (ii) if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; (iii) if acquired by exchange of non-monetary assets, the initial investment cost is determined in accordance with Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

For a long-term equity investment where the Company can exercise control over the investee, the long-term equity investment is accounted for using the cost method in the Company's separate financial statements. Control refers to having the power over the investee, the entitlement to variable returns through the participation in the relevant activities of the investee, and the ability to affect the amount of returns by using its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. If investment is increased or withdrawn, the cost of long-term equity investment shall be adjusted. Cash dividends or profit distributions declared by the investee are recognised as investment income for the current period.

The equity method is adopted when the Group holds joint control, or exercises significant influence on the investee. Joint control is the relevant agreed sharing of control over an arrangement, and relevant activities of such arrangement shall be decided upon the unanimous consent of the parties sharing control. Significant influence is the power to participate in decision making of the financial and operating policies of the investee, but without the power to control or jointly control with other parties the formulation of those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, long-term equity investment is measured at the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

On disposal of a long-term investment, the difference between the carrying amount of the investment and the sales proceeds actually received is recognised in profit or loss for the current period. For long-term equity investments accounted for using the equity method, where the equity method is no longer adopted, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in full for the current period; where the equity method is still adopted, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee and transferred to profit or loss in proportion for the current period, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in corresponding proportion for the current period.

14. Investment properties

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

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

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

14. Investment properties *(continued)*

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

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

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

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 meet the recognition criteria shall be included in its cost, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Fixed assets *(continued)*

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

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

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

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

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

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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

17. Borrowing costs

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

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

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

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

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

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

18. Intangible assets

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

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

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

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

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

18. Intangible assets *(continued)*

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

19. Impairment of assets

The Group determines the impairment of assets other than inventories, investment properties measured under the fair value model, deferred income tax assets, financial assets and assets classified as held for sale using the following methods:

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

19. Impairment of assets *(continued)*

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 synergy of the business combination and shall not be larger than a reportable segment determined by the Group.

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

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

20. 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.

21. Employee benefits

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

Short-term benefits

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

21. Employee benefits *(continued)*

Post-employment benefits (the defined contribution plan)

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

Post-employment benefits (the defined benefit plan)

The Group operates 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 of liabilities in the defined benefit plan) and return on plan assets (net of amounts included in net interest of liabilities in the defined benefit plan), are all immediately recognised in the balance sheet, and are included in shareholders' equity through other comprehensive income during the period in which they are incurred. They will not be reversed to profit or loss in subsequent periods.

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

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

Termination benefits

Where the Group provides termination benefits to employees, the employee benefits liabilities arising from termination benefits are recognised and accounted for in profit or loss for the current period at the earlier of the following dates: when the Group cannot unilaterally withdraw the offer of these termination benefits as a result of termination of employment plan or downsizing proposal, and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

22. Provisions

Except for contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

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

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

23. Preference shares, perpetual bonds and other financial instruments

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

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

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

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

24. Revenue

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

Revenue from the sales of goods

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

24. Revenue *(continued)*

Revenue from the rendering of services

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

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

Interest income

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

Lease income

Lease income from operating leases is recognised on a straight-line basis over the lease term. Contingent rental income is recognised in profit or loss in the period in which it actually arises.

25. Government grants

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

25. Government grants *(continued)*

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.

26. Income tax

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

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

Deferred 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 amounts in respect of items not recognised as assets and liabilities, but the tax bases being determinable under tax law.

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, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

26. Income tax *(continued)*

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, joint ventures 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.

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.

27. Maintenance and quality guarantee funds

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

28. Lease

Leases that transfer substantially all the risks and rewards of ownership of assets are accounted for as finance leases. An operating lease is a lease other than a finance lease.

In the case of being the lessee of an operating lease

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

In the case of being the lessor of an operating lease

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

In the case of being the lessee of a finance lease

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

In the case of being the lessor of a finance lease

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

29. Distribution of profit

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

30. Production safety cost

Production safety cost appropriated pursuant to regulations is recognised in the cost of the relevant products or in profit or loss for the current period, and also in the specific reserve. The use of production safety cost is accounted for according to whether a fixed asset is formed; The cost incurred through expenditure will be reduced from the specific reserve; The cost incurred for a fixed asset shall be pooled and recognised as a fixed asset when it reaches the working condition for its intended use, meanwhile, an equivalent amount shall be deducted from the specific reserve and recognised as accumulated depreciation.

31. Fair value measurement

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

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

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

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

32. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements:

Operating lease – as lessor

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

Classification between investment properties and inventories

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

Classification between investment properties and fixed assets

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

Classification of perpetual bonds

As described in Note V. 41, the Group issued perpetual bonds of RMB1 billion in 2015. According to the Prospectus on 2015 First Tranche of Medium-term Notes of BBMG Corporation, the Group has no contractual obligation to repay the principal or pay interest on the bonds, namely the Group has no contractual obligation to pay in cash or other financial assets to the holders of the perpetual bonds nor to exchange financial assets or financial liabilities under potential adverse condition with the holders of the perpetual bonds. The perpetual bonds are classified by the Group as equity instruments, and the subsequent declared distribution will be treated as distribution to the holders of the equity.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(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 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 2016

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

Fair value of investment properties

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

Recognition and allocation of development costs on properties under construction

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

Impairment of accounts receivable and other receivables

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

Uncertainty of estimation (continued)

Provision for decline in value of inventory

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

Measurement of defined benefit obligations

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

Useful lives and residual values of fixed assets

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IV. TAXATION

(I) 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 revenue at a simplified tax rate of 6%. For financial leasing companies, VAT is levied based on rental incomes at a simplified tax rate of 6%. For sales of real estate of property development enterprises, the VAT payable for general taxpayers is determined as the output VAT calculated based on the taxable revenue at the tax rate of 11% less the deductible input VAT for the current period. General taxpayers who satisfy the requirements under the transition period policy may opt to be levied at a simplified tax rate of 5%.
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 for passenger vehicles and by tonnage for trucks on vehicles owned or managed by the Group.
Land use tax:	It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local governments.
Individual income tax:	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group.
Land appreciation tax:	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the transfer of ownership by the Group at a consideration.
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 BBMG Hong Kong Limited subject to the tax rate of 16.5% based on the taxable profit and the items listed in (2) below, the tax is levied on the Group at the tax rate of 25% based on the taxable profit.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IV. TAXATION *(continued)*

(2) Tax preferences

1. Value-added tax (VAT)

Certain subsidiaries of the Group enjoy the following VAT preferences:

- (1) In accordance with the Notice Concerning the Value-added Tax Policy for Comprehensive Utilisation of Resources and Other Products and the Supplementary Notice Concerning the Value-added Tax Policy for Comprehensive Utilisation of Resources and Other Products (Cai Shui [2008] No.156), some of the Group's subsidiaries engaged in cement production enjoy the VAT refund of 100% upon collection preferential policy in January to June 2015 in respect of their eligible cement products. Such subsidiaries include Beijing Liulihe Cement Co., Ltd., Hebei BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang BBMG Cement Co., Ltd., Beijing Taihang Qianjing Cement Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Zanhuang BBMG Cement Co., Ltd., Zhangjiakou Jinyu Cement Co., Ltd., Zhuolu Jinyu Cement Co., Ltd., Siping BBMG Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd., Lanxian BBMG Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., Beijing Cement Plant Co., Ltd., Xuanhua BBMG Cement Co., Ltd., Beijing Xingfa Cement Co., Ltd., Boai BBMG Cement Co., Ltd. and Xingtai BBMG Yongning Cement Co., Ltd. Some of the Group's subsidiaries engaged in concrete production enjoy the VAT exemption preferential policy in January to June 2015 in respect of their eligible concrete products. Such subsidiaries include Hetian Yuhe Sand Stone Co., Ltd., Beijing BBMG Concrete Co., Ltd., Guantao BBMG Taihang Concrete Co., Ltd., Cheng'an BBMG Taihang Cement Co., Ltd., Daming BBMG Taihang Concrete Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Tianjin BBMG Concrete Co., Ltd., Shijiazhuang BBMG Xucheng Concrete Co., Ltd., Handan Fengfeng BBMG Concrete Co., Ltd., Handan Hanshan BBMG Concrete Co., Ltd., Handan BBMG Concrete Co., Ltd. and Wei County BBMG Concrete Co., Ltd.. Due to failure to meet the requirements on comprehensive utilization of resources by relevant products of these companies engaging in concrete production since 1 July 2015, these companies no longer enjoyed the VAT exemption preferential policy.

In accordance with the Notice concerning the Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilization of Goods and Services" (Cai Shui [2015] No. 78) (財稅[2015] 78號《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) promulgated by Ministry of Finance and State Administration of Taxation of the PRC with effect from 1 July 2015, some of the Company's subsidiaries engaged in cement production enjoy 70% VAT refund upon collection preferential policy in respect of their eligible cement products. Such subsidiaries include Beijing Liulihe Cement Co., Ltd., Hebei BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang Jinyu Cement Co., Ltd., Beijing Taihang Qianjing Cement Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Guangling Jinyu Cement Co., Ltd., Zanhuang BBMG Cement Co., Ltd., Zhangjiakou Jinyu Cement Co., Ltd., Zhuolu Jinyu Cement Co., Ltd., Siping BBMG Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd., Lanxian BBMG Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., Beijing Cement Plant Co., Ltd., Xuanhua BBMG Cement Co., Ltd., Bo'ai BBMG Cement Co., Ltd. and Xingtai BBMG Yongning Cement Co., Ltd. Chengde BBMG Cement Co., Ltd. has enjoyed 70% VAT refund upon collection preferential policy in respect of its eligible cement products since January 2016.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (2) From January to June 2015, in accordance with the Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products (Cai Shui [2008] No. 156) and the Supplementary Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products, Tianjin Jinyu Treasure Bright Mortar Co., Ltd. and BBMG Mortar Co., Ltd., both being the Group's subsidiaries, enjoyed the VAT exemption preferential policy in respect of their eligible selected building materials from January to June 2015. Since 1 July 2015, in accordance with the Notice concerning the Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilization of Goods and Services" (Cai Shui [2015] No. 78), BBMG Mortar Co., Ltd. enjoyed 70% VAT refund upon collection preferential policy in respect of its small amount of products that meet the requirements on comprehensive utilization of resources. Due to failure to meet the requirements on comprehensive utilization of resources by products of Tianjin Jinyu since 1 July 2015, the company no longer enjoyed refund upon collection preferential policy regarding comprehensive utilization of resources.
- (3) In accordance with the Notice Concerning the Value-added Tax Policy for Novel Wall Materials (Cai Shui [2015] No. 73), Beijing Jinyu Aerated Concrete Co., Ltd. and Tangshan Jinyu Aerated Concrete Co., Ltd., both being the Group's subsidiaries, enjoy 50% VAT refund upon collection preferential policy in respect of their eligible novel wall materials.
- (4) In accordance with the Notice on Continuing Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heating Enterprises, Beijing Jinhaiyan Property Management Co., Ltd., Beijing Xisanqi Heating Co., Ltd., and BBMG Dacheng Property Management Co., Ltd., all being the Group's subsidiaries, 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (5) In accordance with the relevant financial and tax documents, Beijing Bio-Island Science and Technology Co., Ltd., a subsidiary of the Group, complies with Products of Integrated Utilisation of Resources Utilising Waste Lead Acid Batteries, and enjoys 30% (for metal and nickel-cobalt-manganese hydroxide, nickel-cobalt-manganese lithium and cobalt chloride produced by waste batteries) and 50% (for industrial oil produced by waste mineral oil, such as lube base oil, gasoline and diesel) VAT refund upon collection preferential policy. Since 1 May 2016, it enjoys 70% VAT refund upon collection preferential policy for services of processing and disposal of waste.
- (6) According to the project cooperation agreement entered into with the Management Committee of Tianjin Dongjiang Free Trade Zone (天津東疆保稅港區管理委員會), BBMG Finance Lease Co., Ltd., a subsidiary of the Group, enjoys tax preference policy of the local tax authority in the Dongjiang Free Trade Zone, pursuant to which actual tax burden exceeding 3% will be entitled to VAT refund upon collection in accordance with the Notice concerning the Incorporation of the Railway Transportation Industry and the Postal Industry into the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (Cai Shui [2013] No. 106) (《關於將鐵路運輸和郵政業納入營業稅改增值稅試點的通知》(財稅[2013]106號)). In addition, according to the Notice of Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau on Relevant Issues Concerning Transitional Financial Subsidy for Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (Jin Cai Shui Zheng [2013] No. 1) (《天津市財政局天津市國家稅務局天津市地方稅務局關於營業稅改增值稅試點過渡性財政扶持資金申請撥付問題的通知》(津財稅政[2013]1號)), if the tax burden of VAT after the reform from business tax to value-added tax ("B2V Reform") is greater than that of business tax before B2V Reform, the financial subsidy for the increased tax burden will be executed according to the relevant requirements of the above documents. Pursuant to the agreement, the Dongjiang Free Trade Zone would undertake 70% of turnover tax from 2015 to 2020 due to the preferential policies (Turnover tax comprises business tax and VAT, among which, VAT refers to the remaining portion after refund under the first two preferential policies).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

2. Business tax

- (1) Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd., Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. and Beijing Bio-Island Science and Technology Co., Ltd., all being the Group's subsidiaries, are exempted from business tax on revenue from disposal of hazardous wastes during the period from 1 January 2016 to 1 May 2016 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). Upon the full implementation of B2V Reform since 1 May 2016, the above preferential policy for business tax is no longer applicable.

3. Corporate income tax

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

- (1) Certain subsidiaries of the Group are certified as high-tech enterprises by relevant governmental authorities and enjoy a preferential corporate income tax rate of 15% for high-tech enterprises in 2016 pursuant to the implementation rules of the Law on Enterprise Income Tax of the People's Republic of China and the Notice of the State Administration of Taxation of the PRC regarding Corporate Income Tax Preferences for High-tech Enterprises. Such subsidiaries include Tongda Refractory Technology Co., Ltd, Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd., Beijing Building Materials Academy Co., Ltd., Beijing Building Material Testing Academy 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., Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd., Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd., BBMG Mortar Co., Ltd., Beijing Bio-Island Science and Technology Co., Ltd., Beijing Dynea Chemical Industry Co., Ltd., Beijing Sanchong Mirror Co., Ltd., Dachang BBMG Coating Co., Ltd. and Beijing Quinette Great Wall Seats Co., Ltd.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

3. Corporate income tax *(continued)*

- (2) In accordance with the Indices on Corporate Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects, Qinyang BBMG Cement Co., Ltd. enjoys the preferential corporate income tax policy of "three-year exemption and three-year 50% reduction" from 1 January 2014 to 31 December 2019.

- (3) BBMG Human Resources Management Co., Ltd. and Gongyi Tongda Zhongyuan Refractory Co., Ltd., both being subsidiaries of the Group, enjoy tax preferences concerning small and thin profit enterprises stipulated by the State Administration of Taxation of the PRC, and are subject to corporate income tax at a rate of 15%.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary fund

	30 June 2016	31 December 2015
Cash in stock	3,294,235.05	2,078,746.90
Bank deposits	16,528,739,879.28	17,909,518,906.91
Other monetary fund	2,036,579.66	9,151,631.53
Statutory deposit reserve placement with central bank by Finance Company	<u>670,311,519.01</u>	<u>449,131,405.76</u>
	<u>17,204,382,213.00</u>	<u>18,369,880,691.10</u>

Monetary fund with restrictions

	30 June 2016	31 December 2015
Monetary fund for collateral:		
Statutory deposit reserve placement with central bank by Finance Company	670,311,519.01	449,131,405.76
Deposits for letter of credit	296,548.13	5,666,599.09
Quality/performance guarantees	200,462,412.54	45,905,809.13
Deposits for acceptance bills	101,690,991.62	90,002,613.42
Other deposits	<u>3,023,503.29</u>	<u>–</u>
Other monetary fund with restrictions:		
Restricted part of property pre-sale funds	7,647,690,936.91	6,556,854,349.99
Others	<u>15,883,948.53</u>	<u>8,735,045.16</u>
	<u>8,639,359,860.03</u>	<u>7,156,295,822.55</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.

On 30 June 2016, the Group had no frozen bank deposits (31 December 2015: nil).

As at 30 June 2016, the Group's monetary fund deposited overseas amounted to RMB32,949,950.44 (31 December 2015: RMB291,989,022.36).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

2. Bills receivable

	30 June 2016	31 December 2015
Bank acceptance bills	1,861,871,344.10	1,691,122,725.12
Commercial acceptance bills	298,723,002.91	506,801,704.58
	2,160,594,347.01	2,197,924,429.70

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

	30 June 2016		31 December 2015	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance bills	1,130,516,323.07	1,066,475,015.90	1,120,809,052.03	880,749,702.16
Commercial acceptance bills	-	124,421,209.10	-	70,652,048.41
Total	1,130,516,323.07	1,190,896,225.00	1,120,809,052.03	951,401,750.57

As at 30 June 2016, bills receivable of RMB4,360,245.34 were pledged to secure short-term borrowings, all being commercial acceptance bills (31 December 2015: RMB7,781,993.36, among which bank acceptance bills amounted to RMB2,070,000.00 and commercial acceptance bills amounted to RMB5,711,993.36).

As at 30 June 2016, there was no transfer of bills receivable into accounts receivable due to default on the part of the drawer (31 December 2015: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

3. 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 based on invoice date is as follows:

	30 June 2016	31 December 2015
Within 1 year (inclusive of 1 year)	5,552,807,896.14	6,111,810,581.57
1 to 2 years (inclusive of 2 years)	926,113,069.99	872,322,680.86
2 to 3 years (inclusive of 3 years)	283,035,943.04	215,124,609.36
3 to 4 years (inclusive of 4 years)	98,185,012.40	80,827,628.73
4 to 5 years (inclusive of 5 years)	43,645,419.65	28,851,473.78
Over 5 years	71,635,900.93	78,599,393.66
	6,975,423,242.15	7,387,536,367.96
Less: Provision for bad debts of accounts receivable	539,469,724.99	505,467,859.38
	6,435,953,517.16	6,882,068,508.58

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

	30 June 2016	31 December 2015
Opening balance	505,467,859.38	380,590,250.26
Provision for the period/year	136,284,938.13	196,714,939.06
Transferred in upon acquisition of subsidiaries	–	150,000.01
Reversal for the period/year	(101,992,782.23)	(71,449,815.17)
Write-off for the period/year	(290,290.29)	(537,514.78)
Closing balance	539,469,724.99	505,467,859.38

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

3. Accounts receivable *(continued)*

	30 June 2016			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	23,076,190.50	0.33	3,007,687.50	13.03
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	5,528,996,887.56	79.27	–	–
1 to 2 years (inclusive of 2 years)	723,553,291.22	10.37	217,065,987.90	30.00
2 to 3 years (inclusive of 3 years)	193,517,901.97	2.77	116,110,741.20	60.00
3 to 4 years (inclusive of 4 years)	74,793,329.54	1.07	63,574,330.31	85.00
4 to 5 years (inclusive of 5 years)	27,981,962.37	0.40	27,981,962.37	100.00
Over 5 years	56,398,262.40	0.81	56,398,262.40	100.00
	6,605,241,635.06	94.69	481,131,284.18	
Provision for bad debts by special credit characteristics group	151,161,437.69	2.17	–	–
Individually not significant but subject to separate provision for bad debts	195,943,978.90	2.81	55,330,753.31	28.24
	6,975,423,242.15	100.00	539,469,724.99	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

3. Accounts receivable *(continued)*

	31 December 2015			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	10,713,555.24	0.15	9,769,003.63	91.18
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	6,094,626,380.76	82.50	–	–
1 to 2 years (inclusive of 2 years)	726,463,052.92	9.83	217,986,401.48	30.00
2 to 3 years (inclusive of 3 years)	175,599,528.75	2.38	105,359,717.30	60.00
3 to 4 years (inclusive of 4 years)	58,729,119.38	0.79	49,919,751.68	85.00
4 to 5 years (inclusive of 5 years)	20,313,040.32	0.27	20,313,040.32	100.00
Over 5 years	36,655,783.58	0.50	36,655,783.58	100.00
	7,112,386,905.71	96.27	430,234,694.36	
Provision for bad debts by special credit characteristics group	136,209,504.99	1.84	–	–
Individually not significant but subject to separate provision for bad debts	128,226,402.02	1.74	65,464,161.39	51.05
	<u>7,387,536,367.96</u>	<u>100.00</u>	<u>505,467,859.38</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

3. Accounts receivable *(continued)*

As at 30 June 2016, accounts receivable which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit A	10,337,410.50	1,701,438.80	16.46	Partly uncollectible
Unit B	12,738,780.00	1,306,248.70	10.25	Partly uncollectible
	<u>23,076,190.50</u>	<u>3,007,687.50</u>	13.03	

As at 31 December 2015, accounts receivable which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit C	<u>10,713,555.24</u>	<u>9,769,003.63</u>	91.18	Partly uncollectible

As at 30 June 2016, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reasons for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit D	Payment for goods received	Aging analysis	<u>3,856,493.10</u>	<u>3,856,493.10</u>

The receivable from Unit D was originally 1 to 2 years respectively, and the management classified it into the group with credit risk characteristics in aging and made provision for bad debts. The Group received cash repayments in the current period, and therefore, reversed the provision for bad debts previously made.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

3. Accounts receivable *(continued)*

As at 31 December 2015, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reasons for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit E	Payment for goods received	Aging analysis	12,975,897.94	12,975,897.94
Unit F	Payment for goods received	Aging analysis	12,456,810.12	12,456,810.12
			25,432,708.06	25,432,708.06

The receivables from Unit E and Unit F were originally aged up to 1 to 2 years and 3 to 4 years respectively, and the management classified them into the group with credit risk characteristics in aging and made provision for bad debts. The Group received cash repayments in the current year, and therefore, reversed the provisions for bad debts previously made.

For the six months ended 30 June 2016, no individually significant accounts receivable were written-off (for the six months ended 30 June 2015: Nil).

As at 30 June 2016 and 31 December 2015, no accounts receivable were pledged as guarantee for the Group's bank loans.

As at 30 June 2016, the top 5 of accounts receivable were as follows:

	Balance	Proportion in total accounts receivable (%)	Balance of provision for bad debts as at the end of the year	Net amount
Unit 1	78,700,150.00	1.13	–	78,700,150.00
Unit 2	77,312,630.50	1.11	–	77,312,630.50
Unit 3	72,244,395.98	1.04	11,041,130.20	61,203,265.78
Unit 4	51,900,000.00	0.74	–	51,900,000.00
Unit 5	50,526,271.00	0.72	–	50,526,271.00
	330,683,447.48	4.74	11,041,130.20	319,642,317.28

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

4. Advances to suppliers

An aging analysis of advances to suppliers is as follows:

	30 June 2016		31 December 2015	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year (inclusive of 1 years)	1,227,982,507.09	32.72	1,325,676,684.21	36.64
1 to 2 years (inclusive of 2 years)	30,772,810.51	0.82	62,622,924.79	1.73
2 to 3 years (inclusive of 3 years)	2,468,948,365.89	65.78	2,222,660,295.52	61.42
Over 3 years	25,636,688.86	0.68	7,718,923.26	0.21
	3,753,340,372.35	100.00	3,618,678,827.78	100.00
Less: Provision for bad debts of prepayments	<u>30,489,912.57</u>		<u>3,671,773.70</u>	
	<u>3,722,850,459.78</u>		<u>3,615,007,054.08</u>	

As at 30 June 2016, the significant advances to suppliers aging over 1 year were as follows:

	Aging	Amount	Percentage of total advances to suppliers	Reasons for being not yet settled in time
Unit 1	1-2 years, 2-3 years	<u>2,441,129,537.04</u>	<u>65.04%</u>	Time for transaction under the contract not yet due

As at 31 December 2015, the significant advances to suppliers aging over 1 year were as follows:

	Aging	Amount	Percentage of total advances to suppliers	Reasons for being not yet settled in time
Unit 1	1-2 years, 2-3 years	<u>2,209,291,114.88</u>	<u>61.05%</u>	Time for transaction under the contract not yet due

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

4. Advances to suppliers *(continued)*

As at 30 June 2016, the top 5 of advances to suppliers were as follows:

	Amount	Percentage of total prepayments
Unit 1	2,668,369,537.04	71.09%
Unit 2	197,021,441.05	5.25%
Unit 3	41,377,781.54	1.10%
Unit 4	37,012,828.00	0.99%
Unit 5	9,895,956.45	0.26%
	<u>2,953,677,544.08</u>	<u>78.69%</u>

5. Interest receivable

	30 June 2016	31 December 2015
Associate		
STAR-USG Building Materials Co., Ltd.	<u>–</u>	<u>6,716,763.51</u>

6. Dividends receivable

	30 June 2016	31 December 2015
Associates		
Beijing Gaoqiang Concrete Co., Ltd.	3,071,700.00	3,071,700.00
Beijing Sinobaide Technology Co., Ltd	–	851,000.00
Zehnder (China) Indoor Climate Co., Ltd	<u>2,670,000.00</u>	–
	<u>5,741,700.00</u>	<u>3,922,700.00</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables

An aging analysis of other receivables is as follows:

	30 June 2016	31 December 2015
Within 1 year (inclusive of 1 year)	1,856,438,197.53	1,232,817,560.28
1 to 2 years (inclusive of 2 years)	244,569,379.26	290,574,240.69
2 to 3 years (inclusive of 3 years)	145,485,128.10	139,403,582.64
3 to 4 years (inclusive of 4 years)	101,284,622.85	40,509,641.96
4 to 5 years (inclusive of 5 years)	35,886,790.44	369,246,885.74
Over 5 years	423,389,926.29	84,361,206.55
	2,807,054,044.47	2,156,913,117.86
Less: Provision for bad debts of other receivables	175,971,067.33	158,213,408.65
	2,631,082,977.14	1,998,699,709.21

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

	30 June 2016	31 December 2015
Opening balance	158,213,408.65	131,989,213.48
Provision for the period/year	18,629,478.42	34,050,981.19
Reversal for the period/year	(871,819.74)	(7,530,897.73)
Write-off for the period/year	-	(295,888.29)
Closing balance	175,971,067.33	158,213,408.65

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables *(continued)*

	30 June 2016			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	142,356,076.94	5.07	70,169,411.22	49.58
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	1,761,639,827.64	62.75	-	-
1 to 2 years (inclusive of 2 years)	21,655,269.92	0.77	6,496,581.00	30.00
2 to 3 years (inclusive of 3 years)	14,949,655.66	0.53	8,969,793.40	60.00
3 to 4 years (inclusive of 4 years)	5,484,100.88	0.20	4,661,485.75	85.00
4 to 5 years (inclusive of 5 years)	2,120,058.35	0.08	2,120,058.35	100.00
Over 5 years	48,664,973.24	1.73	48,664,973.24	100.00
	1,854,513,885.69	66.06	70,912,891.74	
Provision for bad debts by special credit characteristics group	739,006,239.16	26.33	-	-
Individually not significant but subject to separate provision for bad debts	71,177,842.68	2.54	34,888,764.37	49.02
	2,807,054,044.47	100.00	175,971,067.33	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables *(continued)*

	31 December 2015			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	142,356,076.94	6.60	64,411,768.06	44.99
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	1,144,150,280.36	53.05	–	–
1 to 2 years (inclusive of 2 years)	19,759,230.27	0.92	5,927,769.08	30.00
2 to 3 years (inclusive of 3 years)	6,724,366.78	0.31	4,034,620.07	60.00
3 to 4 years (inclusive of 4 years)	3,253,480.99	0.15	2,765,458.84	85.00
4 to 5 years (inclusive of 5 years)	3,655,943.82	0.17	3,655,943.82	100.00
Over 5 years	39,993,452.25	1.85	39,993,452.25	100.00
	1,217,536,754.47	56.45	56,377,244.06	
Provision for bad debts by special credit characteristics group	754,639,802.54	34.99	–	–
Individually not significant but subject to separate provision for bad debts	42,380,483.91	1.96	37,424,396.53	88.31
	<u>2,156,913,117.86</u>	<u>100.00</u>	<u>158,213,408.65</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables *(continued)*

As at 30 June 2016, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	69,192,143.88	20,757,643.16	30.00	Partly uncollectible
Second	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Third	22,732,983.06	20,246,783.06	89.06	Partly uncollectible
Fourth	<u>20,051,000.00</u>	<u>20,051,000.00</u>	100.00	Totally uncollectible
	<u>142,356,076.94</u>	<u>70,169,411.22</u>		

As at 31 December 2015, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	69,192,143.88	15,000,000.00	21.68	Partly uncollectible
Second	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Third	22,732,983.06	20,246,783.06	89.06	Partly uncollectible
Fourth	<u>20,051,000.00</u>	<u>20,051,000.00</u>	100.00	Totally uncollectible
	<u>142,356,076.94</u>	<u>64,411,768.06</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables *(continued)*

Other receivables by nature were as follows:

	30 June 2016	31 December 2015
Current account with other entities	686,047,957.66	829,296,425.79
Deposits	858,799,496.50	386,262,146.85
Government grants receivable	172,074,155.61	141,403,371.10
Disbursements previously made	165,295,269.25	147,563,888.28
Reserve fund	97,228,644.57	104,794,021.31
Other current account	651,637,453.55	389,379,855.88
Total	<u>2,631,082,977.14</u>	<u>1,998,699,709.21</u>

As at 30 June 2016, the top 5 of other receivables were as follows:

	Balance at the end of the period	Proportion in total other receivables (%)	Nature	Aging	Balance of provision for bad debts at the end of the period
Unit 1	417,160,000.00	14.86	Deposits	Within 1 year	-
Unit 2	387,730,391.44	13.81	Current account with other entities	Within 1 year, 2-3 years, over 5 years	-
Unit 3	120,605,148.96	4.30	Current account with other entities	1-2 years	20,757,643.16
Unit 4	104,188,940.00	3.71	Current account with other entities	Within 1 year, 1-2 years, 2-3 years, over 5 years	9,113,985.00
Unit 5	97,437,286.65	3.47	Government grants receivable	Within 1 year, 1-2 years, 2-3 years	-
	<u>1,127,121,767.05</u>	<u>40.15</u>			<u>29,871,628.16</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables *(continued)*

As at 31 December 2015, the top 5 of other receivables were as follows:

	Balance at the end of the year	Proportion in total other receivables (%)	Nature	Aging	Balance of provision for bad debts at the end of the year
Unit 1	381,568,194.13	18.46	Current account with other entities	1-2 years, 4-5 years	–
Unit 2	120,605,148.96	5.59	Current account with other entities	Within 1 year	15,000,000.00
Unit 3	96,688,940.00	4.48	Current account with other entities	Within 1 year, 4-5 years	9,113,985.00
Unit 4	90,917,708.30	4.21	Government grants receivable	Within 1 year, 1-2 years, 2-3 years	–
Unit 5	55,782,501.50	2.59	Other current account	2-3 years	–
	<u>745,562,492.89</u>	<u>35.33</u>			<u>24,113,985.00</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables *(continued)*

As at 30 June 2016, government grants receivable were as follows:

