



北京金隅集團股份有限公司
BBMG CORPORATION*

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

ANNUAL REPORT





BBMG

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FINANCIAL HIGHLIGHTS

	2019	2018	Change	
Operating revenue (RMB'000)	91,829,311	83,116,733	8,712,578	10.5%
Gross profit margin from principal business (%)	26.5	26.7		Decreased by 0.2 percentage point
Net profit attributable to the shareholders of the parent company (RMB'000)	3,693,583	3,260,449	433,134	13.3%
Core net profit attributable to the shareholders of the parent company (excluding the after tax net gains on after tax fair value on investment property) (RMB'000)	3,146,045	2,878,749	267,296	9.3%
Basic EPS (RMB)	0.35	0.31	0.04	12.9%
Final dividend per share (RMB)	0.120	0.055	0.065	118.2%
Cash and bank balances (RMB'000)	21,325,043	18,774,468	2,550,575	13.6%
Total assets (RMB'000)	282,123,756	268,276,092	13,847,664	5.2%
Equity attributable to the shareholders of the parent company (RMB'000)	61,131,200	57,665,471	3,465,729	6.0%
Net profit margin (%)	5.64	5.15		Increased by 0.49 percentage point
Return on total assets (%)	1.29	1.22		Increased by 0.07 percentage point
Total debt to equity ratio (%)	70.7	70.5		Increased by 0.2 percentage point

CORPORATE INFORMATION

Chinese name of the Company	北京金隅集团股份有限公司
English name of the Company	BBMG Corporation*
Headquarters	Tower D, Global Trade Center No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Registered office and principal place of business in the PRC	No. 36, North Third Ring East Road Dongcheng District, Beijing, the PRC
Principal place of business in Hong Kong	Room 405, Kai Wong Commercial Building, 222 Queen's Road Central, Hong Kong
Website of the Company	www.bbm.com.cn/listco
Legal representative	Jiang Deyi
The Board of Directors	
<i>Executive Directors</i>	Jiang Deyi (<i>Chairman</i>) Wu Dong Zheng Baojin
<i>Non-executive Directors</i>	Guo Yanming Xue Chunlei
<i>Independent non-executive Directors</i>	Wang Guangjin Tian Lihui Tang Jun Ngai Wai Fung

* For identification purpose only

CORPORATE INFORMATION

The Supervisory Board*Supervisors*

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

Committees*Audit Committee*

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

*Remuneration and**Nomination Committee*

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

Strategic Committee

Jiang Deyi (*Chairman*)
Zheng Baojin
Wang Guangjin
Tian Lihui
Tang Jun
Ngai Wai Fung

Authorised Representatives

Jiang Deyi
Lau Fai Lawrence

Board Secretary

Zheng Baojin

Company Secretary

Lau Fai Lawrence

CORPORATE INFORMATION

Listing Information*A Shares*

A share registrar

China Securities Depository and Clearing
Corporation Limited, Shanghai Branch
3rd Floor, China Insurance Building
166 Lujiazui Road East, Pudong New District,
Shanghai, the PRC

Place of listing

Shanghai Stock Exchange

Stock name

BBMG

Board lot

100 shares

Stock code

601992.SH

H Shares

H share registrar

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

Place of listing

The Stock Exchange of Hong Kong Limited
(the "**Hong Kong Stock Exchange**")

Stock name

BBMG

Board lot

1,000 shares

Stock code

02009.HK

Principal Bankers

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

Independent Auditor

Ernst & Young Hua Ming LLP
Certified Public Accountants

Legal Advisers

Withers
As to Hong Kong law

Sino-Integrity Law Firm
As to PRC law

CORPORATE PROFILE

BBMG Corporation

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

1. Cement and ready-mixed concrete segment

The Company is the third largest cement industrial group in the PRC with strong scale advantage and market dominance within the region, and is the leader of low-carbon, green, and environmentally-friendly development, energy saving and emission reduction, and circular economy in the cement industry in the PRC. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic region, and continued to expand the coverage of its network, mainly with presence in 13 provinces (municipalities and autonomous regions), including Beijing, Tianjin and Hebei Province, Shaanxi, Shanxi, Inner Mongolia, Northeastern region, Chongqing, Shandong, Henan and Hunan. The production capacity of clinker amounted to approximately 110.0 million tonnes; the production capacity of cement amounted to approximately 170.0 million tonnes. With cement as its core product, the Company extends to related products and services through an internal synergetic mechanism. Currently, the production capacity of ready-mixed concrete amounted to approximately 60.0 million cubic meters while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 41.0 million tonnes and

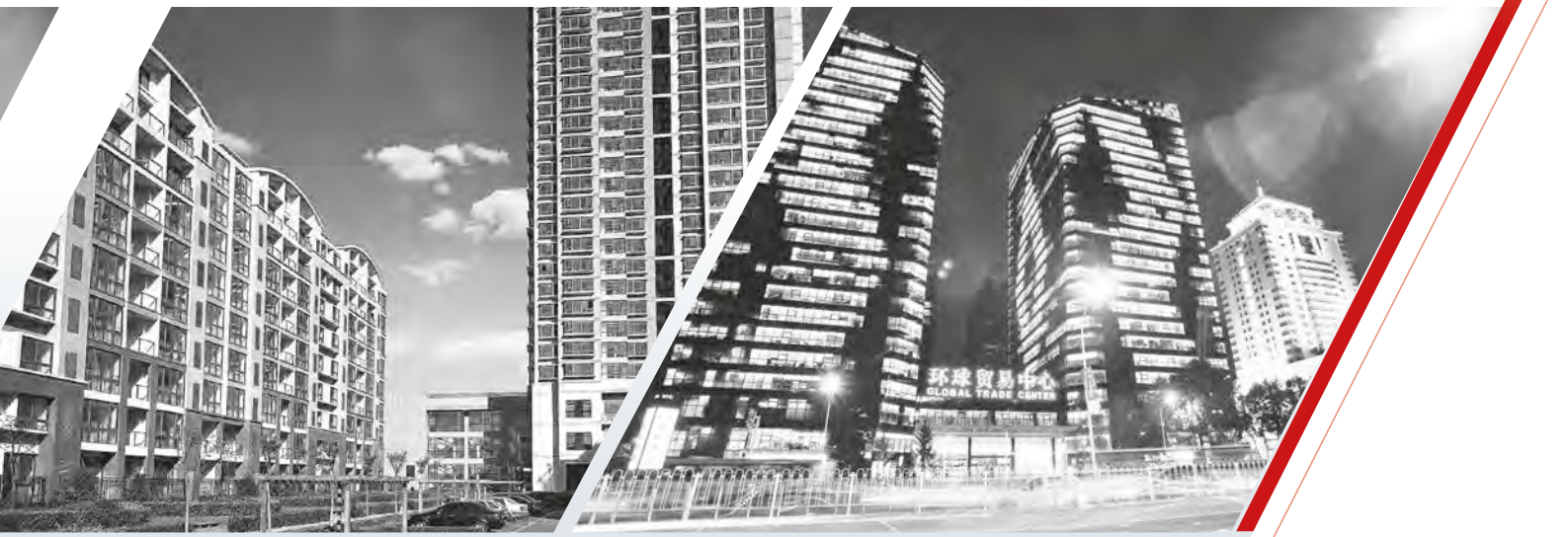


CORPORATE PROFILE

approximately 0.34 million tonnes respectively. Its annual capacity for disposal of various solid wastes was nearly 1.90 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,640.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

2. Modern building materials and commerce and logistics segment

The Company is the leader in building materials industry in the PRC and one of the largest suppliers of green, environmentally-friendly, and energy-saving building materials in the Pan Bohai region. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics. In 2019, the modern building materials business actively carried out industrial layout centring around the coordinated and high-quality development of Beijing-Tianjin-Hebei, completing the construction of three industrial bases, namely Tangshan Caofeidian Stone Wool, Tangshan Caofeidian Wood Industry, and Tangshan Yutian Prefabricated Parts Base, further enhancing the modern building materials industry chain. The Company's modern building materials products and construction and installation services were widely used in the construction of key hotspot projects in Beijing, Tianjin and Hebei, such as the sub-town centre and supporting facilities in Beijing, Citizen Service Centre in Xiong'an New District, the Winter Olympic Stadium, and Universal Studios Beijing, fully demonstrating advantages of BBMG's modern building materials business in brand, quality and industrial chain and enhancing systematic application and coordinated marketing of the product. As long as risks are under control, the Company will continuously enhance the development of commerce and logistics industry and proactively explore developed marketing modes of e-commerce.



CORPORATE PROFILE

3. Property development segment

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

4. Property investment and management segment

The Company is one of the largest investors and managers of investment properties in Beijing with the most diversified businesses, holding approximately 1.78 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which 0.97 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.5 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin.

CORPORATE PROFILE

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Jiang Deyi, born in February 1964, is the secretary member of the communist party committee and the chairman of the board of directors (the “**Board**”) of the Company. He has been an executive director and the president of the Company since 28 April 2009 (resigned as the president on 5 August 2016) and the chairman of the Board since 1 July 2015. He was a deputy general manager of the Company from March 2006 to April 2009. He is primarily responsible for the overall management of the cement, concrete and resorts businesses of the Company and the formulation of development strategies for these business sectors. Jiang Deyi acted as the deputy chief engineer of BBMG Assets Management Co., Ltd. (“**BBMG Assets**”, formerly known as BBMG Group Company Limited) from February 2002 to March 2006. Jiang Deyi had been the chairman of Tangshan Jidong Cement Co., Ltd. (“**Jidong Cement**”) (the shares of which are listed on the Shenzhen Stock Exchange) (Stock Code: 000401.SZ), a subsidiary of the Company between October 2016 and September 2017. Jiang Deyi has more than 30 years of experience in the cement industry and had served as the general manager of Beijing Liulihe Cement Co., Ltd., and the chairman of Hebei Taihang Cement Co., Ltd. Jiang Deyi graduated from Beijing University of Science and Technology with a Doctorate in Engineering in June 2009. He is a senior economist and senior engineer.

Wu Dong, born in August 1968, is the executive director and deputy secretary of the communist party committee of the Company. He has been an executive director of the Company since 27 November 2015 and has been the deputy secretary of the communist party committee of both the Company and the BBMG Assets since July 2012. He was the assistant to the secretary of the communist party committee of the Company from July 2011 to July 2012. Before joining the Company, Wu Dong had served in various positions in different entities, including, among others, Beijing Coal Corporation and the Organization Department of Beijing Municipal Communist Party Committee. He obtained a Master of Public Administration degree from Guanghua School of Management, Peking University in August 2005. Wu Dong is a senior policy analyst (高級政工師) and an economist.

Zheng Baojin, born in February 1966, is the executive director and secretary of the Board of the Company. He has been appointed as an executive director of the Company since 15 August 2017 and was appointed as the secretary of the Board on 25 January 2016. Zheng Baojin began working in July 1987 by joining Hebei Taihang Cement Co., Ltd., where he took up various positions until May 2011, including the director of the securities department, a director of the board, the deputy general manager and the secretary of the board. Zheng Baojin served as the director of the Board Office of the Company from October 2009 to January 2016. He had been the director of Tangshan Jidong Cement between October 2016 and September 2017. Zheng Baojin graduated from the Tangshan Engineering Technology Institute in July 1987 with industry management engineering profession. He holds a college degree and is a senior economist.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Guo Yanming, born in January 1962, has been appointed a non-executive director of the Company since 27 June 2017. Guo Yanming has been a member of the communist party standing committee and the chairman of the labor union of the Company since August 2016. Guo Yanming had served as the vice president of the Company from 26 October 2012 to April 2017, during which he was primarily responsible for the overall operation and development of the modern building materials segment and works in relation to production safety. Guo Yanming had served as the Company's general economist from March 2006 to April 2009. Guo Yanming has accumulated more than 26 years of experience in corporate management and human resources in the building materials industry. Since June 2003, Guo Yanming has been the general manager assistant for the BBMG Group Company Limited. Guo Yanming graduated in August 1985 from Beijing Economics College (currently known as Capital University of Economics and Business), where he majored in industrial enterprise administration. Guo Yanming is a senior economist.

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

Wang Guangjin, born in April 1960, has been an independent non-executive director of the Company since 22 May 2014. Wang Guangjin holds a Master of Law degree and is a professor and supervisor for master's students in civil and commercial law and MBA of China University of Political Science and Law. Wang Guangjin is concurrently the arbitrator of Zibo Arbitration Commission. Wang Guangjin has been a member of Expert Advisory Committee of Changping District People's Court, Beijing, arbitrator of Shenzhen Arbitration Commission, arbitrator of Nantong Arbitration Commission, and an independent director of Jiangsu Hecheng Display Technology Co., Ltd.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Tian Lihui, born in November 1973, has been an independent non-executive director of the Company since 27 November 2015. Tian Lihui holds doctor's degrees in Finance and Economy and is also a post- doctoral majoring in Economy. Tian Lihui is a professor and doctoral tutor in Finance as well as a practising PRC lawyer. He is a professor of finance (PHD supervisor) of Nankai University and the chief expert on major issues of financial risk of the Ministry of Education of PRC. Tian Lihui was a visiting fellow of British Academy, a visiting professor in the University of Michigan and National University of Singapore and a chair professor of Finance in Xiamen University. He had also been a member of The American Academy of Financial Management, an advisor of University Grants Committee of the Hong Kong Special Administrative Region, a business columnist of The Korea Herald and editorial board member of several academic journals. He has provided financial advice to relevant ministries and commissions of the state for many times.

Tang Jun, born in March 1978, has been an independent non-executive director of the Company since 27 November 2015. Tang Jun is the director of the Crisis Management Research Center of Renmin University of China. He is also the deputy director of the Government Management and Reform Research Center of Renmin University of China. Tang Jun had served in various positions in different social organizations, including, among others, the deputy director of the Urban Safety Research Center of People's Public Security University of China, deputy chairman of the Professional Committee on the Study of News and Public Opinion Supervision of China Behaviour Law Association (中國行為法學會新聞輿論監督研究專業委員會), deputy chairman of the City Management Volunteers Association of Beijing (北京市城市管理志願者協會), deputy secretary of the Research Society for China Public Sector Reform Management (中國機構編製管理研究會), director of the Chinese Public Administration Society (中國行政管理學會), special researcher of the Fire and Rescue Department Ministry of the Emergency Management (應急管理部消防救援局), and a consultant of www.cpd.com.cn (中國警察網). Tang Jun holds a Doctor of Management degree.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Supervisors

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yu Kaijun, born in April 1963, has been a supervisor of the Company since 27 November 2015. Yu Kaijun was the non-executive director of the Company from 7 August 2014 to 27 November 2015. Yu Kaijun graduated from the Hong Kong Polytechnic University with a major in accounting. Yu Kaijun holds a master degree in accounting and is a senior accountant. Yu Kaijun has served as the secretary to the board and vice president of China National Building Material Company Limited (中國建材股份有限公司) since June 2018 and May 2018, respectively. Yu Kaijun served as the chief financial officer of China National Materials Company Limited from July 2010 to May 2018. Yu Kaijun worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Yu Kaijun served as chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (and its predecessor, Shenzhen Languang Electronic Industrial Corporation) from November 1990 to October 2001. Yu Kaijun served as chief financial officer of Sinoma International Engineering Co. Ltd. (listed on the Shanghai Stock Exchange; stock code: 600970) from December 2001 to January 2011. Yu Kaijun served as a supervisor of Ningxia Building Materials Group Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 600449) and Xinjiang Tianshan Cement Co., Ltd. (listed on the Shenzhen Stock Exchange; stock code: 000877) from December 2011 to April 2015.

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhuang Zhenguo, born in July 1963, has been appointed as a supervisor of the Company since 27 June 2017 and has been the First Vice Chairman of the Labor Union of the Company (director-level) since December 2016. Zhuang Zhenguo joined Beijing Liulihe Cement Plant (北京市琉璃河水泥廠) in November 1982 and served as an assistant to the factory manager from May 2003 to February 2004. From September 2008 to December 2016, he served as the secretary to the party committee, secretary to the disciplinary committee and chairman of the labor union of Quyang BBMG Cement Co., Ltd. Zhuang Zhenguo graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China in December 2001. Zhuang Zhenguo is a political engineer in China.

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

Ms. Song Lifeng, born in August 1974, has been appointed as a supervisor of the Company since 16 October 2018. Ms. Song Lifeng holds a bachelor's degree (Bachelor of Economics). Ms. Song Lifeng graduated from Financial Accounting profession of Northeast Forestry University. Ms. Song Lifeng has served as the head of the audit department of Jidong Cement since April 2019. Since August 1999, Ms. Song Lifeng has served as a staff of Beijing Oakland Building Waterproofing Materials Co., Ltd. (北京奧克蘭建築防水材料有限公司), finance manager of Beijing Carlisle Waterproofing Materials Co., Ltd. (北京卡萊爾防水材料有限公司), staff and assistant to the head of the Audit and Supervision Department of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior Management

Jiang Changlu, born in May 1965, has served as deputy general manager and standing member of the party committee of the Company since June 2017 and has served as the secretary of the communist party committee and chairman of Jidong Cement from October 2016 to January 2020. Jiang Changlu began working in August 1987, and graduated from the University of Science and Technology Beijing majoring in environmental science and engineering. He is a master of engineering and a senior economist. Jiang Changlu served as supervisor of the Technology Department, technician of Raw Material Workshop, operator of New Line Branch, deputy director of Production Safety Department, deputy manager of Transportation Company, director and branch secretary of Supply Department, deputy director and chief despatcher of Production Management Department, director of Supply Department and vice manager of Beijing Liulihe Cement Factory from August 1987 to November 2005; deputy director and director of the Cement Business Division of the Company, deputy manager of the Cement Branch, manager of BBMG Cement Trading Co., Ltd., vice president and chairman of Hebei Taihang Cement Co., Ltd. from November 2005 to May 2011; and director of the Cement Business Division of the Company and manager of BBMG Cement Trading Co., Ltd. from May 2011 to October 2015.

Jiang Yingwu, born in October 1966, has served as the deputy general manager of the Company since October 2016 and served as a standing member of the party committee of the Company since June 2017. Jiang Yingwu, a senior engineer, graduated with a bachelor's degree in inorganic materials science and silicate engineering from Shandong College of Building Materials Industry (山東建材工業學院). He had been a section member and deputy section chief of the technology quality section of Beijing Yanshan Cement Plant (北京燕山水泥廠), cadre and vice manager of the technology department of the headquarters of Beijing City Building Material Group (北京市建材集團), vice manager of the technology department of Beijing Building Material Group Co., Ltd. (北京建材集團有限責任公司), vice manager of the technology department of BBMG Assets and deputy secretary of the Building Materials Industry Association (建材行業協會) from September 1989 to January 2005, the head of the general office of the Building Materials Industry Association (建材行業協會) of BBMG Assets from January 2005 to October 2009 and the head of the strategic development department and the manager of the policy research office of the Company from October 2009 to November 2015.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wang Zhaojia, born in September 1963, has been a deputy general manager of the Company since 26 October 2012. From September 1984 to October 2009, Wang Zhaojia served successively as an assistant at the basic department of Shanxi Agricultural University (山西農業大學), engineer of the physical and chemical room (物化室), deputy director of alkali-resistant glass fiber room, director of alkali-resistant glass fiber room, vice president, executive vice president and deputy secretary to the party committee of Beijing Building Materials Research Institute (北京市建材科研院), deputy general manager of Beijing CEM-FIL Glass Fiber Co., Ltd. (北京賽姆菲爾玻璃纖維有限公司); deputy director of the technology center of BBMG Group Company Limited (北京金隅集團有限責任公司), president and deputy secretary of the party committee of Beijing Building Materials Research Institute, deputy general manager of Beijing Saint-Gobain Fiberglass Co., Ltd. (北京聖戈班玻璃纖維有限公司), manager and deputy secretary to the party committee of Beijing Building Materials Academy Co., Ltd. (北京建材科研總院有限公司), chairman of Beijing Saint-Gobain Fiberglass Co., Ltd. and director the technology center and deputy chief engineer of BBMG Assets. Wang Zhaojia served as the vice president of the Company from October 2009 to July 2012 and has served as the secretary to the party committee and executive director of Beijing Building Materials Academy Co., Ltd. since August 2018. He graduated from from Wuhan University majoring in political economy. He is a doctorate degree graduate and a professorate senior engineer.

Liu Wenyan, born in June 1967, has been a deputy general manager of the Company since 26 October 2012, has served as the secretary of the communist party committee and chairman of Jidong Development Group Co., Ltd. ("**Jidong Group**") since October 2016. Liu Wenyan served as executive director and chairman of Tangshan Jidong Equipment and Engineering Co., Ltd. (唐山冀東裝備工程股份有限公司) from April to August 2018, and has served as the secretary of the communist party committee, chairman and general manager of BBMG New Building Materials Industrialization Group Limited (北京金陽新型建材產業化集團有限公司) since August 2018 (served as general manager till March 2019). Liu Wenyan has extensive experience in the cement industry and served as a deputy manager of Beijing Liulihe Cement Co., Ltd., a wholly-owned subsidiary of the Company, from February 2004 to March 2007. He is mainly responsible for the overall business development, planning and management of the cement operations of the Company. He graduated from the Materials Faculty of the Beijing University of Technology majoring in materials engineering. He is a master degree graduate and an engineer.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Chen Guogao, born in October 1968. Chen Guogao has served as deputy general manager of the Company since September 2015 and as the chairman of BBMG Finance Co., Ltd. since January 2018. Chen Guogao began working in July 1991, and graduated from the management engineering department of Harbin Construction Engineering College majoring in accounting. He is an on-the-job postgraduate of the Party School of the CPC majoring in the party theory and party building, a bachelor of economics and a senior accountant. Chen Guogao had served as cadre, deputy section chief, section chief, deputy director and director of the Finance Department of Beijing Liulihe Cement Factory from July 1991 to May 1995; deputy manager and manager of the Finance and Capital Department of BBMG Assets from May 1995 to March 2002; chief accountant and chief financial officer of Beijing Yanshan Cement Factory, as well as chief financial officer of Beijing Liulihe Cement Factory, Beijing Cement Plant and Beijing Sanlian Concrete Co., Ltd. from March 2002 to March 2006; head of the Audit and Supervision Department of the Company from March 2006 to October 2007; and deputy general accountant of BBMG Group Company Limited, head of the Financial Management Department and head of the Audit and Supervision Department of the Company from October 2007 to September 2015.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

An Zhiqiang, born in November 1965. An Zhiqiang had served as assistant to the president of the Company from December 2015 to June 2016 and has served as the deputy general manager of the Company since June 2016. An Zhiqiang has served as the secretary of the communist party committee and the vice chairman of Tianjin Building Materials Group Co., Ltd. (天津建材集團有限公司) since June 2018 (served as chairman since March 2019). An Zhiqiang (Chairman since March 2019) began working in July 1988, and graduated from Peking University, Guanghua School of Management majoring in business administration. He is a master of management and a senior economist. An Zhiqiang served as deputy director of the General Office, vice manager, standing vice manager, manager and secretary of the communist party committee of Beijing Building Material Machinery Factory (北京市建材機械製造廠), manager of Bosha Industry and Trade Company (博廈工貿公司), manager and deputy secretary of the communist party committee of Beijing Jianji Assets Management Co., Ltd. from January 1993 to February 2008; deputy general economist of BBMG Assets, manager and deputy secretary of the communist party committee of Beijing Jianji Assets Management Co., Ltd. from February 2008 to October 2015; and assistant to the general manager of the Company, manager and deputy secretary of the communist party committee of Beijing Jianji Assets Management Co., Ltd. from October 2015 to December 2015.

Zhang Xiaobing, born in May 1962. Zhang Xiaobing has served as assistant to the general manager of the Company since October 2015 and the secretary to the party committee and chairman of BBMG Property Development Group Co., Ltd. (北京金隅房地產開發集團有限公司). Currently, Zhang Xiaobing is also a standing member of the party committee of the Company. Zhang Xiaobing began working in August 1978, and graduated from the Northern Jiaotong University majoring in business administration. He is a master of management and a senior economist. Zhang Xiaobing was a worker at Guizhou Shuicheng Iron and Steel Factory from September 1978 to September 1981; a student of Chongqing Construction Engineering College majoring in building materials from September 1981 to September 1985; technician and section chief of Beijing Zhuzong Wallboard Factory (北京住總壁板廠) from September 1985 to October 1989; deputy secretary of Youth League committee of Beijing Zhuzong Construction Corporation (北京住總建設總公司) from October 1989 to November 1991; director of manager office of Beijing Dacheng Real Estate Development Corporation (北京市大成房地產開發總公司) from November 1991 to August 1993; deputy manager of Beijing Dacheng Real Estate Development Corporation from August 1993 to January 2010; manager and executive director of Beijing Dacheng Development Co., Ltd. (北京大成開發有限公司) from January 2010 to November 2015; and served successively as the head of the property development department of the Company, manager of Beijing BBMG Dacheng Property Development Co., Ltd. and BBMG GEM Real Estate Development Co., Ltd. from March 2015 to September 2017.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Dengfeng, born in September 1971, has been the general counsel of the Company since June 2017. Zhang Dengfeng has been a supervisor of the Company between October 2012 and June 2017. Zhang Dengfeng served as officer and assistant to manager of the Human Resources Department of the Beijing Building Material Group (北京建材集團) from July 1994 to November 2002. Zhang Dengfeng joined BBMG Group Company Limited in November 2002 and served as deputy head of General Office and director of the research division. Zhang Dengfeng joined the Company as head of the Public Relations Department in March 2008 and has held the position of the head of the Company's General Office since June 2009. Zhang Dengfeng graduated from the School of Public Administration of Renmin University of China with a master's degree in management in July 2008. Zhang Dengfeng is a senior economist.

Ms. Hu Juan, born in February 1972, has been a supervisor of the Company from 27 November 2015 to 16 October 2018. Ms. Hu Juan has been the manager of the finance and capital department of the Company from October 2007 to January 2019. Since January 2019, Ms. Hu Juan has been appointed as assistant to the president of the Company and the director of the operation and information management department (運營與信息化管理部) of the Company. Ms. Hu Juan had served in various positions in our Company, including the deputy manager of the finance and capital department from September 2000 to January 2005, the deputy manager of the assets supervision department from January 2005 to March 2006 and the manager of the assets management department from March 2006 to October 2007. Ms. Hu Juan graduated from Anhui Finance and Economics University with a Bachelor of Economics degree in July 1994. She also graduated from Hong Kong Baptist University with a Master of Science degree in September 2012. She is a senior accountant as well as a certified public accountant.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors, I am pleased to present to you the annual results of the Company for the year ended 31 December 2019 (the “**Reporting Period**”), and the operating results of the Company during the said period for your review.

Review

The year 2019 marks the 70th anniversary of the founding of new China and the 10th anniversary of the listing of BBMG. BBMG adhered to the keynote of making progress while maintaining stability, focused on its principal businesses to deepen reform and stimulate vitality, made innovation-driven development, and improved quality and efficiency. The overall economic indicators hit a new record high, the core competitiveness has been further improved, and the momentum of high-quality sustainable development is stronger. Over the past year, the asset restructuring between BBMG and Tangshan Jidong Cement Co., Ltd. has been completed, and the three-year strategic restructuring of BBMG and Jidong has ended successfully. This restructuring is a major measure taken by BBMG to comply with the policy direction of synergetic development of Beijing, Tianjin and Hebei, the largest restructuring implemented through market-oriented approach in China's cement industry, and also an important practice of promoting supply-side structural reform in industries with overcapacity. The completion of the restructuring has cleared the way for the refinancing and sustainable and healthy development of BBMG and Jidong Cement in the capital market. Leveraging its brand and industrial chain advantages, the Company achieved information sharing, resource complementation, coordination and interaction between all segments and upstream and downstream enterprises. This highlights the integration advantages, forms a winning edge in market competition, and expands space and strengthens resources for further development of the Company. The Company continued to deepen the reform of internal system and



Jiang Deyi
Chairman

CHAIRMAN'S STATEMENT

mechanism in accordance with the development strategy of “highlighting the principal businesses and strengthening the specialized businesses” and the management and control principle of “flat, professional, regional and digital”, and the level of standardization, systematicness and scientificity of overall management and control has been significantly improved. During the Reporting Period, the operating revenue was RMB91,829.3 million on a cumulative basis, representing a year-on-year increase of 10.5%; net profit attributable to the shareholders of the parent company amounted to RMB3,693.6 million, representing a year-on-year increase of 13.3%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.35, representing a year-on-year increase of 12.9%.

Prospect

The year 2020 is the last year of building a well-off society in an all-round way and the “13th Five-Year” plan. To lay a solid foundation for a good start of the “14th Five-Year” plan, it is both a decisive period and a crucial period. Despite the impact of the COVID-19 epidemic, the fundamentals of China’s economy having a positive long-term trend remain unchanged, and the basic characteristics of good economic resilience, great potential and plenty of room for maneuver remain unchanged as well. The Company will focus on development, adhere to high-standard development, sustainable development, innovation-driven development, cooperative development and development according to objective laws. We will continue to strengthen, optimize and expand the principal businesses and promote high-quality development to a new level. The cement and ready-mixed concrete segment will follow the strategic position of “building a world-class cement industry group which is modern, professional and large in scale”, aim at achieving high-quality development, enhance the strategic initiative, accelerate the optimization and upgrading, remedy shortcomings, practice skills, enhance the core competitiveness and continue to strengthen, optimize and expand itself. The modern building materials and commerce and logistics segment will actively explore the industrialized development model, strengthen its own characteristics by integrating technologies and products, make full use of the industrial chain and product advantages of the Company, realize the “industrialized” development, and create a synergetic competitive advantage. On this basis, the Company will use technology and channel resources to explore the development path of light-asset expansion to achieve development and growth. The property development segment will actively respond to market changes and increase sales revenue collection; further activate urban natural resources and solidly promote the expansion of self-owned land; improve the level of project operation and management, and further accelerate the implementation of the project on the basis of strict implementation of the operation plan. The property investment

CHAIRMAN'S STATEMENT

and management segment will benchmark itself against the leading enterprises in the industry, adhere to high standards and high position, further strengthen management and improve services, increase innovation in operation mode, management approach and development path, highlight its own characteristics, strengthen and expand as soon as possible; accelerate the sale of scattered assets, and improve the ability and service quality of the residential property management.

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

Jiang Deyi

Chairman of the Board

Beijing, the PRC

31 March 2020

MANAGEMENT DISCUSSION & ANALYSIS

BBMG





MANAGEMENT DISCUSSION & ANALYSIS

Summary of Financial Information

	2019 RMB'000	2018 RMB'000	Change
Operating revenue	91,829,311	83,116,733	10.5%
Operating revenue from principal business	90,935,860	82,397,425	10.4%
Gross profit from principal business	24,082,213	22,003,662	9.4%
Gross profit margin from principal business	26.5%	26.7%	Decreased by 0.2 percentage point
Net profit attributable to the shareholders of the parent company	3,693,583	3,260,449	13.3%
Basic earnings per share attributable to the shareholders of the parent company	RMB0.35	RMB0.31	12.9%
Cash and bank balances	21,325,043	18,774,468	13.6%
Current assets	174,495,858	169,157,938	3.2%
Current liabilities	127,706,358	129,202,330	-1.2%
Net current assets	46,789,500	39,955,608	17.1%
Non-current assets	107,627,898	99,118,153	8.6%
Non-current liabilities	71,886,047	59,859,259	20.1%
Total assets	282,123,756	268,276,092	5.2%
Equity attributable to the shareholders of the parent company	61,131,200	57,665,471	6.0%
Debt ratio (total liabilities to total assets) (%)	70.7	70.5	Increased by 0.2 percentage point

MANAGEMENT DISCUSSION & ANALYSIS

DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY SITUATION DURING THE REPORTING PERIOD**(I) Principal business and business model of the Company****1. Cement and ready-mixed concrete business:**

The Company is the third largest cement industrial group in China with strong scale advantage and market dominance within the region, and is the leader of low-carbon, green, and environmentally-friendly development, energy saving and emission reduction, and circular economy in the cement industry in China. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic region, and continued to expand the coverage of its network, mainly with presence in 13 provinces (municipalities and autonomous regions), including Beijing, Tianjin and Hebei Province, Shaanxi, Shanxi, Inner Mongolia, Northeastern region, Chongqing, Shandong, Henan and Hunan. The production capacity of clinker amounted to approximately 110.0 million tonnes; the production capacity of cement amounted to approximately 170.0 million tonnes. With cement as its core product, the Company extends to related products and services through an internal synergetic mechanism. Currently, the production capacity of ready-mixed concrete amounted to approximately 60.0 million cubic meters while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 41.0 million tonnes and approximately 0.34 million tonnes respectively. Its annual capacity for disposal of various solid wastes was nearly 1.90 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,640.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

MANAGEMENT DISCUSSION & ANALYSIS

2. Modern building materials and commerce and logistics business:

The Company is the leader in building materials industry in China and one of the largest suppliers of green, environmentally-friendly, and energy-saving building materials in Pan Bohai region. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics. In 2019, the modern building materials business actively carried out industrial layout centring around the coordinated and high-quality development of Beijing-Tianjin-Hebei, completing the construction of three industrial bases, namely Tangshan Caofeidian Stone Wool, Tangshan Caofeidian Wood Industry, and Tangshan Yutian Prefabricated Parts Base, further enhancing the modern building materials industry chain. The Company's modern building materials products and construction and installation services were widely used in the construction of key hotspot projects in Beijing, Tianjin and Hebei, such as the sub-town centre and supporting facilities in Beijing, Citizen Service Centre in Xiong'an New District, the Winter Olympic Stadium, and Universal Studios Beijing, fully demonstrating advantages of BBMG's modern building materials business in brand, quality and industrial chain and enhancing systematic application and coordinated marketing of the product. As long as risks are under control, the Company will continuously enhance the development of commerce and logistics industry and proactively explore developed marketing modes of e-commerce.

MANAGEMENT DISCUSSION & ANALYSIS

3. *Property development segment business:*

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

4. *Property investment and management business:*

The Company is one of the largest investors and managers of investment properties in Beijing with the most diversified businesses, holding approximately 1.78 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which 0.97 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.5 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin.