	Description of government grant	Amount	Aging	Expected time of receipt
Unit 1	Refunds of VAT	97,437,286.65	Within 1 year, 1 to 2 years, 2-3 years	2016
Unit 2	Refunds of VAT	20,017,337.05	Within 1 year	2016
Unit 3	Refunds of VAT	12,823,649.48	Within 1 year	2016
Unit 4	Refunds of VAT	7,164,400.55	Within 1 year	2016
Unit 5	Refunds of VAT	5,972,380.01	Within 1 year	2016
Unit 6	Refunds of VAT	5,402,839.22	Within 1 year	2016
Unit 7	Refunds of VAT	4,085,001.35	Within 1 year	2016
Unit 8	Refunds of VAT	3,912,509.56	Within 1 year	2016
Unit 9	Refunds of VAT	3,635,244.71	Within 1 year	2016
Unit 10	Refunds of VAT	3,560,074.39	Within 1 year	2016
Unit 11	Refunds of VAT	1,470,682.18	Within 1 year	2016
Unit 12	Refunds of VAT	1,429,725.14	Within 1 year	2016
Unit 13	Refunds of VAT	1,356,588.32	Within 1 year	2016
Unit 14	Refunds of VAT	1,199,342.40	Within 1 year	2016
Unit 15	Refunds of VAT	1,158,835.66	Within 1 year	2016
Unit 16	Refunds of VAT	1,091,008.14	Within 1 year	2016
Unit 17	Refunds of VAT	320,708.25	Within 1 year	2016
Unit 18	Refunds of VAT	33,942.55	Within 1 year	2016
Unit 19	Refunds of VAT	2,600.00	Within 1 year	2016
		<u>172,074,155.61</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Other receivables *(continued)*

As at 31 December 2015, government grants receivable were as follows:

	Description of government grant	Amount	Aging	Expected time of receipt
Unit 1	Refunds of VAT	90,917,708.30	Within 1 year, 1 to 2 years, 2 to 3 years	2016
Unit 2	Refunds of VAT	30,109,494.46	1 to 2 years	2016
Unit 3	Refunds of VAT	8,211,864.55	Within 1 year	2016
Unit 4	Refunds of VAT	5,878,540.43	Within 1 year	2016
Unit 5	Refunds of VAT	2,820,834.68	Within 1 year	2016
Unit 6	Refunds of VAT	1,091,008.14	Within 1 year	2016
Unit 7	Refunds of VAT	774,888.19	Within 1 year	2016
Unit 8	Refunds of VAT	558,512.87	Within 1 year	2016
Unit 9	Refunds of VAT	367,129.98	Within 1 year	2016
Unit 10	Refunds of VAT	361,464.33	Within 1 year	2016
Unit 11	Refunds of VAT	<u>311,925.17</u>	Within 1 year	2016
		<u>141,403,371.10</u>		

As set out in Note IV. (2) Taxation, certain companies of the Group enjoy the policy of immediate refund of VAT levied.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

8. Inventories

	30 June 2016		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	875,464,340.45	(9,014,308.76)	866,450,031.69
Items in production	465,942,860.90	(21,822,098.66)	444,120,762.24
Finished goods	518,552,903.68	(22,368,544.33)	496,184,359.35
Turnover materials	91,764,688.90	(256,144.53)	91,508,544.37
Goods in stock	503,481,404.39	(1,090,303.04)	502,391,101.35
Development costs	42,090,790,263.84	(7,169,850.12)	42,083,620,413.72
Products under development	<u>11,815,374,234.63</u>	<u>(296,733,297.51)</u>	<u>11,518,640,937.12</u>
	<u>56,361,370,696.79</u>	<u>(358,454,546.95)</u>	<u>56,002,916,149.84</u>

	31 December 2015		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	864,251,200.66	(11,855,003.79)	852,396,196.87
Items in production	473,099,711.56	(22,921,437.80)	450,178,273.76
Finished goods	527,666,381.96	(20,746,086.99)	506,920,294.97
Turnover materials	87,020,834.91	(4,569,291.97)	82,451,542.94
Goods in stock	516,712,124.58	(1,092,050.29)	515,620,074.29
Development costs	41,542,892,858.77	(103,385,674.96)	41,439,507,183.81
Products under development	<u>10,370,115,915.02</u>	<u>(210,002,295.72)</u>	<u>10,160,113,619.30</u>
	<u>54,381,759,027.46</u>	<u>(374,571,841.52)</u>	<u>54,007,187,185.94</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

8. Inventories (continued)

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

For the six months ended 30 June 2016

	Opening balance	Provision for the period	Decrease in the period			Closing balance
			Transfer from commodity housing completed	Reversal	Write-off	
Raw materials	11,855,003.79	1,042,368.53	-	-	3,883,063.56	9,014,308.76
Items in production	22,921,437.80	2,986,277.80	-	-	4,085,616.94	21,822,098.66
Finished goods	20,746,086.99	3,534,508.89	-	-	1,912,051.55	22,368,544.33
Turnover materials	4,569,291.97	-	-	-	4,313,147.44	256,144.53
Goods in stock	1,092,050.29	-	-	1,747.25	-	1,090,303.04
Development costs	103,385,674.96	-	96,215,824.84	-	-	7,169,850.12
Products under development	210,002,295.72	45,428,490.79	(96,215,824.84)	-	54,913,313.84	296,733,297.51
	374,571,841.52	52,991,646.01	-	1,747.25	69,107,193.33	358,454,546.95

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

2015

	Opening balance	Provision for the year	Decrease in the year			Closing balance
			Disposal of subsidiaries	Reversal	Write-off	
Raw materials	20,782,015.04	353,286.04	-	-	9,280,297.29	11,855,003.79
Items in production	28,288,017.90	2,399,784.41	-	-	7,766,364.51	22,921,437.80
Finished goods	21,184,301.39	4,079,601.43	-	-	4,517,815.83	20,746,086.99
Turnover materials	4,569,291.97	-	-	-	-	4,569,291.97
Goods in stock	967,842.71	124,207.58	-	-	-	1,092,050.29
Development costs	7,169,850.12	96,215,824.84	-	-	-	103,385,674.96
Products under development	53,039,299.10	180,735,384.84	-	-	23,772,388.22	210,002,295.72
	136,000,618.23	283,908,089.14	-	-	45,336,865.85	374,571,841.52

As at 30 June 2016, the balance of development costs included the capitalised borrowing costs of RMB2,227,148,022.86 (31 December 2015: RMB1,846,489,413.04), of which RMB572,616,875.24 was capitalised during the current period (2015: RMB1,107,112,090.00), and the rate of interest capitalisation was 4.74% (2015: 5.31%).

Details of pledge of inventories are set out in Note V.64.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

8. Inventories (continued)

(1) The breakdown of development costs of real estate:

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	30 June 2016	31 December 2015
Chongqing – Shidaiduhui	December 2011	January 2017	4,548,373,278.11	1,024,970,505.66	984,656,272.77
Chongqing – Nanshanjun	December 2011	August 2018	4,913,706,849.24	1,357,809,256.67	1,357,406,148.50
Chengdu – Wuhou Longxijun Project	September 2015	January 2017	2,761,300,000.00	1,486,704,439.55	1,359,318,254.82
Hangzhou – Banshan Project	November 2012	Completed	1,191,875,565.04	–	995,143,330.79
Hangzhou – Plot at Laochengxiang	July 2014	December 2018	2,374,000,000.00	1,607,600,923.87	1,564,179,707.76
Inner Mongolia – Jinyu Elegancy City	April 2013	Completed	908,308,970.61	–	37,051,220.58
Inner Mongolia – Jinyu Global Financial Centre	July 2013	June 2017	1,549,375,417.75	655,876,305.04	558,719,185.50
Hangzhou 2D Plot	May 2013	June 2017	598,668,946.24	375,736,243.13	367,492,453.26
Hangzhou 2G Plot	July 2016	December 2020	Nil	35,607,771.98	35,607,771.98
Hangzhou 2F Plot	July 2016	December 2020	Nil	86,113,840.39	86,113,840.39
Haikou – Haidianxi Project	June 2014	December 2016	1,860,000,000.00	622,349,110.29	570,903,728.67
Tangshan – Jinyu Lefu	March 2011	June 2017	3,000,000,000.00	727,432,813.82	856,878,978.92
Beijing – Xisanqi Commercial Residential Project	October 2012	December 2016	917,000,000.00	791,240,502.45	731,999,448.67
Tianjin – Jinyu Yuecheng	September 2010	December 2017	5,157,217,800.00	828,179,196.89	1,092,034,927.08
Tianjin – Elegancy City	May 2013	December 2016	2,280,380,000.00	170,150,066.44	1,613,034,086.85
Beijing – Jinyu Vanke City	March 2008	December 2017	4,011,000,000.00	24,492,957.28	24,492,957.28
Beijing – Chaoyang New City	August 2013	September 2016	2,004,600,000.00	179,793,564.68	177,085,802.72
Beijing – Kanghuiyuan	February 2009	December 2018	1,893,020,000.00	123,352,306.04	120,225,957.45
Beijing – Hongshizuo	March 2012	March 2018	1,400,000,000.00	498,415,420.74	454,442,874.61
Beijing – Xi Hai'an	August 2012	October 2016	1,140,000,000.00	277,819,555.57	270,052,059.25
Beijing – Tuqiao Project	October 2009	December 2016	4,672,150,000.00	102,354,643.04	99,434,053.54
Beijing – Phase III of Tuqiao	December 2012	December 2016	1,187,197,300.00	262,740,897.29	257,642,538.56
Beijing – Plot 1 of Changyang University of Science and Technology (長陽理工大學)	March 2014	November 2016	3,277,058,700.00	1,445,987,660.42	2,383,460,211.13

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

8. Inventories (continued)

(1) The breakdown of development costs of real estate: (continued)

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	30 June 2016	31 December 2015
Nanjing – Dairy Cattle Farm Land	September 2016	November 2018	6,174,000,000.00	3,040,000,000.00	–
Nanjing – Plot A2 of Xinglong Avenue North	March 2014	June 2018	4,540,170,000.00	3,748,468,669.79	3,555,856,023.18
Ma'anshan – Project at the Eastern Foot of Jiashan Hill (佳山)	May 2013	July 2016	1,052,398,300.00	260,150,684.50	505,822,984.25
Beijing – Phase II of Dandian	April 2014	September 2016	4,188,860,000.00	1,254,960,454.33	2,805,047,613.78
Beijing – Nankou Project	2015	December 2018	681,450,000.00	157,306,740.81	135,298,069.38
Beijing – Phase II of Xingpai	April 2014	December 2016	3,110,190,000.00	22,353,959.83	1,427,529,982.99
Shanghai – Jiading Juyuan	December 2015	May 2017	4,604,180,000.00	3,356,939,060.60	3,063,074,318.39
Qingdao – Qingdao Project	March 2015	September 2018	2,797,000,000.00	1,736,861,640.03	1,613,526,703.66
Beijing – Fengtai Project	March 2015	June 2018	6,821,640,000.00	4,824,897,255.17	4,673,410,401.09
Beijing – Western Xijiao Gravel Plant (西郊砂石廠西區)	September 2015	December 2018	2,840,000,000.00	973,071,722.64	899,804,291.12
Anhui – Forklift Factory Project	November 2015	December 2020	9,345,760,000.00	4,845,613,170.81	2,283,057,476.99
Chongqing – Xinduhui Project	Estimated in December 2016	December 2018	17,813,595,324.47	2,421,548,697.82	1,979,969,373.29
Beijing – Houshayu Project	Estimated in March 2016	June 2018	2,396,580,000.00	1,951,235,083.01	1,906,081,988.46
Others				805,485,293.14	593,652,146.15
Total				42,083,620,413.72	41,439,507,183.81

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

8. Inventories *(continued)*

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

Project name	Completion date of the latest phase	Opening balance	Increase in the period	Decrease in the period	Closing balance
Beijing – Jinyu Town-House	October 2014	61,204,919.84	–	2,731,268.05	58,473,651.79
Beijing – Chaoyang New City	June 2015	799,697,222.84	–	33,139,131.09	766,558,091.75
Beijing – Miaopu Housing Renovation Project	December 2008	3,361,300.42	–	–	3,361,300.42
Beijing – Meiheyuan	June 2010	6,568,267.63	–	693,394.03	5,874,873.60
Beijing – Kanghuiyuan	March 2011	182,237,157.12	–	–	182,237,157.12
Beijing – Huijingyuan	March 2016	–	3,124,032,350.04	2,563,383,417.07	560,648,932.97
Beijing – Huixingyuan	March 2016	–	1,626,623,611.78	1,563,464,535.62	63,159,076.16
Beijing – Tuqiao Project	October 2015	168,249,391.49	–	34,695,141.95	133,554,249.54
Beijing – Guanlan Times (觀瀾時代)	June 2013	5,235,297.72	–	171,768.49	5,063,529.23
Beijing – Binheyuan	June 2014	113,050,116.82	–	4,302,875.03	108,747,241.79
Beijing – Taiheyuan	December 2013	45,975,220.53	–	–	45,975,220.53
Beijing – Jinyu Vanke City	May 2014	17,369,905.04	–	16,455,506.46	914,398.58
Inner Mongolia – Jinyu Times City	June 2014	94,998,050.80	–	1,032,982.68	93,965,068.12
Inner Mongolia – Jinyu Elegancy City	October 2015	384,111,271.18	37,051,220.58	115,640,861.07	305,521,630.69
Hangzhou – Guanlan Times	February 2015	1,411,353,639.14	–	164,944,344.84	1,246,409,294.30
Beijing – Chang'an New City	December 2007	80,867,425.28	–	3,209,220.21	77,658,205.07
Beijing – Dachengjun	August 2012	39,523,116.71	–	–	39,523,116.71
Beijing – Dacheng Times Centre	November 2010	95,414,114.52	–	–	95,414,114.52
Beijing – Linglong Tiandi	June 2013	3,518,894.26	–	–	3,518,894.26
Beijing – Liyuan Jincheng Centre	December 2013	37,944,887.80	–	8,874,101.40	29,070,786.40
Beijing – Western Group (西組團) public facilities	January 2013	2,916,389.31	–	–	2,916,389.31
Hainan – Dacheng Business Apartments	February 2005	39,007,053.77	–	–	39,007,053.77
Haikou – Meilinghu	December 2013	13,830,730.52	–	–	13,830,730.52
Haikou – Xixili	November 2015	270,660,691.87	–	95,583,023.00	175,077,668.87
Tianjin – Jinyu Yuecheng	September 2015	317,031,251.37	322,877,828.20	310,680,552.99	329,228,526.58
Tianjin – Hongshanhuayuan	November 2015	92,077,737.39	1,511,269,697.18	425,880,932.16	1,177,466,502.41
Beijing – Jianxinyuan Affordable Housing	December 2008	17,740,595.49	–	1,137,167.94	16,603,427.55
Beijing – Tiantan Gongguan	June 2008	15,107,297.05	–	3,052,241.31	12,055,055.74
Tangshan – Jinyu Lefu	September 2015	806,938,701.44	189,946,351.58	69,307,338.56	927,577,714.46
Beijing – Ruiheyuan	October 2014	21,873,764.49	–	–	21,873,764.49
Beijing – Phase III of Tuqiao	October 2015	173,041,657.79	–	57,733,629.20	115,308,028.59

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

8. Inventories *(continued)*

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

Project name	Completion date of the latest phase	Opening balance	Increase in the period	Decrease in the period	Closing balance
Beijing – Jinyu Lanwan	October 2015	290,071,996.96	–	62,648,478.91	227,423,518.05
Beijing – Ziyouzhu	October 2015	254,479,227.46	–	228,968,894.67	25,510,332.79
Beijing – Jinyu Feili	November 2014	306,094,900.49	–	43,737,785.93	262,357,114.56
Beijing – I Cube	February 2015	66,005,198.87	–	4,528,658.81	61,476,540.06
Chongqing – Nanshanjun	September 2015	850,909,083.81	91,796,207.51	91,620,581.50	851,084,709.82
Beijing – BBMG International (金隅國際)	April 2005	85,111,715.33	–	–	85,111,715.33
Chongqing – Shidaiduhui	September 2015	623,396,979.12	–	161,909,337.42	461,487,641.70
Hangzhou – Banshan Tianyuan	October 2014	574,736,228.31	1,091,224,883.76	576,549,829.91	1,089,411,282.16
Beijing – Guogongzhuang project	December 2014	251,380,618.68	–	120,239,897.92	131,140,720.76
Chengdu – Dachengjun	January 2015	459,123,346.27	–	61,675,062.85	397,448,283.42
Chengdu – Jiapin MALL	September 2015	811,471,711.72	–	–	811,471,711.72
Qingdao – Elegancy City	November 2015	55,732,830.03	–	5,796,799.37	49,936,030.66
Ma'anshan – Jiashanshu (佳山墅)	November 2015	127,629,295.56	259,705,425.81	150,949,879.20	236,384,842.17
Changyang – Plot 1 of University of Science and Technology	June 2016	–	1,259,278,013.93	1,169,578,056.15	89,699,957.78
Others		83,064,417.06	–	961,576.76	82,102,840.30
Total		10,160,113,619.30	9,513,805,590.37	8,155,278,272.55	11,518,640,937.12

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

9. Other current assets

	30 June 2016	31 December 2015
Prepaid enterprise income tax	451,295,291.92	448,591,818.78
Prepaid land appreciation tax	512,351,851.52	432,284,137.73
Prepaid business tax and other tax	780,757,693.68	1,021,040,014.56
Excessive VAT paid	185,143,113.58	216,933,244.79
Prepaid expenses	64,078,373.13	37,355,455.34
Amortisation of long-term prepaid expenses within one year (Note V.19)	27,561,833.03	28,196,215.47
Others	61,484,664.72	69,824,811.44
	<u>2,082,672,821.58</u>	<u>2,254,225,698.11</u>

10. Available-for-sale financial assets

	30 June 2016	31 December 2015
Unlisted Investments		
Available-for-sale equity instruments	<u>604,367,250.00</u>	<u>604,367,250.00</u>

- (1) In December 2014, BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司) ("BBMG GEM"), a subsidiary of the Company, purchased trust scheme of RMB600,000,000.00 from CITIC-CP Asset Management Company Limited (中信信誠資產管理有限公司) using the debt of RMB600,000,000.00 due from its wholly-owned subsidiary Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業房地產開發有限公司), and BBMG GEM became the beneficiary of subordinated tranches of the trust scheme. The trust scheme will mature in December 2017. Gains on the trust scheme are 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 2016

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

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

- (2) As at 30 June 2016 and 31 December 2015, the fair value of domestic non-listed equity investments held by the Group could not be reliably measured due to lack of a quoted price in an active market, and these equity investments were measured at cost. The specific details are as follows:

For the six months ended 30 June 2016:

	Book balance			Provision for impairment			Closing balance	Percentage of shareholding (%)	Cash dividend for the period
	Opening balance	Increase in the period	Decrease in the period	Opening balance	Increase in the period	Decrease in the period			
Tianjia (Tianjin) Building Materials Company Limited (天津天津建材有限公司)	1,000,000.00	-	-	1,000,000.00	746,000.00	-	746,000.00	10.00	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京房山區城關農村信用合作社)	101,000.00	-	-	101,000.00	-	-	-	-	-
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油銷售有限公司)	3,000,000.00	-	-	3,000,000.00	-	-	-	10.00	174,461.30
* Beijing Beizhuan Gas Station (北京市北疇加油站)	648,297.22	-	-	648,297.22	291,047.22	-	291,047.22	62.50	-
* Beijing Xinjianxinyuan Farmer's Market Co., Ltd. (北京市鑫建欣苑農貿市場有限公司)	380,000.00	-	-	380,000.00	-	-	-	95.00	-
Beijing Tianyun Trading Co., Ltd. (北京市天雲實業有限公司)	75,000.00	-	-	75,000.00	-	-	-	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司)	200,000.00	-	-	200,000.00	-	-	-	0.20	-
* Hainan Dihao Furniture Co., Ltd. (海南帝豪家具公司)	2,645,418.54	-	-	2,645,418.54	2,645,418.54	-	2,645,418.54	55.00	-
** Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清華紫光方大高技術陶瓷有限公司)	3,267,700.00	-	-	3,267,700.00	3,267,700.00	-	3,267,700.00	27.14	-
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	-	-	100,000.00	100,000.00	-	100,000.00	0.34	-
	11,417,415.76	-	-	11,417,415.76	7,050,165.76	-	7,050,165.76		174,461.30

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

2015:

	Book balance			Provision for impairment			Closing balance	Percentage of shareholding (%)	Cash dividend for the year
	Opening balance	Increase in the year	Decrease in the year	Opening balance	Increase in the year	Decrease in the year			
Tianjia (Tianjin) Building Materials Company Limited (天津天津建材有限公司)	1,000,000.00	-	-	1,000,000.00	-	746,000.00	746,000.00	10.00	11,110.00
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京房山区城关农村信用合作社)	101,000.00	-	-	101,000.00	-	-	-	-	-
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油销售有限公司)	3,000,000.00	-	-	3,000,000.00	-	-	-	10.00	57,640.53
* Beijing Beizhuan Gas Station (北京市北疇加油站)	648,297.22	-	-	648,297.22	291,047.22	-	291,047.22	62.50	-
* Beijing Xinjianxinyuan Farmer's Market Co., Ltd. (北京市鑫建欣苑农贸市场有限公司)	380,000.00	-	-	380,000.00	-	-	-	95.00	-
Beijing Tianyun Trading Co., Ltd. (北京市天雲實業有限公司)	75,000.00	-	-	75,000.00	-	-	-	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司)	200,000.00	-	-	200,000.00	-	-	-	0.20	-
* Hainan Dihao Furniture Co., Ltd. (海南帝豪家具公司)	2,645,418.54	-	-	2,645,418.54	2,645,418.54	-	2,645,418.54	55.00	-
** Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清華紫光方大高技術陶瓷有限公司)	3,267,700.00	-	-	3,267,700.00	3,267,700.00	-	3,267,700.00	27.14	-
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	-	-	100,000.00	100,000.00	-	100,000.00	0.34	-
	11,417,415.76	-	-	11,417,415.76	6,304,165.76	746,000.00	7,050,165.76		68,750.53

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

** Beijing BBMG Chengyuan Property Development Co., Ltd., a subsidiary of the Company, holds 27.14% equity interest in Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. ("Tsinghua Unisplendor Founder"). As the Group was unable to participate in any decision-making of Tsinghua Unisplendor Founder and had no significant influence over the same, the Group did not account for it for as an associate.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

11. Long-term receivables

	30 June 2016	31 December 2015
Finance lease receivables	966,981,132.08	–

During the period, the Company newly established a subsidiary named BBMG Finance Lease Co., Ltd., which is mainly engaged in finance lease business. The total finance lease receivables at the end of the period was RMB966,981,132.08.

12. Long-term equity investments

For the six months ended 30 June 2016:

	Movements during the period						Book Value at the end of the year	Provision for impairment at the end of the period
	Opening balance	Write-off	Investment gain or loss under equity method	Other movements of equity interest	Cash dividends declared	Provision for impairment		
Joint ventures								
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	2,318,884.75	–	(2,318,884.75)	–	–	–	–	–
BBMG Landa Commercial Operation Management Co., Ltd. (北京藍島金隅商業運營管理有限公司)	3,874,677.56	–	29,130.33	–	(210,945.28)	–	3,692,862.61	–
Subtotal of joint ventures	<u>6,193,562.31</u>	<u>–</u>	<u>(2,289,754.42)</u>	<u>–</u>	<u>(210,945.28)</u>	<u>–</u>	<u>3,692,862.61</u>	<u>–</u>
Associates								
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)	5,469,434.67	(5,469,434.67)	–	–	–	–	–	–
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	86,783,222.28	–	(11,143,624.34)	–	–	–	75,639,597.94	–
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	99,135,472.21	–	302,129.36	–	(2,670,000.00)	–	96,767,601.57	–
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料(北京)有限公司)	64,172,528.48	–	3,559,074.00	–	–	–	67,731,602.48	–
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	24,153,611.73	–	(1,933,491.95)	–	–	–	22,220,119.78	–
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	9,234,002.76	–	(317,597.22)	–	–	–	8,916,405.54	–
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	16,021,098.90	–	54,835.60	–	–	–	16,075,934.50	–
Subtotal of associates	<u>304,969,371.03</u>	<u>(5,469,434.67)</u>	<u>(9,478,674.55)</u>	<u>–</u>	<u>(2,670,000.00)</u>	<u>–</u>	<u>287,351,261.81</u>	<u>–</u>
Total	<u>311,162,933.34</u>	<u>(5,469,434.67)</u>	<u>(11,768,428.97)</u>	<u>–</u>	<u>(2,880,945.28)</u>	<u>–</u>	<u>291,044,124.42</u>	<u>–</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

12. Long-term equity investments (continued)

2015

	Movements during the year						Book Value at the end of the year	Provision for impairment at the end of the year
	Opening balance	Increase/ (decrease) in investment	Investment gain or loss under equity method	Other movements of equity interest	Cash dividends declared	Provision for impairment		
Joint ventures								
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	17,789,937.84	-	(15,471,053.09)	-	-	-	2,318,884.75	-
BBMG Landa Commercial Operation Management Co., Ltd. (北京藍島金隅商業運營管理有限公司)	3,927,454.60	-	229,784.79	-	(282,561.84)	-	3,874,677.55	-
Subtotal of joint ventures	21,717,392.44	-	(15,241,268.30)	-	(282,561.84)	-	6,193,562.30	-
Associates								
Krono Flooring (Beijing) Co., Ltd. (柯諾(北京)地板有限公司)	5,469,434.67	-	-	-	-	-	5,469,434.67	5,469,434.67
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	97,629,252.10	-	(10,846,029.82)	-	-	-	86,783,222.28	-
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	98,362,708.22	-	772,763.99	-	-	-	99,135,472.21	-
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料(北京)有限公司)	60,310,207.81	-	8,346,992.95	-	(4,484,672.27)	-	64,172,528.49	-
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	27,810,842.09	-	(2,775,530.36)	-	(881,700.00)	-	24,153,611.73	-
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	8,035,920.51	-	2,049,082.25	-	(851,000.00)	-	9,234,002.76	-
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿素固廢工程技術研究院有限公司)	-	16,020,997.00	101.90	-	-	-	16,021,098.90	-
Subtotal of associates	297,618,365.40	16,020,997.00	(2,452,619.09)	-	(6,217,372.27)	-	304,969,371.04	5,469,434.67
Total	319,335,757.84	16,020,997.00	(17,693,887.39)	-	(6,499,934.11)	-	311,162,933.34	5,469,434.67

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

13. Investment properties

Fair value model is applied for subsequent measurement:

For the six months ended 30 June 2016:

	Buildings
Opening balance	14,444,803,327.98
Changes in fair value	447,182,996.11
Closing balance	14,891,986,324.09

2015

	Buildings
Opening balance	14,051,809,039.03
Disposal and retirement	(209,192,000.00)
Changes in fair value	602,186,288.95
Closing balance	14,444,803,327.98

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

The Group's investment properties were valued by Savills Valuation and Professional Services Limited, an independent valuer with professional qualifications, using future earnings method and market-based approach on an open market and existing use basis, the appraised value of which as at 30 June 2016 was RMB14,891,986,342.09 (31 December 2015: RMB14,444,803,327.98).

As at 30 June 2016, procedures for the title certificates for the investment properties with carrying amount of approximately RMB294,400,000.00 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. The management of the Company is of the opinion that the above matters will not impose material adverse effect on the overall financial position of the Group as at 30 June 2016.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

13. Investment properties *(continued)*

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

	30 June 2016	31 December 2015
Jianjin Building	161,100,000.00	157,600,000.00
Jinhuanyu Building	133,300,000.00	130,400,000.00
	294,400,000.00	288,000,000.00

Details of pledge of investment properties are set out in Note V.64.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

14. Fixed assets

For the six months ended 30 June 2016

	Buildings	Machinery equipment	Transportation equipment	Other equipment	Total
Cost					
Opening balance	13,190,471,520.68	12,974,408,432.68	974,992,101.87	534,213,764.52	27,674,085,819.75
Addition	29,319,441.57	28,006,546.00	10,359,898.77	9,511,577.11	77,197,463.45
Transfer from construction in progress	60,250,922.40	57,815,239.50	1,311,718.61	254,148.86	119,632,029.37
Disposal or retirement	(2,935,126.26)	(3,161,105.36)	(38,647,850.55)	(2,495,351.13)	(47,239,433.30)
Closing balance	<u>13,277,106,758.39</u>	<u>13,057,069,112.82</u>	<u>948,015,868.70</u>	<u>541,484,139.36</u>	<u>27,823,675,879.27</u>
Accumulated depreciation					
Opening balance	3,176,825,336.80	5,065,166,153.38	564,128,982.37	393,437,538.33	9,199,558,010.88
Provision for the period	227,446,182.53	377,415,240.30	46,879,834.55	20,513,463.92	672,254,721.30
Disposal or retirement	(434,228.28)	(1,925,183.33)	(31,702,155.19)	(2,290,958.77)	(36,352,525.57)
Closing balance	<u>3,403,837,291.05</u>	<u>5,440,656,210.35</u>	<u>579,306,661.73</u>	<u>411,660,043.48</u>	<u>9,835,460,206.61</u>
Provision for impairment					
Opening balance	116,741,541.19	209,902,508.62	5,074,832.36	1,639,237.66	333,358,119.83
Provision for the period	27,923,064.88	43,920,627.73	2,821,534.09	493,040.92	75,158,267.62
Disposal or retirement	-	-	(743,116.11)	(207.50)	(743,323.61)
Closing balance	<u>144,664,606.07</u>	<u>253,823,136.35</u>	<u>7,153,250.34</u>	<u>2,132,071.08</u>	<u>407,773,063.84</u>
Book value					
At the end of the period	<u>9,728,604,861.27</u>	<u>7,362,589,766.12</u>	<u>361,555,956.63</u>	<u>127,692,024.80</u>	<u>17,580,442,608.82</u>
At the beginning of the period	<u>9,896,904,642.69</u>	<u>7,699,339,770.68</u>	<u>405,788,287.14</u>	<u>139,136,988.53</u>	<u>18,141,169,689.04</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

14. Fixed assets *(continued)*

2015

	Buildings	Machinery equipment	Transportation equipment	Other equipment	Total
Cost					
Opening balance	12,474,941,293.00	12,391,561,367.65	999,963,502.32	502,103,302.50	26,368,569,465.47
Addition	128,519,212.04	85,736,932.44	23,677,234.25	26,946,515.19	264,879,893.92
Transfer from construction in progress	420,347,918.58	413,659,387.81	146,320.04	4,476,249.35	838,629,875.78
Business combination not under common control	219,611,216.37	151,364,845.78	–	7,386,005.37	378,362,067.52
Disposal or retirement	(52,948,119.31)	(67,914,101.00)	(48,794,954.74)	(6,698,307.89)	(176,355,482.94)
Closing balance	<u>13,190,471,520.68</u>	<u>12,974,408,432.68</u>	<u>974,992,101.87</u>	<u>534,213,764.52</u>	<u>27,674,085,819.75</u>
Accumulated depreciation					
Opening balance	2,773,059,483.93	4,358,558,020.95	528,562,235.37	343,986,064.53	8,004,165,804.78
Provision for the year	435,954,475.55	750,561,754.74	72,868,272.11	54,217,202.25	1,313,601,704.65
Disposal or retirement	(32,188,622.68)	(43,953,622.31)	(37,301,525.11)	(4,765,728.45)	(118,209,498.55)
Closing balance	<u>3,176,825,336.80</u>	<u>5,065,166,153.38</u>	<u>564,128,982.37</u>	<u>393,437,538.33</u>	<u>9,199,558,010.88</u>
Provision for impairment					
Opening balance	127,098,651.56	208,149,357.10	6,266,436.37	1,694,983.06	343,209,428.09
Provision for the year	–	5,057,246.20	–	–	5,057,246.20
Disposal or retirement	(10,357,110.37)	(3,304,094.68)	(1,191,604.01)	(55,745.40)	(14,908,554.46)
Closing balance	<u>116,741,541.19</u>	<u>209,902,508.62</u>	<u>5,074,832.36</u>	<u>1,639,237.66</u>	<u>333,358,119.83</u>
Book value					
At the end of the year	<u>9,896,904,642.69</u>	<u>7,699,339,770.68</u>	<u>405,788,287.14</u>	<u>139,136,988.53</u>	<u>18,141,169,689.04</u>
At the beginning of the year	<u>9,574,783,157.51</u>	<u>7,824,853,989.60</u>	<u>465,134,830.58</u>	<u>156,422,254.91</u>	<u>18,021,194,232.60</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