MANAGEMENT DISCUSSION & ANALYSIS

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

In 2019, fixed-asset investments in China (excluding agricultural households) reached RMB55,147.8 billion, representing a year-on-year growth of 5.4%. Among them, infrastructure investment increased by 3.8% and investment in real estate development increased by 9.9%. Infrastructure investment grew steadily, and real estate investment and newly started constructions were resilient, supporting the steady and moderate growth of cement demand throughout the year. According to the 2019 Statistical Communique on the National Economic and Social Development of the People's Republic of China published by the National Bureau of Statistics, the national cement production was 2.35 billion tonnes, representing a year-on-year increase of 4.9%. The central government persevered in the tough battle against pollution. As an important regulated area, the cement and related industries continued to be affected by environmental protection policies such as staggered production, emergency staggering, energy conservation and emission reduction, comprehensive treatment of mines, and staggered transportation. As a result, the production capacity of enterprises in certain regions was restricted, and the excess capacity was reduced. The national average cement price mostly continued the general trend in 2018, and remained at a high level. This, coupled with a series of policies and measures to reduce taxes and charges and support the development of the real economy, drove the continuous growth of profits of the cement industry.

2. Property Development Industry

In 2019, regulation and control over the real estate industry was not loosened. Focus continued to be laid on the policy of "houses are for living, not for speculation" and the prevention of systemic risks. It was clearly stated that "real estate shall not be used as a means to stimulate the economy in the short term". The targeted supervision of funds in the real estate industry remained tight throughout the year. Policies were implemented based on city, region, and situation. The transaction cycle of new houses was gradually extended. The land market had cooled down as a whole. At the same time, the growth rate of investments in real estate development were in double digits for most of the year, maintaining resilient growth.

MANAGEMENT DISCUSSION & ANALYSIS

According to the data of the National Bureau of Statistics, in 2019, the investment in real estate development in China stood at RMB13,219.4 billion, representing an increase of 9.9% over the previous year and 0.4 percentage point. Investment in residential properties was RMB9,707.1 billion, representing an increase of 13.9% over last year. Investment in residential properties accounted for 73.4% of aggregate investment in real estate development, an increase of 2.6 percentage points over last year. The construction sites for corporate use of real estate developers stood at 8,938.21 million sq.m., representing an increase of 8.7% over last year, among which, 6,276.73 million sq.m. were area of construction sites for residential properties, representing an increase of 10.1% over last year. The area of newly started construction of real estates was 2,271.54 million sq.m., increasing by 8.5% over last year. The area of completed real estate stood at 959.42 million sq.m., increasing by 2.6% over last year. Of this, area of completed residential properties was 680.11 million sq.m., increasing by 3.0% over last year. In 2019, land area acquired by real estate developers was 258.22 million sq.m., decreasing by 11.4% over last year. Area of sold commodity housing was 1,715.58 million sq.m., decreasing by 0.1% over last year. Area of sold residential properties, office and properties for commercial operation increased by 1.5% over last year, decreased by 14.7% and decreased by 15.0% from last year respectively. Sales of commodity housing amounted to RMB15,972.5 billion, increasing by 6.5% over last year, a decrease of 5.7 percentage points from last year. Of this, sales of residential properties, office and properties for commercial operation increased by 10.3% over last year, decreased by 15.1% and 16.5% from last year respectively. As at the end of 2019, area of commodity housing for sales was 498.21 million sq.m., a decrease of 25.93 million square meters as compared with the end of last year.

MANAGEMENT DISCUSSION & ANALYSIS

Summary of Business Information

	2019	2018	Change
1. Cement and Ready-mixed Concrete Segment			
Sales volume:			
Cement (in thousand tonnes)	96,398.8	96,638.5	-0.2%
Concrete (in thousand cubic meters)	17,498.6	16,036.0	9.1%
2. Modern Building Materials and Commerce and Logistics Segment			
Sales volume:			
Stone wool boards (in thousand tonnes)	66.0	57.3	15.2%
3. Property Development Segment			
Booked GFA (in thousand sq.m.)	1,012.6	1,009.3	0.3%
Presales (sales) GFA (in thousand sq.m.)	1,174.7	1,114.1	5.4%
4. Property Investment and Management Segment			
Total GFA of investment properties (in thousand sq.m.)	1,781.9	1,352.4	31.8%

In 2019, the Company adhered to the general tone of striving for growth while maintaining stability. We focused on the main businesses to deepen the reform and stimulate vitality, and improved quality and efficiency driven by innovation. Our overall economic indicators hit record high, and our core competitiveness was further enhanced. The momentum of high-quality, sustainable development became even stronger.

During the Reporting Period, the Company recorded operating revenue of RMB91,829.3 million, of which operating revenue from its principal business amounted to RMB90,935.9 million, representing a year-on-year increase of 10.4%; total profit amounted to RMB7,933.8 million, representing a year-on-year increase of 23.1%; net profit amounted to RMB5,178.1 million, representing a year-on-year increase of 20.9%; and net profit attributable to the shareholders of the parent company amounted to RMB3,693.6 million, representing a year-on-year increase of 13.3%.

MANAGEMENT DISCUSSION & ANALYSIS

1. Cement and Ready-mixed Concrete Segment

Based on its strategic position of “building a world-class cement industry group which is modern, professional and large in scale”, the Company enhanced its marketing, strengthened its management and control, and precisely promoted the upgrade of the “Excellence Cultivation” plan, thereby significantly improving our profitability and the quality of operations, fully demonstrating the effect of the strategic restructuring. The Company deepened strategic marketing, predicted market trends and dynamically adjusted marketing strategies to firmly took the lead in the market. We implemented our strategies precisely in line with local conditions based on the regional production capacity layout and market positioning. Within individual regions, we integrated production and sales, and among the regions, we coordinated and collaborated, treating the entire country as a “single play field” to take full advantage of our competitive advantage as a large enterprise. The Company strengthened industry synergy, leveraged restructuring advantages, led industry self-discipline, regulated industry order, improved the balance between supply and demand, and increased the reserve of mine resources.

In respect of the concrete business, we focused on reform, reduced receivables, and strengthened management, centring on the core objective of “achieving profit at the operational level” to achieve the initial results of ending losses. Based on the management model of “centralized control and management, centralized marketing, and centralized procurement”, the Company strengthened control and management and achieved improvement in the quality and performance rate of contracts. Using information technology, the Company improved the level of intelligent manufacturing, accelerated the construction IT-based standardized sites, optimized work flows, and strengthened lean management.

The cement and ready-mixed concrete segment recorded operating revenue from its principal business of RMB41,382.8 million during the Reporting Period, a year-on-year increase of 5.8%. Gross profit from its principal business amounted to RMB13,163.4 million, a year-on-year increase of 12.0%. The consolidated sales volume of cement and clinker reached 96.40 million tonnes (excluding joint ventures and associates), almost at the same level as compared with that of last year, among which the sales volume of cement and clinker were 84.73 million tonnes and 11.67 million tonnes, respectively. The aggregate gross profit margin for cement and clinker was 37.0%, a year-on-year increase of 1.0 percentage point. Sales volume of concrete totalled 17.5 million cubic meters, a year-on-year increase of 9.1%, while the gross profit margin for concrete was 7.3%, a year-on-year decrease of 3.2 percentage points.

MANAGEMENT DISCUSSION & ANALYSIS

2. Modern Building Materials and Commerce and Logistics Segment

The Company optimized and adjusted the management and control model, consolidated existing businesses, developed new business, showcased industrial characteristics and achieved quality and efficiency enhancement. We comprehensively improved the basic management capabilities of the segment, thereby further improving the profitability, market competitiveness and industry status of the enterprises. We strengthened the basic control over marketing activities, established sales cost reduction and control mechanism, and actively developed large customers. We strengthened integrated product sales and provided customers with comprehensive solutions. In accordance with the requirements of “ensuring quality, quantity and timeliness”, the Company provided green, energy-saving and environmentally-friendly building materials and premium services for key projects such as Beijing Municipal Sub-centre, Xiong’an New District, Daxing International Airport, and Winter Olympic Stadium.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB26,476.6 million, a year-on-year increase of 33.6%, while the gross profit from its principal business amounted to RMB1,283.0 million, a year-on-year increase of 5.5%.

3. Property Development Segment

The Company built a professional team to actively respond to market changes, improve professional management capabilities and project operation efficiency, and effectively prevent and control systemic risks. Adopting the strategy of “quick sales and quick payment collection”, we took proactive measures in a depressed market environment, extended marketing efforts to low-tier markets, formulated optimization measures, strengthened organizational implementation, and guaranteed cash flow security.

In 2019, the Company successfully acquired 4 parcels of land, all of which were located in the core cities, adding approximately 0.33 million sq.m. to its land reserve and providing strong support to the sustainable development of the property development segment.

MANAGEMENT DISCUSSION & ANALYSIS

Major Land Reserve Acquired by the Group in 2019

No.	Project (land lot) name	Location	Use of land	Land area of the project (sq.m.)	Planned plot ratio area (sq.m.)	Land price (RMB million)	Method of acquisition	Date of acquisition (Year-Month-Date)	Percentage of interest
1	Plot 1820-618A and other plots at Anning Zhuang, Qinghe, Haidian District, Beijing	Haidian District, Beijing	Residential (R2), land used for community comprehensive service facilities, etc.	68,982	141,907	3,890.0	Tender	2019-01-24	100%
2	Plot 1814-630 and other plots at East Side of Jiancaicheng Zhonglu, XiSan Qi, Haidian District, Beijing	Haidian District, Beijing	Residential (R2), sports land, and child care land	21,216	31,629	760.0	Tender	2019-01-24	100%
3	Plot JG0702-R21-03 at Jianqiao Ecological Park Unit, Jianggan District, Hangzhou	Jianggan District, Hangzhou	Residential (R2) (with auxiliary public buildings)	41,761	83,522	2,009.54	Listing	2019-09-12	100%
4	Plot JG0601-R21-03 at Jianqiao Unit, Jianggan District, Hangzhou	Jianggan District, Hangzhou	Residential (R2) (with auxiliary public buildings)	33,655	74,041	1,749.23	Listing	2019-09-24	100%
Total				165,614	331,099	8,408.77			

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The Table of Land Reserve of the Group as at 31 December 2019

No.	Project Name	Geographical Location	Land Reserve	Percentage of
			Area (thousand sq.m.)	the Group's Interest
I	Commodity Housing			
1	Chongqing-Xinduhui	Chayuan, Nan'an District, Chongqing	2,096.50	100.0%
2	Hefei-Dachengjun	Baohe District, Hefei	391.60	100.0%
3	Chongqing-Nanshanjun	Nanshan, Nan'an District, Chongqing	368.40	100.0%
4	Qingdao-Jimo	East of First Class High Way and North of Liaohe First Road, Jimo District, Qingdao	303.60	100.0%
5	Haikou-Yanguangjun	Street 17, Changbin, West Coast, Haikou	260.90	100.0%
6	Chengdu-Gaoxin District	Gaoxin District, Chengdu	252.60	100.0%
7	Ningbo-Gaoxin District	Gaoxin District, Ningbo	233.60	100.0%
8	Beijing-Jinchenfu	Beiqijia Town, Changping District	225.40	51.0%
9	Nanjing- Zijingdieyuan	Jiangpu Street, Pukou District, Nanjing	222.60	100.0%
10	Tianjin-Plot at the Airport	Airport Economic Zone, Tianjin	213.00	95.0%
11	Hangzhou - Jianqiao	Jianqiao, Jianggan District, Hangzhou, Zhejiang	209.50	100.0%
12	Chongqing-Times Midtown	Chayuan, Nan'an District, Chongqing	205.10	100.0%
13	Beijing-Shangchengjun	Beiqijia, Beijing	197.00	100.0%
14	Hefei-Jincheng Mansion	Tongling Road, Baohe District, Hefei	184.80	100.0%
15	Nanjing-Plot G20 at Jiulong Lake	Changting Street, Jiangning District, Nanjing	171.60	70.0%
16	Hefei-Nanqi Garden	Shushan District, Hefei	144.50	100.0%
17	Tangshan-Plot C-01 at Qixin District	North Side of Xinhua East Road, Lubei District	136.30	100.0%
18	Hangzhou-Metro Forest (都會森林)	Jingfangsanbao, Jianggan District, Hangzhou	131.20	51.0%
19	Chengdu-Xindu Dafeng	Dafeng Street, Xindu District, Chengdu	126.80	100.0%
20	Beijing-Xuefu	Hexi District, Beijing Economic and Technological Development Area	119.10	100.0%
21	Shanghai-Dachengmingting (大成名庭)	Juyuan New District, Jiading District, Shanghai	97.00	100.0%
22	Tangshan-Caofeidian New City E-02-2	Xingang Avenue, Caofeidian New City	95.80	100.0%
23	Shanghai-Xuxing	Xuxing Town, Jiading District, Shanghai	82.80	100.0%
24	Chengdu-Shangxifu	Pitong Street, Pidu District, Chengdu	80.90	100.0%
25	Chengdu-Dachengjun	Xihanggang Street, Shuangliu County, Chengdu	79.20	100.0%
26	Chengde-Jinyufu	Yingshou Yingzi Mine Area, Chengde	75.30	100.0%
27	Nanjing-Diary Farm G37	Jiangpu Street, Pukou District, Nanjing	74.80	100.0%
28	Beijing-Jinlingfu	Hexi District, Beijing Economic and Technological Development Area	69.30	100.0%

MANAGEMENT DISCUSSION & ANALYSIS

The Table of Land Reserve of the Group as at 31 December 2019*(continued)*

No.	Project Name	Geographical Location	Land Reserve Area (thousand sq.m.)	Percentage of the Group's Interest
29	Qingdao-Hefu	Shibei District, Qingdao	53.30	100.0%
30	Ningbo-Yao River Lock	Wenjiao Street, Jiangbei District, Ningbo	37.30	100.0%
31	Tangshan-Jinyu Lefu	Lubei District, Tangshan, Hebei	25.30	80.2%
32	Tianjin-Jinyu Yuecheng	Zhangguizhuang, Dongli District, Tianjin	25.20	100.0%
33	Inner Mongolia-Global Financial Center	Saihan District, Hohhot	24.00	100.0%
34	Tangshan-Shuiji Technical School of Jiadong Cement Group	East of Galaxy Road (银河路), Bus Station Galaxy Road	18.90	100.0%
35	Beijing-Tang+	Changyang Town, Fangshan District, Beijing	18.60	100.0%
36	Ma'anshan-Jiashanshu	Huashan District, Ma'anshan	15.70	100.0%
37	Inner Mongolia-Jinyu Elegancy City	West of Zhonghai, Inner Mongolia	15.60	100.0%
38	Haikou-Xixili	Haidian Island, Haikou	15.30	100.0%
39	Beijing-Commodity Housing at Houshayu	Houshayu Town, Shunyi District, Beijing	11.50	100.0%
40	Others	Chayuan, Nan'an District, Chongqing	25.90	96.5%
Subtotal			7,135.8	
II Affordable Housing				
41	Tianjin-Jinzhong	Northeast Side of Jinzhong Highway, Dongli District	447.40	100.0%
42	Beijing-Anningzhuang	Anningzhuang, Qinghe, Haidian District	173.50	100.0%
43	Beijing-Jinlinjiayuan (金林嘉苑)	Yancun Town, Fangshan District	142.30	100.0%
44	Beijing-Jin'gang Jiayuan	Tianzhu Town, Shunyi District	38.80	94.8%
45	Beijing-Chicken Farm	Jiancaicheng Middle Road, Xisanqi, Haidian District	34.40	100.0%
46	Beijing-Jincheng Garden	Houshayu, Houshayu Town, Shunyi District, Beijing	18.20	100.0%
47	Others	-	2.00	100.0%
Subtotal			856.6	
Total			7,992.4	

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During the Reporting Period, the property development segment recorded revenue from its principal business of RMB22,207.5 million, a year-on-year increase of 0.3%, and the gross profit from its principal business was RMB7,539.4 million, a year-on-year increase of 7.1%. The booked GFA increased slightly year-on-year to 1,012,582.0 sq.m. for the year, among which booked GFA of commodity housing amounted to 885,819.0 sq.m., representing a year-on-year increase of 2.3%, while booked GFA of affordable housing amounted to 126,763.0 sq.m., representing a year-on-year decrease of 11.7%. The aggregated contracted sales area of the Company was 1,174,662.8 sq.m., representing a year-on-year increase of 5.4%, among which contracted sales area of commodity housing increased slightly year-on-year to 1,013,536.8 sq.m. The contracted sales area of affordable housing amounted to 161,126.0 sq.m., representing a year-on-year increase of 54.0%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 7,992,500 sq.m.

4. Property Investment and Management Segment

The Company centred on Beijing's functional positioning to charter innovative development path. Our office area has increased, our operations of new leases, expanded leases, and renewed leases were stable, and our occupancy rates and rent levels remained stable. The overall business operation was stable, and the brand influence was gradually established. BBMG Holiday Inn Express (金隅智選假日酒店) successfully completed the reception for the "World Horticultural Exposition". BBMB Crown Plaza Hotel (金隅皇冠假日酒店) completed the structural cap ahead of schedule. BBMG Intelligent Manufacturing Workshop completed engineering transformation, becoming the innovation hub of Beijing's intelligent manufacturing industry. BBMG High-Tech Industrial Park achieved remarkable benefits from the transformation and upgrade.

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB5,026.4 million, representing a year-on-year increase of 18.7%, and gross profit from its principal business was RMB2,733.8 million, representing a year-on-year increase of 13.2%. As at the end of the Reporting Period, the Company held approximately 1,781,900 sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin, with a consolidated average occupancy rate of approximately 82.0% and a consolidated average rental unit price of approximately RMB5.7/sq.m./day. The high-end investment properties held in core areas in Beijing totaled 970,000 sq.m., with a consolidated average occupancy rate of 84.0% and a consolidated average rental unit price of approximately RMB9.1/sq.m./day.

MANAGEMENT DISCUSSION & ANALYSIS

Rental Operations of the Major Investment Properties of the Group as at 31 December 2019

Property Name	Location	Gross area (thousand sq.m.)	Fair value (RMB million)	Rental unit	Average	Unit fair
				price (RMB/sq.m./day)	occupancy rate (Note 1)	value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	108.2	3,285.7	11.9	92%	30,367
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	141.0	3,431.3	8.7	96%	24,336
Phase 3 of Global Trade Center	North Third Ring Road, Beijing	57.5	1,224.4	8.4	91%	21,296
Tengda Plaza	West Second Ring Road, Beijing	67.9	1,817.4	9.9	83%	26,785
Jin Yu Building	West Second Ring Road, Beijing	41.2	1,212.4	12.0	84%	29,403
Jianda Building/Building Materials Trading Tower	East Second Ring Road, Beijing	43.0	1,182.8	5.8	90%	27,507
Dacheng Building	East Second Ring Road, Beijing	41.4	1,180.8	11.3	72%	28,498
Pan Bohai Jin'an Plaza	Hexi District, Tianjin	302.0	2,436.0	2.3	96%	8,035
Pangu Plaza Building 5	North Forth Ring Road, Beijing	137.0	5,344.1	12.3	55%	39,008
High-Tech Industrial Park	South Sixth Ring Road, Beijing	122.0	872.0	2.3	63%	7,148
Phase 1 of Intelligent Manufacturing Plant	North Fifth Ring Road, Beijing	75.4	613.0	5.7	87%	8,134
Subtotal		1,136.6	22,599.9			19,876
Other properties	Beijing Municipality	645.3	7,032.3			10,906
Total		1,781.9	29,632.2	5.7	82%	16,627

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

Note 2: The Group leased its investment properties under operating lease arrangements, with most of the leases which were negotiated for terms ranging from 1 to 19 years.

MANAGEMENT DISCUSSION & ANALYSIS

Analysis of Business and Financial Position for the Reporting Period

1. Principal business operations

Unit: RMB million

	Revenue from principal business	Cost of sales from principal business	Gross profit margin from principal business (%)	Increase or decrease in revenue from principal business compared with last year (%)	Increase or decrease in cost of sales from principal business compared with last year (%)	Increase or decrease in gross profit margin from principal business compared with last year
Cement and Ready-mixed Concrete	41,382.8	28,219.4	31.8%	5.8	3.1	An increase of 1.8 percentage points
Modern Building Materials and Commerce and Logistics	26,476.6	25,193.5	4.8%	33.6	35.5	A decrease of 1.3 percentage points
Property Development	22,207.5	14,668.1	33.9%	0.3	-2.9	An increase of 2.2 percentage points
Property Investment and Management	5,026.4	2,292.6	54.4%	18.7	26.0	A decrease of 2.6 percentage points
Eliminations	(4,157.4)	(3,519.9)	-	-	-	-
Total	90,935.9	66,853.6	26.5%	10.4	10.7	A decrease of 0.2 percentage point

MANAGEMENT DISCUSSION & ANALYSIS

2. Investment properties measured at fair value

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

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

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

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

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

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

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During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group increased by approximately RMB221.1 million year-on-year to RMB730.0 million, accounting for 9.2% of the profits before tax.

3. Expenses during the Reporting Period

- (1) Selling expenses were RMB3,076.5 million, an increase of RMB160.8 million or 5.5% year-on-year. Such increase was mainly due to the year-on-year increase in office expenses and employee remuneration of the Group during the Reporting Period.
- (2) Administrative expenses were RMB7,056.1 million, a decrease of RMB99.4 million or 1.4% year-on-year. Such decrease was mainly due to the year-on-year decrease in the fees for agency intermediaries and leasing expenses of the Group during the Reporting Period.
- (3) Finance costs were RMB3,397.0 million, an increase of RMB349.6 million or 11.5% year-on-year. Such increase was mainly due to the increase in the size of financing of the Group during the Reporting Period.

4. Cash flows

During the Reporting Period, a net increase of RMB1,807.5 million in cash and cash equivalents was recognized in consolidated financial statements of the Company. Such increase was the net result of (i) the net cash inflows generated from operating activities of RMB9,521.7 million, representing the year-on-year increase in cash inflows of RMB14,564.3 million, which was attributable to the year-on-year decrease in the expenditures on land reserve of property development segment of the Company; (ii) the net cash outflows generated from investment activities of RMB6,781.6 million, representing a decrease in outflows of RMB1,602.3 million year-on-year, which was mainly attributable to year-on-year decrease in outflows for investments during the Reporting Period; (iii) the net cash outflows generated from financing activities of RMB946.7 million (financing activities generated net cash inflows of RMB14,079.9 million for the same period in 2018), such change was mainly attributable to the year-on-year decrease in addition of interest bearing liabilities during the Reporting Period; and (iv) the exchange realignment of RMB14.1 million.

MANAGEMENT DISCUSSION & ANALYSIS

Core Competence Analysis

The Company is a leading building material enterprise in Beijing, Tianjin and Hebei Province in environmental protection, energy-saving and emission reduction and recycling development, and contributes to the ecological civilization. During the Reporting Period, the Company proactively followed the policy orientation of the coordinated development of Beijing-Tianjin-Hebei and the supply-side structural reform to tap the general trend and seize historical strategic opportunities. In March 2019, the second round of asset injection for BBMG Jidong assets reorganization was successfully completed, enabling the Company to unify the property rights and administration authority of the cement business and further enhance the control and competitiveness in the Beijing-Tianjin-Hebei cement market. In October 2019, Tianjin Building Materials Group and Jidong Development Group, both controlled by the Company, jointly invested in industrial projects to promote the Company's inter-sector business coordination and effectively revitalize state-owned assets, and consolidate the Company's leading position in the building material sector of Beijing, Tianjin and Hebei. In December 2019, the project in Caofeidian Wood Industry Innovation Base with an annual output of 250,000 cubic meters of density boards and 250,000 cubic meters of particleboard was put into operation and the Company's first pre-fabricated building component production base was put into operation in Tangshan, which consolidated the foundation for the industrialization of the modern material manufacturing industry, helping the Company to actively develop into an international first-class comprehensive service provider of building materials.

The Company is one of the top 500 enterprises, top 200 most cost-effective enterprises and top 100 most profitable enterprises in China, showing greater momentum of high-quality sustainable development.

MANAGEMENT DISCUSSION & ANALYSIS

The core competitiveness of the Company is detailed as follows:

1. Competitive Edge in the Industrial Chain:

The Company has developed a vertically integrated all industrial chain. On the back of its advantages in new green building materials manufacturing and equipment manufacturing industry, the Company expanded into the area of real estate development, and focused on business development and industrial upgrading and developed modern service industries such as trade, services, high-end property management, operation of technical innovation industry parks, and human resource. The strong demand from real estate development projects has boosted the Company's green building materials businesses and other related businesses such as architectural designing, decoration and property management services. On the other hand, our strong brand, technical advantages and expertise in new green building materials manufacturing, property operation and property management services translated into higher quality, better brand image and stronger sales of our real estate development projects in a systematic, industrialized, and specialized manner. Leveraging various resources and advantages accumulated in the process of "going abroad" by the new green building materials manufacturing industry, our real estate business increases the reserve of urban land resources, optimizes the business layout, explores and pioneers market of the target regions. Our different business segments support and promote the development of each other with significant synergistic effect and overwhelming advantages as a whole. Information sharing, complementary resources, and coordinated interaction between various business segments and upstream and downstream enterprises underline the advantages of integration and create market competitive edge.

2. Competitive Edge in Technology Innovation:

The Company implemented strategies such as innovation-driven and green development. Focusing on the high-end of the industry and the fore-front of the industry, guided by the market and policies, and centring on the five major categories of green environmental protection, green building materials, green buildings, green manufacturing and new materials, we have carried out in-depth innovation of BBMG's characteristic "high-grade, precise and advanced" new technologies, new products, and new process, and obtained a number of industry leading scientific and technological results. As a result, the Company's technological innovation capabilities and core competitiveness continued to improve.

MANAGEMENT DISCUSSION & ANALYSIS

We increased the disposal capacity of garbage fly ash by more than 10% with the total disposal capacity of 70,000 t/a, which provided technical support for the new industrialized fly ash disposal lines with annual disposal capacity of 50,000 t/a to be established in each of Beijing BBMG Liushui Environment Protection Technology Co., Ltd. and Beijing BBMG Beishui Environmental Protection Technology Co., Ltd. in 2020. This promoted the in-depth transformation of Liushui and Beishui enterprises in Beijing and solved the urgent problem of a severe lack of facilities to reduce and dispose of Beijing's garbage fly ash in a non-hazardous manner and turn it into a resource. It became an indispensable environmental protection facility in Beijing, contributing to the accelerated construction of Beijing's ecological civilization. We improved the medium temperature and medium dust SCR denitration pilot test system, conducted a pilot test of powdered rare earth reducing agent denitration ultra-low emission technology, and developed the staged combustion + SNCR + SCR composite denitration plan by comparing the nitrogen oxide emission levels, thereby achieving the industry-leading goal of ultra-low emissions of nitrogen oxides and ammonia escape with the minimum investment and operating costs. We completed the assembly of industrial interior parts in the Dachang Experiment Factory achieving standardization, generalization and serialization of parts. We carried out research on PC component production process technology and series product optimization, and developed a set of design drawings. We carried out large-scale production and application of steel slag ultra-fine powder, which laid the foundation for the large-scale utilization of a large amount of steel slag waste stored in the Beijing-Tianjin-Hebei region.

In 2019, the Group obtained 265 national patents (of which 32 were invention patents), won 2 provincial and ministerial government science and technology advancement awards, 6 national industrial association science and technology awards, and was granted RMB14.524 million of related government science and technology funds. The Company directed the publication and implementation of 8 national and industrial standards. Eleven of its subsidiaries were named high-tech enterprises. Nine of its technological innovation platforms were named provincial-level enterprise technology centers and similar titles. The Company was approved for the 2019 Green Manufacturing System Solution Provider project organised by the Ministry of Industry and Information Technology and the Ministry of Finance. Meanwhile, the Company conducted more than 30 various academic exchange activities with universities and research institutes at home and abroad, focusing on industrial transformation and upgrade and high-quality development. The Company's technological innovation capabilities and industry influence continued to increase.

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3. Competitive Edge in Sustainable Development of Green Operations:

The Company practiced in depth the development concept that “Lucid waters and lush mountains are invaluable assets”, conscientiously implemented the state’s decision and plan for ecological civilization construction, considered the strengthening of environmental protection as an important means of the Company for transforming the development model, creating benefits, and fulfilling social responsibilities, strove to overcome the severe and complex economic situation and the profound impact of national industrial policy regulation, took solid steps to promote its work on environmental protection, and persistently promoted high-quality development of the Company with high-standard management.

The Company advocated the innovation and the application of results in energy saving and emission reduction. In terms of treatment of industrial solid waste and domestic waste using cement kilns, the Company accelerated project construction and maximized the advantages of the cement industry to make greater contributions to energy conservation and emission reduction, truly helping governments cleanse the urban environment. In 2019, the environmental protection sector recorded revenue of RMB1.49 billion, representing a year-on-year increase of 30%.

As at the end of 2019, 25 subsidiaries of the Company had carried out the solid waste disposal business, 13 of which carried out hazardous waste disposal with a disposal capacity of 501,700 tonnes/year, 13 of which carried out domestic sludge disposal with a disposal capacity is 830,200 tonnes/year, and 4 of which carried out domestic garbage disposal with a disposal capacity of 556,700 tonnes/year.

Fifteen subsidiaries newly obtained the environmental impact assessment approval for the projects of disposal using cement kilns with the total disposal scale under environmental impact assessment reaching 1.445 million tonnes/year, of which the scale of hazardous waste under environmental impact assessment reached 550,000 tonnes/year. The number and disposal capacity of new environmental impact assessments hit record high. Environmental protection projects covered Beijing, Tianjin, Hebei, Shanxi, Shaanxi, and Northeast China, serving more than 5,000 clients.

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Through stable operation control, the Company's pollutant emission level was better than the national emission control requirements. Pollutant emission concentrations in Beijing, Tianjin, Hebei, Fenwei Plain, and other key regions were significantly lower than the emission limits specified by the state. In some regions the most stringent national standards for nitrogen oxide emissions from cement kiln tailings were implemented. The limits under these standards were only 1/8 of the limits specified by the state. We pushed forward energy-saving, consumption-reduction, cost-reduction and efficiency-improving technical transformation and technical measures projects with technological upgrade and equipment upgrade at the core, achieving remarkable results. In 2019, we implemented 66 energy-saving technological transformation projects, involving an amount of RMB234.46 million. Five comparable comprehensive energy consumption indicators of the Company had improved year-on-year, four of which reached an advanced level under national standards. All of the energy consumption indicators for each step improved year-on-year.

To help enterprises achieve scientific development, the Company has always vigorously promoted clean production as a new pollution prevention measure and environmental protection concept. Since the start of the clean production audit, the enterprises have completed multiple rounds of audits and acceptances. By implementing the clean production scheme, all subsidiaries have achieved the purpose of "energy saving, consumption reduction, pollution reduction, and efficiency enhancement", achieving the alignment of economic, social and environmental benefits of industrial production. In 2019, a total of 11 enterprises applied for the fourth batch of green factories, 9 of which passed the provincial assessment and were recommended to the central government for review; ultimately, 4 enterprises were selected into the fourth batch of "National Team" of green factory directories. As at the end of 2019, a total of 10 cement enterprises of the Company were selected into the national green factory directory.

The Company has always responded to the state's call for creating green mines. We arranged for our subsidiaries to compile green mine construction and implementation plans based on their actual conditions and adhered to "one policy for one mine", thereby comprehensively promoting the construction of green mines based on the actual situation. Currently, 3 enterprises are pilot organizations of national green mines, and 3 enterprises are provincial green mines. In 2019, we comprehensively pushed forward the construction of green mines, and actively mobilized the enterprises to carry out the selection and inclusion of green mines in accordance with the Notice on the Selection of Green Mines for 2019 issued by the Ministry of Natural Resources. A total of 13 enterprises passed the green mine selection as of 2019.

MANAGEMENT DISCUSSION & ANALYSIS

4. Competitive Edge in Industry-Finance Integration:

Seizing the favorable window as the interest rates declined in 2019, the Company innovated financing methods, endeavored to broaden financing channels, and strengthened cooperation with financial institutions, so as to reduce the financing cost of the Company's interest-bearing liabilities, and support the development of Company's main business. Throughout the year, financing from external sources increased by RMB8.2 billion, and financing costs decreased by 75 basis points. We completed the registration of the Group's RMB40 billion two-year multi-type debt financing instruments (DFI) and RMB8 billion corporate bonds in the interbank bond market. We optimized the capital structure and kept the Company's asset-liability ratio at approximately 70%. The Company's issuer credit rating remained AAA, laying a solid foundation for the Company to control and reduce financing costs and maintain liquidity security. BBMG Finance gave full play to the treasury management function of the Company, facilitated the match of the supply and demand of funds within the Company, and strengthened the centralized management of funds. The comprehensive fund collection rate reached 72%, 21% higher than that at the end of the previous year, greatly improving the efficiency of fund use and reducing the Company's total capital operating costs.

5. Competitive Edge in Corporate Culture and Branding:

The core value of BBMG's corporate culture is based on the pragmatic working culture of "work with aspiration, competence, efficiency, success and prudence", the human spirits of "eight specials", the development philosophy of "integration, communion, mutual benefit and prosperity", and the corporate spirits of "three emphasis and one endeavor". We united our minds and efforts and forged ahead. BBMG has continuously expedited the reform, driven its business through innovation, and managed its business in an innovative way, thereby achieving quality growth. The culture of BBMG is built based on experiences of numerous cadres and employees within the system. It aims to help employees realize their dreams, and is the driving force and cornerstone of BBMG's business. "BBMG" has been consecutively honored as a well-known trademark in Beijing. It ranked 66th on the list of the 2019 (16th) China's 500 Most Valuable Brands, won the ninth Beijing Influence Selection "Beijing-Tianjin-Hebei Coordinated Development" award, was named Top 100 Chinese Listed Enterprise and won Golden Quality (金質量) "Corporate Governance". The superior brand awareness and prestige has created a sound cultural atmosphere and intelligence support for BBMG to achieve a new round of leap-forward development in full force.

MANAGEMENT DISCUSSION & ANALYSIS

Discussion and Analysis on Future Development**(1) Industry Pattern and Trend****1. *The internal and external environment has become more severe and complicated due to the multiplied impact of the epidemic worldwide.***

From the perspective of external environment, the international environment remains complex. The spread of the epidemic further increased the uncertainty of the global economy.