14. Fixed assets *(continued)*

The book values of the fixed assets under finance leases are as follows:

	30 June 2016	31 December 2015
Machinery and equipment		
Original cost	29,168,129.40	29,168,129.40
Less: Accumulated depreciation	6,141,851.52	5,204,118.00
Book value	23,026,277.88	23,964,011.40

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

	30 June 2016	31 December 2015
Buildings	52,675,198.53	77,260,067.15

As at 30 June 2016, fixed assets for which the procedures for title certificates were yet to be completed were as follows:

	Book value	Reasons for the absence of title certificates
Office building for Chengde BBMG Cement	12,079,561.50	In process
Office building for Xuanhua BBMG Cement	42,177,925.04	In process
Office building for Zuoquan BBMG Cement	28,873,405.17	In process
	83,130,891.71	

Details of pledge of fixed assets are set out in Note V.64.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress

	30 June 2016			31 December 2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Baoding Taihang Heyi						
– Updating of raw mill energy-saving	23,105,701.34	–	23,105,701.34	18,278,675.83	–	18,278,675.83
Zanhuang BBMG						
– Construction of sandstone mine	22,863,194.80	–	22,863,194.80	15,826,689.80	–	15,826,689.80
Tianjin Zhenxing Cement						
– Project concerning clinker storage tent	–	–	–	28,347,508.05	–	28,347,508.05
– Raw coal and auxiliary material shed	–	–	–	26,145,793.42	–	26,145,793.42
– Project concerning deep dust control	13,073,306.28	–	13,073,306.28	8,212,443.48	–	8,212,443.48
Beijing Cement Plant						
– Construction project of limestone mine	26,248,918.46	–	26,248,918.46	13,992,349.63	–	13,992,349.63
Bo'ai BBMG Cement						
– Bo'ai Zhaihuoxiang limestone mine	13,260,377.31	–	13,260,377.31	10,722,641.49	–	10,722,641.49
– Technological improvement of raw meal mill	24,610,167.73	–	24,610,167.73	9,948,018.87	–	9,948,018.87
Guangling Jinyu Cement						
– Green and environmental improvement of raw material yards	10,517,920.59	–	10,517,920.59	8,716,255.25	–	8,716,255.25
Xingtai BBMG Cement						
– Phase I of renovation of raw meal mill	23,865,235.03	–	23,865,235.03	29,666.67	–	29,666.67
Dachang BBMG Tiantan Furniture						
– Acquisition of Dachang project	125,983,921.92	–	125,983,921.92	81,873,849.75	–	81,873,849.75
Beijing Aerated Concrete						
– Logistics park and small municipal projects	627,150,869.03	–	627,150,869.03	434,077,594.22	–	434,077,594.22
BBMG (Dachang) Modern Industrial Park						
– Tiantan furniture project (Phase I)						
7#9#12# lands standard plants	188,123,138.96	–	188,123,138.96	182,033,919.72	–	182,033,919.72
– Tiantan furniture project						
4#10 – 2# lands standard plants	130,574,864.89	–	130,574,864.89	94,155,776.11	–	94,155,776.11
– Tiantan furniture project GSHF project	48,731,109.78	–	48,731,109.78	48,731,109.78	–	48,731,109.78
– Rock wool material shed	–	–	–	12,648,402.60	–	12,648,402.60
BBMG Micro Chemical Industry (金隅微觀化工)						
– Adhesives (with annual output of 40,000 tons) and polycarboxylic type water reducer (with annual output of 50,000 tons) project	11,585,043.51	–	11,585,043.51	–	–	–
Beijing BBMG Doudian Technology						
– Water-saving center project	13,789,992.32	–	13,789,992.32	3,135,850.73	–	3,135,850.73
Hongye Ecological						
– Jianjin Building decoration project	17,495,957.57	–	17,495,957.57	13,580,318.50	–	13,580,318.50
Others	375,803,225.05	(9,686,164.06)	366,117,060.99	248,418,112.48	(9,686,164.06)	238,731,948.42
	1,696,782,944.57	(9,686,164.06)	1,687,096,780.51	1,258,874,976.38	(9,686,164.06)	1,249,188,812.32

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress (continued)

For the six months ended 30 June 2016

Projects	Budget (thousand RMB)	Opening balance	Increase in the period	Transferred to fixed assets in the period	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Beijing Liulihe Cement								
– Collaborative project of the disposal of lime-stabilised sludge and cement kiln	32,000	722,695.65	-	-	-	722,695.65	Self-financing	2.26
– Construction waste resources optimization	99,870	321,358.41	235,849.05	-	-	557,207.46	Self-financing	0.56
– Project concerning comprehensive utilization of fly ash	61,289	-	336,540.68	-	-	336,540.68	Self-financing	99.10
– Improvement project of the productivity of fly ash disposal line	22,960	-	1,361,043.00	-	-	1,361,043.00	Self-financing	95.93
– Improvement and expansion project of fly ash	70,000	-	940,130.40	-	-	940,130.40	Self-financing	1.34
Hebei BBMG Dingxin								
– Upgrading of 2nd sub line 2 raw meal ball mill to roller press finish grinding mill	30,500	1,444,645.22	23,673,644.84	25,118,290.06	-	-	Self-financing	82.36
– Stripping of 2nd sub orebody	84,146	-	65,014.38	-	65,014.38	-	Self-financing	100.00
– Stripping of 1st sub orebody phase 2	127,328	-	4,450,066.88	-	4,011,283.48	438,783.40	Self-financing	98.90
Baoding Taihang Heyi								
– Updating of raw mill energy-saving	29,840	18,278,675.83	4,827,025.51	-	-	23,105,701.34	Self-financing/ Borrowing	77.44
Handan BBMG Taihang Cement								
– Collaborative project of the disposal of household garbage in Fengfeng mine for cement kiln	104,298	12,365.66	1,231,524.25	-	-	1,243,889.91	Self-financing	1.19
Handan Shexian BBMG Cement								
– Project concerning comprehensive utilisation of mining mullock	46,700	-	636,105.10	-	-	636,105.10	Self-financing	1.36
Zanhuang BBMG Cement								
– Construction of sandstone mine	42,360	15,826,689.80	7,036,505.00	-	-	22,863,194.80	Self-financing	53.97

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress (continued)

For the six months ended 30 June 2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the period	Transferred to fixed assets in the period	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Quyung Jinyu Cement								
– Solid wastes treatment project	22,700	82,981.28	130,220.13	-	-	213,201.41	Self-financing	0.94
Tianjin Zhenxing Cement								
– Project concerning clinker storage tent	28,350	28,347,508.05	186,485.13	28,533,993.18	-	-	Borrowing	100.00
– Raw coal and auxiliary material shed	26,150	26,145,793.42	-	26,145,793.42	-	-	Borrowing	99.98
– Composite micro powder project	27,660	1,702,845.93	-	-	-	1,702,845.93	Self-financing	6.16
Lingchuan BBMG Cement								
– Hazardous waste disposal	38,090	435,369.81	387,567.22	-	-	822,937.03	Self-financing	2.16
Beijing Cement Plant								
– Construction project of limestone mine in Xiazhuang	36,808	13,992,349.63	12,256,568.83	-	-	26,248,918.46	Self-financing	71.31
Xuanhua BBMG Cement								
– Project concerning completion of cement production by utilisation of carbide slag	67,000	1,591,326.53	136,231.44	-	-	1,727,557.97	Self-financing	98.20
Bo'ai BBMG Cement								
– Bo'ai Zhaihuoxiang limestone mine	21,102	10,722,641.49	2,537,735.82	-	-	13,260,377.31	Self-financing	62.84
– Technological improvement of raw meal mill	30,650	9,948,018.87	14,662,148.86	-	-	24,610,167.73	Self-financing	80.29
– Hazardous waste disposal project	34,723	604,235.24	77,358.49	-	-	681,593.73	Self-financing	1.96
Guangling Jinyu Cement								
– Hazardous waste project	37,480	-	561,444.00	-	-	561,444.00	Self-financing	1.50
Chengde BBMG Cement								
– Treatment of mine environment and other projects	20,440	5,382,792.21	-	-	-	5,382,792.21	Self-financing	99.91
– Project concerning comprehensive utilization of hazardous waste	35,000	308,850.86	170,954.41	-	-	479,805.27	Self-financing	1.37
Xingtai BBMG Cement								
– Phase I of renovation of raw meal mill	64,492	29,666.67	23,835,568.36	-	-	23,865,235.03	Self-financing/ Borrowing	37.00
– Phase II of renovation of raw meal mill	64,492	-	937,295.86	-	-	937,295.86	Self-financing/ Borrowing	1.45
– Collaborative disposal of garbage for cement kiln	50,000	394,339.62	-	-	-	394,339.62	Self-financing	0.79
– Collaborative disposal of waste for cement kiln	34,589	244,339.62	150,000.00	-	-	394,339.62	Self-financing	1.14

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress (continued)

For the six months ended 30 June 2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the period	Transferred to fixed assets in the period	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
- Technological improvement project of cement grinding	64,492	-	43,923.07	-	-	43,923.07	Self-financing	0.07
Dachang BBMG Tiantan Furniture								
- Acquisition of Dachang project	685,355	81,873,849.75	44,110,072.17	-	-	125,983,921.92	Appropriation/ Fundraising	18.38
Beijing Aerated Concrete								
- Logistics park and small municipal projects	1,369,000	434,077,594.22	193,073,274.81	-	-	627,150,869.03	Self-financing	45.86
Beijing Building Material Test Centre								
- Construction of water-saving appliances product quality inspection center	28,850	320,254.72	3,734,477.14	-	-	4,054,731.86	Self-financing	14.05
BBMG (Dachang) Modern Industrial Park								
- Tiantan furniture project 7#9#12# lands standard plants	338,849	182,033,919.72	6,089,219.24	-	-	188,123,138.96	Fundraising/ Self-financing	73.80
- Tiantan furniture project 4#10 - 2# lands standard plants	251,643	94,155,776.11	36,419,088.78	-	-	130,574,864.89	Self-financing	94.47
- Prophase of GSHP of Tiantan furniture (Phase I)	55,000	48,731,109.78	-	-	-	48,731,109.78	Self-financing	95.00
- Sanchong Mirror project	27,524	40,000.00	6,829,732.53	-	-	6,869,732.53	Self-financing	24.96
BBMG Micro Chemical Industry (金隅微觀化工)								
- Adhesives (with annual output of 40,000 tons) and polycarboxylic type water reducer (with annual output of 50,000 tons) project	279,600	-	11,585,043.51	-	-	11,585,043.51	Appropriation/ Self-financing	4.14
Beijing BBMG Doudian Technology								
-Water-saving center project	50,390	3,135,850.73	10,654,141.59	-	-	13,789,992.32	Self-financing/ Borrowing	27.37
Hongye Ecological								
-Jianjin Building decoration project	24,000	13,580,318.50	3,915,639.07	-	-	17,495,957.57	Self-financing	72.90
Others		264,386,813.05	144,338,655.87	39,833,952.71	-	368,891,516.21		
Total		1,258,874,976.38	561,616,295.42	119,632,029.37	4,076,297.86	1,696,782,944.57		

Note: Other decreases mainly represent transfer of the stripping of orebody project under construction of the Company's subsidiaries, such as Luquan BBMG Dingxin Co., Ltd., to long-term deferred expenditures upon completion in the year.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress (continued)

2015

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Beijing Liulhe Cement								
- Renovation project for line 1 coal vertical mills	20,000	18,857,117.45	2,742,050.49	21,599,167.94	-	-	Self-financing	100.00
- Collaborative project of the disposal of lime-stabilised sludge and cement kiln	32,000	722,695.65	-	-	-	722,695.65	Self-financing	2.26
- Construction waste resources optimization	99,870	-	321,358.41	-	-	321,358.41	Self-financing	0.32
- Project concerning comprehensive utilization of fly ash	61,289	20,527,000.00	1,729,525.11	22,256,525.11	-	-	Self-financing/ Borrowing	99.00
- Improvement project of the productivity of fly ash disposal line	22,960	15,095,172.30	5,590,019.65	20,685,191.95	-	-	Self-financing/ Borrowing	90.00
Hebei BBMG Dingxin								
- Upgrading of 2nd sub line 2 raw meal ball mill to roller press finish grinding mill	30,500	-	1,444,645.22	-	-	1,444,645.22	Self-financing	4.74
- Stripping of 2nd sub orebody	84,146	42,809,346.91	32,710,319.66	-	75,519,666.57	-	Self-financing	100.00
- Stripping of 1st sub orebody phase 2	127,328	-	20,664,380.20	-	20,664,380.20	-	Self-financing	98.40
- Upgrading of 2nd sub line 1 raw meal ball mill to roller press finish grinding mill	31,500	-	26,409,270.67	26,409,270.67	-	-	Self-financing	83.84
Baoding Taihang Heyi								
- Updating of raw mill energy-saving	29,840	-	18,278,675.83	-	-	18,278,675.83	Self-financing	61.26
- Environmental renovation of cement production line	20,000	12,227,760.52	8,105,952.43	20,333,712.95	-	-	Self-financing	100.00
- "Green Mine"	30,200	1,455,960.06	18,513.00	-	1,474,473.06	-	Self-financing	4.88
Guantao BBMG								
- Project concerning 400,000 tonnes dry mix mortar	59,300	3,297,919.07	32,933,562.77	36,231,481.84	-	-	Self-financing	61.10

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress (continued)

2015 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Handan BBMG Taihang Cement								
– Collaborative project of the disposal of household garbage in Fengfeng mine for cement kiln	104,298	–	12,365.66	–	–	12,365.66	Self-financing	0.01
Zanhuang BBMG Cement								
– Construction of sandstone mine	42,360	11,737,058.18	4,089,631.62	–	–	15,826,689.80	Self-financing	37.36
Cement Energy Saving Technology								
– Project concerning 50,000 tonnes complex production line	31,968	11,859,538.48	7,819,526.20	19,679,064.68	–	–	Self-financing	61.56
Zhangjiakou BBMG								
– Base for fly ash	73,400	47,758,330.84	23,161,097.01	70,919,427.85	–	–	Self-financing	96.62
Quyuan Jinyu Cement								
– Solid wastes treatment project	22,700	22,051.28	60,930.00	–	–	82,981.28	Self-financing	0.37
Tianjin Zhenxing Cement								
– Project concerning clinker storage tent	28,350	28,347,508.05	–	–	–	28,347,508.05	Borrowing	99.00
– Raw coal and auxiliary material shed	26,150	–	26,145,793.42	–	–	26,145,793.42	Borrowing	99.00
– Composite micro powder project	27,660	1,587,845.93	115,000.00	–	–	1,702,845.93	Self-financing	6.16
Beijing Cement Plant								
– Construction project of limestone mine in Xiazhuang	36,808	120,000.00	13,872,349.63	–	–	13,992,349.63	Self-financing	38.01
Xuanhua BBMG Cement								
– Project concerning completion of cement production by utilisation of carbide slag	67,000	15,870,585.38	592,547.31	13,939,255.73	932,550.43	1,591,326.53	Self-financing	98.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress (continued)

2015 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Bo'ai BBMG Cement								
- Bo'ai Zhaihuoxiang limestone mine	21,102	-	10,722,641.49	-	-	10,722,641.49	Self-financing	50.81
- Technological improvement of raw meal mill	30,650	-	9,948,018.87	-	-	9,948,018.87	Self-financing	32.46
- Upgrading of 2# cement grinding	33,980	4,100,000.00	19,677,591.22	23,777,591.22	-	-	Self-financing	69.98
BBMG Mortar								
- Pinggu production line	46,170	2,433,244.00	1,367,120.53	3,800,364.53	-	-	Self-financing	100.00
Chengde BBMG Cement								
- Treatment of mine environment and other projects	20,440	10,416,122.21	10,005,335.88	7,903,900.00	7,134,765.88	5,382,792.21	Self-financing	99.91
- Project concerning 400,000 tonnes dry mix mortar	76,720	43,733,336.20	6,862,531.12	50,595,867.32	-	-	Borrowing	65.95
Dachang BBMG Tiantan Furniture								
- Acquisition of Dachang project	685,355	-	81,873,849.75	-	-	81,873,849.75	Appropriation/ Fundraising	11.95
Beijing Aerated Concrete								
- Logistics park	1,369,000	168,249,241.83	266,132,352.39	304,000.00	-	434,077,594.22	Self-financing	31.73
Beijing Building Materials Academy								
- Construction of water-saving appliances product quality inspection center	28,850	-	320,254.72	-	-	320,254.72	Self-financing	1.11

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress (continued)

2015 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
BBMG (Dachang) Modern Industrial Park								
- Tiantan furniture project 7#9#12# lands standard plants	338,849	129,296,519.76	52,737,399.96	-	-	182,033,919.72	Fundraising/Self- financing	72.00
- Tiantan furniture project 4#10 - 2# lands standard plants	251,643	506,242.97	93,649,533.14	-	-	94,155,776.11	Self-financing	80.00
- Prophase of GSHP of Tiantan furniture (Phase I)	55,000	100,000.00	48,631,109.78	-	-	48,731,109.78	Self-financing	95.00
- Sanchong Mirror project	27,524	-	40,000.00	-	-	40,000.00	Self-financing	0.15
Beijing BBMG Doudian Technology								
- Water-saving center project	50,390	-	3,135,850.73	-	-	3,135,850.73	Borrowing	6.22
Hongye Ecological								
- Jianjin Building decoration project	24,000	-	13,580,318.50	-	-	13,580,318.50	Self-financing	56.58
Others		253,533,237.61	513,065,431.25	500,195,053.99	-	266,403,614.87		
Total		844,663,834.68	1,358,566,853.62	838,629,875.78	105,725,836.14	1,258,874,976.38		

Note: Other decreases mainly represent transfer of the stripping of orebody project under construction of the Company's subsidiaries, such as Luquan BBMG Dingxin Co., Ltd., to long-term deferred expenditures upon completion in the year.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress *(continued)*

2015 *(continued)*

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

For the six months ended 30 June 2016

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the period	Capitalization rate for the period (%)
Xingtai Yongning				
– Renovation project for raw meal mill	37.00	348,000.00	338,333.33	4.64
BBMG (Dachang) Modern Industrial Park				
– Tiantan furniture project 7#9#12# lands standard plants	80.08	2,412,876.42	–	–
Beijing BBMG Doudian Technology				
– Water-saving center project	27.37	161,295.76	96,635.95	4.64
Dachang BBMG Tiantan				
– Acquisition of Dachang project	18.38	1,529,500.00	1,046,500.00	4.64
Baoding Heyi				
– Updating of raw mill energy-saving	61.26	250,125.00	250,125.00	4.64
		<u>4,701,797.18</u>	<u>1,731,594.28</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress *(continued)*

2015

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Xingtai Yongning				
– Renovation project for raw meal mill	0.05	9,666.67	9,666.67	5.65
Tianjin Zhenxing				
– Clinker storage tent	99.00	209,999.99	–	–
Tianjin Zhenxing				
– Raw coal and auxiliary material shed	99.00	55,332.89	55,332.89	5.65
BBMG (Dachang) Modern Industrial Park				
– Tiantan furniture project 7#9#12# lands standard plants	72.00	2,412,876.42	–	–
Beijing BBMG Doudian Technology				
– Water-saving center project	6.23	64,659.81	64,659.81	5.65
Dachang BBMG Tiantan				
– Acquisition of Dachang project	12.00	<u>483,000.00</u>	<u>483,000.00</u>	5.65
		<u>3,235,535.78</u>	<u>612,659.37</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

15. Construction in progress *(continued)*

Provision for impairment of construction in progress for the six months ended 30 June 2016:

	Opening and closing balance	Reason for making provisions
Luquan BBMG Dingxin – Project for the first branch	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	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	It is expected that it cannot generate assets due to suspension of construction in progress
Hebei BBMG Dingxin – Assets in Zhuozhou	570,000.00	Recoverable amount after testing is lower than the carrying amount
Jinyu Pinggu Cement – Production line renovation project	1,054,783.21	Dismantlement of the production line
	<u>9,686,164.06</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

16. Construction materials

	30 June 2016	31 December 2015
Special-purpose equipment	17,357,724.57	17,699,818.60
Special-purpose materials	607,186.00	607,186.00
Equipment and instruments	2,105,572.20	2,113,539.30
	20,070,482.77	20,420,543.90
Less: Provision for impairment	13,139,064.84	13,139,064.84
	6,931,417.93	7,281,479.06

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

17. Intangible assets

For the six months ended 30 June 2016

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	3,561,715,468.09	54,626,957.60	1,246,350,504.02	16,670,000.00	62,115,164.52	4,941,478,094.23
Addition	3,331,306.61	705,756.24	19,542,798.93	-	12,075.00	23,591,936.78
Disposal or retirement	(369,375.54)	-	(1,023,840.00)	-	-	(1,393,215.54)
Closing balance	<u>3,564,677,399.16</u>	<u>55,332,713.84</u>	<u>1,264,869,462.95</u>	<u>16,670,000.00</u>	<u>62,127,239.52</u>	<u>4,963,676,815.47</u>
Accumulated amortisation						
Opening balance	604,823,471.11	28,256,349.09	134,567,578.87	-	39,224,255.59	806,871,654.66
Provision for the period	52,324,543.70	3,281,558.37	9,470,414.72	-	194,035.75	65,270,552.54
Disposal or retirement	(31,672.12)	-	-	-	-	(31,672.12)
Closing balance	<u>657,116,342.69</u>	<u>31,537,907.46</u>	<u>144,037,993.59</u>	<u>-</u>	<u>39,418,291.34</u>	<u>872,110,535.08</u>
Provision for impairment						
Opening balance	-	-	40,043,841.71	5,000,000.00	2,310,000.00	47,353,841.71
Provision for the period	11,705,925.62	-	16,636,150.17	-	-	28,342,075.79
Closing balance	<u>11,705,925.62</u>	<u>-</u>	<u>56,679,991.88</u>	<u>5,000,000.00</u>	<u>2,310,000.00</u>	<u>75,695,917.50</u>
Book value						
At the end of the period	<u>2,895,855,130.85</u>	<u>23,794,806.38</u>	<u>1,064,151,477.48</u>	<u>11,670,000.00</u>	<u>20,398,948.18</u>	<u>4,015,870,362.89</u>
At the beginning of the period	<u>2,956,891,996.98</u>	<u>26,370,608.51</u>	<u>1,071,739,083.44</u>	<u>11,670,000.00</u>	<u>20,580,908.93</u>	<u>4,087,252,597.86</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

17. Intangible assets *(continued)*

2015

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	3,443,490,245.94	40,751,965.17	1,168,057,230.62	16,670,000.00	62,147,164.48	4,731,116,606.21
Addition	111,317,279.43	13,874,992.43	62,743,773.40	-	-	187,936,045.26
Disposal or retirement	(2,776,800.00)	-	-	-	(31,999.96)	(2,808,799.96)
Business combination not under common control	9,684,742.72	-	15,549,500.00	-	-	25,234,242.72
Closing balance	<u>3,561,715,468.09</u>	<u>54,626,957.60</u>	<u>1,246,350,504.02</u>	<u>16,670,000.00</u>	<u>62,115,164.52</u>	<u>4,941,478,094.23</u>
Accumulated amortisation						
Opening balance	530,702,471.84	24,199,022.04	113,797,236.43	-	37,862,430.47	706,561,160.78
Provision for the year	74,594,817.99	4,057,327.05	20,770,342.44	-	1,361,825.12	100,784,312.60
Disposal or retirement	(473,818.72)	-	-	-	-	(473,818.72)
Closing balance	<u>604,823,471.11</u>	<u>28,256,349.09</u>	<u>134,567,578.87</u>	<u>-</u>	<u>39,224,255.59</u>	<u>806,871,654.66</u>
Provision for impairment						
Opening and closing balance	<u>-</u>	<u>-</u>	<u>40,043,841.71</u>	<u>5,000,000.00</u>	<u>2,310,000.00</u>	<u>47,353,841.71</u>
Book value						
At the end of the year	<u>2,956,891,996.98</u>	<u>26,370,608.51</u>	<u>1,071,739,083.44</u>	<u>11,670,000.00</u>	<u>20,580,908.93</u>	<u>4,087,252,597.86</u>
At the beginning of the year	<u>2,912,787,774.10</u>	<u>16,552,943.13</u>	<u>1,014,216,152.48</u>	<u>11,670,000.00</u>	<u>21,974,734.01</u>	<u>3,977,201,603.72</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

17. Intangible assets *(continued)*

All land use rights owned by the Group are within the PRC and are analysed as follows according to the remaining useful lives:

	30 June 2016	31 December 2015
Less than 50 years	2,895,855,130.85	2,948,140,122.80
Longer than 50 years (inclusive)	–	8,751,874.18
Total	2,895,855,130.85	2,956,891,996.98

Details of pledge of intangible assets are set out in Note V.64.

As at 30 June 2016 and 31 December 2015, the useful life of trademark rights with a carrying amount of RMB11,670,000.00 was indefinite. The Group can apply for extension at the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during indefinite periods.

As at 30 June 2016, intangible assets for which the procedures for title certificates were yet to be completed were as follows:

	Carrying amount	Reasons for the absence of title certificates
Land use rights and exploration rights of the old factory of Zuoquan BBMG Cement	121,869,435.28	In process

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

18. Goodwill

	30 June 2016	31 December 2015
Hebei BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing Taihang Qianjing Cement Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司)	2,742,710.29	2,742,710.29
Tianjin Zhenxing Cement Co., Ltd (天津振興水泥有限公司)	10,931,009.96	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司)	56,276,121.38	56,276,121.38
	311,529,422.23	311,529,422.23
Less: Provision for impairment of goodwill	(53,162,523.95)	(53,162,523.95)
	258,366,898.28	258,366,898.28

Movements in provision for impairment of goodwill are as follows:

For the six months ended 30 June 2016

	Opening balance	Provision for the period	Decrease in the period	Closing balance
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (鞏義通達中原耐火技術有限公司)	3,967,009.95	-	-	3,967,009.95
Tianjin Zhenxing Cement Co., Ltd (天津振興水泥有限公司)	10,931,009.96	-	-	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司)	35,521,793.75	-	-	35,521,793.75
Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司)	2,742,710.29	-	-	2,742,710.29
	53,162,523.95	-	-	53,162,523.95

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

18. Goodwill *(continued)*

2015	Opening balance	Provision for the year	Decrease in the year	Closing balance
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (鞏義通達中原耐火技術有限公司)	3,967,009.95	–	–	3,967,009.95
Handan Taihang Cement Co., Ltd. (邯鄲市太行水泥有限責任公司)	522,323.32	–	522,323.32	–
Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司)	10,931,009.96	–	–	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司)	35,521,793.75	–	–	35,521,793.75
Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司)	–	2,742,710.29	–	2,742,710.29
	<u>50,942,136.98</u>	<u>2,742,710.29</u>	<u>522,323.32</u>	<u>53,162,523.95</u>

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

The recoverable 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% – 13% (2015: 12% – 13%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%-3% (2015: 1% – 3%) 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 on market development.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

19. Long-term deferred expenditures

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Amortisation for the period	Closing balance
Decoration	92,640,054.05	7,690,651.47	11,208,082.18	89,122,623.34
Leasehold improvement for fixed assets rented	8,457,637.86	174,595.00	1,124,125.95	7,508,106.91
Land lease prepayments	23,085,639.89	1,907,168.00	2,430,675.48	22,562,132.41
Cost of stripping mines	222,789,095.56	8,352,265.16	5,347,961.47	225,793,399.25
Others	85,993,167.26	14,912,206.85	9,555,476.86	91,349,897.25
	<u>432,965,594.62</u>	<u>33,036,886.48</u>	<u>29,666,321.94</u>	<u>436,336,159.16</u>
Less: Amount categorised as current assets to be amortised within one year	<u>28,196,215.47</u>			<u>27,561,833.03</u>
	<u>404,769,379.15</u>			<u>408,774,326.13</u>

2015

	Opening balance	Increase in the year	Amortisation for the year	Closing balance
Decoration	101,493,488.57	15,508,989.77	24,362,424.29	92,640,054.05
Leasehold improvement for fixed assets rented	9,725,415.39	1,445,226.70	2,713,004.23	8,457,637.86
Land lease prepayments	20,519,265.16	5,675,787.46	3,109,412.73	23,085,639.89
Cost of stripping mines	138,051,680.93	92,990,390.21	8,252,975.58	222,789,095.56
Others	71,663,999.96	66,101,679.39	51,772,512.09	85,993,167.26
	<u>341,453,850.01</u>	<u>181,722,073.53</u>	<u>90,210,328.92</u>	<u>432,965,594.62</u>
Less: Amount categorised as current assets to be amortised within one year	<u>51,676,745.84</u>			<u>28,196,215.47</u>
	<u>289,777,104.17</u>			<u>404,769,379.15</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

20. Deferred income tax assets/liabilities

Deferred income tax assets and deferred income tax liabilities not eliminated:

	30 June 2016		31 December 2015	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets				
Provision for LAT	2,218,677,686.52	554,669,421.63	2,200,589,853.84	550,147,463.46
Deductible tax losses	1,446,080,056.08	361,520,014.02	796,346,517.08	199,086,629.27
Provisions for impairment of assets	697,123,955.56	174,280,988.89	596,664,992.72	149,166,248.18
Accrual of property development cost	1,503,516,232.28	375,879,058.07	1,665,751,129.96	416,437,782.49
Unrealised profits and losses of internal transactions	417,264,102.24	104,316,025.56	301,729,192.52	75,432,298.13
Others	146,647,331.08	36,661,832.77	133,444,037.84	33,361,009.46
	6,429,309,363.76	1,607,327,340.94	5,694,525,723.96	1,423,631,430.99

Note: The management of the Company considers it is probable that sufficient taxable profit will be available in the future to offset the deductible temporary differences according to the profit forecast and hence the above deferred tax assets are recognised.