From the perspective of internal environment, China is in the critical period of transforming its development mode, optimizing its economic structure and transforming its growth momentum. The COVID-19 epidemic significantly affects the economy and society of China. The economic operation is facing new downward pressure.

China has persisted in preventing and resolving risks in its promotion of high-quality development. In 2020, it is expected that the government will issue more targeted response policies and measures to strengthen counter-cyclical regulation, so as to further deepen reforms and expand opening-up, better stimulate market vitality, expand domestic demand, increase momentum, and achieve economic and social development goals and tasks for the year, while minimizing the impact of the epidemic.

2. *The building material industry falls first then raises and the real estate industry develops steadily*

In recent years, the building material industry took supply-side structural reform as the main line, centered on quality and efficiency, further consolidated the achievements in eliminating excess capacity, improved the economic efficiency significantly, and gradually optimized the industrial structure, achieving overall good performances in the operation of the industry. The growth of investment in the building materials industry was mainly in new building materials, energy saving and environmental protection, and technological improvement.

MANAGEMENT DISCUSSION & ANALYSIS

2020 is the year when a moderately prosperous society will be built in all aspects and the 13th Five-Year Plan will end. Priority will be given to “stability” for national economy. With respect to infrastructure, as an important measure to offset the impact of the epidemic, the state will further increase investment in infrastructure and key areas and projects, promptly remedy shortcomings in related fields such as emergency medical infrastructure, and accelerate the implementation of projects suspended due to the epidemic. As such, the growth rate of infrastructure investment is expected to pick up. With respect to real estate, the central government has made it clear that it will not use real estate as a means to stimulate the economy in the short term. Real estate regulation will focus on “stability”. Therefore, the growth rate of real estate investment may decline, but will still remain resilient. The above two factors will strongly support and drive cement demand. Some segments will increase their market demand for green building materials products and new material. Meanwhile, new businesses and new model will promote and accelerate the transformation of traditional production mode and circulation mode of the industry, bringing greater potential and influence to the development of the whole building materials industry in the future.

China’s economy has great resilience and potential, and its overall long-term trend for the growth will not change. The impact of the epidemic is short-term and generally controllable. Giving full play to the institutional advantages, the Chinese government will do a good job in epidemic prevention and control and economic and social development, unswervingly implement the new development philosophy, deepen supply-side structural reform, fight the “three tough battles”, do a good job in the “six stability” work (keep employment, the financial sector, foreign trade, foreign and domestic investments, and expectations stable) in an all-round way, give full play to the enthusiasm, initiative and creativity of all parties, minimize the impact of the epidemic, strive to achieve the objectives and tasks of economic and social development throughout the year, achieve the objectives and tasks of building a moderately prosperous society in all aspects, fight the decisive battle against poverty, and complete the “13th Five-Year Plan” on a high note.

MANAGEMENT DISCUSSION & ANALYSIS

(2) The Company's Development Strategy

2020 is the year when the Company's "13th Five-Year Plan" is closed and the 14th Five-Year Plan is planned to be formulated. We must lay a good foundation for a good start to the "14th Five-Year Plan". It is both a decisive period and a crucial period, with milestones and symbolic significance. We should firmly establish a new concept of development, adhere to the theme of development, implement the requirements of high-quality development, seek progress while maintaining stability, and strive to achieve development with higher quality, better benefits and better structure.

First, adhere to high standards of development. To build a more stable core competitiveness, we should gain benefits from the cutting edge of the industry, the high value end and the front end of the industry. Efforts should be made to make up for the "high-grade, precision and advanced" industrial elements and shortcomings, enhance comparative advantages, and create a "high-grade, precision and advanced" industrial system with BBMG characteristics.

Second, adhere to sustainable development. Strengthen strategic thinking, seize the "window period" of opportunities, advance and retreat in an orderly way, realize strategic transformation and upgrading, and seek new development in the future. Strengthen strategic reserves to provide good resource guarantee for the long-term sustainable development of the enterprise. Strengthen the awareness of risks and stick to the principle of keeping steady.

Third, adhere to innovation-driven development. We should continue to digest and absorb the achievements of the existing reforms and adjustments, continue to push forward the deepening of reforms, optimize and perfect the management and control mode, and enhance our competitive advantages to adapt to future development. We should strengthen management innovation, system innovation, scientific and technological innovation, as well as system and mechanism innovation, and continue to implement the "1+7+X" organizational control structure reform, making the reform a new momentum for high-quality development.

Fourth, insist on the principle of refraining from doing some things in order to accomplish other things. Focus on the main business, consolidate the advantages of professional development, improve the efficiency of resource allocation, and improve the total factor productivity and core competitiveness.

MANAGEMENT DISCUSSION & ANALYSIS

Fifth, adhere to cooperative development. Take the initiative to strengthen external cooperation, introduce advanced technological achievements and useful management experience, to form a new pattern of “powerful combination” that promotes and brings out the best in each other among the Group.

The Company’s development strategy for various segments in 2020:

The cement industry should, under the strategic positioning of “a world-class cement industry group which is modern, professional and large in scale”, promote the coordinated and orderly development of cement, environmental protection, mines, aggregates, admixtures and other industries, enhance the synergy advantages among industries, and enhance the market competitive advantages of industries. Pursue high-standard development, continuously improve profitability, make breakthroughs in key areas related to the sustained and healthy development of the enterprise, such as market integration, industrial layout, acquisition of mineral resources, warrant handling, etc., and pursue industry-leading core competitiveness. Continuously improve the level of technical management, speed up the pace of “cultivating excellence” and realize connotative development; carry out self-revolution, make up the short board, establish a modern enterprise image according to the requirements of the modern enterprise system, give full play to the leading and exemplary role of “leading enterprise” in the industry, and promote the overall high-quality development of the industry.

The modern building materials business should focus on industrialization development, actively explore the development mode of “new materials + industrialization” and achieve breakthroughs. We should strengthen our own characteristics through the integration of technology and products, make full use of the advantages of the Company’s industrial chain and internal product chain, focus on industrial chain cooperation, and realize industrial synergy advantages and aggregation effects. Make use of our own technology and channel advantages to explore the development path of light asset expansion so as to realize development and growth. The equipment manufacturing industry should focus on its main business and around the stage development idea of “giving priority to heavy building materials and equipment, supplemented by engineering metallurgical machinery and equipment”, fully release the production capacity of the equipment manufacturing base, expand the market share, effectively improve the operation quality, create the operation profit and improve the profit level. We should effectively prevent and control trade control risks and realize stable operation and sound development. Promote the development of trade business, innovate modern trade and exhibition business formats, and do a good job in realizing modern commercial service.

MANAGEMENT DISCUSSION & ANALYSIS

Property development business should scientifically study and assess the industry situation and policy environment to accurately grasp the enterprise operation rules and market rhythm under the completely competitive market environment. Adhere to the principle of “good water flows quickly” and grasp the sales to promote the collection of money. We should further revitalize the city’s natural resources and push forward the expansion of our own land; Continue to strengthen control and improve the operation level; Enhance the internal competition mechanism; Clear management and control positioning, optimize resource allocation, effectively enhance the brand reputation and core competitiveness of BBMG Real Estate.

The investment property business should aim at leading enterprises in the industry, scientifically plan the positioning for the enterprise, focus on the construction of the “four centers” in the capital, adhere to high standards and levels, strengthen management, improve services, intensify innovation in operating model, management approach, and development path, so as to quickly grow bigger and stronger. We will expedite sales of scattered assets and improve the property management capability and service quality in communities.

(3) Business Plan

2020 is the last year for fully building a well-off society and implementing the “13th Five-Year Plan”, and a crucial year for formulating the “14th Five-Year Plan” to promote high-quality development. Presently and in the period to come, the general trend of stability with moderate growth and long-term improvement of the Chinese economy will remain unchanged. Faced with the new situation, new requirements, and new tasks, the Board of the Company will adhere to the general tone of striving for growth while maintaining stability, uphold the new development concept, coordinate the tasks of reform, development, and stability, focus on improving the quality and efficiency of the economy, fully complete various annual tasks, continue to make our main business stronger and better, and ensure high-quality and sustainable development.

MANAGEMENT DISCUSSION & ANALYSIS

(4) Possible risks**1. Risk of epidemic impact**

The sudden outbreak of the COVID-19 epidemic has greatly affected most industries in China. During the epidemic, project suspensions led to stagnate cement demand, and the restriction on people's movement led to a decline in real estate sales. As of early March 2020, although there are signs that China is bringing the epidemic under control and production and living are returning to normal, the epidemic has escalated overseas. In the context of global integration, its impact on China's economy is still unclear.

Countermeasures: The impact is short-lived and temporary, and will not affect the fundamentals of China's long-term positive economic growth. We will make full use of the Company's industrial chain advantages, take advantage of policies issued by the state to counter the epidemic, and capitalize on the rebounding economic growth and expanded infrastructure needs after the epidemic to promote the growth of cement and other building materials businesses. At the same time, we will expand our mind, increase marketing efforts and speed up sales of inventory real estate projects, improve the project operation quality, to ensure the fulfillment of economic goals for the year.

2. Policy risk

Guided by the principle that "houses are for living, not for speculation," the long-term administrative mechanism for the real estate industry has graduated from the pilot stage to the full implementation stage, and the local governments have greater power to implement city-specific policies. Also, real estate is a capital-intensive industry where monetary and fiscal policies have a significant impact on the purchasing power of residents and the financing environment of housing enterprises. At present, the overcapacity in the cement industry has not been fundamentally resolved. Policies on de-capacity, staggered production and environmental protection will be further implemented and tightened, and the process of eliminating outdated capacity will be further accelerated.

MANAGEMENT DISCUSSION & ANALYSIS

Countermeasures: The real estate business will scientifically study and assess the market to improve its ability to respond to changes in the external environment; it will strengthen the presence in cities, accurately position its products and improve product power and operation capabilities to establish regional advantages and accelerate collection of sales proceeds. Cement companies will focus on supply-side structural reform to improve quality and efficiency and enhance regional market control. They will continue to strengthen cooperation in the industry and build up a community, guide and drive industry integration, transformation and upgrading, and maintain good market order. They will also seize the rebounding growth of the market after the epidemic to further increase market share.

3. Risk of capital operation

The People's Bank of China strengthened financial supervision in 2019 and achieved certain results in deleveraging. However, China's macro leverage ratio is still on the high side and the risk of local debts is rising. Affected by the epidemic, the manufacturing industry and the real estate industry will face greater pressure, especially the cash flow pressure of the real estate industry will increase and the liquidity risk will increase, which brings great challenges to the Company's financing and liquidity management as a whole.

Countermeasures: The Company will innovate financing methods and extensively expand financing channels to raise funds at low cost. We will strengthen process control to improve the efficiency of real estate project operations. We will study and assess market conditions and prudently acquire land to prudently operate real estate business.

MANAGEMENT DISCUSSION & ANALYSIS

4. Market competition risk

After the acquisition of Jidong Cement, the market order was improved in the regions where the majority of the Company's cement business is located. However, the overcapacity issue in the cement industry has not been fundamentally solved. The staggered production only solves the problem of output in the region and does not solve the problem of overcapacity fundamentally. Some small and medium-sized enterprises do not strictly comply with the industry policies, reduce staggered production time and increase output. Even some enterprises that have stopped production for a long time have resumed production. The increase in output makes the contradiction between production and marketing increasingly surplus, and the market environment is not optimistic. In the meantime, due to the unbalanced regional development, the gap between the strong in the south and the weak in the north persists in terms of demand and benefit level. The concentration of the real estate industry is accelerating, and the trend of "the big gets bigger, the strong gets stronger" is more notable.

Countermeasures: The cement business actively adapts to the market environment of the industry and strengthens regional policies. It will make full use of the Company's scale advantages and regional advantages to realize the overall allocation of resources and enhance the Company's product supply capacity; improve the level of operation control in an all-round way; optimize the layout of cement industry and expand the regional market share; strengthen and expand the environmental protection industry, extend the industrial chain, coordinate the development of environmental protection, aggregate, mining and other industries, increase technological R&D and innovation, reduce production costs, and continuously enhance the Company's market competitiveness. The real estate business will underscore its unique characteristics, revitalizes resources, increases the conversion of self-owned industrial land, and improves project returns.

MANAGEMENT DISCUSSION & ANALYSIS

Liquidity and Financial Resources

As at 31 December 2019, the Group's total assets amounted to RMB282,123.8 million, an increase of 5.2% from the beginning of the Reporting Period, of which liabilities amounted to RMB199,592.4 million, minority interests amounted to RMB21,400.2 million and total equity attributable to the shareholders of the parent company amounted to RMB61,131.2 million. Total equity attributable to shareholders amounted to RMB82,531.4 million, an increase of 4.2% from the beginning of the Reporting Period. As at 31 December 2019, the Group's net current assets were RMB46,789.5 million, an increase of RMB6,833.9 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2019 was 70.7%, an increase of 0.2 percentage point from the beginning of the Reporting Period.

As at 31 December 2019, the Group's cash and bank balances amounted to RMB21,325.0 million, an increase of RMB2,550.6 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, short-term financing bonds, perpetual bonds, corporate bonds, medium-term notes, private bonds and banking facilities provided by its principal bankers in the PRC. As at 31 December 2019, the Group's interest-bearing bank borrowings amounted to RMB86,234.7 million (as at 31 December 2018: RMB79,852.3 million) and bore fixed interest rates. Of these borrowings, approximately RMB50,477.3 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB1,101.1 million from the beginning of the Reporting Period. Approximately RMB35,787.4 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB5,281.3 million from the beginning of the Reporting Period. The Group's interest-bearing bank borrowings were all denominated in RMB.

During the Reporting Period, the Company entered into cooperation agreements with various banks to obtain credit facilities. As at the end of the Reporting Period, the Company was granted total bank credit facilities of RMB267,950.0 million and drew down borrowings of RMB141,913.0 million in Mainland China. The remaining credit facilities was RMB126,037.0 million. During the Reporting Period, the Company has paid the principals and interests of borrowings in a timely manner. The Company has sufficient capital for its operations. As at 31 December 2019, the Group had no future plans for material investments or capital assets.

MANAGEMENT DISCUSSION & ANALYSIS

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

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

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

Special Report on the Deposit and the Actual Use of Proceeds for 2019

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

I. Basic information about the proceeds

(I) 2014 Non-Public Issuance

Pursuant to the resolution of the extraordinary general meeting of the Company held on 30 October 2013, and as approved under the Approval on the Non-Public Issuance of Shares of BBMG Corporation (關於核准北京金隅股份有限公司非公開發行股票的批覆) (Zheng Jian Xu Ke [2014] No. 312) issued by China Securities Regulatory Commission ("CSRC"), the Company issued 500,903,224 RMB ordinary shares in a non-public issuance in March 2014 with a nominal value of RMB1 per share and an issue price of RMB5.58 per share. The total proceeds were RMB2,795,039,989.92 and the actual net proceeds after deducting issuance expenses of RMB20,304,100.00 were RMB2,774,735,889.92. The issuance was verified by the Capital Verification Report (An Yong Hua Ming (2014) Yan Zi No. 60667053_A02) issued by Ernst & Young Hua Ming LLP. On 24 March 2014, the above proceeds of RMB2,779,239,989.92 (including unpaid intermediary fee of RMB4,504,100.00) were remitted into the designated account for proceeds opened with the approval of the Board of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

(II) 2015 Non-Public Issuance

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

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

As at 31 December 2019, RMB4,556,322,329.76 of the proceeds was actually used for the proceeds-financed projects, RMB600,000,000.00 of the proceeds was used to permanently replenish the working capital, and RMB2,256,288,600.00 of proceeds has changed use, and used as the payment of intermediary fee, bank charges, and other fees. The balance of the proceeds (including interest income) was RMB8,589,527.45.

The Company's financed projects have all been completed. Given that the balance of the proceeds is interest income and is less than 5% of the net proceeds, the Company decided to directly use the balance of the proceeds to permanently supplement the working capital in accordance with the Administrative Measures for Proceeds of Companies Listed on the Shanghai Stock Exchange and other relevant regulations. As at 31 December 2019, the balance of the proceeds in the amount of RMB8,589,527.45 had all been transferred to the Company's own fund account to supplement working capital. The balance of the special account for remaining proceeds is RMB0.

MANAGEMENT DISCUSSION & ANALYSIS

II. Management of the proceeds

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

According to the System for Management of Proceeds, the Company and Beijing Aerated Concrete Co., Ltd., BBMG (Dachang) Modern Industrial Park Management Co., Ltd., Beijing BBMG Tiantan Furniture Co., Ltd., BBMG GEM Real Estate Development Co., Ltd., Jinyu Ligang (Tianjin) Property Development Co., Ltd. and BBMG Nanjing Real Estate Development Co., Ltd., all being wholly-owned subsidiaries of the Company, have established designated saving accounts for the proceeds raised from non-public issuance respectively. The nine designated accounts for proceeds include: Bank of Communications Co., Ltd., Beijing Municipal Branch, Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch, Industrial and Commercial Bank of China Limited, Shijingshan Branch, China Construction Bank Corporation, Dachang Sub-branch, Industrial and Commercial Bank of China Limited, Beijing Anzhen Branch, China Construction Bank Corporation, Beijing Urban Construction Development Professional Branch (2 accounts), Agricultural Bank of China Limited, Tianjin Yong'an Road Branch and Agricultural Bank of China Limited, Nanjing Xinglong Street Branch. Upon the receipt of the proceeds from A Shares, the Company entered into a Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (《募集資金專戶存儲三方監管協議》) with the bank and the sponsor for the joint supervision over the use of proceeds. The principal terms of the agreement are in line with the Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (Template)(《募集資金專戶存儲三方監管協議(範本)》) of the Shanghai Stock Exchange with no significant discrepancy. As of 31 December 2019, 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 & ANALYSIS

As of 31 December 2019, the deposits of the designated accounts for proceeds were as follows:

				Unit: RMB
No.	Name of bank	Bank account	Account holder	Amount
1	Bank of Communications Co., Ltd., Beijing Municipal Branch	110060149018170182242	The Company	0.00
2	Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch	0200203319020196563	The Company	0.00
3	Industrial and Commercial Bank of China Limited, Shijingshan Branch	0200013419200040504	Beijing Aerated Concrete Co., Ltd.	0.00
4	China Construction Bank Corporation, Dachang Sub-branch	13001707748050506500	BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	0.00
5	Industrial and Commercial Bank of China, Beijing Anzhen Branch	0200064819024649727	Beijing BBMG Tiantan Furniture Co., Ltd.	0.00
6	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000048	BBMG GEM Real Estate Development Co., Ltd.	0.00
7	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000047	BBMG GEM Real Estate Development Co., Ltd.	0.00
8	Agricultural Bank of China Limited, Tianjin Yong'an Road Branch	02280101040015072	Jinyu Ligang (Tianjin) Property Development Co., Ltd.	0.00
9	Agricultural Bank of China Limited, Nanjing Xinglong Road Branch	10109201040009981	BBMG Nanjing Real Estate Development Co., Ltd.	0.00
Total				0.00

MANAGEMENT DISCUSSION & ANALYSIS

III. Actual use of the proceeds

The Company strictly followed the System for Management of Proceeds when using the proceeds. The details of the actual use of proceeds in proceeds-financed projects were set out in the "Breakdown of Use of Proceeds from A Shares In 2019" attached hereto.

IV. Prepayment of the proceeds for investment projects and replacement of proceeds

The Company did not have any prepayment of proceeds for investment projects and replacement of the proceeds in 2019.

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

In order to lower the finance expenses and enhance the capital utilization rate of the Company, pursuant to requirements under Article 11 of the Administrative Measures for Proceeds of Companies Listed on the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理規定》) issued by the Shanghai Stock Exchange and the "resolution for considering the temporary supplement of working capital by certain idle proceeds" considered and passed at the ninth meeting of the third session of the Board, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital. As at 9 April 2015, the Company had returned in full the proceeds of RMB2,200 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

According to the "resolution for considering the temporary supplement of working capital by certain idle proceeds" considered and passed at the eighteenth meeting of the third session of the Board of the Company, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital. The above idle proceeds used for temporary replenishment of working capital has a term of not more than 12 months from the date on which the Board of the Company considered and approved the use. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 18 March 2016, the monies had been returned in full to the designated account for proceeds.

MANAGEMENT DISCUSSION & ANALYSIS

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the second meeting of the fourth session of the Board of the Company, the Company agreed to use up to RMB2,650 million from the idle proceeds as temporary replenishment of working capital. The above idle proceeds used for temporary replenishment of working capital has a term of not more than 12 months from the date on which the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 25 October 2016, the monies had been returned in full to the designated account for proceeds.

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the fourth meeting of the fourth session of the Board of the Company, the Company agreed to use RMB900 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date on which the Board considered and approved the use. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 22 March 2017, the monies had been returned in full to the designated account for proceeds.

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the fifteenth meeting of the fourth session of the Board of the Company, the Company agreed to use up to RMB1,800 million from the temporarily idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date on which the Board considered and approved the use. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 24 October 2017, the monies had been returned in full to the designated account for proceeds.

MANAGEMENT DISCUSSION & ANALYSIS

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the sixteenth meeting of the fourth session of the Board of the Company, the Company agreed to use RMB400 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date on which the Board considered and approved the use. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 26 March 2018, the monies had been returned in full to the designated account for proceeds.

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the twenty-fourth meeting of the fourth session of the Board of the Company, the Company agreed to use RMB1,500 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date on which the Board considered and approved the use. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 26 October 2018, the monies had been returned in full to the designated account for proceeds.

In the announcements, the Company undertook that the use of certain idle proceeds for replenishment of working capital would not change or essentially change the use of proceeds while temporary replenishment of working capital was only limited to the use in the production and operation related to principal business and would not be used in placing and subscription of new shares or in the transactions such as securities and its derivative form and convertible bonds, through direct or indirect arrangements. It also undertook that in order to ensure the progress of the proceeds- financed projects, the Company would return the proceeds to the designated account for proceeds with the self-financing funds or bank loans by the time when the projects need the proceeds.

MANAGEMENT DISCUSSION & ANALYSIS

VI. Change of the proceeds-financed projects

The Company had no changes of the proceeds-financed projects in 2019.

VII. Problems in the use and disclosure of proceeds

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

VIII. Assurance from the auditor on the deposit and use of proceeds for 2019

Ernst & Young Hua Ming LLP is of the view that: the special report on deposit and actual use of proceeds prepared by the Company are, in all material aspects, in accordance with the Guidelines for the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Use of Proceeds (CSRC Announcement [2012] No. 44) and the Regulations on the Management of Proceeds of Listed Companies on the Shanghai Stock Exchange issued by the Shanghai Stock Exchange, and in all material aspects reflect the deposit and actual use of proceeds by the Company in 2019.

IX. Review opinions of the sponsor

Upon review, First Capital Investment Banking Co., Ltd. is of the view that: in 2019, the Group strictly implemented the rules of designated saving accounts for proceeds, effectively enforced the Tri-Party Supervisory Agreement, and promptly performed relevant information disclosure obligations; the actual use of proceeds was consistent with that disclosed by the Company; there was no essential change in the use of proceeds and damage to shareholders' interests; and there was no non-compliance in the use of proceeds.

MANAGEMENT DISCUSSION & ANALYSIS

Breakdown of Use of Proceeds from A Shares in 2019

Unit: RMB'000

Committed investment project	Total committed investment from proceeds	Change of project	Total investment after adjustment	Committed investment amount as of the end of the year (1)	Investment amount during the year	Accumulated investment amount as of the end of the year (2)	Difference between accumulated investment amount and committed investment amount as of the end of the year (3-2-1)	Investment progress as of the end of the year (%) (4-2/1)	Date of project ready for its intended use	Cumulative achieved results as at the end of the year (Note 6)	Achieve the intended results or not	Significant changes in project feasibility	Reason for failure to reach the scheduled progress	Total proceeds invested in the year		Total accumulated proceeds used for investment	
														4,014.72	741,261.09	4,014.72	741,261.09
Engineering project of BBMG International Logistics Park	97,953.00	97,953.00	97,953.00	97,953.00	2,359.42	97,953.00	-	100.00%	Completed	11,182.72	-	-	-	749,594.00	4,014.72	-	-
Production line project with an annual production capacity of 0.8 million pieces of furniture (Note 1)	181,151.00	90,000.00	90,000.00	90,000.00	-	90,000.00	-	100.00%	Completed	132,160.65	-	-	-	225,628.86	-	741,261.09	-
Chengyang District Chengyang North Road (former Sier Building Materials Product Factory) project (Note 2)	-	89,520.59	89,520.59	89,520.59	-	89,520.59	-	100.00%	Completed	-	-	-	-	-	-	-	-
801, 802 and 803 secondary residential, secondary and primary school and nursery project (Note 2)	90,000.00	46,014.42	46,014.42	46,014.42	-	46,014.42	-	100.00%	Completed	331,270.01	-	-	-	-	-	-	-
Chengyang District Dongba Dandan secondary residential and primary school project (Note 2)	170,000.00	37,773.08	37,773.08	37,773.08	-	37,773.08	-	100.00%	Completed	640,736.15	-	-	-	-	-	-	-
BBMG Zhonghai Town residential project (Note 4)	50,000.00	75,666.90	75,666.90	75,666.90	-	75,666.90	-	100.00%	Completed	-	-	-	-	-	-	-	-
		94,333.10	94,333.10	94,333.10	-	94,333.10	-	100.00%	Completed	216,772.26	-	-	-	-	-	-	-
		45,997.91	45,997.91	45,997.91	-	45,997.91	-	100.00%	Completed	-	-	-	-	-	-	-	-
		4,002.09	4,002.09	4,002.09	-	4,002.09	-	100.00%	Completed	-	-	-	-	-	-	-	-
Haining City Jianye District Xingdong Street North A2 project	100,000.00	100,000.00	100,000.00	100,000.00	1,655.30	100,000.00	-	100.00%	Completed	651,447.36	-	-	-	-	-	-	-
Sub-total	689,594.00	681,261.09	681,261.09	681,261.09	4,014.72	681,261.09	-	100.00%	Completed	1,983,521.15	-	-	-	-	-	-	-
Replacement of working capital (Note 5)	60,000.00	60,000.00	60,000.00	60,000.00	-	60,000.00	-	100.00%	Completed	-	-	-	-	-	-	-	-
Total	749,594.00	741,261.09	741,261.09	741,261.09	4,014.72	741,261.09	-	100.00%	Completed	1,983,521.15	-	-	-	-	-	-	-

MANAGEMENT DISCUSSION & ANALYSIS

- Note 1: Production line project with an annual production capacity of 0.8 million pieces of furniture has been completed. The difference between committed investment before and after fund raising of the project was due to the deduction of issuance expense of RMB20.3041 million, as well as the change in use of proceeds of RMB895.2059 million. As of the date of this special report, the committed investment proceeds for the production line project with an annual production capacity of 0.8 million pieces of furniture changed to RMB900 million. Such change was resolved and announced at the 2014 annual general meeting of the Company.
- Note 2: Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project has been completed. The difference between committed investment before and after fund raising was due to the deduction of issuance expense of RMB62.1250 million. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. Accordingly, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB377.7308 million to permanently replenish the working capital.
- Note 3: Chaoyang District, Dongba Dandian secondary residential and primary school project has been completed. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. In addition, during the course of project construction, due to reasons such as further optimization of proposal design, decrease in market price of building materials such as reinforced concrete to a level lower than the estimated value, and application of unused self-financing funds towards early repayment of interest-bearing liabilities upon the receipt of proceeds, the cost of construction has decreased. Taking into account of the above factors, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB943.3310 million to permanently replenish the working capital.

MANAGEMENT DISCUSSION & ANALYSIS

Note 4: BBMG Zhongbei Town residential project has been completed. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. Accordingly, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB40.0209 million to permanently replenish the working capital.

Note 5: Replenishment of working capital is for the pre-use plan of the allocation of proceeds from non- public issuance in accordance with the disclosures of “I. Plan of Use of Proceeds from Private Issuance” under section 4 “Analysis on the Feasibility of the Use of Proceeds by the Board” in “Proposal of Private Issuance of A Shares of BBMG Corporation” published on 27 March 2015.

Note 6: Results achieved refers to the accumulated carrying value of the revenue recognised.

Discloseable Transactions During the Reporting Period

- (1) On 9 January 2019, the Company entered into (i) a asset acquisition agreement (“**Asset Acquisition Agreement**”); (ii) a registered capital increase agreement (“**Registered Capital Increase Agreement**”) of BBMG Jidong Cement (Tangshan) Co., Ltd. (the “**JV Company**”); and (iii) a termination agreement of the equity entrustment agreement (“**Termination Agreement**”) with Tangshan Jidong Cement Co., Ltd. (“**Jidong Cement**”).

Pursuant to the Asset Acquisition Agreement, the Company has agreed to sell and Jidong Cement has agreed to purchase the entire equity interest in each of the target companies for a total consideration of RMB1,536,867,900, and has obtained the approval of the State-owned Assets Supervision and Administration Commission of the State Council (“**SASAC**”) therefor.

In order to resolve the issues of competing business between the Company and Jidong Cement and to fulfill the obligations of the Company under the Non-Competition Agreement and in accordance with the Registered Capital Increase Agreement relating to the JV Company, the Company and Jidong Cement has agreed to contribute to the increase in the registered capital of the JV Company in an amount of RMB1 billion in accordance with their respective shareholding in the JV Company. The Company will contribute by way of injecting seven companies whereas Jidong Cement will contribute by way of injecting five companies together with a cash payment of RMB2,481,749,700. The way to which contribution to be made by the Company and Jidong Cement has been approved by the SASAC.

MANAGEMENT DISCUSSION & ANALYSIS

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

The above Asset Acquisition Agreement, Registered Capital Increase Agreement of the JV Company and Termination Agreements (together the “**Agreements**”) will be beneficial to the Company in terms of enhancement of access to capital markets to finance the future growth and expansion of business operations. The Agreements further resolve the issue of competing business between the Company and Jidong Cement. The Agreements further provide an opportunity for the Company to continue to cooperate with Jidong Cement on various aspects and will be a win-win situation to both the Company and Jidong Cement. The Agreements have all been completed as of March 2019. For details of the Agreements, please refer to the announcement of the Company dated 9 January 2019.

- (2) On 20 August 2019, Beijing Yu Cheng Property Limited* (北京鈺理置業有限公司), an indirect wholly-owned subsidiary of the Company, has successfully bid a property named Building 5, No. 27 Courtyard, Bei Si Huan Middle Road, Chaoyang District, Beijing City* (北京市朝陽區北四環中路27號院5號樓) and located at Bei Si Huan Middle Road, Chaoyang District, Beijing City* (北京市朝陽區北四環中路) (with property ownership certificate number 1122115) (X京房權證朝字第1122115號) (the “**Property**”) by way of internet auction through Alibaba Judicial Auction* (淘寶網司法拍賣網絡平台) published by the Beijing Third Intermediate People’s Court* (北京市第三中級人民法院) at a consideration of RMB5,187,364,186 and obtained the internet auction confirmation on the same day. The Vendor of the Property was Beijing Pangu Shi Investment Limited* (北京盤古氏投資有限公司), who and its ultimate beneficial owner(s) are Independent Third Parties. The Property is located at Bei Si Huan Middle Road, Chaoyang District, Beijing City* (北京市朝陽區北四環中路), which belongs to an Asia Olympic business circle in Beijing. The Property has 39 above ground floors and 5 underground floors and has a building area of approximately 139,356.25 sq.m. (of which the area above ground is 108,734.65 sq.m. and the area underground is 30,621.77 sq.m.) with a remaining term of use of 37 years. The Group has settled the bidding price by internal resources of the Group. The acquisition of the Property was on normal commercial

MANAGEMENT DISCUSSION & ANALYSIS

terms and is in accordance with the Company's development strategy regarding its property investment and management business and will bring synergies to the Group's property investment and management business and further enhance the competitive advantage of the Group's property investment and management business with reasonable business value, which is in the interest of the Company and its Shareholders as a whole. For details of the acquisition of the Property, please refer to the announcements of the Company dated 20 August 2019 and 8 October 2019.

- (3) On 8 October 2019, the Company entered into the Sale and Purchase Agreement ("**Sale and Purchase Agreement**") with Jidong Cement, pursuant to which, the Company has agreed to transfer its 49% equity interests held in Beijing BBMG Mangrove ("**Beijing BBMG Mangrove**") to Jidong Cement at a total consideration of RMB1,721,464,500. Jidong Cement will settle the consideration by way of cash to the Company. Prior to the Sale and Purchase Agreement transaction, the Company and the JV Company held 49% and 51% of Beijing BBMG Mangrove, respectively. Therefore, Beijing BBMG Mangrove was a direct non-wholly owned subsidiary of the Company. Beijing BBMG Mangrove is principally engaged in the collection, storage and processing of poisonous and hazardous wastes. Upon completion of the Sale and Purchase Agreement transaction, the Company ceases to own any direct equity interest in Beijing BBMG Mangrove, and Beijing BBMG Mangrove will become an indirect non-wholly owned subsidiary of the Company.

The Sale and Purchase Agreement will be beneficial to the Company in terms of further refining its internal organization structure and will provide an opportunity for the Company to continue to cooperate with Jidong Cement through the JV Company on various aspects and will be a win-win situation to both the Company and Jidong Cement. The transactions under the Sale and Purchase Agreement is not expected to have any material adverse effect on the Company's operating results.

For details of the Sale and Purchase Agreements please refer to the announcement of the Company dated 8 October 2019.

MANAGEMENT DISCUSSION & ANALYSIS

Material Acquisition or Disposal of Subsidiaries

Save as disclosed above under the section headed “Discloseable Transactions During the Reporting Period” in relation to the proposed establishment of the JV Company and the acquisition of all the minority interests of BBMG Mangrove under the Equity Transfer Agreements, the Group had not conducted any substantial acquisition or disposal of subsidiaries, associates or joint ventures that were required to be disclosed during the Reporting Period.

Connected Transaction

During the Reporting Period, the Group had not conducted any connected transaction that was required to be disclosed.

Pledge of Assets

As at 31 December 2019, certain of the Group’s inventories, fixed assets, investment properties, land use rights and equity interest amounting to RMB50,603.4 million in aggregate (as at 31 December 2018: RMB45,891.8 million) were pledged to secure short-term and long-term loans of the Group, which accounted for approximately 17.9% of the total assets of the Group (as at 31 December 2018: 17.1%).