	30 June 2016		31 December 2015	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities				
Revaluation of investment properties	7,897,850,375.11	1,951,738,439.97	7,450,667,379.00	1,839,942,690.94
Accumulated differences arising from deductible depreciation expenses	1,338,517,602.60	334,629,400.65	1,338,517,602.60	334,629,400.65
Fair value adjustment arising from business combination	680,735,163.32	170,183,790.83	689,834,401.04	172,654,291.99
Deferred relocation compensation income	1,027,900,387.28	256,975,096.82	1,027,900,387.29	256,975,096.82
Others	195,691,272.89	52,188,394.64	154,078,539.65	41,785,211.33
	11,140,694,801.20	2,765,715,122.91	10,660,998,309.58	2,645,986,691.73

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

20. Deferred income tax assets/liabilities (continued)

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

	30 June 2016	31 December 2015
Deductible tax losses	2,624,809,226.44	2,330,540,622.23
Deductible temporary differences	1,118,140,939.78	861,316,681.39
	3,742,950,166.22	3,191,857,303.62

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

	30 June 2016	31 December 2015
2016	25,262,717.52	25,262,717.52
2017	101,509,577.71	101,509,577.71
2018	249,385,734.60	259,929,307.90
2019	252,247,348.81	255,202,847.11
2020	1,342,593,313.84	1,688,636,171.99
2021	653,810,533.96	–
	2,624,809,226.44	2,330,540,622.23

21. Other non-current assets

		30 June 2016	31 December 2015
Repurchase of Chongqing Shanshui Project prepayments, etc.	a	460,843,080.58	460,843,080.58
Prepayments for capital increase of Jidong Development Group Co., Ltd.	b	95,992,464.50	23,704,130.00
		3,000,000,000.00	–
		3,556,835,545.08	484,547,210.58

- a. Chongqing BBMG Dacheng Shanshui Properties Co., Ltd., a sub-subsidiary of the Company, entered into an en bloc sales agreement for a commercial property in Chongqing. As the agreement provided for a possible repurchase after five years, management classified and presented the relevant commercial property with a carrying amount of RMB460,843,080.58 as other non-current assets. The relevant receipts in advance of RMB601,559,996.42 were classified and presented as other non-current liabilities.
- b. BBMG Corporation entered into a framework agreement with Tangshan SASAC in order to carry out equity restructuring and asset restructuring with Jidong Development Group Co., Ltd. (冀東發展集團有限責任公司). Prepayments for capital increase of Jidong Development Group Co., Ltd. were RMB3,000,000,000.00.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

22. Provisions for impairment of assets

For the six months ended 30 June 2016

	Opening balance	Provision for the period	Acquisition of subsidiaries	Disposal of subsidiaries	Decrease in the period		Closing balance
					Reversal	Write-back/ Write-off	
Provision for bad debts:	667,353,041.73	181,732,555.42	-	-	(102,864,601.97)	(290,290.29)	745,930,704.89
Of which: Accounts receivable	505,467,859.38	136,284,938.13	-	-	(101,992,782.23)	(290,290.29)	539,469,724.99
Other receivables	158,213,408.65	18,629,478.42	-	-	(871,819.74)	-	175,971,067.33
Prepayments	3,671,773.70	26,818,138.87	-	-	-	-	30,489,912.57
Provision for decline in value of inventories	374,571,841.52	52,991,646.01	-	-	(1,747.25)	(69,107,193.33)	358,454,546.95
Provision for impairment of available-for-sale financial assets	7,050,165.76	-	-	-	-	-	7,050,165.76
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	(5,469,434.67)	-
Provision for impairment of fixed assets	333,358,119.83	75,158,267.62	-	-	-	(743,323.61)	407,773,063.84
Provision for impairment of construction materials	13,139,064.84	-	-	-	-	-	13,139,064.84
Provision for impairment of construction in progress	9,686,164.06	-	-	-	-	-	9,686,164.06
Provision for impairment of intangible assets	47,353,841.71	28,342,075.79	-	-	-	-	75,695,917.50
Provision for impairment of goodwill	53,162,523.95	-	-	-	-	-	53,162,523.95
	<u>1,511,144,198.07</u>	<u>338,224,544.84</u>	<u>-</u>	<u>-</u>	<u>(102,866,349.22)</u>	<u>(75,610,241.90)</u>	<u>1,670,892,151.79</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

2015

	Opening balance	Provision for the year	Acquisition of subsidiaries	Disposal of subsidiaries	Decrease in the year		Closing balance
					Reversal	Write-back/ Write-off	
Provision for bad debts:	512,579,463.74	234,437,693.95	150,000.01	-	(78,980,712.90)	(833,403.07)	667,353,041.73
Of which: Accounts receivable	380,590,250.26	196,714,939.06	150,000.01	-	(71,449,815.17)	(537,514.78)	505,467,859.38
Other receivables	131,989,213.48	34,050,981.19	-	-	(7,530,897.73)	(295,888.29)	158,213,408.65
Prepayments	-	3,671,773.70	-	-	-	-	3,671,773.70
Provision for decline in value of inventories	136,000,618.23	283,908,089.14	-	-	-	(45,336,865.85)	374,571,841.52
Provision for impairment of available-for-sale financial assets	6,304,165.76	746,000.00	-	-	-	-	7,050,165.76
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	-	5,469,434.67
Provision for impairment of fixed assets	343,209,428.09	5,057,246.20	-	-	-	(14,908,554.46)	333,358,119.83
Provision for impairment of construction materials	13,139,064.84	-	-	-	-	-	13,139,064.84
Provision for impairment of construction in progress	9,772,164.06	-	-	-	-	(86,000.00)	9,686,164.06
Provision for impairment of intangible assets	47,353,841.71	-	-	-	-	-	47,353,841.71
Provision for impairment of goodwill	50,942,136.98	2,742,710.29	-	-	-	(522,323.32)	53,162,523.95
	<u>1,124,770,318.08</u>	<u>526,891,739.58</u>	<u>150,000.01</u>	<u>-</u>	<u>(78,980,712.90)</u>	<u>(61,687,146.70)</u>	<u>1,511,144,198.07</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

23. Short-term loans

	30 June 2016	31 December 2015
Guaranteed loans (Note 1)	222,000,000.00	157,000,000.00
Credit loans	16,235,600,000.00	16,100,600,000.00
Mortgaged loans (Note 2)	502,212,885.39	535,665,814.17
Pledged loans (Note 3)	4,360,245.34	12,730,565.36
	<u>16,964,173,130.73</u>	<u>16,805,996,379.53</u>

Note 1: As at 30 June 2016, the guaranteed loans were guaranteed by the Company and its subsidiaries.

Note 2: Details and values of the collaterals for mortgaged loans of the Group as at 30 June 2016 are set out in note V.64.

Note 3: As at 30 June 2016, pledged loans of the Group were obtained by discounting the bills receivable of the Group's subsidiaries. Values of the collaterals for pledged loans are set out in note V.64.

As at 30 June 2016, the above loans bore interest rates of 3.82%-8.0% (31 December 2015: 3.95%-8.0%) per annum.

As at 30 June 2016, the Group had no outstanding short-term loans that were due.

24. Bills payable

	30 June 2016	31 December 2015
Bank acceptance bills	179,520,000.00	284,654,781.83
Commercial acceptance bills	188,194,927.78	151,823,022.91
	<u>367,714,927.78</u>	<u>436,477,804.74</u>

As at 30 June 2016, all the balances of this account would be due in six months.

As at 30 June 2016 and 31 December 2015, the Group had no outstanding bills payable that were due.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

25. Accounts payable

Accounts payable are non-interest bearing and shall generally be paid within 90 days.

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

	30 June 2016	31 December 2015
Within 1 year	6,996,649,412.12	6,989,394,579.52
1 to 2 years	883,403,669.61	1,018,700,066.17
2 to 3 years	349,573,670.54	282,319,386.90
Over 3 years	196,610,503.36	335,299,490.51
	<u>8,426,237,255.63</u>	<u>8,625,713,523.10</u>

As at 30 June 2016, 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	50,000,000.00	0.59	Undue
Customer 2	Third party	47,086,722.02	0.56	Undue
Customer 3	Third party	43,232,996.17	0.51	Undue
Customer 4	Third party	30,300,000.00	0.36	Undue
Customer 5	Third party	24,910,439.40	0.29	Undue

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

26. Receipts in advance

An aging analysis on receipts in advance is as follows:

	30 June 2016	31 December 2015
Within 1 year	13,463,638,899.90	16,278,569,106.85
1 to 2 years	3,194,401,895.09	2,716,208,419.49
2 to 3 years	302,828,147.17	20,374,973.91
Over 3 years	18,661,515.00	18,879,004.26
	<u>16,979,530,457.16</u>	<u>19,034,031,504.51</u>

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

	30 June 2016	31 December 2015
Advances on sale of goods	1,052,016,466.85	1,043,539,623.89
Advances on pre-sale of properties	15,330,617,416.75	17,484,399,244.79
Advances on construction costs	78,245,016.36	64,535,762.60
Advances on disposal of investment properties	148,871,127.66	–
Advances on rents and property fees	369,780,429.54	441,556,873.23
	<u>16,979,530,457.16</u>	<u>19,034,031,504.51</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

V. NOTES TO KEY ITEMS OF 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 2016	31 December 2015
Beijing – Chaoyang New City Group EFG	December 2016	100%	31,213,147.40	17,467,142.40
Beijing – Chaoyang New City Group D	December 2016	50%	1,268,544.50	32,427,554.68
Beijing – Jinyu Town-House	December 2016	95%	12,609,436.24	12,709,436.24
Beijing – Tuqiao Huashijiang	December 2016	95%	46,441,904.87	119,274,034.44
Beijing – Tuqiao Tongheyuan	December 2016	100%	7,853,932.24	5,342,074.39
Beijing – Kanghuiyuan	December 2016	94%	4,104,855.76	2,688,858.16
Beijing – Tuqiao Ziyoushu	December 2016	100%	23,443,406.20	235,996,469.84
Beijing – Binheyuan	December 2016	98%	3,456,328.17	7,073,792.90
Beijing – Ruiheyuan	December 2016	100%	10,729,737.60	10,729,737.60
Beijing – Meiheyuan	December 2016	100%	9,666,805.50	10,371,551.70
Beijing – Jiaheyuan	December 2016	94%	687,185,766.17	403,938,196.94
Beijing – Jinyu Lanwan	December 2016	83%	249,741,427.36	256,480,622.41
Hangzhou – Guanlan Times	December 2016	84%	188,877,786.24	109,307,158.00
Hangzhou – Banshan project	December 2016	52%	84,107,882.38	306,780,576.00
Hangzhou – Jinyu Xuefu	May 2018	58%	1,206,493,335.75	309,073,383.00
Beijing – Chang'an New City	December 2016	100%	9,446,974.26	8,175,474.26
Beijing – Dachengjun	July 2016	97%	13,967,431.62	16,059,584.00
Beijing – Liyuan Jincheng Centre	July 2016	95%	1,740,476.17	6,713,872.00
Beijing – Guogongzhuang project	July 2016	75%	89,298,641.87	86,069,931.00
Tianjin – Jinyu Yuecheng	October 2016	82%	748,124,472.05	587,680,883.50
Tianjin – Jinyu Mantang	September 2016	87%	838,423,841.55	1,107,540,385.00
Inner Mongolia – Jinyu Times City	September 2016	97%	18,921,011.47	42,177,106.27
Inner Mongolia – Jinyu Elegancy City	September 2016	72%	25,260,685.63	34,729,826.09
Inner Mongolia – Jinyu Global Finance Centre (金隅環球金融中心)	June 2017	17%	75,291,922.26	16,922,581.02
Tangshan – Jinyu Lefu	July 2016	48%	155,654,451.50	106,615,731.90
Beijing – Jinyu Feili	November 2016	83%	1,260,195,790.80	598,488,512.00
Beijing – Jinyu Vanke City	December 2016	100%	8,329,198.00	16,402,135.00
Haikou – Meilinghu	December 2016	100%	559,998.00	559,998.00
Haikou – Xixili	December 2016	27%	144,420,638.60	85,302,809.70
Chongqing – Times Metro	March 2017	78%	237,538,413.51	225,759,377.80
Chongqing – Nanshanjun	September 2018	49%	149,308,386.44	122,070,027.12
Chengdu – Shuangliu project	December 2016	69%	70,600,185.37	36,030,085.03
Chengdu – Longxijun	December 2017	27%	295,233,131.55	123,948,056.55
Beijing – I Cube	September 2016	95%	48,101,476.59	40,935,349.64
Qingdao – Site in Jinggangshan Rd.	December 2016	100%	16,319,987.27	21,954,143.95
Ma'anshan – Project at the Eastern Foot of Jiashan Hill (佳山)	July 2016	74%	61,439,120.26	94,825,745.12
Beijing – Changyang Polytechnic University Land No.1	September 2016	61%	827,920,743.64	1,202,768,505.86
Beijing-Tuqiao Phase III	December 2016	94%	240,513,747.28	114,694,894.99
Beijing – Jinyu Huixingyuan	December 2016	100%	66,788,651.33	3,257,474,360.00
Beijing – Jinyu Huijingyuan	December 2016	100%	1,960,724,416.00	5,387,690,790.00
Nanjing-Jinyu Zijinfu (金隅紫京府)	May 2017	74%	3,669,922,206.00	1,957,297,530.51
Beijing – Wangchuan Beiyuan	June 2018	78%	514,685,014.50	310,055,741.50
Qingdao – Qingdao Zhenjiang Road	September 2018	14%	179,335,663.00	–
Shanghai – Dacheng Mingting (大成名庭)	June 2017	7%	227,072,513.00	–
Beijing – Treasures Mansion House	December 2018	16%	532,851,353.91	–
Beijing – Nankou housing with a price cap	December 2018	100%	247,821,507.61	–
Beijing – Jinyu Dacheng International Center		100%	–	8,000,010.00
Others			27,611,069.33	27,795,208.28
Total			15,330,617,416.75	17,484,399,244.79

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

27. Wages payable

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term remuneration	113,303,064.91	1,361,142,970.32	1,384,869,303.15	89,576,732.08
Post-employment benefits (defined contribution plan)	5,299,582.13	173,037,587.05	164,324,912.99	14,012,256.19
Termination benefits	–	3,533,788.16	3,533,788.16	–
	118,602,647.04	1,537,714,345.53	1,552,728,004.30	103,588,988.27

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remuneration	115,224,822.08	2,662,207,199.18	2,664,128,956.35	113,303,064.91
Post-employment benefits (defined contribution plan)	9,354,437.82	360,568,830.55	364,623,686.24	5,299,582.13
Termination benefits	–	53,504,489.04	53,504,489.04	–
	124,579,259.90	3,076,280,518.77	3,082,257,131.63	118,602,647.04

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

27. Wages payable *(continued)*

Details of short-term remunerations are as follows:

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	68,836,344.90	1,079,855,499.18	1,103,502,041.82	45,189,802.26
Staff welfare	–	51,485,557.81	51,485,557.81	–
Social insurance	12,480,662.12	110,514,018.33	109,539,165.18	13,455,515.27
Including: Medical insurance	10,341,633.54	97,294,854.86	96,422,328.79	11,214,159.61
Work injury insurance	1,827,262.13	7,685,144.15	7,751,409.78	1,760,996.50
Maternity insurance	311,766.45	5,534,019.32	5,365,426.61	480,359.16
Housing funds	3,639,409.00	90,082,355.00	87,546,367.00	6,175,397.00
Union fund and employee education fund	24,747,375.89	22,457,079.00	23,207,551.11	23,996,903.78
Others	3,599,273.00	6,748,461.00	9,588,620.23	759,113.77
	<u>113,303,064.91</u>	<u>1,361,142,970.32</u>	<u>1,384,869,303.15</u>	<u>89,576,732.08</u>

As at 30 June 2016 and 31 December 2015, there was no wages payable in arrears.

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	69,597,141.90	2,083,337,510.88	2,084,098,307.88	68,836,344.90
Staff welfare	–	127,229,410.21	127,229,410.21	–
Social insurance	15,177,467.77	223,963,135.56	226,659,941.21	12,480,662.12
Including: Medical insurance	13,364,435.63	195,720,213.84	198,743,015.93	10,341,633.54
Work injury insurance	1,384,252.12	16,423,333.90	15,980,323.89	1,827,262.13
Maternity insurance	428,780.02	11,819,587.82	11,936,601.39	311,766.45
Housing funds	3,385,518.00	170,785,488.00	170,531,597.00	3,639,409.00
Union fund and employee education fund	23,530,812.57	47,186,863.24	45,970,299.92	24,747,375.89
Others	3,533,881.84	9,704,791.29	9,639,400.13	3,599,273.00
	<u>115,224,822.08</u>	<u>2,662,207,199.18</u>	<u>2,664,128,956.35</u>	<u>113,303,064.91</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

27. Wages payable *(continued)*

Details of the defined contribution plan are as follows:

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic pension	4,034,987.16	142,657,771.88	134,713,469.10	11,979,289.94
Unemployment insurance	1,043,955.30	9,165,916.17	8,700,735.43	1,509,136.04
Enterprise annuity payment	220,639.67	21,213,899.00	20,910,708.46	523,830.21
	<u>5,299,582.13</u>	<u>173,037,587.05</u>	<u>164,324,912.99</u>	<u>14,012,256.19</u>

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	8,363,743.34	298,171,406.63	302,500,162.81	4,034,987.16
Unemployment insurance	990,694.48	18,624,015.57	18,570,754.75	1,043,955.30
Enterprise annuity payment	–	43,773,408.35	43,552,768.68	220,639.67
	<u>9,354,437.82</u>	<u>360,568,830.55</u>	<u>364,623,686.24</u>	<u>5,299,582.13</u>

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

28. Tax payable

	30 June 2016	31 December 2015
VAT	207,477,173.63	38,169,213.54
Business tax	8,980,972.95	283,137,489.44
Corporate income tax	838,165,808.15	869,158,239.71
Individual income tax	8,384,738.66	10,348,293.42
City maintenance and construction tax	13,660,084.55	22,651,633.52
Education surcharges	11,127,914.44	16,437,144.17
Resource tax	12,010,627.42	15,544,404.80
Land appreciation tax	193,291,406.98	139,965,432.34
Urban and rural land use tax	3,924,968.86	3,752,778.19
Real estate tax	3,794,850.46	4,333,712.03
Others	14,294,087.36	61,014,932.19
	<u>1,315,112,633.46</u>	<u>1,464,513,273.35</u>

29. Interest payable

	30 June 2016	31 December 2015
Interest on borrowings	25,225,632.22	33,429,142.18
Of which: Interest on long-term borrowings	7,816,208.34	11,401,387.71
Interest on short-term borrowings	17,409,423.88	22,027,754.47
Interest of corporate bonds	507,164,916.67	395,703,901.57
	<u>532,390,548.89</u>	<u>429,133,043.75</u>

30. Dividends payable

	30 June 2016	31 December 2015
China National Materials Company Limited	16,770,600.00	16,770,600.00
Other shareholders of the Company	107,359,134.53	4,656,808.08
Dividends payable to non-controlling shareholders	160,027,655.47	33,846,811.05
	<u>284,157,390.00</u>	<u>55,274,219.13</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

31. Other payables

An aging analysis of other payables is as follows:

	30 June 2016	31 December 2015
Within 1 year	1,959,068,087.80	1,840,342,223.96
1 to 2 years	596,430,011.56	647,886,268.40
2 to 3 years	466,131,593.60	240,716,925.53
Over 3 years	423,701,989.35	349,617,961.22
	<u>3,445,331,682.31</u>	<u>3,078,563,379.11</u>

An analysis on other payables by nature is as follows:

	30 June 2016	31 December 2015
Payables to related parties (Note X.7)	839,423.29	254,484.51
Construction costs payable	215,900,867.47	192,552,445.90
Payables for acquisition of equity investments	127,702,563.84	133,453,474.86
Payables for relocation compensation	130,354,015.46	129,601,728.45
Payables for land use right	86,608,814.01	83,173,781.00
Deposits	1,178,298,068.29	953,230,009.18
Amounts collected on behalf and temporary receipts	640,888,708.23	544,300,758.71
Current portion of net liabilities of defined benefit plan (Note V.37)	40,282,537.00	40,808,078.00
Freight and miscellaneous charges payable	146,665,692.40	142,354,603.27
Public maintenance fund payable	60,991,652.17	58,709,913.14
Utilities	73,424,494.07	73,161,797.16
Others	<u>743,374,846.08</u>	<u>726,962,304.93</u>
	<u>3,445,331,682.31</u>	<u>3,078,563,379.11</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

31. Other payables *(continued)*

As at 30 June 2016, 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	195,255,448.13	5.67	Not yet settled
Customer 2	Third party	149,053,519.82	4.33	Not yet settled
Customer 3	Third party	103,250,000.00	3.00	Not yet settled
Customer 4	Third party	69,175,268.21	2.01	Not yet settled
Customer 5	Third party	57,276,993.00	1.66	Not yet settled

32. Non-current liabilities due within one year

	30 June 2016	31 December 2015
Long-term loans due within one year (Note 1) (Note V. 34)	680,000,000.00	1,810,000,000.00
Bonds payable due within one year (Note V. 35)	200,000,000.00	2,093,054,949.10
Long-term payables due within one year (Note V. 36)	5,707,814.88	4,449,845.03
	885,707,814.88	3,907,504,794.13

Note 1:

	30 June 2016	31 December 2015
Guaranteed loans	–	840,000,000.00
Credit loans	660,000,000.00	950,000,000.00
Mortgaged loans	20,000,000.00	20,000,000.00
	680,000,000.00	1,810,000,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

33. Other current liabilities

	30 June 2016	31 December 2015
Deferred income (Note V. 39)	51,159,693.81	53,337,631.21
Accrued expenses	6,040,672,878.43	5,177,425,819.11
Of which: Accrued development cost	3,511,727,171.67	2,738,960,137.54
Accrued LAT	2,355,455,570.00	2,306,734,216.04
Accrued costs for treatment of solid waste	90,928,272.04	81,612,899.92
Other accrued expenses	82,561,864.72	50,118,565.61
	6,091,832,572.24	5,230,763,450.32

Details of deferred income are as follows:

	30 June 2016	31 December 2015
Government grants related to assets		
Environmental protection projects	14,214,106.95	13,050,086.15
Cogeneration projects	2,634,942.44	2,431,609.09
Relocation compensation	8,067,013.57	9,253,056.00
Others	18,779,057.12	19,361,493.02
Government grants related to income		
Research and development funds	7,464,573.73	9,241,386.95
	51,159,693.81	53,337,631.21

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

34. Long-term loans

	30 June 2016	31 December 2015
Mortgaged loans (Note 1 and Note 2)	6,469,700,000.00	5,019,000,000.00
Guaranteed loans (Note 3)	121,800,000.00	912,000,000.00
Credit loans	<u>2,677,600,000.00</u>	<u>2,767,600,000.00</u>
At the end of the year	9,269,100,000.00	8,698,600,000.00
Including: Long-term loans due within one year	<u>680,000,000.00</u>	<u>1,810,000,000.00</u>
Non-current portion	<u>8,589,100,000.00</u>	<u>6,888,600,000.00</u>

	30 June 2016	31 December 2015
Analysis of maturity of long-term loans		
Current or within one year	680,000,000.00	1,810,000,000.00
Over one year but not more than two years	1,121,800,000.00	506,000,000.00
Over two years but not more than five years	3,272,300,000.00	2,137,600,000.00
Over 5 years	<u>4,195,000,000.00</u>	<u>4,245,000,000.00</u>
	<u>9,269,100,000.00</u>	<u>8,698,600,000.00</u>

Note 1: As at 30 June 2016, the details and value of collaterals corresponding to mortgaged loans of the Group were set out in note V. 64.

Note 2: As at 30 June 2016, included in the mortgaged loans of the Group, balances of RMB800,000,000.00 were guaranteed by BBMG Group (31 December 2015: no mortgaged loans were guaranteed by BBMG Group).

Note 3: As at 30 June 2016, the guaranteed loans of the Group were guaranteed by the Company and its subsidiaries, and no guaranteed loans were guaranteed by BBMG Group (31 December 2015: RMB72,000,000.00 were guaranteed by the Company and its subsidiaries, and RMB840,000,000.00 were guaranteed by BBMG Group).

As at 30 June 2016, the above loans bore an interest rate of 1.2% – 5.54% (31 December 2015: 1.2% - 6.55%) per annum.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

35. Bonds payable

	30 June 2016	31 December 2015
Corporate bonds	5,000,000,000.00	1,893,054,949.10
Medium-term notes	7,000,000,000.00	7,000,000,000.00
Private placement bonds	5,200,000,000.00	5,200,000,000.00
Closing balance	17,200,000,000.00	14,093,054,949.10
Including: Bonds payable due within one year	200,000,000.00	2,093,054,949.10
Non-current portion	17,000,000,000.00	12,000,000,000.00
	30 June 2016	31 December 2015
Analysis of maturity of bonds payable:		
Current or within one year	200,000,000.00	2,093,054,949.10
Over one year but not more than two years	6,500,000,000.00	2,000,000,000.00
Over two years but not more than five years	8,700,000,000.00	10,000,000,000.00
Over 5 years	1,800,000,000.00	—
	17,200,000,000.00	14,093,054,949.10
Current portion		
Short-term financing bonds	7,000,000,000.00	6,000,000,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

35. Bonds payable (continued)

As at the six months ended 30 June 2016

	Par value	Issuance date	Term	Issuance amount	Balance as at beginning of the period	Issuance amount for the period	Interest charged for the period	Amortisation of discount/premium	Repayment for the period	Reclassified to due within one year	Closing balance
Non-current portion:											
1) 2009 BBMG Bond	RMB1.9 billion	27 April 2014	2 years	1,900,000,000.00	-	-	27,360,000.00	6,945,050.90	(1,900,000,000.00)	-	-
2) RMB2 billion medium-term notes	RMB2 billion	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	55,800,000.00	-	-	-	2,000,000,000.00
3) RMB1.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00	-	43,500,000.00	-	-	-	1,500,000,000.00
4) RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	53,500,000.00	-	-	-	2,000,000,000.00
4) RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	39,750,000.00	-	-	-	1,500,000,000.00
5) RMB100 million private placement bonds	RMB100 million	26 December 2014	2 years	100,000,000.00	-	-	3,791,666.66	-	-	(100,000,000.00)	-
5) RMB100 million private placement bonds	RMB100 million	27 December 2014	2 years	100,000,000.00	-	-	3,750,000.00	-	-	(100,000,000.00)	-
6) RMB2 billion private placement bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	2,000,000,000.00	-	55,000,000.00	-	-	-	2,000,000,000.00
6) RMB2.5 billion private placement bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	2,500,000,000.00	-	68,250,000.00	-	-	-	2,500,000,000.00
6) RMB500 million private placement bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	500,000,000.00	-	12,875,000.00	-	-	-	500,000,000.00
8) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	5 years	3,200,000,000.00	-	3,200,000,000.00	29,952,000.00	-	-	-	3,200,000,000.00
8) RMB1.8 billion corporate bonds	RMB500 million	14 March 2016	7 years	1,800,000,000.00	-	1,800,000,000.00	18,900,000.00	-	-	-	1,800,000,000.00
Current portion:											
7) RMB1 billion ultrashort financing bonds	RMB1 billion	16 September 2015	270 days	1,000,000,000.00	1,000,000,000.00	-	15,954,444.44	-	(1,000,000,000.00)	-	-
7) RMB1 billion ultrashort financing bonds	RMB1 billion	24 September 2015	180 days	1,000,000,000.00	1,000,000,000.00	-	8,143,333.33	-	(1,000,000,000.00)	-	-
7) RMB2 billion short-term financing bonds	RMB2 billion	14 October 2015	1 year	2,000,000,000.00	2,000,000,000.00	-	33,900,000.00	-	-	-	2,000,000,000.00
7) RMB2 billion ultrashort financing bonds	RMB2 billion	19 November 2015	93 days	2,000,000,000.00	2,000,000,000.00	-	10,072,222.22	-	(2,000,000,000.00)	-	-
9) RMB2 billion short-term financing bonds	RMB2 billion	21 April 2016	180 days	2,000,000,000.00	-	2,000,000,000.00	13,105,555.56	-	-	-	2,000,000,000.00
9) RMB3 billion short-term financing bonds	RMB3 billion	20 May 2016	266 days	3,000,000,000.00	-	3,000,000,000.00	12,215,000.00	-	-	-	3,000,000,000.00
				30,100,000,000.00	18,000,000,000.00	10,000,000,000.00	505,819,222.21	6,945,050.90	(5,900,000,000.00)	(200,000,000.00)	24,000,000,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

35. Bonds payable (continued)

2015

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Non-current portion:											
1) 2009 BBWG Bond	RMB1.9 billion	27 April 2014	2 years	1,900,000,000.00	1,869,911,156.24	-	82,080,000.00	23,143,792.86	-	(1,883,054,949.10)	-
2) RMB2 billion medium-term notes	RMB2 billion	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	111,600,000.00	-	-	-	2,000,000,000.00
3) RMB1.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00	-	87,000,000.00	-	-	-	1,500,000,000.00
4) RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	107,000,000.00	-	-	-	2,000,000,000.00
4) RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	79,500,000.00	-	-	-	1,500,000,000.00
5) RMB100 million private placement bonds	RMB100 million	26 December 2014	2 years	100,000,000.00	100,000,000.00	-	7,500,000.00	-	-	(100,000,000.00)	-
5) RMB100 million private placement bonds	RMB100 million	27 December 2014	2 years	100,000,000.00	100,000,000.00	-	5,629,919.44	-	-	(100,000,000.00)	-
6) RMB2 billion private placement bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	-	2,000,000,000.00	99,000,000.00	-	-	-	2,000,000,000.00
6) RMB2.5 billion private placement bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	-	2,500,000,000.00	106,925,000.00	-	-	-	2,500,000,000.00
6) RMB500 million private placement bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	-	500,000,000.00	11,519,972.23	-	-	-	500,000,000.00
Current portion:											
RMB2.6 billion short-term financing bonds	RMB2.6 billion	23 January 2014	1 year	2,600,000,000.00	2,600,000,000.00	-	10,797,222.22	-	(2,600,000,000.00)	-	-
RMB2 billion short-term financing bonds	RMB2 billion	17 March 2014	1 year	2,000,000,000.00	2,000,000,000.00	-	23,180,000.00	-	(2,000,000,000.00)	-	-
RMB1 billion short-term financing bonds	RMB1 billion	4 May 2014	1 year	1,000,000,000.00	1,000,000,000.00	-	18,130,555.56	-	(1,000,000,000.00)	-	-
RMB1 billion short-term financing bonds	RMB1 billion	1 September 2014	1 year	1,000,000,000.00	1,000,000,000.00	-	33,133,333.33	-	(1,000,000,000.00)	-	-
7) RMB1 billion ultrashort financing bonds	RMB1 billion	16 September 2015	270 days	1,000,000,000.00	-	1,000,000,000.00	9,995,555.56	-	-	-	1,000,000,000.00
7) RMB1 billion ultrashort financing bonds	RMB1 billion	24 September 2015	180 days	1,000,000,000.00	-	1,000,000,000.00	9,306,666.67	-	-	-	1,000,000,000.00
7) RMB2 billion short-term financing bonds	RMB2 billion	14 October 2015	1 year	2,000,000,000.00	-	2,000,000,000.00	14,125,000.00	-	-	-	2,000,000,000.00
7) RMB2 billion ultrashort financing bonds	RMB2 billion	19 November 2015	93 days	2,000,000,000.00	-	2,000,000,000.00	8,427,777.78	-	-	-	2,000,000,000.00
				26,700,000,000.00	15,669,911,156.24	11,000,000,000.00	824,847,002.79	23,143,792.86	(6,600,000,000.00)	(2,083,054,949.10)	18,000,000,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

35. Bonds payable *(continued)*

- 1) 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 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, and the bonds were repaid during the period.
- 2) 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 for 2012 totaling RMB2,000,000,000 on 20 September 2012 with a term of 5 years and a coupon of 5.58%.
- 3) Pursuant to the document Zhong Shi Xie Zhu [2013] No. MTN279 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2013 on 14 October 2013, totaling RMB1,500,000,000 with a term of 5 years and a coupon of 5.8%.
- 4) Pursuant to the document Zhong Shi Xie Zhu [2014]MTN316 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2014 on 15 October 2014, totaling RMB2,000,000,000 with a term of 5 years and a coupon of 5.35%; and the Company issued its second tranche of medium-term notes for 2014 on 17 November 2014, totaling RMB1,500,000,000 with a term of 5 years and a coupon of 5.3%.
- 5) As approved at the fifteenth meeting of the third session of the Board of the Company on 23 December 2014, Beijing Building Material Test Center Co., Ltd. ("Building Material Test Center"), Beijing BBMG Cement Energy Saving Technology Co., Ltd. ("Cement Energy Saving Technology"), all being wholly-owned subsidiaries of the Company, issued SME private placement bonds on Beijing Equity Exchange Centre Co. Ltd., with an intended total issue size of RMB200,000,000, of which Building Material Test Center issued RMB100,000,000 on 26 December 2014 and Cement Energy Saving Technology issued RMB100,000,000 on 27 December 2014, respectively. The bonds have a maturity of 2 years with a coupon of 7.5%.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

35. Bonds payable *(continued)*

- 6) Pursuant to the document Zhong Shi Xie Zhu [2014] No. PPN570 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of private placement notes for 2015 on 5 February 2015, totaling RMB2,000,000,000 with a term of 3 years and a coupon of 5.50%; the Company issued its second tranche of private placement notes for 2015 on 19 March 2015, totaling RMB2,500,000,000 with a term of 3 years and a coupon of 5.46%; and the Company issued its third tranche of private placement notes for 2015 on 20 July 2015, totaling RMB500,000,000 with a term of 3 years and a coupon of 5.15%.
- 7) Upon consideration and approval by the 17th meeting of the 3rd session of the Board held on 26 March 2015 and the 2014 annual general meeting of the Company held on 27 May 2015, the Company intended to issue short-term financing bonds of no more than RMB10,000,000,000. Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP219 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of ultrashort financing bonds for 2015 on 16 September 2015, totaling RMB1,000,000,000 with a term of 270 days and a coupon of 3.46%, and the bonds were repaid during the period; the Company issued its second tranche of ultrashort financing bonds for 2015 on 24 September 2015, totaling RMB1,000,000,000 with a term of 180 days and a coupon of 3.49%, and the bonds were repaid during the period; and the Company issued its third tranche of short-term financing bonds for 2015 on 19 November 2015, totaling RMB2,000,000,000 with a term of 93 days and a coupon of 3.70%, and the bonds were repaid during the period. Pursuant to the document Zhong Shi Xie Zhu [2015] No. CP276 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2015 on 14 October 2015, totaling RMB2,000,000,000 with a term of 366 days and a coupon of 3.39%.
- 8) Upon consideration and approval by the 27th meeting of the 3rd session of the Board held on 12 October 2015 and the 2015 second extraordinary general meeting of the Company held on 27 November 2015, the Company intended to issue corporate bonds of no more than RMB5,000,000,000. Pursuant to the document [2016] No. 35 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2016 on 14 March 2016, totaling RMB3,200,000,000 with a term of 5 years and a coupon of 3.12%; and the Company issued its first tranche of corporate bonds (type two) for 2016 on 14 March 2016, totaling RMB1,800,000,000 with a term of 7 years and a coupon of 3.5%.
- 9) Upon consideration and approval by the 17th meeting of the 3rd session of the Board held on 26 March 2015 and the 2014 annual general meeting of the Company held on 27 May 2015, and pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP219 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of ultrashort financing bonds for 2016 on 21 April 2016, totaling RMB2,000,000,000 with a term of 180 days and a coupon of 3.37%; and the Company issued its second tranche of ultrashort financing bonds for 2016 on 20 May 2016, totaling RMB3,000,000,000 with a term of 266 days and a coupon of 3.49%.