Contingencies

		As at 31 December 2019	Unit: RMB As at 31 December 2018
Provision of guarantee on housing mortgage to third parties	Note 1	8,583,893,305.90	6,447,501,029.54
Provision of guarantee on loans and others to third parties	Note 2	1,000,000,000.00	2,630,000,000.00
		9,583,893,305.90	9,077,501,029.54

MANAGEMENT DISCUSSION & ANALYSIS

Note 1: Certain customers of the Group have purchased the commodity housing developed by the Group by way of bank mortgage (secured loans). According to the bank requirement in respect of the secured loans of the individual purchase of housing, the Group has provided guarantees to secure the periodical and joint obligation of such secured loans granted by banks for home buyers. The guarantee will be released upon obtaining building ownership certificates and completion of formalities of mortgage by the home buyers. The management is of the opinion that in the event of default in payments, the net realizable value of the relevant properties is sufficient to cover the outstanding mortgage principals together with the accrued interests and penalties, and therefore no provision for the guarantees has been made in the financial statements.

Note 2: Jidong Group, a subsidiary of the Group, provided guarantees with joint obligations on the borrowings of RMB1,000,000,000.00 for Tangshan Culture & Tourism Investment Group Co., Ltd. (唐山市文化旅遊投資集團有限公司). The guarantee will expire on 21 May 2029.

Commitments

	As at 31 December 2019	Unit: RMB As at 31 December 2018
Contracted but not provided for:		
Capital commitments	149,181,143.13	128,498,574.97
Property development contracts	2,638,777,513.45	16,240,929,685.55
	2,787,958,656.58	16,369,428,260.52

The significant commitments made by the Group as at 31 December 2018 had been duly performed as previously undertaken.

Risk Management

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organisation and the external environment with active management participation and effective internal control procedures, which is in the best interest of the Group and its shareholders.

MANAGEMENT DISCUSSION & ANALYSIS

Significant Events After the Balance Sheet Date

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

Since the outbreak of the novel coronavirus pneumonia epidemic (the “**epidemic**”) in January 2020, Mainland China has adopted measures to prevent and control the epidemic. While maintaining our efforts in epidemic prevention and control, the Group has stepped up efforts to resume work and production and strive to minimize the impact of the epidemic on the production and operation results of enterprises. The Group expects that the epidemic and the prevention and control measures therefor have had certain temporary impacts on the Group’s production and operation. The degree of subsequent impacts will depend on the progress of the epidemic prevention and control, the duration of the epidemic, and the implementation of local prevention and control policies. The Group pays close attention to the epidemic situation and evaluates its impact on our future financial position and operating results. As of the approval date of these financial statements, the evaluation is still in progress.

Employees and Remuneration Policy

As at 31 December 2019, the Group had 49,189 employees in total (as at 31 December 2018: 52,498 employees). During the Reporting Period, the aggregate remuneration of the Group’s employees (including Directors’ remuneration) amounted to approximately RMB6,467.7 million (for the year ended 31 December 2018: RMB6,194.7 million), representing an increase of approximately 4.4%.

In order to meet the needs of the Company for strategic development and accelerate the establishment of a wage determination and normal growth mechanism that is aligned with the labor market and linked to the economic efficiency and labor productivity of the Company, and in accordance with the requirements that employees’ salaries shall be based on the industry in which the enterprise operates, region, position, contribution, and the corresponding system and mechanism of the enterprise, the Company further improved the employee compensation and benefits system by constructing a compensation system that is in line with the rules of the market and reflects the management characteristics of the Company. The adaptability and effectiveness of remuneration policy towards the Company’s business development has played an active role in maintaining the sustained robust development of the Company. Given the actual situation of the Company and the varied features of business developments of its subsidiaries, with a view to executing the remuneration and benefit programme in a more flexible and efficient manner, the Company’s remuneration policy was mainly implemented in the main forms set out as follows: Operations and management staff (including senior management of parent company and subsidiaries) receives salaries mainly on an annual basis. The Company raised the proportion of

MANAGEMENT DISCUSSION & ANALYSIS

performance-based pay in the total annual remuneration, as well as implemented deferred payment for certain performance-based rewards within their tenure of service, facilitating the performance of due diligence and diligent responsibility of senior management through its policies and systems. The Company adopted a position-based salary system for its general management, technicians and production personnel, featuring salaries according to role. The Company raised the proportion of fixed income to enhance the security function of salary and guarantee the stability of staff team through a well-established position evaluation system. Meanwhile, the Company put greater efforts in performance assessment to develop a fairer and more scientific income distribution system so that all staff could be benefited from the development of the Company. Focusing on the different characteristics of our subsidiaries, the Company also proactively explored a remuneration distribution system with various allocation factors for management, sales and technical personnel in a bid to boost the enthusiasm and creativity of key talents and enhance the production efficiency by adopting piece rate for production staff. The Company proactively facilitated the trial operation of a broad band salary system and the assessment and engagement system for professional and technical personnel and core staff for enterprises with solid foundation in management and stable business development, opened up related and consistent channels for career development and remuneration adjustment, in order to give full play to boosting the enthusiasm and creativity of its staff and create a harmonious and stable working environment.

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

MANAGEMENT DISCUSSION & ANALYSIS

Training Scheme

To further improve the talent team, implement the strategy of “building a strong enterprise with talents”, build a high-quality talent team that meets the requirements of reform and development, and promote high-quality development, the Company has innovated the talent training mechanism. In 2019, the Company officially establish the BBMG University to conduct talent training at all levels, making it a “Huangpu Military Academy” for the Company’s talent training in order to constantly improve the overall quality of our talent team. At the same time, the Company and its member organisations at all levels have formed a standardized, professional and unified staff education and training system.

In 2019, we organized 6,692 training sessions with 187,100 employees trained on an accumulative basis. The training courses include theoretical reading classes for leader and cadres, rotation training classes for grass-roots branch party secretaries, training courses for grassroots party cadres, advanced seminars for key technological employees, advanced seminars for key financial employees, advanced seminars for key legal affairs employees, senior seminars for security directors, training course chief employees, “Golden Eagle” talent training course, “Golden Talent” induction training course, waste disposal training, welder skill training, elevator emergency drill, aerial work and limited space operation training, wood-based panel technology, BIM integration training and many other aspects.

Employees of the Parent Company and Major Subsidiaries (as at 31 December 2019)

Number of incumbent employees of the parent company	126
Number of incumbent employees of major subsidiaries	49,063
Total number of incumbent employees	49,189

MANAGEMENT DISCUSSION & ANALYSIS

Professional Structure

Category	Number of employees
Production staff	25,376
Sales staff	5,471
Technical staff	10,533
Financial staff	1,661
Administrative staff	5,269
Others	879
Total	49,189

Education Level

Category	Number of employees
Master's degree and above	1,081
Bachelor's degree	11,652
Junior college	11,640
Technical secondary school and below	24,816
Total	49,189

MANAGEMENT DISCUSSION & ANALYSIS

Foreign Exchange Risk Management

The Group mainly operates its business in the PRC. During the Reporting Period, sales proceeds and procurement expenses of the Group were mainly denominated in RMB. Most of the Group's financial instruments such as accounts and bills receivable, cash and bank balances are denominated in the same currency or a currency that is pegged to the functional currency of the operations to which the transactions are related. Accordingly, it is believed that the Group has minimal foreign currency risks. The Group has not used any forward contract or currency borrowing to hedge its interest rate risks. Fluctuations of the exchange rates of foreign currencies did not constitute any major challenges for the Group nor had any significant effects on its operations or working capital during the Reporting Period. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

Treasury Policies

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

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting to the shareholders their report and the audited financial statements of the Group for the year ended 31 December 2019. The Company was established and registered as a joint stock company with limited liability in the PRC under the Company Law of the PRC on 22 December 2005 and registered on 4 November 2009 as a non-Hong Kong company in Hong Kong under Part 16 of the Hong Kong Companies Ordinance. The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 29 July 2009. The A shares of the Company were listed on the Shanghai Stock Exchange on 1 March 2011.

Principal Activities

The principal activities of the Company are investment holding and property investment. The Group is principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment and provision of property management services. The activities of the Group's principal subsidiaries are shown on pages 336 to 350. An analysis of the performance of the operating segments of the Group for the year by business segments is set out in Note XIV. 2 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the financial statements on pages 150 to 151 and 147 to 149 of this Annual Report.

No interim dividend had been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.12 per share (totaling approximately RMB1,281,333,000) for the year ended 31 December 2019 to the shareholders on or before 17 July 2020 subject to the approval of the shareholders of the Company at the forthcoming 2019 annual general meeting ("**2019 AGM**").

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

REPORT OF THE DIRECTORS

Business Review

Details of the Group's business review as specified in Schedule 5 Rules 1 and 2 of the Hong Kong Companies Ordinance (Chapter 622) during the Reporting Period, including (i) the review of the Group's business; (ii) a description of the principal risks and uncertainties facing the Group; (iii) particulars of important events affecting the company that have occurred since the end of the Reporting Period; (iv) an indication of likely future development in the Group's business; (v) an analysis using financial key performance indicators; (vi) a discussion on the Group's environmental policies and performance and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and (vii) an account of the Group's key relationships with its key stakeholders such as employees that have a significant impact on the Group and on which the Group's success depends are set out in the sections headed "Management Discussion & Analysis" on pages 26 to 79 and "Report of the Directors" on pages 80 to 95 of this Annual Report.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the Reporting Period are set out in Notes V. 17 and V. 16 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 41.

Five Years Financial Summary Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years is set out on page 412 of this Annual Report. This summary does not form part of the audited financial statements.

Bank Loans, Corporate Bonds and Notes

Details of the Company's and the Group's short-term loans, bills payable, long-term loans and short-term financing bonds and bonds payable as at 31 December 2019 are set out in Notes V. 26, 27, 36 and 37 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB2,966,468,446.68, details of which were set out in Note V. 57 to the financial statements.

REPORT OF THE DIRECTORS

Pursuant to the document Zheng Jian Xu Ke [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued corporate bonds (classified to two types) with par value of no more than RMB5,000,000,000 to qualified investors by way of public issuance on 9 January 2019. Type one amounted to RMB500,000,000 in total with a term of 5 years and a coupon rate of 3.73%. The issuer has an option to adjust the coupon rate and the investors have a sale back option at the end of the third year; and type two amounted to RMB1,500,000,000 in total with a term of 7 years and a coupon rate of 4.07%. The issuer has an option to adjust the coupon rate and the investors have a sale back option at the end of the fifth year.

Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP16) issued by the NAFMII, Jidong Cement successfully issued the first tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 22 February 2019 with a term of 270 days. The interest commencement date was 22 February 2019 and the actual amount issued totalled RMB800,000,000 with a coupon rate of 3.30%; Jidong Cement successfully issued the second tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 26 July 2019 with a term of 270 days. The interest commencement date was 26 July 2019 and the actual amount issued totalled RMB800,000,000 with a coupon rate of 3.34%; Jidong Cement successfully issued the third tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 25 September 2019 with a term of 270 days. The interest commencement date was 25 September 2019 and the actual amount issued totalled RMB500,000,000 with a coupon rate of 3.30%.

Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) issued by the NAFMII, the Company successfully issued the first tranche of super short term financing bonds for 2019 from 20 February 2019 to 21 February 2019 for a term of 216 days. The interest commencement date was 22 February 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.04%.

Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) issued by the NAFMII, the Company successfully issued the first tranche of medium term notes of BBMG Corporation for 2019 on 11 March 2019. The interest commencement date was 11 March 2019 and the actual amount issued totalled RMB2,500,000,000 with a coupon rate of 4.35%.

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Pursuant to the No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Issuance of Corporate Bonds for 2018 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2018] No. 810) (《關於唐山冀東水泥股份有限公司2018年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2018]810號)) issued by the Shenzhen Stock Exchange, Jidong Cement issued the first tranche of corporate bonds by way of non-public issuance on 20 March 2019 with a term of 5 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the third year. The interest commencement date was 19 March 2019 and the actual amount issued totalled RMB1,200,000,000. The bonds bear an interest rate of 4.97%; Jidong Cement issued the second tranche of corporate bonds by way of non-public issuance on 29 October 2019 with a term of 5 years, of which the tranche issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the third year. The interest commencement date was 28 October 2019 and the actual amount issued totalled RMB1,500,000,000. The bonds bear an interest rate of 4.20%.

Upon consideration and approval by the 34th meeting of the 4th session of the Board held on 29 August 2018 and the second 2018 extraordinary general meeting held on 16 October 2018, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF16) issued by the NAFMII, the Company successfully issued the second tranche of medium term notes for 2019 on 9 August 2019. The interest commencement date was 9 August 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.94%; the Company successfully issued the third tranche of medium term notes for 2019 on 14 November 2019. The interest commencement date was 14 November 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.13%.

Upon consideration and approval by the 34th meeting of the 4th session of the Board held on 29 August 2018 and the second 2018 extraordinary general meeting of the Company held on 16 October 2018, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF16) issued by the NAFMII, the Company successfully issued the second tranche of ultra short financing bonds on 15 October 2019 with a term of 177 days. The interest commencement date was 15 October 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 2.80%.

REPORT OF THE DIRECTORS

The proceeds of the corporate bonds, medium term notes, ultra short term financing bonds and super short term financing bonds were used for general working capital, including but not limited to the capital requirements for project investments and capital operations.

Permitted Indemnity Provision

Pursuant to the Articles of Association of the Company, all Directors, Supervisors, president and other senior management members shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, damages and expenses which he/she may sustain or incur from the execution and discharge of his or her duties or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors, Supervisors, president and other senior management members of the Company during the Reporting Period.

Environmental Protection Policies

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

Relationships with Customers, Suppliers and Employees

Currently, the Company's principal businesses cover four major business segments, namely cement and ready-mixed concrete, modern building materials and commerce and logistics, property development and property investment and management, and its main products involve various offerings, including cement, ready-mixed concrete, furniture and woods, decorative and fitting materials, wall body and insulation materials, refractory materials, affordable housing, commodity housing and investment properties, with diversified customer composition. By adhering to the objective of "customer first", the Company actively arrange its overall sales channels while enhancing its after-sales service quality, so as to establish long-term stable cooperation relationships and promote good win-win relationships with customers, as well as strengthen its position in the industry and market image.

For a long time, the Company persists in the equal consultation, mutual benefit and win-win principle, and always establishes long-term strategic partnership with suppliers with good qualification, reputation and high quality products and services.

REPORT OF THE DIRECTORS

The Company firmly fosters a people-oriented development philosophy. Based on development of harmonious labor relations and protection of employees' legal interests, the Company strives to promote building of a service, innovation, learning-oriented team to condense talented people and realize their value, providing talent assurance for the Company's long-term development.

Compliance with the Relevant Laws and Regulations which have a Significant Impact on the Group

During the Reporting Period, the Group had compliance policies and procedures in place to ensure compliance in all material respects with applicable laws, rules and regulations which have a significant impact on the Group, including the PRC Company Law, the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Rules for the General Meetings of Shareholders of Listed Companies (《上市公司股東大會規則》), and the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》). During the Reporting Period, the Group was committed to ensuring compliance with these laws and regulations through various measures, such as internal controls and risk management, approval procedures and training programs for directors, supervisors and senior management. During the Reporting Period, as far as the Board and management are aware, there was no material breach or non-compliance by the Group with the applicable laws, rules and regulations which have a significant impact on the Group.

Share Capital and Sufficiency of Public Float

Details of movements in the share capital of the Company during the Reporting Period are set out in Note V. 44 to the financial statements.

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

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in Notes V. 45, 46, 47, 48, 49, 50 and 51 to the financial statements, the audited consolidated statement of changes in shareholders' equity and the audited statement of changes in shareholders' equity of the Company.

REPORT OF THE DIRECTORS

Distributable Reserves of the Company

As at 31 December 2019, an amount of approximately RMB14,781,074,788.53 standing to the credit of the Company's reserve account is available for distribution, of which approximately RMB1,281,333,000 has been proposed as a final dividend for the year.

Directors and Supervisors

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

Executive Directors:

Jiang Deyi (Chairman)

Wu Dong

Zheng Baojin

Non-executive Directors:

Guo Yanming

Xue Chunlei

Independent non-executive Directors:

Wang Guangjin

Tian Lihui

Tang Jun

Ngai Wai Fung

Supervisors:

Pei Ying

Wang Zhicheng

Yu Kaijun

Zhang Guoliang

Zhuang Zhenguo

Wang Zhicheng (resigned on 23 May 2019)

REPORT OF THE DIRECTORS

The terms of office of the Directors and Supervisors of the current fifth session of the Board and supervisory board of the Company (“**Supervisory Board**”) commenced from the respective dates of appointment (that is, on the date of the 2018 second extraordinary general meeting on 16 October 2018) and will expire on the date of the 2020 annual general meeting. Upon the expiry of the term of appointment at the 2020 annual general meeting, the Company will arrange for the proposed appointment of the new session.

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

Directors’, Supervisors’ and Senior Management’s Biographies

Biographical details of the Directors, the Supervisors and the senior management of the Group are set out on pages 10 to 21 of this Annual Report.