The bonds interests payable of the above corporate bonds, medium-term notes, short-term financing bonds and private placement bonds for the current year were charged to "Interests payable".

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

36. Long-term payables

	30 June 2016	31 December 2015
Finance leases	20,730,882.06	23,504,172.56
Including: Long-term payables due within one year	5,707,814.88	4,449,845.03
Non-current portion	15,023,067.18	19,054,327.53

	30 June 2016	31 December 2015
Analysis of maturity of long-term payables		
Current or within one year	5,707,814.89	4,449,845.03
Over one year but not more than two years	3,634,892.89	3,519,625.48
Over two years but not more than five years	11,388,174.28	14,384,802.05
Over five years	–	1,149,900.00
	20,730,882.06	23,504,172.56

BBMG Badaling Hot Spring Resort Co., Ltd., a subsidiary of the Company, rented geothermal well equipment in 2013 under finance lease. The value of the fixed asset under finance lease initially recognised was RMB29,168,129.40, with a lease period of 8 years and the unrecognised finance charges amortised at an annual interest rate of 6.55%. As at 30 June 2016, RMB3,475,038.21 (31 December 2015: RMB4,151,447.71) was unrecognised finance lease payment.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

37. Long-term wages payable

	30 June 2016	31 December 2015
Net liabilities of defined benefit plan	445,821,939.00	457,687,351.00

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 net liabilities of the defined benefit plan 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 2016 using the projected accumulated benefit units method.

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

	30 June 2016	31 December 2015
Discount rate (%)	3.00%	3.00%
Expected growth rate of future retiree benefit costs (%)	2.00%	2.50%

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

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

30 June 2016

	Increase/(decrease) in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	Increase (%)		Decrease (%)	
Discount rate (%)	0.25	(11,259,482)	(0.25)	11,740,964
Expected growth rate of future retiree benefit costs (%)	0.50	20,980,820	(0.50)	(19,346,214)

31 December 2015

	(Decrease)/increase in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	Increase (%)		Decrease (%)	
Discount rate (%)	0.25	(11,527,881)	(0.25)	12,034,996
Expected growth rate of future retiree benefit costs (%)	0.50	21,499,341	(0.50)	(19,845,830)

The above sensitivity analysis represents the inference on the impacts over the defined benefit obligations based on reasonable changes in key assumptions as at the balance sheet date. The sensitivity analysis is based on changes in major assumptions with other assumptions remain unchanged. As changes in assumptions are always not isolated from each other, the sensitivity analysis may not represent the actual changes in the defined benefit obligations.

Relevant costs recognised in the income statement are as follows:

	For the six months ended 30 June 2016	2015
Net interest expenses charged to finance expenses	7,183,811.00	17,474,961.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

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

	For the six months ended 30 June 2016	2015
Amount at the beginning of the period	498,495,429.00	484,655,048.00
Interest expenses for the period	7,183,811.00	17,474,961.00
Welfare benefits paid for the period	(19,574,764.00)	(35,986,471.00)
Actuarial gains recognised in other comprehensive income	–	32,351,891.00
Of which: Actuarial changes arising from changes in financial assumptions	–	33,019,286.00
Actuarial gains on difference in experience	–	(667,395.00)
Amount at the end of the period	486,104,476.00	498,495,429.00
Of which: Current portion of net liabilities of defined benefit plan	40,282,537.00	40,808,078.00
Non-current portion	445,821,939.00	457,687,351.00

Expected future payments to the defined benefit plan:

	30 June 2016	31 December 2015
Within 1 year	40,282,537.00	40,808,078.00
2 to 5 years	148,080,353.00	150,932,689.00
6 to 10 years	150,136,601.00	154,118,700.00
Over 10 years	327,690,684.00	340,734,745.00
	666,190,175.00	686,594,212.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

38. Accrued liabilities

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Decrease in the period	Closing balance	
Accrued concrete loss	40,263,093.11	2,682,408.68	5,104,538.34	37,840,963.45	Note 1
Restoration cost of mines	96,183,259.17	–	3,105,640.00	93,077,619.17	Note 2
Finance charges from sale and repurchase	–	71,610,000.00	–	71,610,000.00	Note 3
	<u>136,446,352.28</u>	<u>74,292,408.68</u>	<u>8,210,178.34</u>	<u>202,528,582.62</u>	

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance	
Accrued concrete loss	35,643,991.53	4,619,101.58	–	40,263,093.11	Note 1
Restoration cost of mines	65,434,291.01	36,061,253.51	5,312,285.35	96,183,259.17	Note 2
	<u>101,078,282.54</u>	<u>40,680,355.09</u>	<u>5,312,285.35</u>	<u>136,446,352.28</u>	

Note 1: Accrued concrete loss was recognized based on potential difference between concrete's warehouse-out amount and future settlement amount by the Group's subsidiaries engaged in the production of concrete.

Note 2: Accrued restoration cost was recognized based on the expenditure on restoration of mines required to be incurred in subsequent years by the Group's subsidiaries engaged in the production of cement.

Note 3: Accrued Finance charges assumed during the period and provided based on sale and repurchase by the Group's subsidiaries engaged in real estate.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

39. Deferred income

For the six months ended 30 June 2016

	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
Government grants	682,258,810.90	12,066,182.04	29,477,286.48	664,847,706.46

2015

	Opening Balance	Increase in the year	Decrease in the year	Closing Balance
Government grants	691,908,203.23	65,631,597.06	75,280,989.39	682,258,810.90

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

	30 June 2016	31 December 2015
Government grants related to assets		
Environmental protection projects	149,686,166.76	151,013,471.91
Cogeneration projects	10,442,159.61	11,767,964.17
Relocation compensation	210,050,950.16	214,553,423.30
Others	286,423,856.20	295,622,564.53
Government grants related to income		
Research and development funds	8,244,573.73	9,301,386.99
	664,847,706.46	682,258,810.90
Closing balance		
Including: Deferred income carried over within one year and included in current liabilities	51,159,693.81	53,337,631.21
Non-current portion	613,688,012.65	628,921,179.69

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

39. Deferred income (continued)

As at 30 June 2016, the major items related to government grants were as follows:

	Opening Balance	Increase in the period	Recognised in non-operating Income in the period	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	212,011,428.88	-	4,476,578.46	207,534,850.42	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	187,853,822.22	-	7,471,036.62	180,382,785.60	Related to assets
Appropriation for mud project of Beijing Cement Plant	33,853,055.54	-	1,488,333.34	32,364,722.20	Related to assets
Relocation compensation for Jianji	53,430,303.16	-	921,212.10	52,509,091.06	Related to assets
Subsidy for Zanzhuang - 2,500 tonnes new dry method clinker production line project	8,707,111.10	-	365,333.34	8,341,777.76	Related to assets
Clinker storage tent of Zhenxing	10,080,000.00	-	672,000.00	9,408,000.00	Related to assets
Air pollution control project of Zanzhuang	8,097,500.00	-	269,916.66	7,827,583.34	Related to assets
Heat supply renovation project of Liulihe	7,500,000.00	-	-	7,500,000.00	Related to assets

As at 31 December 2015, the major items related to government grants were as follows:

	Opening Balance	Increase in the year	Recognised in non-operating Income in the year	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	225,988,588.66	-	13,977,159.78	212,011,428.88	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	203,229,739.86	-	15,375,917.64	187,853,822.22	Related to assets
Appropriation for mud project of Beijing Cement Plant	36,829,722.21	-	2,976,666.67	33,853,055.54	Related to assets
Relocation compensation for Jianji	55,272,727.36	-	1,842,424.20	53,430,303.16	Related to assets
Subsidy for Zanzhuang - 2,500 tonnes new dry method clinker production line project	9,437,777.77	-	730,666.67	8,707,111.10	Related to assets
Clinker storage tent of Zhenxing	-	10,080,000.00	-	10,080,000.00	Related to assets
Air pollution control project of Zanzhuang	-	8,097,500.00	-	8,097,500.00	Related to assets
Heat supply renovation project of Liulihe	-	7,500,000.00	-	7,500,000.00	Related to assets

40. Other non-current liabilities

	30 June 2016	31 December 2015
Other non-current liabilities (Note V. 21)	601,559,996.42	601,559,996.42

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

41. Share Capital

For the six months ended 30 June 2016

	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	596,023,960.00	-	-	-	596,023,960.00
2. Other domestic shareholdings	462,076,547.00	-	(408,000.00)	(408,000.00)	461,668,547.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	1,058,100,507.00	-	(408,000.00)	(408,000.00)	1,057,692,507.00
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	3,111,402,625.00	-	408,000.00	408,000.00	3,111,810,625.00
2. Foreign listed shares	1,169,382,435.00	-	-	-	1,169,382,435.00
Total shares not subject to lock-up restriction	4,280,785,060.00	-	408,000.00	408,000.00	4,281,193,060.00
Total share capital	5,338,885,567.00	-	-	-	5,338,885,567.00

2015

	Opening balance	Increase/(decrease) in the year			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	448,028,673.00	147,995,287.00	-	147,995,287.00	596,023,960.00
2. Other domestic shareholdings	55,826,551.00	406,249,996.00	-	406,249,996.00	462,076,547.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	503,855,224.00	554,245,283.00	-	554,245,283.00	1,058,100,507.00
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	3,111,402,625.00	-	-	-	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	4,280,785,060.00	-	-	-	4,280,785,060.00
Total share capital	4,784,640,284.00	554,245,283.00	-	554,245,283.00	5,338,885,567.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

42. Other equity instruments

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

Maturity date	The medium-term notes have no fixed maturity date, which are on a long-term basis until redemption by the Company according to the issuance provisions, and will expire when the Company redeems the notes according to the issuance provisions.
Distribution payment date	16 October each year from the issue date (if the date falls on a statutory holiday, such date shall be extended to the next following business day).
Deferred distribution	Unless a mandatory interest payment event has occurred, on each interest payment date of the medium-term notes of the year, the Company can elect to defer payment of interest due and all interest deferred according to the issuance provisions and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the contract. Interest shall accrue on the deferred interest at the prevailing coupon rate over the period of deferral.
Mandatory distribution payment events	If any of the following events occurs within 12 months prior to the interest payment date, the Company shall not defer the payment of interest due or interest deferred pursuant to this term and its fruits: <ol style="list-style-type: none"> (1) distributing dividends to ordinary shareholders; (2) reducing the registered capital.
Redemption and purchase	The Company is entitled to redeem the medium-term notes of the period at par value plus payable interest (including all deferred interest) on the fifth and each of the subsequent interest payment dates of the medium-term notes of the period.

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

As at 30 June 2016, there was no accrued interest unpaid.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

43. Capital reserve

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	<u>11,579,704,575.56</u>	<u>1,959,412.81</u>	<u>-</u>	<u>11,581,663,988.37</u>

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	<u>7,898,685,039.67</u>	<u>4,085,081,798.70</u>	<u>404,062,262.81</u>	<u>11,579,704,575.56</u>

See the Statement of Changes in Equity for the reasons of movements in capital reserve.

44. Other comprehensive income

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

	1 January 2015	Increase/ decrease	31 December 2015	Increase/ decrease	30 June 2016
Re-measurement of changes in net liabilities of defined benefit plan	36,862,172.00	(32,351,891.00)	4,510,281.00	-	<u>4,510,281.00</u>
Transfer of inventories/self-occupied properties into investment properties	198,068,231.31	-	198,068,231.31	-	<u>198,068,231.31</u>
Foreign currency translation	(130,469.68)	3,599,307.10	3,468,837.42	2,796,927.67	<u>6,265,765.09</u>
	<u>234,799,933.63</u>	<u>(28,752,583.90)</u>	<u>206,047,349.73</u>	<u>2,796,927.67</u>	<u>208,844,277.40</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

44. Other comprehensive income *(continued)*

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

For the six months ended 30 June 2016

	Amount before tax	Less: Amount transferred for the period for those previously included in other comprehensive income	Less: Income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income that will be reclassified to profit or loss in subsequent periods					
Exchange differences on foreign currency translation	2,796,927.67	-	-	2,796,927.67	-
	<u>2,796,927.67</u>	<u>-</u>	<u>-</u>	<u>2,796,927.67</u>	<u>-</u>

2015

	Amount before tax	Less: Amount transferred for the period for those previously included in other comprehensive income	Less: Income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
Re-measurement of changes in net liabilities of defined benefit plan	(32,351,891.00)	-	-	(32,351,891.00)	-
Other comprehensive income that will be reclassified to profit or loss in subsequent periods					
Exchange differences on foreign currency translation	3,599,307.10	-	-	3,599,307.10	-
	<u>(28,752,583.90)</u>	<u>-</u>	<u>-</u>	<u>(28,752,583.90)</u>	<u>-</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

45. Specific reserve

For the six months ended 30 June 2016

	Opening balance	Amount provided for the period	Amount paid for the period	Closing balance
Production safety cost	<u>8,896,481.87</u>	<u>13,885,811.86</u>	<u>12,187,491.21</u>	<u>10,594,802.52</u>

2015

	Opening balance	Amount provided for the year	Amount paid for the year	Closing balance
Production safety cost	<u>7,925,485.30</u>	<u>20,401,781.40</u>	<u>19,430,784.83</u>	<u>8,896,481.87</u>

Pursuant to the requirements of the Administrative Measures on Provision and Usage of Production Safety Cost of Enterprises (Caiqi [2012] No.16) issued by the Ministry of Finance and the State Administration of Work Safety, the Group began to accrue production safety fund for the stipulated non-metal mineral products industries at a fixed amount from 2012, the details of which are set out in Note III. 30 Production safety cost.

46. Surplus reserve

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	<u>1,053,285,969.67</u>	<u>—</u>	<u>—</u>	<u>1,053,285,969.67</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

46. Surplus reserve *(continued)*

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>828,495,276.27</u>	<u>224,790,693.40</u>	<u>–</u>	<u>1,053,285,969.67</u>

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has 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.

47. Provision for general risks

For the six months ended 30 June 2016

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Provision for general risks	<u>59,993,193.86</u>	<u>14,531,411.14</u>	<u>–</u>	<u>74,524,605.00</u>

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Provision for general risks	<u>37,637,667.87</u>	<u>22,355,525.99</u>	<u>–</u>	<u>59,993,193.86</u>

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

48. Retained earnings

	For the six months ended 30 June 2016
Retained earnings as at the end of the previous year	18,846,160,038.86
Net profit attributable to the owners of the parent company	1,821,145,314.54
Less: Cash dividends declared for ordinary shares (Note 1)	160,166,567.01
Less: Appropriation of surplus reserve (Note V. 46)	–
Less: Appropriation of provision for general risks (Note V. 47)	<u>14,531,411.14</u>
Retained earnings at the end of the year	<u>20,492,607,375.25</u>

Note 1: Upon the consideration and approval by the 2015 annual general meeting of the Company convened on 18 May 2016, profit distribution for the year 2015 was calculated based on 5,338,885,567 ordinary shares in issue as of 31 December 2015, with the distribution of a dividend of RMB0.3 per 10 shares (tax inclusive) in an aggregate amount of cash dividends of RMB160,166,567.01.

49. Operating revenues and operating costs

Operating revenues, which are also turnovers of the Group, represent the net invoice value of goods sold, net of returns and trade discounts, value of services rendered and total rental income received and receivable, etc.

Operating revenues are presented as follows:

	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	Revenue	Cost	Revenue	Cost
Principal operations	<u>23,155,961,554.81</u>	<u>17,453,948,997.97</u>	17,816,919,921.99	12,931,056,697.59
Other operations	<u>290,822,153.78</u>	<u>167,435,493.98</u>	<u>239,370,718.80</u>	<u>176,049,673.43</u>
	<u>23,446,783,708.59</u>	<u>17,621,384,491.95</u>	<u>18,056,290,640.79</u>	<u>13,107,106,371.02</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

Information of principal operations by product:

	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	Revenue	Cost	Revenue	Cost
Sale of products	6,299,970,288.76	5,290,625,835.87	6,336,793,401.93	5,367,659,808.81
Bulk commodity trade	3,099,159,798.64	3,081,222,369.38	2,950,428,840.23	2,924,943,741.21
Sale of properties	11,727,953,335.05	8,100,364,958.71	6,467,707,141.00	3,546,218,912.31
Rental income from investment properties	626,089,368.20	55,282,022.59	615,928,319.03	91,355,486.17
Property management	359,716,413.35	253,675,615.00	348,132,516.00	251,135,943.00
Hotel management	220,061,925.00	102,472,939.00	204,590,990.00	101,339,751.87
Income from decoration	391,591,123.76	360,215,134.23	461,184,455.38	419,588,884.87
Treatment of solid wastes	257,175,129.27	165,149,142.69	257,285,529.51	169,680,211.57
Others	174,244,172.78	44,940,980.50	174,868,728.91	59,133,957.78
	<u>23,155,961,554.81</u>	<u>17,453,948,997.97</u>	<u>17,816,919,921.99</u>	<u>12,931,056,697.59</u>

Operating revenues are presented as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Sale of products	6,299,970,288.76	6,336,793,401.93
Bulk commodity trade	3,099,159,798.64	2,950,428,840.23
Sale of properties	11,727,953,335.05	6,467,707,141.00
Rental income	712,655,121.72	684,931,718.12
Including: Rental income from investment properties	626,089,368.20	615,928,319.03
Other rental income	86,565,753.52	69,003,399.09
Property management	359,716,413.35	348,132,516.00
Hotel management	220,061,925.00	204,590,990.00
Income from decoration	391,591,123.76	461,184,455.38
Treatment of solid waste	257,175,129.27	257,285,529.51
Others	378,500,573.04	345,236,048.62
	<u>23,446,783,708.59</u>	<u>18,056,290,640.79</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

50. Business Tax and surcharges

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Business tax	596,680,849.30	414,821,037.93
City maintenance and construction tax	64,647,827.86	42,210,786.07
Education surcharge	37,088,392.36	27,002,471.47
LAT	176,672,368.33	514,443,734.17
Others	16,720,562.17	7,670,126.83
	891,810,000.02	1,006,148,156.47

See Note IV. Taxation for tax base.

51. Selling expenses

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Employee benefits	218,297,577.04	218,413,216.17
Office and service expenses	54,746,809.39	63,506,874.18
Lease fee	55,900,121.83	50,896,792.18
Agency intermediary fee	95,078,344.57	84,070,322.25
Advertisement fee	123,461,566.65	121,641,266.24
Transportation expenses	162,704,902.19	155,704,236.29
Others	13,955,387.09	9,640,432.24
	724,144,708.76	703,873,139.55

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

52. Administrative expenses

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Employee benefits	683,720,911.38	674,242,164.16
Office expenses	223,268,934.78	204,362,577.60
R&D expenses	33,013,778.38	41,655,002.15
Professional fees	52,988,071.18	54,894,725.50
Lease and utilities	53,065,743.96	60,014,843.15
Tax	120,068,232.22	102,641,272.29
Sewage and afforestation fees	27,106,942.77	24,734,310.84
Others	329,011,726.69	303,452,685.57
	1,522,244,341.36	1,465,997,581.26

53. Finance costs

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Interest expenses	1,155,498,198.75	1,212,845,557.18
Including: Interests on bank loans and other loans to be fully repaid within 5 years	1,155,498,198.75	1,212,845,557.18
Less: Interest income	33,161,639.57	43,554,132.87
Less: Capitalised interest (Note)	574,409,094.52	514,902,953.45
Exchange gains and losses	(2,626,890.83)	(944,765.54)
Bank charges	78,924,504.03	21,210,641.43
Others	83,786,500.62	9,530,908.68
	708,011,578.48	684,185,255.43

Note: The amount of capitalised interest has been included in the balances of construction in progress of RMB1,792,219.28 and costs of properties under development of RMB572,616,875.24.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

54. Asset impairment losses

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Losses on bad debts	78,867,953.45	26,103,522.18
Losses on decline in value of inventory	52,989,898.76	(247,133.98)
Losses on impairment of fixed assets	75,158,267.62	–
Losses on impairment of intangible assets	28,342,075.79	–
	<u>235,358,195.62</u>	<u>25,856,388.20</u>

55. Gains from changes in fair value

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Investment properties measured at fair value	<u>447,182,996.11</u>	<u>260,611,970.35</u>

56. Investment losses

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Long-term equity investment gains measured under cost method	174,461.30	57,640.53
Long-term equity investment losses measured under equity method	<u>(11,768,428.97)</u>	<u>(12,636,756.41)</u>
	<u>(11,593,967.67)</u>	<u>(12,579,115.88)</u>

There were no significant restrictions on the repatriation of investment income of the Group as at 30 June 2016. For the six months ended 30 June 2016, the Group's investment gains did not contain any gains arising from investment in listed equities (2015: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

57. Non-operating income

	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Recognised in non-recurring profit or loss items for the six months ended 30 June 2016
Gains from disposal of non-current assets	7,329,967.04	3,344,742.68	7,329,967.04
Of which: Gains from disposal of fixed assets	7,329,967.04	3,344,742.68	7,329,967.04
Gains from debt restructuring	3,095,632.24	350,641.45	3,095,632.24
Net gains from fines	7,885,876.86	3,186,877.61	7,885,876.86
Government grants	162,489,399.38	194,073,407.34	71,404,236.95
Unpayable amounts	1,097,493.49	13,255,289.88	1,097,493.49
Others	27,568,273.56	31,471,459.44	27,568,273.56
	209,466,642.57	245,682,418.40	118,381,480.14

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

	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Related to asset/income
Refunds of VAT	90,285,162.43	124,560,482.54	Related to income
Income from relocation compensation	8,471,976.00	22,946,664.59	Related to asset/income
Income from other subsidies	62,932,260.95	45,766,260.17	Related to asset/income
Grants of sale of heat	800,000.00	800,000.04	Related to income
	162,489,399.38	194,073,407.34	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

58. Non-operating expenses

	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Recognised in non- recurring profit or loss items for the six months ended 30 June 2016
Losses from disposal of non-current assets	2,516,014.49	5,322,143.01	2,516,014.49
Among which: Losses from disposal of fixed assets	2,165,987.05	5,322,143.01	2,165,987.05
Abnormal losses	2,236,978.49	–	2,236,978.49
Losses from debt restructuring	228,290.60	81,942.28	228,290.60
Charity donation expenses	337,063.86	332,826.63	337,063.86
Expense on compensation, penalties and fines	3,115,791.40	19,988,584.03	3,115,791.40
Others	19,030,615.94	6,416,397.27	19,030,615.94
	27,464,754.78	32,141,893.22	27,464,754.78

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

59. Expenses by nature

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

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Consumption of raw materials	2,741,243,811.79	3,036,188,875.52
Procurement costs of tradable goods	3,627,573,366.69	3,353,167,231.03
Cost of sales of real estate	8,100,364,958.71	3,546,218,912.31
Changes in work in progress, finished goods and trading goods	65,084,057.45	(79,249,144.43)
Employees' remuneration expenses	1,537,714,345.53	1,499,635,028.22
Depreciation and amortisation	767,191,595.78	737,555,746.82
Rentals	171,569,925.24	166,269,140.89
Maintenance expenses	302,718,751.26	278,591,489.70
Transportation fee	221,096,326.77	155,704,236.29
Advertising and marketing costs	123,461,566.65	121,641,266.24
Office expenses	244,123,503.06	267,869,451.78
Intermediary fee	144,816,534.76	138,965,047.75
Others	1,820,814,798.38	2,840,157,479.43
	19,867,773,542.07	16,062,714,761.55

60. Income tax expenses

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Current income tax expenses	824,105,793.12	484,341,755.60
Deferred income tax expenses	(63,967,478.77)	18,753,688.02
	760,138,314.35	503,095,443.62

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

60. Income tax expenses *(continued)*

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

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Total profit	2,361,421,308.63	1,524,697,128.51
Income tax expenses calculated at statutory tax rate of 25% (Note 1)	590,355,327.16	381,174,281.93
Effect of different tax rates applicable to certain subsidiaries	(1,656,822.01)	(8,265,547.61)
Tax effect of share of profits and losses of joint ventures and associates	2,942,107.23	3,159,189.10
Income not subject to tax	–	(1,062,143.41)
Expenses not deductible for tax	4,627,615.74	11,061,750.38
Deductible temporary differences and deductible loss utilised from previous years	(12,101,765.67)	(302,391.68)
Adjustments in respect of current income tax of previous periods	(2,303,029.31)	(5,861,387.54)
Deductible temporary differences and deductible loss not recognised	178,274,881.21	123,191,692.45
	760,138,314.35	503,095,443.62

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: The shares of taxes attributable to joint ventures and associates for the six months ended 30 June 2016 were RMB9,710.11 and RMB1,068,961.30 respectively (for the six months ended 30 June 2015: RMB100,353.67 and RMB1,829,363.59 respectively).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

61. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of outstanding ordinary shares in issue. The number of newly-issued ordinary shares is calculated and determined from the date of consideration receivable in accordance with the specified terms of issuance agreement.

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Earnings		
Net profit for the year attributable to the ordinary shareholders of the Company	1,821,145,314.54	1,047,743,415.43
Shares		
Weighted average number of ordinary shares in issue of the Company	5,338,885,567.00	4,784,640,284.00

The Company did not have potentially dilutive ordinary shares.

62. Notes to items of statement of cash flows

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Cash received from other operating activities		
Deposits and relevant amounts received	225,068,059.11	77,489,872.71
Compensation received	39,632,005.58	–
Current accounts and other current account	186,948,320.87	411,240,824.86
	451,648,385.56	488,730,697.57

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

62. Notes to items of statement of cash flows *(continued)*

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Cash paid relating to other operating activities		
Bidding deposits of land items and relevant amounts	417,160,000.00	749,900,000.00
Relocation compensation paid	57,453,447.26	–
Selling and administrative expenses etc. paid	1,503,409,657.20	979,683,192.70
	1,978,023,104.46	1,729,583,192.70
Cash received from other investing activities		
Repayment of borrowings from the non-controlling shareholder Beijing Vanke Enterprise Co., Ltd.	–	93,590,000.00
Cash paid relating to other investing activities		
Borrowings paid to the non-controlling shareholder Beijing Vanke Enterprise Co., Ltd.	–	24,500,000.00
Finance lease paid	970,000,000.00	–
	970,000,000.00	24,500,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

63. 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 2016	For the six months ended 30 June 2015
Net profit	1,601,282,994.28	1,021,601,684.89
Add: Provisions for assets impairment	235,358,195.62	25,856,388.20
Depreciation of fixed assets	672,254,721.30	649,584,008.86
Amortisation of intangible assets	65,270,552.54	54,908,071.37
Amortisation of long-term deferred expenses	29,666,321.94	33,063,666.59
Net losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	(4,813,952.55)	1,977,400.33
Gains from changes in fair value	(447,182,996.11)	(260,611,970.35)
Finance expenses	578,462,213.40	696,997,838.19
Investment losses	11,593,967.67	12,579,115.88
Increase in deferred income tax assets	(183,695,909.95)	(36,689,799.36)
Increase in deferred income tax liabilities	119,728,431.18	55,443,487.38
Increase in inventories	(1,476,101,987.42)	(1,753,066,021.93)
Increase in operating receivables	(1,635,415,432.87)	(1,615,669,572.88)
Increase in operating payables	(1,211,535,402.51)	1,187,976,742.03
Net cash flows from operating activities	(1,645,128,283.48)	73,951,039.20

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

63. Supplemental information to statement of cash flows *(continued)*

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

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Material financing activities not involving cash:		
Unilateral capital increase from minority shareholders	—	1,500,000,000.00
Material investment activities not involving cash:		
Unpaid payment for acquisition of equity interest	—	49,133,720.00
Net movements in cash and cash equivalents:		
Balances of cash at end of the period	8,565,022,352.97	3,359,880,594.04
Less: Balances of cash at beginning of the period	11,213,584,868.55	6,479,735,571.22
Net increase/(decrease) in cash and cash equivalents	(2,648,562,515.58)	(3,119,854,977.18)

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

63. Supplemental information to statement of cash flows *(continued)*

(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 2016	For the six months ended 30 June 2015
Cash considerations paid for acquisition of subsidiaries and other operating units	–	196,534,880.00
Less: Cash and cash equivalents held by acquired subsidiaries and other operating units	–	–
Net cash received for acquisition of subsidiaries and other operating units	–	196,534,880.00

(3) Cash and cash equivalents

	30 June 2016	31 December 2015
Cash	8,565,022,352.97	11,213,584,868.55
Including: Cash on hand	3,294,235.05	2,078,746.90
Bank deposits on demand	8,559,691,538.26	11,202,354,490.12
Other monetary fund on demand	2,036,579.66	9,151,631.53
Balance of cash and cash equivalents at end of the year	8,565,022,352.97	11,213,584,868.55

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

64. Assets with restricted titles or right to use

	Note	30 June 2016	31 December 2015
Pledged assets			
Cash and bank balances			
Statutory deposit reserve placement with central bank by Finance Company	(1)	670,311,519.01	449,131,405.76
Guarantee deposits for L/C	(1)	296,548.13	5,666,599.09
Quality/performance deposits	(1)	200,462,412.54	45,905,809.13
Guarantee deposits for acceptance bills	(1)	101,690,991.62	90,002,613.42
Other deposits	(1)	3,023,503.29	–
Inventories	(2)	4,479,843,138.66	3,318,295,395.72
Bills receivable	(2)	4,360,245.34	7,781,993.36
Fixed assets	(2)	992,219,802.85	1,070,447,819.61
Investment properties	(2)	6,922,730,431.98	6,922,730,431.98
Land use rights	(2)	18,069,057.24	18,309,320.88
Assets whose titles are restricted for other reasons			
Cash and bank balances			
Restricted cash arising from pre-sales of properties	(3)	7,647,690,936.91	6,556,854,349.99
Others		15,883,948.53	8,735,045.16
		21,056,582,536.10	18,493,860,784.10

Note 1: As at 30 June 2016, the amount of the Group's pledged cash and bank balances was RMB975,784,974.59 (31 December 2015: RMB590,706,427.40), of which the amount paid by BBMG Finance Co., Ltd. to the People's Bank of China as statutory reserve in accordance with relevant regulations which cannot be used for daily operations was RMB670,311,519.01 (31 December 2015: RMB449,131,405.76).

Note 2: As at 30 June 2016, the Group obtained short-term borrowings of RMB502,212,885.39 and long-term borrowings of RMB6,469,700,000.00 secured by inventories with a carrying amount of RMB4,479,843,138.66, fixed assets with a carrying amount of RMB992,219,802.85, investment properties with a carrying amount of RMB6,922,730,431.98 and intangible asset-land use rights with a carrying amount of RMB18,069,057.24; the Group obtained short-term borrowings of RMB4,360,245.34 pledged by bills receivables with a carrying amount of RMB4,360,245.34.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

64. Assets with restricted titles or right to use *(continued)*

Note 3: In accordance with relevant provisions, funds from pre-sales of commodity housing have to be deposited in special bank accounts by property developers for supervision to ensure that the presales funds are used for construction projects first, and written application have to be made to the supervisory bank before using the funds. Where pre-sale projects under supervision have been completed and other required conditions have been satisfied, application for lifting supervision of the funds may be made.

Note 4: As at 30 June 2016 and 31 December 2015, BBMG GEM Real Estate Development Co., Ltd., a subsidiary of the Group, obtained borrowings of RMB502,212,885.39 from the non-controlling shareholders of Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. ("Changyang Jiaye") secured by its 51% equity interests in Changyang Jiaye with a carrying amount of RMB1,210,000,000.00.

65. Foreign currency monetary items

	30 June 2016			31 December 2015		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
Cash at banks						
USD	42,954.86	6.6312	284,842.29	264,803.76	6.4550	1,709,308.27
HKD	969,848.53	0.8547	828,900.44	1,052,341.77	0.8328	876,390.23
EUR	5.63	7.3750	41.52	7.09	7.0345	49.87
JPY	22,314,689.49	0.0645	1,439,096.64	24,259,877.00	0.0531	1,287,811.31
Accounts receivable						
USD	4,685,491.25	6.6312	31,070,429.57	633,499.42	6.4550	4,089,238.76
EUR	210,398.43	7.3750	1,551,688.42	210,398.43	7.0345	1,480,047.76
JPY	78,645.84	0.0645	5,071.95	78,645.84	0.0531	4,174.84
			35,180,070.83			9,447,021.04

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Deregistration of subsidiaries

Beijing Jinyu Shiji Jiaye Property Development Co., Ltd. was deregistered by the Company in June 2016.

2. New establishment of subsidiaries

Certain new subsidiaries were established by the Company from January to June 2016, details of which are set out in Note VII. 1.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in the subsidiaries

Information of the Company's subsidiaries is as follows:

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways					
Beijing Liulih Cement Co., Ltd. (北京市琉璃河水泥有限公司)	Beijing	Manufacture of cement, mining and sale of sandstone, etc.	66,060.00	100.00	-
Beijing Jianhua-Bulangni Concrete Co., Ltd. (北京建華布朗尼混凝土有限公司)	Beijing	Manufacture and sale of commercial concrete	1,269.80	-	100.00
Beijing BBMG Concrete Co., Ltd. (北京金隅混凝土有限公司)	Beijing	Processing of commodity concrete, etc.	46,541.04	100.00	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限責任公司)	Beijing	Disposal of hazardous waste, etc.	169,815.09	51.00	-
Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅紅樹林環保技術有限責任公司)	Sanhe	Treatment and disposal of hazardous waste	1,000.00	-	100.00
Beijing Jinyu Pinggu Cement Co., Ltd. (北京金隅平谷水泥有限公司)	Beijing	Manufacture and sale of cement, etc.	15,000.00	100.00	-
Cangzhou Lingang Jinyu Cement Co., Ltd. (滄州臨港金隅水泥有限公司)	Cangzhou	Manufacture and sale of cement and cement product	15,000.00	-	100.00
Cheng'an BBMG Taihang Concrete Co., Ltd. (成安金隅太行混凝土有限公司)	Cheng'an County	Manufacture and sale of cement	1,000.00	-	100.00
Daming BBMG Taihang Concrete Co., Ltd. (大名縣金隅太行混凝土有限公司)	Daming County	Sales of concretes and mortar	1,000.00	-	90.00
Zanhuang BBMG Cement Co., Ltd. (贊皇金隅水泥有限責任公司)	Zanhuang County	Manufacture and sale of cement and clinker	70,000.00	100.00	-
Beijing BBMG Cement Trading Co., Ltd. (北京金隅水泥經貿有限公司)	Beijing	Wholesale of cement and cement product, etc.	50,000.00	100.00	-
Sanhe Jinling Mining Co., Ltd. (三河市金嶺礦業有限公司)	Sanhe	Processing and sale of rock materials for construction	500.00	-	100.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing BBMG Cement Energy Technology Co., Ltd. (北京金隅水泥節能科技有限公司)	Beijing	Development and transfer of cement and concrete technology	3,500.00	100.00	–
Siping BBMG Cement Co., Ltd. (四平金隅水泥有限公司)	Siping	Manufacture and sale of cement and cement product, etc.	30,000.00	52.00	–
Lanxian BBMG Cement Co., Ltd. (崗縣金隅水泥有限公司)	Lan County	Manufacture and sale of cement and cement product	20,030.00	80.00	–
Qinyang BBMG Cement Co., Ltd. (沁陽市金隅水泥有限公司)	Qinyang	Manufacture and sale of cement and clinker, etc.	16,645.00	86.60	–
Lingchuan BBMG Cement Co., Ltd. (陵川金隅水泥有限公司)	Lingchuan County	Manufacture and sale of cement and clinker	35,000.00	100.00	–
Beijing BBMG Mining Co., Ltd. (北京金隅礦業有限公司)	Beijing	Sale of metal and other mining material product	500.00	100.00	–
Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司)	Zuoquan county	Technical consultation service on cement clinker	53,000.00	100.00	–
Xuanhua BBMG Cement Co., Ltd. (宣化金隅水泥有限公司)	Xuanhua County	Manufacture and sale of cement and clinker	500.00	65.00	–
Bo'ai BBMG Cement Co., Ltd. (博愛金隅水泥有限公司)	Bo'ai County	Manufacture and sale of cement and clinker	30,000.00	95.00	–
Guangling Jinyu Cement Co., Ltd. (廣靈金隅水泥有限公司)	Guangling County	Manufacture and sale of cement and clinker	31,700.00	100.00	–
BBMG Mortar Co., Ltd. (北京金隅砂漿有限公司)	Beijing	Manufacture and sale of dry mix mortar	11,875.00	80.00	20.00
Tianjin Jinyu Treasure Bright Mortar Co., Ltd. (天津金隅寶輝砂漿有限公司)	Tianjin	Manufacture and sale of mortar	4,900.00	–	70.00
Fengfeng BBMG Concrete Co., Ltd. (峰峰金隅混凝土有限公司)	Handan	Manufacture and sale of prepared components and processing of concrete	6,600.00	100.00	–
Handan Hanshan BBMG Concrete Co. Ltd. (邯鄲市邯山金隅混凝土有限公司)	Handan	Manufacture and sale of commercial concrete and crushed stone	3,000.00	92.00	–
Wei County BBMG Concrete Co., Ltd. (魏縣金隅混凝土有限公司)	Handan	Manufacture and sale of concrete	1,000.00	92.00	–
Handan BBMG Concrete Co., Ltd. (邯鄲縣金隅混凝土有限公司)	Handan	Manufacture and sale of concrete	3,000.00	92.00	–
Handan BBMG Taihang Building Materials Co., Ltd. (邯鄲金隅太行建材有限公司)	Handan	Manufacture and sale of slag powder	8,109.00	–	100.00
Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天壇家具股份有限公司)	Beijing	Manufacture, processing, and sale of furniture, etc.	20,916.49	97.11	0.15

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways (continued)					
Beijing Tiantan-Jingwei Furniture Co., Ltd. (北京天壇京偉家具有限公司)	Beijing	Manufacture of wooden furniture	600.00	–	60.00
Foshan BBMG Tiantan Furniture Co., Ltd. (佛山金隅天壇家具有限公司)	Foshan	Processing and sale of furniture and wooden products, etc.	500.00	–	100.00
Beijing Tiantan Faram Decorative Materials Co., Ltd. (北京天壇法拉姆裝飾材料有限公司)	Beijing	Manufacture of office cube partition boards and furniture, etc.	4,138.60	–	100.00
Beijing Tiantan Decoration and Engineering Co., Ltd. (北京天壇裝飾工程有限責任公司)	Beijing	Building decoration and design consultation, etc.	600.00	–	100.00
Beijing Great Wall Furniture Decorative Materials Co., Ltd. (北京長城家具裝飾材料有限公司)	Beijing	Manufacture and sale of furniture, decorative materials and wooden floorboards	320.00	–	100.00
Beijing Quinette Great Wall Seats Co., Ltd. (北京奇耐特長城座椅有限公司)	Beijing	Manufacture of seats for opera houses and auditoriums, etc.	1,597.04	–	59.78
Beijing Woodworking Factory Co., Ltd. (北京市木材廠有限責任公司)	Beijing	Manufacture and sale of wood-based panels, etc.	5,455.63	100.00	–
Beijing Tongda Refractory Engineering Technology Co., Ltd. (北京通達耐火工程技術有限公司)	Beijing	Development and manufacture of new refractory materials, etc.	1,000.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (鞏義通達中原耐火技術有限公司)	Gongyi	Manufacture and sale of refractory materials, etc.	1,050.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Co., Ltd. (鞏義通達中原耐火材料檢測中心有限公司)	Gongyi	Testing of refractories	30.00	–	100.00
Beijing Jinyu Energy-Saving Technology Co., Ltd. (北京金隅節能保溫科技有限公司)	Beijing	Manufacture and sale of building materials	37,496.77	100.00	–
Zhangjiakou Star Building Materials Co., Ltd. (張家口市星牌建材有限責任公司)	Beijing	Manufacture, processing and sale of rockwool products	500.00	–	100.00
Beijing Jianzong Building, Installation and Engineering Co., Ltd. (北京建總建築安裝工程有限公司)	Beijing	Construction contracting	2,001.12	–	100.00
Beijing Aerated Concrete Co., Ltd. (北京市加氣混凝土有限責任公司)	Beijing	Manufacture and sale of aerated concrete panels	22,500.00	68.00	–
Beijing Jinyu Aerated Concrete Co., Ltd. (北京金隅加氣混凝土有限責任公司)	Beijing	Manufacture and sale of aerated concrete products, etc.	10,000.00	100.00	–
Beijing BBMG Coating Co., Ltd. (北京金隅塗料有限責任公司)	Beijing	Manufacture of coating; professional contracting	8,900.00	100.00	–
Dachang BBMG Coating Co., Ltd. (大廠金隅塗料有限責任公司)	Dachang County	Manufacture and sale of coating	3,000.00	–	100.00

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For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Xinjiang BBMG Coating Co., Ltd. (新疆金隅塗料有限公司)	Urumqi	Manufacture of coating; sale of building materials, etc.	100.00	–	55.00
Beijing Building Materials Academy Co., Ltd. (北京建築材料科學研究院有限公司)	Beijing	Development, manufacture and sale of building materials, etc.	19,170.00	100.00	–
Beijing Building Materials Testing Academy Co., Ltd. (北京建築材料檢驗研究院有限公司)	Beijing	Testing for building material quality, etc.	8,136.61	–	100.00
Beijing Keshi Hardware Co., Ltd. (北京市科實五金有限責任公司)	Beijing	Manufacture of modern products like construction hardware	6,595.92	100.00	–
Beijing BBMG Dongrun Construction Materials Co., Ltd. (北京金隅東潤建材有限公司)	Beijing	Wholesale of building materials, etc.	2,000.00	–	51.00
Beijing BBMT-Xinke Building Materials Co., Ltd. (北京建貿新科建材有限公司)	Beijing	Purchase and sale of building materials, etc.	17,000.00	–	100.00
BBMG Home Furnishing Co., Ltd. (北京金隅家居有限公司)	Beijing	Purchase and sale of building materials and metals, etc.	600.00	–	100.00
Beijing BBMG Decoration and Engineering Co., Ltd. (北京金隅裝飾工程有限公司)	Beijing	Design and construction of building decoration, etc.	5,882.35	–	51.00
Beijing Jiandu Design and Research Institute Co., Ltd. (北京建都設計研究院有限公司)	Beijing	Design of modern building materials, etc.	954.12	100.00	–
Beijing Jiantuo Engineering Management Co., Ltd. (北京建拓工程管理有限公司)	Beijing	Agent for construction tendering	300.00	–	100.00
Beijing Sanchong Mirror Co., Ltd. (北京三重鏡業有限公司)	Beijing	Manufacture and sale of glass made spectacle lenses	5,766.00	–	100.00
BBMG (Dachang) Modern Industrial Park Management Co., Ltd. (大廠金隅現代工業園管理有限公司)	Dachang County	Manufacture of various modern building materials, etc.	50,000.00	100.00	–
Yangquan Tongda BBMG Refractory Materials Co., Ltd. (陽泉金隅通達高溫材料有限公司)	Yangquan	Manufacture and sale of refractory ceramic, etc.	6,000.00	–	100.00
Beijing BBMG Business and Trading Co., Ltd. (北京金隅商貿有限公司)	Beijing	Wholesale of building materials and metals, etc.	66,000.00	100.00	–
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd. (大廠金隅金海燕玻璃棉有限公司)	Dachang County	Manufacture and sale of glass wool products	8,000.00	–	100.00
BBMG Material Industrial (Shanghai) Co., Ltd. (金隅物產上海有限公司)	Shanghai	Import and export of coke, iron ore and metal materials	8,000.00	51.00	–
Tangshan Jinyu Aerated Concrete Co., Ltd. (唐山金隅加氣混凝土有限責任公司)	Tangshan	Manufacture and sale of aerated concrete blocks	6,860.00	–	100.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways (continued)					
BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	Beijing	Property development and management, etc.	340,000.00	100.00	-
BBMG (Qingdao) Property Development Co., Ltd. (金隅(青島)房地產開發有限公司)	Qingdao	Property development and trading agent	5,000.00	-	100.00
Inner Mongolia BBMG Property Investment Co., Ltd. (內蒙古金隅置地投資有限公司)	Hohhot	Property development and management, etc.	20,000.00	-	100.00
BBMG (Hangzhou) Property Development Co., Ltd. (金隅(杭州)房地產開發有限公司)	Hangzhou	Property development and management, etc.	75,000.00	-	100.00
Hangzhou BBMG Mountain Villa Property Development Co., Ltd. (杭州金隅山墅房地產開發有限公司)	Hangzhou	Property development and others	25,000.00	-	100.00
BBMG (Tianjin) Property Development Co., Ltd. (金隅(天津)房地產開發有限公司)	Tianjin	Property development and sales, etc.	80,000.00	-	100.00
Tangshan BBMG Julong Property Development Co., Ltd. (唐山金隅巨龍房地產開發有限公司)	Tangshan	Property development and operation, etc.	5,000.00	-	80.00
Beijing BBMG Property Development Co., Ltd. (北京金隅置地房地產開發有限公司)	Beijing	Property development and sales, etc.	5,000.00	-	100.00
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. (北京西三旗高新建材城經營開發有限公司)	Beijing	Property rental and development, etc.	6,129.76	100.00	-
Chengdu BBMG Dacheng Property Development Co., Ltd. (成都金隅大成房地產開發有限公司)	Chengdu	Property development, etc.	5,000.00	-	80.00
Chongqing BBMG Dacheng Property Development Co., Ltd. (重慶金隅大成房地產開發有限公司)	Chongqing	Property development and consultation, etc.	20,000.00	-	100.00
Beijing BBMG Chengyuan Property Development Co., Ltd. (北京金隅程遠房地產開發有限公司)	Beijing	Property development and sale of commodity housing, etc.	45,944.06	100.00	-
Beijing Jinyexincheng Property Management Co., Ltd. (北京市金業新城物業管理有限責任公司)	Beijing	Property management	50.00	-	100.00
Inner Mongolia BBMG Dacheng Property Management Co., Ltd. (內蒙古金隅大成物業管理有限責任公司)	Hohhot	Property management	200.00	-	100.00
BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司)	Beijing	Property management	1,000.00	100.00	-

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For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing Jinhuyuan Property Management Co., Ltd. (北京錦湖園物業管理有限公司)	Beijing	Property management	50.00	–	100.00
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司)	Beijing	Provision of accommodation and dining services, etc.	19,998.91	100.00	–
Beijing Jianyuan Hotel Co., Ltd. (北京市建苑賓館有限公司)	Beijing	Provision of accommodation and dining services	1,000.53	–	100.00
Beijing Jianji Assets Management Co., Ltd. (北京建機資產經營有限公司)	Beijing	Self-owned property rental, property management, etc.	17,433.78	100.00	–
Beijing Jinhaiyan Assets Management Co., Ltd. (北京金海燕資產經營有限責任公司)	Beijing	Self-owned property rental, investment management, etc.	8,292.36	100.00	–
Beijing Jinhaiyan Property Management Co., Ltd. (北京金海燕物業管理有限公司)	Beijing	Property management	500.00	100.00	–
BBMG Property Operation Management Co., Ltd. (北京金隅地產經營管理有限公司)	Beijing	Commercial housing rental, property and hotel management	9,900.00	100.00	–
Beijing BBMG Real Estate Agency Co., Ltd. (北京金隅房地產經紀有限公司)	Beijing	Property agency business and consultation	500.00	–	100.00
Beijing Kaicheng Cinda Property Management Co., Ltd. (北京凱誠信達物業管理有限公司)	Beijing	Property management	300.00	–	100.00
Beijing Wancheng Taishang Property Management Co., Ltd. (北京萬成恆泰商業物業管理有限公司)	Beijing	Property management	200.00	–	100.00
Jinyu Ligang (Tianjin) Property Development Co., Ltd. (金隅麗港(天津)房地產開發有限公司)	Tianjin	Property development and operation, etc.	39,000.00	–	100.00
Beijing Jinyu Chaoxin Tiandi Property Investment Co., Ltd. (北京金隅朝新天地置業有限公司)	Beijing	Property development and management, etc.	1,000.00	–	100.00
Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd. (金隅夢城(馬鞍山)房地產開發有限公司) (Note VII.2)	Ma'anshan	Property development and sale of commodity housing, etc.	5,000.00	–	100.00
Beijing BBMG Finance Co., Ltd. (北京金隅財務有限公司)	Beijing	Operation of finance business and financing advisory business, etc.	100,000.00	100.00	–
Hangzhou BBMG Guanchao Real Estate Development Co., Ltd. (杭州金隅觀潮房地產開發有限公司)	Hangzhou	Property development and operation, etc.	58,600.00	–	100.00

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For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業地產開發有限公司)	Beijing	Property development and sale of commodity housing, etc.	237,254.90	–	51.00
BBMG Nanjing Real Estate Development Co., Ltd. (金隅南京房地產開發有限公司)	Nanjing	Property development and operation, etc.	122,000.00	–	100.00
Dachang BBMG Alavus Energy Saving Components Co., Ltd. (大廠金隅愛樂屋建築節能製品有限公司)	Dachang County	Provision of timber for construction purpose and processing of timber products	3,000.00	–	100.00
Beijing Tongda New Green High-temperature Materials Engineering Research Centre Co., Ltd. (北京通達綠色高溫新材料工程研究中心有限公司)	Beijing	Research, experimentation and development of engineering and technology	1,000.00	–	98.00
Beijing Dacheng Changrun Properties Limited (北京大成昌潤置業有限公司)	Beijing	Property development and operation	1,000.00	–	82.00
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd. (重慶金隅大成山水置業有限公司)	Chongqing	Property development and sale, etc.	49,250.00	–	100.00
Jilin BBMG Tiantan Furniture Co., Ltd. (吉林市金隅天壇家具有限責任公司)	Huadian	Manufacture and sale of furniture, fixture, panels and wooden products, etc.	3,000.00	–	55.00
Beijing BBMG Cement Environmental Protection Technology Co., Ltd. (北京金隅水泥環保工程技術有限公司)	Beijing	Construction project management, construction general contracting and eco-friendly technology development, etc.	1,000.00	–	100.00
Beijing BBMG Pension Industry Investment Management Co., Ltd. (北京金隅養老產業投資管理有限公司)	Beijing	Property development and management, etc.	1,000.00	–	100.00
Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司)	Handan	Processing and sale of commercial concrete; manufacture and sale of prepared components	1,000.00	–	100.00
Shanghai BBMG Dacheng Property Development Co., Ltd. (上海金隅大成房地產開發有限公司)	Shanghai	Property development and operation, etc.	100,000.00	–	100.00
Ningbo BBMG Dacheng Property Development Co., Ltd. (寧波金隅大成房地產開發有限公司)	Ningbo	Property development and operation, etc.	5,000.00	–	100.00
Jize BBMG Taihang Concrete Co., Ltd. (滏澤縣金隅太行混凝土有限公司)	Jize County	Processing and sale of commercial concrete	1,200.00	–	100.00

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For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Handan BBMG Taihang International Economic & Technical Cooperation Co., Ltd. (邯鄲金隅太行對外經濟技術合作有限公司)	Handan	Consulting services of international economic and trading information and technology	600.00	–	100.00
Liaocheng BBMG Hongjun Concrete Co., Ltd. (聊城金隅泓均砼業有限公司)	Liaocheng	Manufacture and sale of commercial concrete	1,000.00	–	80.00
Liaocheng BBMG Yonghui Concrete Co., Ltd. (聊城金隅永輝砼業有限公司)	Liaocheng	Manufacture and sale of commercial concrete	2,000.00	–	80.00
Dachang BBMG Tiantan Furniture Co., Ltd. (大廠金隅天壇家具有限責任公司)	Langfang	Manufacturing, processing, sale of furniture, etc.	68,000.00	–	100.00
BBMG Huitong (Dachang) Trading Co., Ltd. (金隅匯通(大廠)經貿有限公司)	Langfang	Wholesale of coal and construction materials	20,000.00	–	100.00
BBMG Business and Trading Co., Ltd. (金隅商貿有限公司)	Tanzania	Import and export of bulk materials	217.35	–	100.00
Beijing BBMG Property Investment Co., Ltd. (北京金隅房地置業有限公司)	Beijing	Real estate development, sale of self-developed commercial housing	5,000.00	–	70.00
Beijing BBMG Aixin Tonghe Elderly Services Co., Ltd. (北京金隅愛馨通和養老服務有限公司)	Beijing	Provision of accommodation and daily care services for the elderly	50.00	–	100.00
Beijing BBMG Aixin Taihe Elderly Services Co., Ltd. (北京金隅愛馨泰和養老服務有限公司)	Beijing	Elderly services and catering management, housework services	50.00	–	100.00
Qingdao BBMG Yangguang Property Development Co., Ltd. (青島金隅陽光房地產開發有限公司)	Qingdao	Real estate development and fiduciary agent for sale of real estate	60,000.00	–	100.00
Beijing BBMG Fengshan Training Centre Co., Ltd. (北京金隅鳳山培訓中心有限公司)	Beijing	Accommodation and conference services, etc.	100.00	–	100.00
Xi'an BBMG Tianli Business and Trading Co., Ltd. (西安金隅天麗商貿有限公司)	Xi'an	Sale of building materials and sanitary ware	5,000.00	–	65.00
BBMG Properties (Anhui) Co., Ltd. (金隅置業安徽有限公司)	Hefei	Property development and management, etc.	50,000.00	–	100.00
BBMG Real Estate Development (Hefei) Co., Ltd. (金隅房地產開發合肥有限公司)	Hefei	Property development and operation	150,000.00	–	100.00
Beijing BBMG Innovation and Technology Incubator Co., Ltd. (北京金隅創新科技孵化器有限公司)	Beijing	Incubating property management and technology business	100,000.00	12.58	87.42
Chongqing BBMG Dacheng New Metropolis Co., Ltd. (重慶金隅大成新都會有限公司)	Chongqing	Property development and sale of commodity housing, etc.	150,000.00	–	100.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
BBMG Finance Lease Co., Ltd. (金隅融資租賃有限公司)(1)	Tianjin	Finance lease business	65,594.00	60.00	40.00
Beijing BBMG Culture Technology Development Co., Ltd. (北京金隅文化科技發展有限公司)(1)	Beijing	Technology development, transfer, consulting, services, and engagement in cultural economy, etc.	5,000.00	–	68.00
Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd. (北京金隅節能保溫科技(大廠)有限公司)(1)	Langfang	Manufacture and sale of building materials	1,700.00	–	100.00
Beijing Sanchong Mirror (Dachang) Co., Ltd. (北京三重鏡業(大廠)有限公司)(1)	Langfang	Manufacture and sale of glass-made spectacle lenses	5,800.00	–	100.00
BBMG Weiguang (Cangzhou) Chemical Co., Ltd. (金隅微觀(滄州)化工有限公司)(1)	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	6,000.00	–	100.00
Beijing BBMG Chengye Property Development Co., Ltd. (北京金隅成業房地產開發有限公司)(1)	Beijing	Property development	5,000.00	–	100.00
BBMG Jiahua Nanjing Real Estate Co., Ltd. (金隅嘉華南京置業有限公司)(1)	Nanjing	Property development	50,000.00	–	100.00
Subsidiaries acquired through business combination under common control					
Beijing Lvduoshangke Science and Technology Co., Ltd. (北京綠都尚科科技有限公司)	Beijing	Sale of building materials and provision of technical services, etc.	2,784.85	100.00	–
Beijing Yanshui Assets Management Co., Ltd. (北京燕水資產管理有限公司)	Beijing	Manufacture of cement	6,266.85	100.00	–
Zhangjiakou Jinyu Cement Co., Ltd. (張家口金隅水泥有限公司)	Zhangjiakou	Manufacture and sale of cement and cement products	37,300.00	100.00	–
Zhuolu Jinyu Cement Co., Ltd. (涿鹿金隅水泥有限公司)	Zhuolu County	Manufacture and sale of cement and cement products	38,000.00	100.00	–
Quyong Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司)	Quyong County	Manufacture and sale of cement and clinker	28,000.00	90.00	–
Beijing Bio-Island Science and Technology Co., Ltd. (北京生態島科技有限責任公司)	Beijing	Development of technologies for waste disposal and comprehensive utilisation and environmental protection	5,000.00	–	100.00
Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司)	Tianjin	Manufacture of cement	57,943.97	62.09	–
Tongda Refractory Technology Co., Ltd. (通達耐火技術股份有限公司)	Beijing	Research and development and manufacture of new refractory materials, etc.	28,517.14	92.82	–

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination under common control <i>(continued)</i>					
Shanghai Sanming Building Materials Co., Ltd. (上海金隅三明建材有限公司)	Shanghai	Manufacture and sale of modern building materials	3,200.00	–	100.00
BBMG Human Resources Management Co., Ltd. (北京金隅人力资源管理有限公司)	Beijing	Dispatch of labour	50.00	–	100.00
Beijing Hengxing Land Real Estate Co., Ltd. (北京恒興置地房地產有限公司)	Beijing	Property development, etc.	4,635.00	–	100.00
Haikou Dacheng Property Investment Co., Ltd. (海口大成置業有限公司)	Haikou	Property development, etc.	1,600.00	–	100.00
BBMG Hong Kong Limited (金隅香港有限公司)	Hong Kong	Self-owned property rental	(HKD)100.00	100.00	–
Beijing Building Decoration and Design Engineering Co., Ltd. (北京市建築裝飾設計工程有限公司)	Beijing	Design of projects' decoration and furniture decoration, etc.	8,500.00	100.00	–
Beijing Building Decoration and Design Institute Co., Ltd. (北京市建築裝飾設計院有限公司)	Beijing	Decorative design technical services	2,000.00	–	100.00
Beijing Longshuncheng Chinese Style Furniture Co., Ltd. (北京市龍順成中式家具有限公司)	Beijing	Manufacture of furniture, etc.	1,292.40	–	100.00
Beijing BBMG Doudian Technology Corporate Management Co., Ltd. (北京金隅實店科技企業管理有限公司)	Beijing	Manufacture of insulation and energy-saving building materials, etc.	15,037.66	100.00	–
BBMG Badaling Hot Spring Resort Co., Ltd. (北京金隅八達嶺溫泉度假村有限責任公司)	Beijing	Provision of travelling service and accommodation, etc.	28,600.00	–	100.00
Beijing Oakland Building Waterproofing Materials Co., Ltd. (北京奧克蘭建築防水材料有限公司)	Beijing	Processing and sale of waterproof materials	500.00	–	100.00
Beijing Xisanqi Heating Co., Ltd. (北京西三旗熱力有限責任公司)	Beijing	Manufacture of low to medium pressure steam and distilled water, etc.	7,560.00	–	100.00
BBMG Hongye Ecological Science and Technology Co., Ltd. (北京金隅宏業生態科技有限責任公司)	Beijing	Property rental and management, etc.	200.00	100.00	–
BBMG Dacheng Property Management Co., Ltd. (北京金隅大成物業管理有限公司)	Beijing	Property management	500.00	100.00	–
BBMG Dacheng Property Development Co., Ltd. (北京金隅大成開發有限公司)	Beijing	Property development, etc.	290,000.00	100.00	–

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

Information of the Company's subsidiaries is as follows: (continued)

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control					
Hetian Yuhe Sand Stone Company Limited (和田市玉河砂石有限公司)	Hetian	Manufacture and sale of concrete	2,040.80	–	51.00
Hebei BBMG Dingxin Cement Co., Ltd. (河北金隅鼎鑫水泥有限公司)	Luquan	Manufacture and sale of cement and clinker, etc.	131,700.00	100.00	–
Hebei Taihang Huaxin Building Materials Co. Ltd. (河北太行華信建材有限責任公司)	Handan	Mining of limestone and cement products operation	22,800.00	100.00	–
Beijing Taihang Qianjing Cement Co., Ltd. (北京太行前景水泥有限公司)	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67.00	–
Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司)	Yi county	Manufacture and sale of cement and cement products, etc.	16,000.00	75.00	–
Yixian Tenghui Mineral Building Materials Company Limited (易縣騰輝礦產建材有限公司)	Yi county	Sale of lime and rock materials, etc.	2,100.00	–	100.00
Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司)	Beijing	Manufacture of cement	2,000.00	–	60.00
Handan BBMG Taihang Cement Co., Ltd. (邯鄲金隅太行水泥有限責任公司)	Handan	Manufacture of cement	65,349.86	94.16	–
Cheng'an BBMG Taihang Cement Co., Ltd. (咸安金隅太行水泥有限公司)	Cheng'an County	Manufacture of cement	6,000.00	–	75.00
Guantao BBMG Taihang Concrete Co., Ltd. (館陶縣金隅太行混凝土有限公司)	Guantao County	Manufacture and sale of commodity concrete	4,000.00	–	100.00
Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司)	She County	Manufacture and sale of cement	10,000.00	91.00	–
Tianjin BBMG Concrete Co., Ltd. (天津金隅混凝土有限公司)(2)	Tianjin	Concrete construction and manufacturing, etc.	39,590.51	91.01	–
Shijiazhuang BBMG Xucheng Concrete Co., Ltd. (石家莊金隅旭成混凝土有限公司)	Shijiazhuang	Manufacture and sale of concrete	20,000.00	97.80	–
Beijing Cement Plant Co., Ltd. (北京水泥廠有限責任公司)	Beijing	Manufacture of cement and mining of limestone, etc.	96,346.28	–	100.00
Beijing Chinefarge Cement Co., Ltd. (北京興發水泥有限公司)	Beijing	Manufacture of cement and clinker, etc.	31,500.00	95.70	–
BBMG Shunfa Lafarge Cement Co., Ltd. (北京金隅順發水泥有限公司)	Beijing	Manufacture of cement and clinker, etc.	15,000.00	70.00	–
Beijing Alavus Building Energy Saving Components Co., Ltd. (北京愛樂屋建築節能製品有限公司)	Beijing	Manufacture, sale and repair of energy efficient doors and windows	(EUR)400.00	82.00	–
Chengde BBMG Cement Co., Ltd. (承德金隅水泥有限責任公司)	Chengde	Manufacture of cement and clinker, etc.	40,000.00	85.00	–
Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工有限公司)	Beijing	Manufacture of artificial boards, resin for impregnated paper, etc.	7,808.61	100.00	–
BBMG Vanke Property Development Co., Ltd. (北京金隅萬科房地產開發有限公司)	Beijing	Property development and housing sale, etc.	19,000.00	–	51.00
Xingtai BBMG Yongning Cement Co., Ltd. (邢台金隅詠寧水泥有限公司)	Xingtai	Production and sale of cement clinker	33,000.00	60.00	–

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Information of the Company's subsidiaries is as follows: *(continued)*

- (1) Newly-established subsidiaries during the year
- (2) In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted 11.21% of its voting rights in Tianjin BBMG Concrete Co., Ltd. to BBMG with a term of 8 years. In September 2015, pursuant to a resolution at the extraordinary general meeting held by Tianjin BBMG Concrete Co., Ltd., BBMG unilaterally made capital contribution of RMB100,000,000 to Tianjin BBMG Concrete Co., Ltd., resulting in an increase of BBMG's equity interests to 91.01% from previous 88.79%. As such, as at 30 June 2016, BBMG held 90.01% equity interests in Tianjin BBMG Concrete Co., Ltd. with 100% voting rights.

Subsidiaries with significant minority interests are as follows:

	Percentage of minority shareholding	Equity attributable to minority shareholders	Dividend paid to minority shareholders	Provision of specific reserve	Accumulative minority interests at the end of the year
For the six months ended 30 June 2016					
BBMG Vanke Property Development Co., Ltd.	49.00%	7,865,913.77	-	-	365,656,425.33
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	49.00%	9,961,779.11	100,449,997.45	(965,862.14)	1,239,357,032.69
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.	49.00%	(147,623,027.81)	-	-	1,030,743,414.79
2015					
BBMG Vanke Property Development Co., Ltd.	49.00%	(29,316,450.05)	-	-	357,790,511.56
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	49.00%	43,281,514.80	-	190,842.34	1,328,879,388.89
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.	49.00%	(1,212,179.87)	-	-	1,178,366,442.60

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

30 June 2016

	BBMG Vanke Property Development Co., Ltd.	Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.
Current assets	889,534,674.90	1,940,978,657.27	3,635,815,650.45
Non-current assets	<u>13,473,721.75</u>	<u>1,527,147,992.58</u>	<u>102,111,672.85</u>
Total assets	<u>903,008,396.65</u>	<u>3,468,126,649.85</u>	<u>3,737,927,323.30</u>
Current liabilities	151,814,374.71	713,846,310.31	1,634,369,333.92
Non-current liabilities	<u>4,956,419.23</u>	<u>224,980,272.83</u>	<u>—</u>
Total liabilities	<u>156,770,793.94</u>	<u>938,826,583.14</u>	<u>1,634,369,333.92</u>

For the six months ended 30 June 2016

Operating revenue	31,981,103.00	457,547,795.95	844,292,459.70
Net profit/(loss)	16,052,885.24	20,330,161.96	(301,271,485.32)
Total comprehensive income	<u>16,052,885.24</u>	<u>20,330,161.96</u>	<u>(301,271,485.32)</u>
Net cash flows from operating activities	<u>(1,069,786.44)</u>	<u>79,273,723.38</u>	<u>117,748,645.99</u>

2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

In March 2016, BBMG GEM Real Estate Development Co., Ltd. acquired 25% interests held by Zhongjian Mengcheng Investment Co., Ltd. (中建夢城投資有限責任公司), the minority shareholder of its subsidiary Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd., and the shareholding of BBMG GEM Real Estate Development Co., Ltd. in Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd. was increased from 75% to 100%. The consideration of the acquisition was RMB14,147,945.21. The transaction led to reduction of minority interests of RMB16,107,358.02 and increase of capital reserve of RMB1,959,412.81 in the consolidated financial statements.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates

	Place of registration/ Place of principal business	Business nature	Registered capital RMB ten thousand	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
Joint ventures						
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Dachang County	Production of mineral wool acoustic board	(USD)54,520	50.00	–	Equity method
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	Beijing	Commodities retail	6,000	–	50.00	Equity method
Associates						
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	Beijing	Production of concrete, pumping	55,000	25.00	–	Equity method
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	Beijing	Production of fiberboards and artificial boards	(USD)57,380	30.00	–	Equity method
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	Beijing	Production of radiators	(USD)27,500	26.70	–	Equity method
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料(北京)有限公司)	Beijing	Complete non-standard control of concrete and pumping	55,000	20.00	–	Equity method
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	Beijing	Design and production of equipment	10,000	–	23.00	Equity method
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	Chengde	Technology research and testing for comprehensive utilization of solid waste	46,000	–	34.78	Equity method

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

	For the six months ended 30 June 2016		2015
Joint ventures			
Total carrying amount of investments	3,692,862.62		6,193,562.30
Total amount calculated based on shareholding			
Net profit	(3,131,984.72)		(15,241,268.30)
Total comprehensive income	(3,131,984.72)		(15,241,268.30)
Associates			
Total carrying amount of investments	287,351,261.80		304,969,371.04
Total amount calculated based on shareholding			
Net profit	(9,478,674.56)		(2,452,619.09)
Total comprehensive income	(9,478,674.56)		(2,452,619.09)

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	30 June 2016	30 June 2016	31 December 2015	31 December 2015
Financial assets	Loans and receivables	Available-for-sale financial assets	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	17,204,382,213.00	-	18,369,880,691.10	-
Bills receivable	2,160,594,347.01	-	2,197,924,429.70	-
Accounts receivable	6,435,953,517.16	-	6,882,068,508.58	-
Interest receivable	-	-	6,716,763.51	-
Dividends receivable	5,741,700.00	-	3,922,700.00	-
Other receivables	2,201,731,248.78	-	1,704,473,275.34	-
Available-for-sale financial assets	-	604,367,250.00	-	604,367,250.00
Long-term receivables	966,981,132.08	-	-	-
	28,975,384,158.03	604,367,250.00	29,164,986,368.23	604,367,250.00

	30 June 2016	31 December 2015
Financial liabilities	Other financial liabilities	Other financial liabilities
Short-term loans	16,964,173,130.73	16,805,996,379.53
Bills payable	367,714,927.78	436,477,804.74
Accounts payable	8,426,237,255.63	8,625,713,523.10
Interest payable	532,390,548.89	429,133,043.75
Dividends payable	284,157,390.00	55,274,219.13
Other payables	3,274,695,129.85	2,908,153,572.66
Short-term financing bonds payable	7,000,000,000.00	6,000,000,000.00
Non-current liabilities due within one year	885,707,814.88	3,907,504,794.13
Long-term loans	8,589,100,000.00	6,888,600,000.00
Bonds payable	17,000,000,000.00	12,000,000,000.00
Long-term payables	15,023,067.18	19,054,327.53
	63,339,199,264.94	58,075,907,664.57

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets

As at 30 June 2016, the Group endorsed to its suppliers for settlement of accounts payable or bank acceptance bills and commercial acceptance bills discounted to the banks with a carrying amount of RMB2,196,991,338.97 and RMB124,421,209.10 respectively, of which an amount of RMB1,130,516,323.07 was derecognised and an amount of RMB1,190,896,225.00 was not derecognised.

Financial assets transferred but not yet fully derecognised

As at 30 June 2016, the Group endorsed bank acceptance bills and commercial acceptance bills with a carrying amount of RMB1,066,475,015.90 and RMB120,060,963.76 respectively (31 December 2015: RMB878,679,702.16 and RMB64,940,055.05) to its suppliers for settlement of accounts payable, and bank acceptance bills and commercial acceptance bills discounted to the banks with carrying amount of RMB nil and RMB4,360,245.34 respectively (31 December 2015: RMB2,070,000.00 and RMB5,711,993.36). As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognise them and the settled accounts payable or short-term borrowings associated therewith. After the endorsement or discount, the Group no longer reserves the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third party. As at 30 June 2016, the carrying amount of accounts payable settled or short-terms borrowings secured by the Group through these financial assets amounted to RMB1,190,896,225.00 and RMB4,360,245.34 respectively (31 December 2015: RMB943,619,757.21 and RMB7,781,993.36 respectively).

Transferred financial assets fully derecognised but with continuing involvement

As at 30 June 2016, the Group endorsed to its suppliers bank acceptance bills with a carrying amount of RMB1,130,516,323.07 (31 December 2015: RMB1,120,809,052.03) for settlement of accounts payable. As at 30 June 2016, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("Continuing Involvement") if the relevant acceptance bank defaults. As the Group is of the opinion that the Group has transferred substantially all their risks and rewards, the Group has derecognised them and the settled accounts payable associated therewith (carrying amounts). The maximum exposure to loss from the Group's Continuing Involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

For the six months ended 30 June 2016, no gains or losses were recognised on their dates of transfer by the Group. No income or expenses were recognised for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in derecognised financial assets. Endorsements were incurred basically evenly during the year.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks

The Group's principal financial instruments comprise bank borrowings, commercial papers payable, bonds payable and cash and bank balances. The main purpose of these financial instruments is to raise capital for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group's risk management policies in this regard are summarized below.

Credit risk

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, accounts receivable, interest receivable, dividends receivable, available-for-sale financial assets, bills receivable and other receivables, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. Contingencies.

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

Please refer to Note V. 3 and 7 for quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

As at 30 June 2016 and 31 December 2015, the aging analysis of financial assets not considered to be impaired is set out as follows:

30 June 2016

	Total	Neither past due nor impaired	Past due		
			Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	5,680,158,325.25	4,301,817,460.84	745,253,405.91	306,481,904.35	326,605,554.15
Other receivables	2,081,623,133.68	2,081,623,133.68	-	-	-
Bills receivable	2,160,594,347.01	2,160,594,347.01	-	-	-
Dividends receivable	5,741,700.00	5,741,700.00	-	-	-
Available-for-sale financial assets	604,367,250.00	604,367,250.00	-	-	-
Long-term receivables	966,981,132.08	966,981,132.08	-	-	-

31 December 2015

	Total	Neither past due nor impaired	Past due		
			Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	6,230,835,885.75	3,988,410,987.11	1,720,091,442.60	406,717,977.05	115,615,478.99
Other receivables	1,604,563,649.03	1,604,563,649.03	-	-	-
Bills receivable	2,197,924,429.70	2,197,924,429.70	-	-	-
Interest receivable	6,716,763.51	6,716,763.51	-	-	-
Dividends receivable	3,922,700.00	3,922,700.00	-	-	-
Available-for-sale financial assets	604,367,250.00	604,367,250.00	-	-	-

As at 30 June 2016, 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 2016, the accounts receivable that were past due but not impaired related to a large number of independent customers that have a good track record with the Group. Based on the past experience, the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank borrowings, financial leasing, bonds payable and short-term financing bonds payable. In addition, the Group also raised capital 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 RMB55.3 billion as at 30 June 2016, of which approximately RMB33.6 billion remained used.

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

As at 30 June 2016

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Accounts payable	8,426,237,255.63	-	-	-	8,426,237,255.63
Interest payable	532,390,548.89	-	-	-	532,390,548.89
Dividends payable	284,157,390.00	-	-	-	284,157,390.00
Other payables	3,274,695,129.85	-	-	-	3,274,695,129.85
Bills payable	367,714,927.78	-	-	-	367,714,927.78
Long-term payables	4,599,600.00	4,599,600.00	11,499,000.00	-	20,698,200.00
Bank borrowings	18,396,879,297.99	1,567,826,726.16	4,080,551,633.70	5,408,817,249.32	29,454,074,907.17
Bonds payable	7,931,065,983.33	7,153,333,031.75	11,016,276,588.63	-	26,100,675,603.71
	<u>39,217,740,133.47</u>	<u>8,725,759,357.91</u>	<u>15,108,327,222.33</u>	<u>5,408,817,249.32</u>	<u>68,460,643,963.03</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk *(continued)*

As at 31 December 2015

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Accounts payable	8,625,713,523.10	-	-	-	8,625,713,523.10
Interest payable	429,133,043.75	-	-	-	429,133,043.75
Dividends payable	55,274,219.13	-	-	-	55,274,219.13
Other payables	2,908,153,572.66	-	-	-	2,908,153,572.66
Bills payable	436,477,804.74	-	-	-	436,477,804.74
Long-term payables	4,599,600.00	4,599,600.00	13,798,800.00	-	22,998,000.00
Bank borrowings	18,650,196,379.53	531,270,684.93	2,211,100,000.00	4,340,717,808.22	25,733,284,872.68
Bonds payable	8,856,130,000.00	2,662,750,000.00	10,732,250,000.00	-	22,251,130,000.00
	<u>39,965,678,142.91</u>	<u>3,198,620,284.93</u>	<u>12,957,148,800.00</u>	<u>4,340,717,808.22</u>	<u>60,462,165,036.06</u>

Market risk

Interest rate risk

The Group's exposure to the changes in market interest rates is mainly related to the floating-rate long-term liabilities of the Group. The Group manages its interest cost using a mix of fixed- and floating-rate debts.

The table below demonstrates the sensitivity analysis of interest rate risk that reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

For the six months ended 30 June 2016

	Increase/ (decrease) in base point	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholder's equity
RMB	Up 1% of interest rate	(4,358,168.28)	–	(4,358,168.28)

2015

	Increase/ (decrease) in base point	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholder's equity
RMB	Up 1% of interest rate	(9,718,433.51)	–	(9,718,433.51)

Foreign exchange risk

Foreign exchange 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 foreign currency risk mainly arises from certain financial assets and liabilities held by the Group that are principally denominated in United States dollars and Hong Kong dollars.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of Renminbi against United States dollars or Hong Kong dollars, with all other variables held constant, with respect to the effects on net profit or loss and net other comprehensive income after tax.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Foreign exchange risk (continued)

For the six months ended 30 June 2016

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholder's equity
USD appreciation against RMB	1%	2,136.32	–	2,136.32
HKD appreciation against RMB	1%	6,216.97	2,939,467.37	2,945,684.34
JPY appreciation against RMB	1%	10,793.22	–	10,793.22

2015

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholder's equity
USD appreciation against RMB	1%	12,819.81	–	12,819.81
HKD appreciation against RMB	1%	6,572.93	2,915,220.87	2,921,793.80
JPY appreciation against RMB	1%	9,658.58	–	9,658.58

4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. For the six months ended 30 June 2016 and the year ended 2015, 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 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Capital management *(continued)*

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the sum of adjusted capital and net debts. It is the Group's policy to maintain its leverage ratio between 60% and 85%. Net debts represent bank borrowings, bonds payable and short-term financing bonds, net of cash and bank balances while capital refers to equity capital. The Group's leverage ratios as at the balance sheet dates are set out as follows:

	30 June 2016	31 December 2015
Bank borrowings	26,233,273,130.73	25,504,596,379.53
Bonds payable	17,200,000,000.00	14,093,054,949.10
Short-term financing bonds	<u>7,000,000,000.00</u>	<u>6,000,000,000.00</u>
	50,433,273,130.73	45,597,651,328.63
Less: Cash and bank balances	<u>(17,204,382,213.00)</u>	<u>(18,369,880,691.10)</u>
Net debts	<u>33,228,890,917.73</u>	<u>27,227,770,637.53</u>
Owners' equity	<u>43,493,004,174.55</u>	<u>42,181,874,396.80</u>
Leverage ratio	76.40%	64.55%

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IX. DISCLOSURE OF FAIR VALUE

1. Assets measured and disclosed at fair value

Hierarchies of fair value

The following table sets forth the fair value of the investment properties of the Group as at 30 June 2016 in accordance with the hierarchies of fair value measurement.

	Fair value as at 30 June 2016			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuously measured at fair value:				
Commercial properties - shops, office buildings, etc.	-	-	14,399,986,324.09	14,399,986,324.09
Commercial properties - garages	-	492,000,000.00	-	492,000,000.00
Total	-	492,000,000.00	14,399,986,324.09	14,891,986,324.09

	Fair value as at 31 December 2015			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuously measured at fair value:				
Commercial properties - shops, office buildings, etc.	-	-	13,952,803,327.98	13,952,803,327.98
Commercial properties - garages	-	492,000,000.00	-	492,000,000.00
Total	-	492,000,000.00	13,952,803,327.98	14,444,803,327.98

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IX. DISCLOSURE OF FAIR VALUE *(continued)*

1. Assets measured and disclosed at fair value *(continued)*

Hierarchies of fair value (continued)

The following sets forth the valuation method and key inputs used for the valuation of fair value of the investment properties for the six months ended 30 June 2016:

Valuation method	Significant unobservable inputs	Range of variation
Income approach	Unit rental (RMB/sq.m./day)	0.34-21.17
	Term yield	5.50%-8.00%
	Reversionary yield	6.00%-8.50%

For Level 3 fair value measurement under income approach, term and reversion approach in particular, the rental income derived from the existing tenancies with due allowance for the reversionary potential of the property is capitalised at the capitalisation rate. The estimated net leased income is capitalized over the remaining term of lease of the investment property at an appropriate market yield for similar type of properties in the investment property market to calculate the fair value of investment properties.

For Level 2 fair value measurement under market comparable approach, as for investment property with ancillary garages, 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.

2. Valuation of Fair Value

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 2016:

	Commercial properties
Value as at 1 January 2016	13,952,803,327.98
Changes in fair value	447,182,996.11
Value as at 30 June 2016	14,399,986,324.09

For the six months ended 30 June 2016, there was no change in fair value hierarchies of investment properties of the Group.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Valuation of Fair Value *(continued)*

Assets and Liabilities disclosed at fair value

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bill receivable, accounts receivable, interests receivable, dividends receivable, other receivables, short-term borrowings, short-term financing bonds payable, bills payable, accounts payable, interests payable, dividends payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short residual term of these instruments.

The fair values of available-for-sale financial assets, long-term borrowings, bonds payable and long-term payables are calculated by discounting the future cash flows using market yields for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 30 June 2016, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed as insignificant.

The Group's finance team is led by the Finance Manager, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the value of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief financial officer. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value.

The fair values of long-term borrowings, bonds payable, long-term payables 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 2016, the Group's exposure to non-performance risk associated with the long-term borrowings, bonds payable and long-term payables is assessed as insignificant.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Nature of Business	Registered capital RMB	Proportion of shareholding (%)	Proportion of votes (%)
BBMG Group	Beijing	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.	314,069	44.93	44.93

BBMG Group is the parent and ultimate holding company of the Company.

2. Subsidiaries

For details on the subsidiaries, please refer to Note VII. 1. Interests in the subsidiaries.

3. Jointly-controlled entities and associates

For details on the jointly-controlled entities and associates, please refer to Note VII. 3.

4. Other related parties

Names of other related parties	Relationship with related parties
Beijing Jianmao Property Management Co., Ltd.	Under common control of the parent company
Beijing Xisha Assets Management Co., Ltd.	Under common control of the parent company
Beijing Guanghua Woodworking Factory	Under common control of the parent company
Beijing Doors and Windows Co., Ltd.	Under common control of the parent company
Beijing Longfengshan Sands and Stone Factory	Under common control of the parent company
Handan Hanni Building Materials Co., Ltd.	Under common control of the parent company
BBMG Properties Limited	Under common control of the parent company
BBMG Sports Culture Co., Ltd.	Under common control of the parent company
Beijing Jinyu Scien-tech School	Under common control of the parent company
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Under common control of the parent company
Beijing Dacheng Real Estate Development Co., Ltd.	Under common control of the parent company

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

5. Major transactions between the Group and related parties

(1) Transactions concerning goods and services with related parties

Type of goods or services	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Purchase of goods and receipt of services from related parties		
Transactions with jointly-controlled entities and associates		
Krono (Beijing) Woods Co., Ltd. Purchase of raw materials	14,964,772.09	103,226,465.38
Beijing Sinobaide Technology Co., Ltd. Purchase of raw materials	3,374,992.00	8,946,659.85
Zehnder (China) Indoor Climate Co., Ltd. Purchase of raw materials	386,938.19	930,104.51
STAR-USG Building Materials Co., Ltd. Purchase of raw materials	1,869,902.71	199,548.43
	<u>20,596,604.99</u>	<u>113,302,778.17</u>
Transactions with other related parties		
Beijing Dacheng Real Estate Development Co., Ltd. Receipt of technical services	279,963.66	32,552.00
Beijing Longfengshan Sands and Stone Factory Receipt of mining services	1,427,366.37	35,000.00
Party School of the Communist Party of China Receipt of training services	-	2,800.00
Beijing Building Materials Group Corporation Committee		
Beijing Jinyu Scien-tech School Purchase of raw materials	-	60,120.00
	<u>1,707,330.03</u>	<u>130,472.00</u>
	<u>22,303,935.02</u>	<u>113,433,250.17</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

Type of goods or services	For the six months ended 30 June 2016	For the six months ended 30 June 2015	
Sale of goods and render of services to related parties			
BBMG Group	Render of property services	520,700.00	1,490,101.89
Transactions with jointly-controlled entities and associates			
Krono (Beijing) Woods Co., Ltd.	Sale of goods	1,488,043.05	20,032,192.34
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	8,391,849.35	8,903,164.69
STAR-USG Building Materials Co., Ltd.	Render of service	177,192.16	18,867.92
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	-	1,699,551.97
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	-	46,955.60
Zehnder (China) Indoor Climate Co., Ltd.	Sale of goods	-	199,995.00
		10,057,084.56	30,900,727.52
Transactions with other related parties			
Handan Hanni Building Materials Co., Ltd.	Sale of goods	163,740.73	100,897.51
Beijing Xisha Assets Management Co., Ltd.	Sale of properties	-	64,564,900.00
Beijing Guanghua Woodworking Factory	Render of quality inspection services	200,000.00	1,700,000.00
Beijing Dacheng Real Estate Development Co., Ltd.	Render of conference services	393,244.38	451,661.08
BBMG Properties Limited	Render of engineering services	-	1,260,400.00
Beijing Jianmao Property Management Co., Ltd.	Render of engineering services	1,233,139.17	1,626,597.58
Beijing Doors and Windows Co., Ltd.	Render of decoration services	158,128.68	606,276.59
Beijing Xisha Assets Management Co., Ltd.	Render of decoration services	-	400,000.00
BBMG Sports Culture Co., Ltd.	Render of design services	-	30,000.00
		2,148,252.96	70,740,732.76
		12,726,037.52	103,131,562.17

Purchase or sale of goods and receipt or render of services from/to related parties by the Group are negotiated and determined based on market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

5. Major transactions between the Group and related parties *(continued)*

(2) Leases with related parties

As lessor

Name of the lessee	Category of leased assets	Leasing income for the six months ended 30 June 2016	Leasing income for the six months ended 30 June 2015
STAR-USG Building Materials Co., Ltd.	Building	5,853,511.89	5,548,164.88
Beijing Dacheng Real Estate Development Co., Ltd.	Building	1,970,791.87	2,387,690.16
Krono (Beijing) Woods Co., Ltd.	Building	–	2,986,402.89
OCV Reinforcements (Beijing) Co., Ltd.	Plant	620,691.19	876,915.75
Beijing Sinobaide Technology Co., Ltd.	Building	440,902.66	173,648.75
BBMG Group	Building	314,700.00	314,700.00
		9,200,597.61	12,287,522.43

As lessee

Name of the lessor	Category of leased assets	Leasing expenses for the six months ended 30 June 2016	Leasing expenses for the six months ended 30 June 2015
Beijing Xisha Assets Management Co., Ltd.	Building	838,500.00	1,613,498.00
Beijing Longfengshan Sands and Stone Factory	Premise	–	60,000.00
Beijing Dacheng Real Estate Development Co., Ltd.	Building	–	155,380.50
		838,500.00	1,828,878.50

The rentals from the assets leased out to or leased from related parties by the Group are negotiated and determined by making reference to market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

5. Major transactions between the Group and related parties *(continued)*

(3) Guarantees received from/provided to related parties

Guarantees received from related parties

For the six months ended 30 June 2016

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	200,000,000.00	18 October 2013	26 June 2016	Yes
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	420,000,000.00	27 June 2013	26 June 2016	Yes
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	20,000,000.00	18 April 2014	26 June 2016	Yes
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	6 May 2014	26 June 2016	Yes
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	7 May 2014	26 June 2016	Yes
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	800,000,000.00	4 March 2016	3 March 2019	No
		<u>1,640,000,000.00</u>			

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

5. Major transactions between the Group and related parties *(continued)*

(3) Guarantees received from/provided to related parties *(continued)*

Guarantees received from related parties (continued)

For the six months ended 30 June 2015

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
BBMG Group	Quyong Jinyu Cement Co., Ltd.	40,000,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	350,000,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	10,000,000.00	2 March 2011	25 December 2015	No
BBMG Group	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 2015	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.	2,000,000.00	2 March 2011	22 December 2015	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.	420,000,000.00	27 June 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
		<u>1,286,100,000.00</u>			

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

Guarantees provided to related parties

As at 30 June 2016 and 30 June 2015, the Group did not provide guarantees in respect of borrowings for related parties.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

5. Major transactions between the Group and related parties *(continued)*

(4) *Lending to/borrowing from related parties*

Lending

During the period, STAR-USG Building Materials Co., Ltd. secured lending of RMB7,500,000.00 from the Group (2015: lending of RMB15,000,000.00). As at 30 June 2016, the accumulated lending amounted to RMB104,188,940.00 (31 December 2015: accumulated lending of RMB96,688,940.00).

(5) *Remuneration for key management personnel*

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Remuneration for key management personnel	2,745,832.00	2,137,100.00

Note: Apart from related party transactions with associates and joint venture, other major transactions above between the Group and its related parties constitute connected transactions or continuing connected transactions defined under Chapter 14A of the Hong Kong Listing Rules.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

6. Balances of receivables from related parties

	30 June 2016	31 December 2015
Accounts Receivable		
Due from associates		
Zehnder (China) Indoor Climate Co., Ltd.	–	219,271.00
OCV Reinforcements (Beijing) Co., Ltd.	309,555.25	267,305.25
Beijing Sinobaide Technology Co., Ltd.	50,000.00	–
	359,555.25	486,576.25
Due from a joint venture		
STAR-USG Building Materials Co., Ltd.	16,818,687.45	14,603,510.86
Due from other related parties		
Beijing Dacheng Real Estate Development Co., Ltd.	4,872,971.86	5,034,950.82
BBMG Properties Limited	676,815.00	676,815.00
Beijing Jianmao Property Management Co., Ltd.	1,218,167.76	–
Beijing Guanghua Woodworking Factory	200,000.00	–
	6,967,954.62	5,711,765.82
	24,146,197.32	20,801,852.93
Prepayments		
Prepayments to associates		
Beijing Sinobaide Technology Co., Ltd.	8,878.46	–
Zehnder (China) Indoor Climate Co., Ltd.	883,473.23	83,876.93
STAR-USG Building Materials Co., Ltd.	50,000.00	–
	942,351.69	83,876.93

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

6. Balances of receivables from related parties *(continued)*

	30 June 2016	31 December 2015
Other receivables		
Due from the parent		
BBMG Group	<u>15,258,940.31</u>	<u>14,538,402.16</u>
Due from associates		
Zehnder (China) Indoor Climate Co., Ltd.	–	9,500.00
Krono (Beijing) Wood Panels Co., Ltd.	<u>20,361,662.57</u>	15,179,083.67
Krono (Beijing) Flooring Co., Ltd.	–	<u>200,000.00</u>
	<u>20,361,662.57</u>	<u>15,388,583.67</u>
Due from a joint venture		
STAR-USG Building Materials Co., Ltd.	<u>104,188,940.00</u>	<u>97,905,064.65</u>
	<u>139,809,542.88</u>	<u>127,832,050.48</u>
Interest receivable		
Due from a joint venture		
STAR-USG Building Materials Co., Ltd.	–	<u>6,716,763.51</u>
Dividends receivable		
Due from associates		
Beijing Sinobaide Technology Co., Ltd.	–	851,000.00
Beijing Gaoqiang Concrete Co., Ltd.	<u>3,071,700.00</u>	3,071,700.00
Beijing Zehnder Radiators Co., Ltd.	<u>2,670,000.00</u>	–
	<u>5,741,700.00</u>	<u>3,922,700.00</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

7. Balances of payables to related parties

	30 June 2016	31 December 2015
Accounts payable		
Due to associates		
Zehnder (China) Indoor Climate Co., Ltd.	–	95,000.00
OCV Reinforcements (Beijing) Co., Ltd.	–	3,800.00
Krono (Beijing) Wood Panels Co., Ltd.	209,679.18	5,810,424.66
	209,679.18	5,909,224.66
Due to a joint venture		
STAR-USG Building Materials Co., Ltd.	1,265,714.33	120,904.56
	1,475,393.51	6,030,129.22
Receipts in advance		
Advances from other related parties		
Beijing Longfengshan Sands and Stone Factory	–	149,098.29
Beijing Dacheng Real Estate Development Co., Ltd.	7,874.00	–
	7,874.00	149,098.29
Advances from associates		
Beijing Gaoqiang Concrete Co., Ltd.	–	123.20
OCV Reinforcements (Beijing) Co., Ltd.	5,040.00	2,520.00
	5,040.00	2,643.20
	12,914.00	151,741.49
Other payables		
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	153,639.57	3,869.60
OCV Reinforcements (Beijing) Co., Ltd.	159,200.00	159,200.00
	312,839.57	163,069.60
Due to a joint venture		
STAR-USG Building Materials Co., Ltd.	112,533.72	91,414.91
	425,373.29	254,484.51

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

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

Except for the balances due from STAR-USG Building Materials Co., Ltd in other receivables, other amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

XI. CONTINGENCIES

	Note	30 June 2016	31 December 2015
Provision of guarantee to third parties	Note 1	9,269,980,077.95	5,669,464,952.49

Note 1: Certain customers of the Group have purchased the commodity housing developed by the Group by way of bank mortgage (secured loans). According to bank requirements for disbursing secured loans to individuals for purchase of housing, the Group has provided periodic joint and several guarantees for such loans disbursed by banks for home buyers. These guarantees will be released upon obtaining building ownership certificates and completion of housing mortgage registration formalities by the home buyers. The management is of the opinion that in the event of default in payments, the net realisable value of the relevant properties is still sufficient to cover the outstanding mortgage principals together with the accrued interests and penalties, and therefore no provision for the guarantees has been made in the financial statements.

XII. COMMITMENTS

	30 June 2016	31 December 2015
Contracted but not provided for		
Capital Commitments	434,019,547.24	361,924,923.37
Property development contracts	10,435,216,898.88	8,413,910,062.16
	10,869,236,446.12	8,775,834,985.53

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

XIII. EVENTS AFTER BALANCE SHEET DATE

The conversion of capital reserve into paid-up capital

According to the announcement of BBMG dated 28 June 2016 in relation to the profit distribution for the year 2015 and the implementation of conversion of capital reserve into share capital, the Company converted the capital reserve formed by way of issue of share premium into paid-up capital. The Company converted 5,338,885,567 shares in total and issued shares to all shareholders on the basis of 10 shares for every 10 shares. The ex-date is 6 July 2016. The listing date of the new shares not subject to lock-up restriction is 7 July 2016. Upon the conversion of capital reserve, the Company's share capital will increase to 10,677,771,134 shares. The conversion of capital reserve into share capital has been completed. Pursuant to the requirements of the relevant laws, regulations and listing rules of the jurisdiction(s) where the shares of the Company are listed, the Company proposed to make amendments to the Articles of Association of the Company. The relevant resolution was considered and approved by the eleventh meeting of the fourth session of the Board of the Company and the 2016 first extraordinary general meeting of BBMG held on 15 August 2016.

XIV. OTHER SIGNIFICANT MATTERS

1. Lease

As lessor

Significant operating leases: according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable leases are as follows:

	30 June 2016	31 December 2015
Within 1 year (inclusive of 1 year)	1,116,197,065.40	1,137,238,058.71
1 to 2 years (inclusive of 2 years)	713,206,983.29	1,008,851,021.61
2 to 3 years (inclusive of 3 years)	422,852,820.97	607,815,479.09
Over 3 years	1,049,617,321.66	798,010,903.67
	<u>3,301,874,191.32</u>	<u>3,551,915,463.08</u>

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 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

1. Lease *(continued)*

As lessee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable leases are as follows:

	30 June 2016	31 December 2015
Within 1 year (inclusive of 1 year)	39,996,897.89	73,857,282.69
1 to 2 years (inclusive of 2 years)	38,371,729.18	103,446,738.87
2 to 3 years (inclusive of 3 years)	28,319,266.13	41,242,437.23
Over 3 years	155,711,656.49	209,754,908.92
	262,399,549.69	428,301,367.71

2. Segment reporting

Operating segments

For management purposes, the Group is organized into business units based on the products and services provided and has four reportable segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commerce and logistics segment engages in the manufacture sale of building materials and furniture and commerce and logistics;
- (3) the property development segment engages in the development and sale of real estate;
- (4) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and other than the exclusion of overheads attributable to the headquarters, the indicator is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the headquarters, because all of such assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed upon by both parties of transactions with reference to the fair price quoted from transactions with third parties.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

Operating segments (continued)

For the six months ended 30 June 2016

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Segment	Property Investment and Management Segment	Unallocated Corporate Assets/ Liabilities/Expenses	Elimination on Consolidation	Total
Revenues from external transactions	5,175,355,031.41	5,142,865,568.14	11,786,976,533.50	1,341,586,575.54	-	-	23,446,783,708.59
Revenues from inter-segment transactions	7,765,383.09	110,026,035.59	-	124,327,479.23	-	(242,118,897.91)	-
	<u>5,183,120,414.50</u>	<u>5,252,891,603.73</u>	<u>11,786,976,533.50</u>	<u>1,465,914,054.77</u>	<u>-</u>	<u>(242,118,897.91)</u>	<u>23,446,783,708.59</u>
Gains/(losses) on investment in joint ventures and associates	(1,933,491.94)	(9,864,067.36)	-	29,130.33	-	-	(11,768,428.97)
Losses from impairment of assets	105,732,743.29	55,654,885.10	45,678,997.18	28,291,570.05	-	-	235,358,195.62
Depreciation and amortisation charges	612,597,106.42	66,525,072.41	10,505,796.54	65,885,813.01	11,677,807.40	-	767,191,595.78
Total profits/(losses)	(247,589,604.08)	(73,792,016.25)	2,241,713,980.74	1,022,963,328.45	(492,163,286.33)	(89,711,093.90)	2,361,421,308.63
Income tax expense	8,421,277.87	365,863,132.68	244,115,980.58	265,300,256.05	(123,040,821.58)	(521,511.25)	760,138,314.35
Total assets	27,817,276,777.42	10,927,187,214.16	74,443,327,573.11	36,689,659,076.59	2,853,597,833.73	(16,608,830,178.33)	136,122,218,296.68
Total liabilities	14,656,730,877.98	6,091,005,501.47	60,865,808,515.73	8,911,335,985.00	19,001,806,768.49	(16,897,473,526.54)	92,629,214,122.13
Other disclosure							
Long-term equity investment in joint ventures and associates	22,220,119.79	265,131,142.01	-	3,692,862.62	-	-	291,044,124.42
Increase in other non-current assets (excluding long-term equity investments)	327,362,139.12	326,148,455.01	6,912,029.72	39,925,067.14	-	-	700,347,690.99

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

XIV. OTHER SIGNIFICANT MATTERS (continued)

2. Segment reporting (continued)

Operating segments (continued)

For the six months ended 30 June 2015

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Segment	Property Investment and Management Segment	Unallocated Corporate Assets/ Liabilities/Expenses	Elimination on Consolidation	Total
Revenues from external transactions	5,254,487,881.61	5,019,718,228.96	6,481,847,273.16	1,300,237,257.06	-	-	18,056,290,640.79
Revenues from inter-segment transactions	3,073,391.50	144,173,606.69	-	72,082,382.00	-	(219,329,380.19)	-
	5,257,561,273.11	5,163,891,835.65	6,481,847,273.16	1,372,319,639.06	-	(219,329,380.19)	18,056,290,640.79
Gains/(losses) on investment in joint ventures and associates	(4,720,753.61)	(8,221,662.61)	-	305,659.81	-	-	(12,636,756.41)
Losses from impairment of assets	33,978,422.39	(10,006,487.57)	1,928,336.06	(43,882.68)	-	-	25,856,388.20
Depreciation and amortisation charges	585,216,428.56	66,295,085.68	5,605,710.68	65,726,974.02	14,711,547.88	-	737,555,746.82
Total profits/(losses)	(314,037,923.24)	(37,484,109.34)	1,562,994,712.04	789,877,405.44	(476,566,956.39)	(86,000.00)	1,524,697,128.51
Income tax expense	16,833,300.49	(494,697.49)	400,215,411.84	205,704,667.88	(119,141,739.10)	(21,500.00)	503,095,443.62
Total assets	29,102,158,412.86	10,217,775,064.19	63,784,251,607.13	26,975,965,570.42	1,200,542,486.67	(14,136,524,104.47)	117,144,169,036.80
Total liabilities	14,811,524,910.37	4,519,158,462.71	52,362,205,309.25	6,773,379,626.37	14,432,210,672.77	(11,393,496,944.23)	81,504,982,037.24
Other disclosure							
Long-term equity investment in joint ventures and associates	23,090,088.47	273,055,363.87	-	3,950,552.58	-	-	300,096,004.92
Increase in other non-current assets (excluding long-term equity investments)	587,325,343.02	346,541,528.84	5,281,134.88	49,592,039.55	-	-	988,740,046.29

Other information

Information on products and labour services

Revenue by product/service is set out in Note V. 49.

Geographic information

The major businesses and customers of the Group are located in PRC. Segment 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 2016, none of the 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 2015: nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Supplemental information to the balance sheet

	30 June 2016	31 December 2015
Net current assets (consolidated)		
Current assets	90,246,194,185.51	89,335,632,740.23
Less: current liabilities	<u>62,395,777,401.35</u>	<u>65,186,574,018.71</u>
Net current assets	<u>27,850,416,784.16</u>	<u>24,149,058,721.52</u>
Total assets less current liabilities (consolidated)		
Total assets	136,122,218,296.68	130,746,704,314.16
Less: current liabilities	<u>62,395,777,401.35</u>	<u>65,186,574,018.71</u>
Total assets less current liabilities	<u>73,726,440,895.33</u>	<u>65,560,130,295.45</u>
Net current assets (the Company)		
Current assets	43,300,202,445.50	43,022,525,056.80
Less: current liabilities	<u>28,352,710,474.17</u>	<u>29,097,388,511.98</u>
Net current assets	<u>14,947,491,971.33</u>	<u>13,925,136,544.82</u>
Total assets less current liabilities (the Company)		
Total assets	84,632,436,731.29	79,613,630,631.68
Less: current liabilities	<u>28,352,710,474.17</u>	<u>29,097,388,511.98</u>
Total assets less current liabilities	<u>56,279,726,257.12</u>	<u>50,516,242,119.70</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

4. Equity Restructuring and Asset Restructuring

According to the "Framework Agreement in relation to the Restructuring of Jidong Development Group Co., Ltd." (《關於冀東發展集團有限責任公司重組之框架協議》) (hereinafter referred to as the "Framework Agreement") entered into by the Company with State-owned Assets Supervision and Administration Commission of the People's Government of Tangshan City (唐山市人民政府國有資產監督管理委員會) (hereinafter referred to as "Tangshan SASAC") and Jidong Development Group Co., Ltd. (冀東發展集團有限責任公司) (hereinafter referred to as "Jidong Group") on 15 April 2016, it was proposed to implement both Equity Restructuring and Asset Restructuring.

Equity Restructuring: the Company proposed to subscribe the new registered capital of Jidong Group of RMB1,239,752,000 at a consideration of RMB4,750,000,000 in cash. Meanwhile, the Company proposed to acquire 10% equity interests in Jidong Group held by Zhongtai Trust Co., Ltd.* (中泰信託有限責任公司) at a consideration of RMB475,000,000 in cash.

Asset Restructuring: Tangshan Jidong Cement Co., Ltd. (唐山冀東水泥股份有限公司) (hereinafter referred to as "Jidong Cement") proposed to acquire the relevant cement and concrete businesses and assets held by BBMG and raise funds by way of non-public issue of A Shares to BBMG.

On 3 August 2016, the Company has received the approval letter for the transaction from the Hong Kong Stock Exchange, agreeing the Company to proceed with the transaction. On 10 August 2016, the Company was notified by Beijing BBMG Group Co., Ltd., the controlling shareholder, that Beijing SASAC had issued the "Approval of State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality in relation to the Asset Restructuring of BBMG Corporation and Tangshan Jidong Cement Co., Ltd." (Jing Guo Zi Chan Quan [2016] No. 131) (《北京市人民政府國有資產監督管理委員會關於北京金隅股份有限公司與唐山冀東水泥股份有限公司進行資產重組的批覆》京國資產權[2016](31號)), which agreed, in principle, the proposal in respect of the subscription of the non-public issued A Shares of Jidong Cement with the relevant assets of businesses (such as cement business) by the Company. The Equity Restructuring and Asset Restructuring were considered and approved at the 2016 first extraordinary general meeting of BBMG held on 15 August 2016.

This major transaction in respect of restructuring is still subject to the approval of the relevant national authorities such as Anti-monopoly Bureau of the Ministry of Commerce and the CSRC.

* for identification purposes only

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

1. Other receivables

An aging analysis of other receivables is as follows:

	30 June 2016	31 December 2015
Within 1 year (inclusive of 1 year)	34,104,464,747.35	32,029,460,118.93
1 to 2 years (inclusive of 2 years)	256,734.52	256,734.52
2 to 3 years (inclusive of 3 years)	–	30,326,885.36
3 to 4 years (inclusive of 4 years)	30,326,885.36	30,379,950.00
4 to 5 years (inclusive of 5 years)	30,379,950.00	–
Over 5 years	29,320,301.52	29,320,301.52
	34,194,748,618.75	32,119,743,990.33
Less: Provision for bad debts of other receivables	40,970,070.23	40,970,070.23
	34,153,778,548.52	32,078,773,920.10

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

	For the six months ended	
	30 June 2016	2015
At the beginning of the period/year	40,970,070.23	40,970,070.23
Provision for the year/period	–	–
At the end of the period/year	40,970,070.23	40,970,070.23

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

1. Other receivables (continued)

	30 June 2016				31 December 2015			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage (%)	Amount	Proportion (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	53,112,933.06	0.15	29,360,768.06	55.28	53,112,933.06	0.17	29,360,768.06	55.28
Provision for bad debts by group:								
Within 1 year (inclusive of 1 year)	61,099,250.00	0.18	-	-	13,440,850.00	0.04	-	-
Over 5 years	4,240,000.00	0.01	4,240,000.00	100.00	4,240,000.00	0.01	4,240,000.00	100.00
	65,339,250.00	0.19	4,240,000.00		17,680,850.00	0.05	4,240,000.00	
Special credit characteristics group	34,067,380,327.60	99.63	-	-	32,040,231,268.53	99.77	-	-
Individually not significant but subject to separate provision for bad debts	8,916,108.09	0.03	7,369,302.17	82.65	8,718,938.74	0.01	7,369,302.17	84.52
	34,194,748,618.75	100.00	40,970,070.23		32,119,743,990.33	100.00	40,970,070.23	

As at 30 June 2016, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Second	22,732,983.06	20,246,783.06	89.06	Partly uncollectible
	53,112,933.06	29,360,768.06		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

1. Other receivables (continued)

As at 31 December 2015, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Second	<u>22,732,983.06</u>	<u>20,246,783.06</u>	89.06	Partly uncollectible
	<u>53,112,933.06</u>	<u>29,360,768.06</u>		

As at 30 June 2016, the top 5 of other receivables were as follows:

	Closing balance	Percentage	Nature	Aging	Balance of provision for bad debts at the end of the year
BBMG GEM Real Estate Development Co., Ltd.	6,390,902,669.75	18.69	Amounts due from subsidiaries	Within one year	-
Beijing BBMG Dacheng Property Development Co., Ltd.	3,458,312,800.50	10.11	Amounts due from subsidiaries	Within one year	-
Beijing BBMG Property Investment Co., Ltd.	3,291,400,000.00	9.63	Amounts due from subsidiaries	Within one year	-
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	2,250,000,000.00	6.58	Amounts due from subsidiaries	Within one year	-
BBMG Real Estate Development (Hefei) Co., Ltd.	2,190,658,104.00	6.41	Amounts due from third parties	Within one year	-
	<u>17,581,273,574.25</u>	<u>51.42</u>			

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

1. Other receivables (continued)

As at 31 December 2015, the top five other receivables are as follows:

	Closing balance	Percentage	Nature	Aging	Balance of provision for bad debts at the end of the year
Beijing BBMG Dacheng Property Development Co., Ltd.	6,878,312,800.50	21.41	Amounts due from subsidiaries	Within one year	-
BBMG GEM Real Estate Development Co., Ltd.	5,563,943,638.75	17.32	Amounts due from subsidiaries	Within one year	-
Beijing BBMG Property Investment Co., Ltd.	3,291,400,000.00	10.24	Amounts due from subsidiaries	Within one year	-
Shanghai BBMG Dacheng Property Development Co., Ltd.	1,680,000,000.00	5.23	Amounts due from subsidiaries	Within one year	-
Chengdu BBMG Dacheng Property Development Co., Ltd.	1,320,263,719.75	4.11	Amounts due from subsidiaries	Within one year	-
	<u>18,733,920,159.00</u>	<u>58.31</u>			

Other receivables included the amounts due from subsidiaries, joint ventures and associates, which are as follows:

	30 June 2016	31 December 2015
Amounts due from subsidiaries	34,031,782,208.00	31,971,632,410.19
Amounts due from a joint venture	104,188,940.00	96,688,940.00
Amounts due from associates	3,756,000.00	-
	<u>34,139,727,148.00</u>	<u>32,068,321,350.19</u>

Other receivables due from related parties are unsecured, and have no fixed terms of repayment other than amounts due from a joint venture.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

2. Long-term equity investments

For the six months ended 30 June 2016

	Investment cost	Opening balance	Increase/ decrease for the period	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the period
Cost method:							
Beijing Lilihe Cement Co., Ltd.	690,005,052.96	684,505,052.96	5,500,000.00	690,005,052.96	100	100	-
Beijing BBMG Concrete Co., Ltd.	509,235,910.27	509,235,910.27	-	509,235,910.27	100	100	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	1,093,444,400.00	1,093,444,400.00	-	1,093,444,400.00	51	51	104,550,000.00
Hebei BBMG Dingxin Cement Co., Ltd.	1,471,400,000.00	1,454,400,000.00	17,000,000.00	1,471,400,000.00	100	100	290,000,000.00
Hebei Taihang Huaxin Building Materials Co., Ltd.	191,952,088.44	191,952,088.44	-	191,952,088.44	100	100	-
Zanhuang BBMG Cement Co., Ltd.	700,000,000.00	600,000,000.00	100,000,000.00	700,000,000.00	100	100	-
Beijing BBMG Cement Trading Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100	100	-
Beijing BBMG Cement Energy Saving Technology Co., Ltd.	35,000,000.00	25,000,000.00	10,000,000.00	35,000,000.00	100	100	29,000,000.00
Zhangjiakou Jinyu Cement Co., Ltd.	391,071,805.81	353,071,805.81	38,000,000.00	391,071,805.81	100	100	-
Tianjin Zhengxing Cement Co., Ltd.	422,950,236.38	422,950,236.38	-	422,950,236.38	62	62	-
Quyuan Jinyu Cement Co., Ltd.	245,747,261.65	245,747,261.65	-	245,747,261.65	90	90	27,000,000.00
Siping BBMG Cement Co., Ltd.	156,000,000.00	156,000,000.00	-	156,000,000.00	52	52	-
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	202,047,000.00	202,047,000.00	-	202,047,000.00	98	98	-
Lanxian BBMG Cement Co., Ltd.	160,240,000.00	160,240,000.00	-	160,240,000.00	80	80	-
Qinyang BBMG Cement Co., Ltd.	144,145,100.00	144,145,100.00	-	144,145,100.00	87	87	-
Zhuolu Jinyu Cement Co., Ltd.	366,677,498.05	286,677,498.05	80,000,000.00	366,677,498.05	100	100	-
Beijing BBMG Tiantan Furniture Co., Ltd.	464,305,960.36	464,305,960.36	-	464,305,960.36	97	97	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.16	54,556,261.16	-	54,556,261.16	100	100	-
Tongda Refractory Technology Co., Ltd.	498,030,444.48	498,030,444.48	-	498,030,444.48	93	93	-
Beijing Jinyu Energy-Saving Technology Co., Ltd.	402,450,576.31	402,450,576.31	-	402,450,576.31	100	100	-
Beijing Jinyu Aerated Concrete Co., Ltd.	107,946,419.68	107,946,419.68	-	107,946,419.68	100	100	-
Beijing Building Materials Academy Co., Ltd.	194,167,784.68	162,467,784.68	31,700,000.00	194,167,784.68	100	100	-
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	64,098,826.55	-	64,098,826.55	100	100	-
Beijing Jiandu Design and Research Institute Co., Ltd.	9,405,299.48	9,405,299.48	-	9,405,299.48	100	100	-
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100	100	-
Beijing Alavus Energy Saving Components Co., Ltd.	29,980,669.86	29,980,669.86	-	29,980,669.86	82	82	-

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2016 (continued)

	Investment cost	Opening balance	Increase/ decrease for the period	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the period
BBMG GEM Real Estate Development Co., Ltd.	3,065,138,411.45	3,065,138,411.45	-	3,065,138,411.45	100	100	-
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	123,580,431.35	123,580,431.35	-	123,580,431.35	100	100	-
BBMG Property Management Co., Ltd.	99,264,530.92	99,264,530.92	-	99,264,530.92	100	100	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	202,480,361.57	202,480,361.57	-	202,480,361.57	100	100	-
Beijing Jianji Assets Management Co., Ltd.	776,172,150.30	776,172,150.30	-	776,172,150.30	100	100	-
Beijing Jinhaiyan Assets Management Co., Ltd.	78,479,818.89	78,479,818.89	-	78,479,818.89	100	100	-
BBMG Property Operation Management Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100	100	-
Beijing BBMG Dacheng Property Development Co., Ltd.	2,994,735,641.87	2,994,735,641.87	-	2,994,735,641.87	100	100	-
Tianjin BBMG Concrete Co., Ltd.	447,454,707.80	447,454,707.80	-	447,454,707.80	91	91	-
Beijing Jinyu Pinggu Cement Co., Ltd.	150,000,000.00	150,000,000.00	-	150,000,000.00	100	100	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100	100	-
Lingchuan BBMG Cement Co., Ltd.	350,000,000.00	250,000,000.00	100,000,000.00	350,000,000.00	100	100	-
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100	100	-
Beijing BBMG Business and Trading Co., Ltd.	660,000,000.00	660,000,000.00	-	660,000,000.00	100	100	-
Beijing Jinhaiyan Property Management Co., Ltd.	14,333,292.75	13,133,292.75	1,200,000.00	14,333,292.75	100	100	-
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	473,509,857.53	-	473,509,857.53	100	100	-
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100	100	-
Beijing Lvduhangke Science and Technology Co., Ltd.	43,615,552.98	43,615,552.98	-	43,615,552.98	100	100	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	152,788,777.09	152,788,777.09	-	152,788,777.09	100	100	-
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100	100	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	-	815,331,413.51	100	100	-
BBMG Hong Kong Limited	288,057,387.91	288,057,387.91	-	288,057,387.91	100	100	-

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2016 (continued)

	Investment cost	Opening balance	Increase/ decrease for the period	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the period
BBMG Dacheng Property Management Co., Ltd.	16,198,711.92	16,198,711.92	-	16,198,711.92	100	100	-
Beijing Taihang Qianjing Cement Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67	67	-
Baoding Taihang Heyi Cement Co., Ltd.	120,000,000.00	120,000,000.00	-	120,000,000.00	75	75	37,500,000.00
Handan BBMG Taihang Cement Co., Ltd.	719,986,626.30	719,986,626.30	-	719,986,626.30	95	95	168,308,710.00
Handan Shexian BBMG Cement Co., Ltd.	181,678,700.00	181,678,700.00	-	181,678,700.00	91	91	-
Beijing Chinefarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	96	96	-
BBMG Shunfa Lafarge Cement Co., Ltd.	110,681,119.42	110,681,119.42	-	110,681,119.42	70	70	-
Zuoquan BBMG Cement Co., Ltd.	530,000,000.00	365,300,000.00	164,700,000.00	530,000,000.00	100	100	-
Xuanhua BBMG Cement Co., Ltd.	3,250,000.00	3,250,000.00	-	3,250,000.00	65	65	-
BBMG Material Industrial (Shanghai) Co., Ltd.	40,800,000.00	40,800,000.00	-	40,800,000.00	51	51	-
BBMG Mortar Co., Ltd.	95,000,000.00	80,000,000.00	15,000,000.00	95,000,000.00	100	100	11,040,000.00
Guangling Jinyu Cement Co., Ltd.	317,000,000.00	317,000,000.00	-	317,000,000.00	100	100	-
Chengde BBMG Cement Co., Ltd.	340,000,000.00	340,000,000.00	-	340,000,000.00	85	85	-
Fengfeng BBMG Concrete Co., Ltd.	66,000,000.00	66,000,000.00	-	66,000,000.00	100	100	5,500,000.00
Handan Hanshan BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92	92	11,040,000.00
Handan County BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92	92	12,880,000.00
Weixian BBMG Concrete Co., Ltd.	9,200,000.00	9,200,000.00	-	9,200,000.00	92	92	1,840,000.00
Beijing Aerated Concrete Co., Ltd.	166,166,021.38	166,166,021.38	-	166,166,021.38	100	100	-
Bo'ai BBMG Cement Co., Ltd.	285,000,000.00	285,000,000.00	-	285,000,000.00	95	95	-
BBMG Finance Co., Ltd.	1,000,000,000.00	1,000,000,000.00	-	1,000,000,000.00	100	100	-
Beijing Dynea Chemical Industry Co., Ltd.	95,358,791.69	35,358,791.69	60,000,000.00	95,358,791.69	100	100	-
Beijing BBMG Innovation & Technology Incubator Co., Ltd.	513,676,100.00	50,000,000.00	463,676,100.00	513,676,100.00	100	100	-
Xingtai BBMG Yongning Cement Co., Ltd.	245,668,600.00	245,668,600.00	-	245,668,600.00	60	60	-
BBMG Finance Lease Co., Ltd.	393,876,000.00	-	393,876,000.00	393,876,000.00	100	100	-
Total under cost method	26,491,440,946.44	25,010,788,846.44	1,480,652,100.00	26,491,440,946.44			698,658,710.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2016 (continued)

	Opening balance	Change for the period					Carrying amount at the end of the period	Provision for impairment at the end of the period
		Write-off	Investment income or losses under equity method	Other changes in equity	Cash dividend declared	Provisions for impairment		
Equity Method:								
Joint ventures								
STAR-USG Building Materials Co., Ltd.	2,318,884.75	-	(2,318,884.75)	-	-	-	-	-
Associates								
Krono (Beijing) Flooring Co., Ltd.	5,469,434.67	(5,469,434.67)	-	-	-	-	-	-
Krono (Beijing) Woods Co., Ltd.	86,783,222.28	-	(11,143,624.34)	-	-	-	75,639,597.94	-
Zehnder (China) Indoor Climate Co., Ltd.	99,135,472.21	-	302,129.36	-	(2,670,000.00)	-	96,767,601.57	-
OCV Reinforcements (Beijing) Co., Ltd.	64,172,528.48	-	3,559,074.00	-	-	-	67,731,602.48	-
Beijing Gaoqiang Concrete Co., Ltd.	24,153,611.73	-	(1,933,491.95)	-	-	-	22,220,119.78	-
Subtotal for associates	279,714,269.37	(5,469,434.67)	(9,215,912.93)	-	(2,670,000.00)	-	262,358,921.77	-
Total	282,033,154.12	(5,469,434.67)	(11,534,797.68)	-	(2,670,000.00)	-	262,358,921.77	-

As at 30 June 2016, there was no listed investment in long-term equity investment.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

3. Investment property

Measured subsequently through fair value model:

For the six months ended 30 June 2016

	Buildings
Opening balance	9,399,343,431.98
Changes in fair value	<u>299,651,892.11</u>
Closing balance	<u>9,698,995,324.09</u>

2015

	Buildings
Opening balance	9,045,893,879.03
Changes in fair value	<u>353,449,552.95</u>
Closing balance	<u>9,399,343,431.98</u>

All the above investment properties are located in the PRC, leased out in form of operating leases and held under mid-term leases.

As at 30 June 2016, there was no investment property for which the procedures for obtaining title certificates were incomplete.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

4 Operating revenue and cost

Operating revenue is as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Revenue from principal business	483,961,259.55	423,572,468.94
Revenue from other business	4,674,806.57	2,159,505.50
	488,636,066.12	425,731,974.44

Operating cost is as follows:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Cost of principal business	33,313,749.98	42,383,293.09
Cost of other business	-	-
	33,313,749.98	42,383,293.09

Information by products is as follows:

	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	Revenue	Cost	Revenue	Cost
Rental income	483,961,259.55	33,313,749.98	423,572,468.94	42,383,293.09
Others	4,674,806.57	-	2,159,505.50	-
	488,636,066.12	33,313,749.98	425,731,974.44	42,383,293.09

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

5. Investment gains

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Gains from long-term equity investments under cost method	698,658,710.00	2,871,000.00
Losses from long-term equity investments under equity method	<u>(11,534,797.68)</u>	<u>(13,114,464.41)</u>
	<u>687,123,912.32</u>	<u>(10,243,464.41)</u>

6. Notes to items of statement of cash flows

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Cash received relating to other operating activities		
Cash received from superior units	6,983,270,362.22	10,565,727,010.64
Cash received from internal borrowings among subsidiaries	4,847,275,840.35	3,808,104,345.08
Interests income	<u>40,872,541.37</u>	<u>20,374,487.14</u>
	<u>11,871,418,743.94</u>	<u>14,394,205,842.86</u>
Cash paid relating to other operating activities		
Cash paid to subordinate units	10,000,139,675.35	10,159,082,997.88
Current accounts of subsidiaries	3,315,371,820.06	5,079,297,806.64
Expenses of the headquarters	<u>108,434,478.12</u>	<u>80,821,809.95</u>
	<u>13,423,945,973.53</u>	<u>15,319,202,614.47</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

7. Supplemental information to statement of cash flows

(1) Reconciliation of net profit to cash flows from operating activities:

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Net profit	863,333,199.40	13,471,575.77
Add: Provisions for assets impairment	(1,330,781.12)	–
Depreciation of fixed assets	34,235,722.82	34,748,026.36
Amortisation of intangible assets	6,744,329.37	6,923,822.60
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	1,681.50	(103,306.00)
Gains from changes in fair value	(299,651,892.11)	(113,149,130.35)
Finance expenses	1,019,646,445.31	1,053,489,519.23
Investment (gains)/losses	(687,123,912.32)	10,243,464.41
Increase in deferred income tax assets	(15,563,440.95)	(33,491,274.70)
Increase in deferred income tax liabilities	74,912,973.03	28,287,282.59
Increase in operating receivables	(1,667,377,010.46)	(1,862,824,010.92)
(Decrease)/increase in operating payables	(491,987,414.61)	258,195,524.00
Net cash flows used in operating activities	<u>(1,164,160,100.14)</u>	<u>(604,208,507.01)</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

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

(continued)

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

(2) Cash and cash equivalents

	30 June 2016	31 December 2015
Cash	5,668,888,194.80	8,258,522,946.00
Including: Cash on hand	–	–
Bank deposits on demand	<u>5,668,888,194.80</u>	<u>8,258,522,946.00</u>
Balance of cash and cash equivalents at the end of the period/year	<u>5,668,888,194.80</u>	<u>8,258,522,946.00</u>

Supplementary Information to Unaudited Interim Financial Statements

For the six months ended 30 June 2016

1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS

	For the six months ended 30 June 2016
Profit and loss from disposal of non-current assets	4,813,952.55
Government grants recognised through profit or loss for the period (excluding those closely related to the Company's ordinary business operations, in line with national policies and entitled continuously in accordance with certain standard based on a fixed amount or quantity)	71,404,236.95
Profit and loss from debt restructuring	2,867,341.64
Profit and loss from fair value change of investment properties measured subsequently through fair value model	447,182,996.11
Other non-operating income and expenses other than the above items	<u>11,831,194.22</u>
Total non-recurring profit and loss	538,099,721.47
Impact of income tax	134,524,930.37
Impact of minority interests	<u>9,045,491.63</u>
	<u>394,529,299.47</u>

Items included in the government grants recognised through profit or loss for the period, but were not regarded as non-recurring profit or loss due to their close relation to the ordinary business operations of the Group, in line with national policies and were entitled continuously in accordance with certain standard based on a fixed amount or quantity were as follows:

	For the six months ended 30 June 2016	Reason for being recognised as recurring profit or loss
Refunds of VAT	90,285,162.43	related to operations
Grants for the sale of heat	800,000.00	related to operations

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

For the six months ended 30 June 2016

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

For the six months ended 30 June 2016

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	4.67	0.34	0.34
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	3.66	0.27	0.27

For the six months ended 30 June 2015

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	3.34	0.22	0.22
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	2.54	0.17	0.17

The Company did not have potentially dilutive ordinary shares.





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