Directors’ and Supervisors’ Service Contracts

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

Directors’ and Supervisors’ Interests in Arrangements or Contracts

No Director or Supervisor, either directly or indirectly, has any interests in any arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

Directors’ Interests in Businesses Competing with the Group

None of the Directors has interests in any business which directly or indirectly competes or may compete with the Group.

Employee Retirement Plan

Please refer to Notes III. 20 and V. 31 to the financial statements for details of the Group’s employee retirement plan.

REPORT OF THE DIRECTORS

Management Contracts

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

Directors' and Supervisors' Remunerations

Details of the remunerations of the Directors and the Supervisors of the Company are set out in Note XIV. 3 to the financial statements.

According to the relevant regulations in relation to the remuneration management of the Company and completion of the results of each year, the Company proposes and submits the annual remuneration of the executive Directors for the consideration and approval at the annual general meeting of that year.

The remuneration of the non-independent directors will be determined by the shareholders of the Company at the annual general meetings held by the Company based on the corporate policy on directors' remuneration as well as his workload and responsibilities. The remuneration of the independent directors will be determined by the shareholders of the Company at the general meetings held for approving their appointment based on the corporate policy on directors' remuneration as well as his workload and responsibilities, of which the independent directors will receive RMB150,000 per year (before tax).

The remuneration of supervisors will be determined in general meetings held for approving their appointment, of which (i) supervisors representing the controlling shareholder will not receive any separate remuneration; and (ii) supervisors elected democratically by the staff and workers of the Company will not receive any separate remuneration.

Top Five Highest-Paid Employees

Details of the top five highest-paid employees of the Company during the Reporting Period are set out in Note XIV. 3 to the financial statements.

REPORT OF THE DIRECTORS

Interests And Short Positions of Directors, Supervisors and Chief Executive Officer in Shares and Underlying Shares

As at 31 December 2019, the interests or short positions of the Directors, supervisors or chief executive officer of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register of interests required to be kept under section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

Name of director	Capacity	Number of A Shares held	Number of H Shares held	Percentage of the issued share capital of the Company
Jiang Deyi	Beneficial owner	63,000	–	0.00%
Wu Dong	Beneficial owner	60,000	–	0.00%

All the shareholding interests listed in the above table are “long” position.

Model Code for Securities Transactions by Directors and Supervisors

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

As at 31 December 2019, the Directors were not aware of any issues of the Directors, supervisors and relevant employees not in compliance with the Model Code during the Reporting Period. Specific enquiry has been made to all Directors and supervisors, who have confirmed that they had complied with the Model Code during the Reporting Period.

REPORT OF THE DIRECTORS

Pre-Emptive Rights

There is no provision regarding pre-emptive rights under the Articles of Association or in the laws of the PRC which would oblige the Company to offer new shares to its existing shareholders on a pro rata basis.

Charitable Donations

Charitable donations made by the Group during the Reporting Period amounted to RMB34,373,605.55 (for the year ended 31 December 2018: RMB984,505.0).

Taxation for Shareholders of H Shares

According to the Law on Enterprise Income Tax of the People's Republic of China and its implementing rules which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% before distributing any dividends to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company. Any H shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations shall be deemed as shares held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the enterprise income tax. The Company will not withhold enterprise income tax in respect of the dividends payable to any natural person shareholders whose names appear on the Company's H share register of members on the relevant record date for determining the eligibility for the dividends.

The Company will withhold payment of the enterprise income tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on what has been registered on the Company's share register of members on the relevant record date for determining the eligibility for the dividends. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding of enterprise income tax.

REPORT OF THE DIRECTORS

Profit Distribution for Investors of Northbound Trading

For investors (including enterprises and individuals) investing in the A shares of the Company (the “**A Shares**”) listed on the Shanghai Stock Exchange through The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Northbound Trading**”), their dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of tax residency is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authorities, the paid amount in excess of the tax payable based on the tax rate under such tax treaty will be refunded to those enterprises and individuals by the competent tax authorities.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Northbound Trading will be the same as those for the holders of A Shares.

Profit Distribution for Investors of Southbound Trading

For investors (including enterprises and individuals) investing in the H Shares listed on Hong Kong Stock Exchange through the Shanghai Stock Exchange (the “**Southbound Trading**”), in accordance with the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (港股通H股股票現金紅利派發協議) to be signed between the Company and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system.

REPORT OF THE DIRECTORS

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81), for dividends received by domestic individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the companies of such H Shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The companies of such H Shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax payable themselves.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

Transactions in Respect of the Group's Own Securities

During the Reporting Period, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2019, the Group had no redeemable securities.

REPORT OF THE DIRECTORS

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

So far as was known to the Directors, as at 31 December 2019, shareholders of the Company who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of issued share capital (%)	Percentage of total issued share capital (%)
A Shares	北京國有資本經營管理中心 (Beijing SCOM Center) (Note 1)	Direct beneficial owner	4,797,357,572	57.53	44.93
	北京京國發股權投資基金 (有限合夥) (Beijing Jingguofa Equity Investment Fund (Limited Partnership)) (Note 2)	Interest of corporation controlled by the substantial shareholder	43,115,900	0.52	0.40
	State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1)	Held by controlled corporation	4,840,473,472	58.05	45.33
H Shares	Ouyang Jieliang	Beneficial owner	214,351,000	9.17	2.01
H Shares	FMR LLC	Interest of corporation controlled by the substantial shareholder	165,062,901	7.06	1.55
H Shares	Prime Capital Management Company Limited	Investment manager	163,366,755	6.99	1.53
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	139,485,840	5.96	1.31
H Shares	Fidelity Investment Trust	Beneficial owner	117,593,500	5.03	1.10

REPORT OF THE DIRECTORS

Note 1: 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: The Beijing SCOM Center is interested in 43,115,900 A Shares of the Company through its 83.4262% direct equity interest in Beijing Jingguorui State-owned Assets Reform and Development Fund (Limited Partnership)* (北京京國瑞國企改革發展基金(有限合夥)) and 93.32% indirect equity interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership)* (北京京國發股權投資基金(有限合夥)), which is directly held by Jingguorui State-owned Assets Reform and Development Fund (Limited Partnership)* (北京京國瑞國企改革發展基金(有限合夥)).

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 issued share capital (%)	Percentage of total issued share capital (%)
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	683,000	0.03	0.01

Save as disclosed above, as at 31 December 2019, so far as was known to the Directors, there were no other parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Major Customers and Suppliers

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

Competition and Conflict of Interests

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

Connected Transactions and Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the Group had no discloseable connected transaction or continuing connected transaction during the Reporting Period within the meaning of the Listing Rules which are required to be disclosed in the annual report of the Company.

REPORT OF THE DIRECTORS

Independent Auditor

The consolidated financial statements for the year ended 31 December 2019 of the Company have been audited by Ernst & Young Hua Ming LLP, who will retire and, being eligible, offer themselves for re-appointment. A resolution reappointing Ernst & Young Hua Ming LLP as the independent auditor of the Company will be proposed at the forthcoming 2019 annual general meeting.

On behalf of the Board

Jiang Deyi

Chairman

Beijing, the PRC

31 March 2020

REPORT OF THE SUPERVISORY BOARD

In 2019, the Supervisory Board exercised supervision over the Company's financial conditions, lawful operation and the performance by the Board and the management with an aim to protect the interests of both of Company and the shareholders of the Company in accordance with the Company Law of the People's Republic of China, the Articles of Association of BBMG Corporation and the Rules of Procedures of the Supervisory Board of BBMG Corporation. All Supervisors exercised due diligence and care in discharging their duties and fulfill substantially all of the objectives of the Supervisory Board for 2019.

I. Meetings of the Supervisory Board in 2019

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

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

The third meeting of the fifth session of the Supervisory Board was convened by way of telecommunication voting on 9 January 2019. The following resolutions were considered and approved at the meeting:

1. The resolution regarding the matters in relation to the injection of the relevant assets of the cement and other businesses of the Company into Tangshan Jidong Cement Co., Ltd.
2. The resolution regarding the profit compensation matters in relation to the injection of the relevant assets of the cement and other businesses of the Company into Tangshan Jidong Cement Co., Ltd.
3. The resolution on confirming the audit report and evaluation report involved in the injection of the relevant assets of the cement and other businesses of the Company into Tangshan Jidong Cement Co., Ltd.

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

The fourth meeting of the fifth session of the Supervisory Board was convened on-site in Beijing on 28 March 2019. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the annual report and its summary and the annual results announcement of the Company for 2018

REPORT OF THE SUPERVISORY BOARD

2. The resolution for considering the work report of the Company's Supervisory Board for 2018
3. The resolution for considering the financial budget reports of the Company for 2018
4. The resolution for considering the profit distribution of the Company for 2018
5. The resolution for considering the corporate social responsibility report and ESG report of the Company for 2018
6. The resolution for considering the "Special Report on the Deposit and the Actual Use of Proceeds" of the Company
7. The resolution for considering the provision for assets impairment

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

The fifth meeting of the fifth session of the Supervisory Board was convened by way of telecommunication voting on 25 April 2019. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the first quarterly report of the Company for 2019
2. the resolution for considering the changes to accounting policies of the Company

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

The sixth meeting of the fifth session of the Supervisory Board was convened on-site in Beijing on 27 August 2019. All six eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the interim report, summary and the interim results announcement of the Company for 2019
2. The resolution for considering the "Interim Special Report on the Deposit and the Actual Use of Proceeds for 2019" of the Company

REPORT OF THE SUPERVISORY BOARD

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

The seventh meeting of the fifth session of the Supervisory Board was convened on-site in Beijing on 29 October 2019. The resolution regarding the third quarterly report of the Company for 2019 was considered and approved at the meeting.

II. Attendance of Members of the Supervisory Board at General Meetings and their In-attendance at Board Meetings in 2019

During the Reporting Period, members of the Supervisory Board attended one shareholders' general meeting of the Company, and were in attendance at 9 Board meetings of the Company, and reviewed the resolutions proposed during the meetings. The Supervisors exercised their supervision over the meetings' compliance, voting procedures, major decision-making processes of the Company and the performance of duties by the members of the Board and the senior management by attending relevant meetings.

III. Opinion of the Supervisory Board on Certain Issues of the Company for the Year 2019

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

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

Pursuant to the laws and regulations of the jurisdiction(s) where the shares of the Company are listed, the Supervisory Board had duly overseen and examined the convening procedures and resolutions of the Board meetings of the Company, implementation by the Board of the resolutions of the shareholders' general meetings, the performance of duties by the senior management of the Company under relevant laws and the establishment and implementation of a mature internal management system of the Company in 2019. With respect to the business operations of the Company and the performance of duties by the Directors and the senior management, the Supervisory Board was not aware of any violation of laws, regulations, the Articles of Association and relevant protocols, rules of procedures, nor any power being abused or infringement of the interests of the shareholders of the Company and the legitimate rights of the employees.

REPORT OF THE SUPERVISORY BOARD

(II) Opinion on financial position of the Company

During the Reporting Period, the Supervisory Board had duly supervised and inspected the financial system and financial position of the Company, and carefully considered the financial information of the Company as contained in the Audited Accounts of the Company for 2018, Preliminary Profit Distribution Plan for 2018, the financial accounting reports included in the annual report for 2018 and the first quarterly report, interim report and third quarterly report for 2019, and is of the opinion that the Company's financial information gives a true, fair and complete view of its financial conditions and operating performance.

(III) Opinion on regular reports of the Company

During the Reporting Period, the Supervisory Board exercised supervision over the preparation, review and disclosure procedures of the Company's regular reports disclosed in 2019, and is of the opinion that such procedures are in compliance with laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company. The content and format of the regular reports are in line with all provisions of the regulatory authorities and the information contained therein gives a true, accurate and complete view of the operating condition of the Company during each of the Reporting Period in 2018 and 2019. No violation of the regulations regarding confidentiality, information disclosure and other aspects by personnel involved in preparation, review and disclosure of the regular reports has been found.

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

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

REPORT OF THE SUPERVISORY BOARD

(V) Opinion on connected transactions of the Company

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

(VI) Opinion on corporate social responsibility report

During the Reporting Period, the Supervisory Board reviewed the Company's corporate social responsibility report for 2018, and is of the opinion that the report gives an objective and practical view of the performance of corporate social responsibilities of the Company during the year.

IV. Work Plan of the Supervisory Board for 2020

In 2020, the Supervisory Board will continue to discharge its duties diligently in compliance with the relevant requirements under applicable laws and regulations including the Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Board of the Company, thereby protecting the legitimate rights and interests of the Company and its shareholders as a whole.

(I) Duly discharging duties under the laws and regulations

In 2020, the Supervisory Board will exercise supervision over standardized operations and the performance of duties by the Directors and the senior management of the Company in strict compliance with the Company Law, the Articles of Association and relevant requirements. Firstly, it will procure the Company to further improve its corporate governance structure and governance practices according to the requirements of the modern enterprise systems. Secondly, it will continue to strengthen its supervisory functions by attending the general meetings and the Board meetings under the laws to keep informed of the Company's major decisions and the legitimacy of decision-making processes to better protect the rights and interests of the shareholders of the Company. Thirdly, it will implement the Rules of Procedures of the Supervisory Board and convene meetings of the Supervisory Board on a regular basis.

REPORT OF THE SUPERVISORY BOARD

(II) Strengthening supervision and inspections to avoid operational risks

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

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

Pei Ying

Supervisory Board

Beijing, the PRC

31 March 2020

INVESTOR RELATIONS REPORT

Overview

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

Investor Relations Review

1. Meetings with Investors

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

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

INVESTOR RELATIONS REPORT

2. Ongoing Communications with Shareholders, Investors and Analysts

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

3. Results Announcement

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

4. Maintaining Interactive Communications with Media

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

5. Timely Dissemination of Latest Corporate Updates

The Company's website is considered to be one of the quickest means to communicate with investors. The Group regularly updated the contents of the company's website (www.bbmj.com.cn/listco), disseminated the latest corporate updates, developments and disclosed financial information of the Group so as to enable the public to obtain such information in a timely manner. In addition, the Group also swiftly responded to different enquiries made by the shareholders of the Company, investors, analysts and media by means of email, facsimile and telephone; and published announcements, press releases and other latest updates on the development of the Group, so as to strengthen the effectiveness of information dissemination.

INVESTOR RELATIONS REPORT

Prospects

The foundation of investor relations is based on the seamless integration of advanced public communication strategies and the dedicated involvement by the senior management of the Group. In the coming year, the Group will continue to maintain highly transparent and effective corporate governance practices and is endeavored to maintain timely and accurate information dissemination and quality disclosure in order to strengthen the relationship with investors.

The Group also welcomes constructive recommendation and feedback from the investment community. With the invaluable support from the investors and the public, we are committed to providing the best investor relations service and continuously improving the quality and transparency of public disclosure so as to maximize the return to the shareholders of the Company.

Investor Information

1 Share Particulars

H Shares

Listing date	29 July 2009
Board lot	1,000 shares
Number of issued H shares	2,338,764,870 shares (as at 31 December 2019 and 31 March 2020)
Stock code	02009.HK

A Shares

Listing date	1 March 2011
Board lot	100 shares
Number of issued A shares	8,339,006,264 shares (as at 31 December 2019 and 31 March 2020)
Stock code	601992.SH

INVESTOR RELATIONS REPORT

2	Financial Calendar	
	2018 annual results announcement	published on 28 March 2019
	2019 first quarterly results announcement	published on 25 April 2019
	2019 interim results announcement	published on 27 August 2019
	2019 third quarterly results announcement	published on 29 October 2019
	2019 annual results announcement	published on 31 March 2020
	Closure of register of H shares members for attending the 2018 AGM	from 16 April 2019 to 15 May 2019
	2018 AGM	15 May 2019
	Closure of register of H shares members for attending the 2019 AGM	from 20 April 2020 to 19 May 2020
	2019 AGM	19 May 2020
	Financial year end	31 December
3	Dividends	
	2018 final dividend	RMB0.055 per share
	Closure of register of H shares members for 2018 final dividend	from 24 May 2019 to 29 May 2019
	2018 H shares final dividend payment date	15 July 2019
	Proposed 2019 final dividend	RMB0.12 per share
	Closure of register of H shares members for 2019 final dividend	from 28 May 2020 to 2 June 2020
	2019 H shares final dividend payment date	17 July 2020

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Company website: www.bbmg.com.cn/listco

CORPORATE GOVERNANCE REPORT

BBMG





CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2019.

1. Commitment to Corporate Governance

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

During the Reporting Period, the Company had applied the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company had applied the principles and complied with all the code provisions of the corporate governance code (the "**CG Code**"), as amended from time to time, set out in Appendix 14 to the Listing Rules during the Reporting Period as its own code on corporate governance practices. During the Reporting Period, the Company had reviewed its corporate governance documents and is of the view that the Company had fully complied with the code provisions of the CG Code.

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE REPORT

2. The Board**Duties and Functions of the Board**

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Composition

As at the end of the Reporting Period, the Board comprised three executive Directors, two non-executive Directors and four independent non-executive Directors:

Executive Directors:

Jiang Deyi	Chairman of the Board and Chairman of the Strategic Committee
Wu Dong	Member of the Remuneration and Nomination Committee
Zheng Baojin	Member of the Strategic Committee

CORPORATE GOVERNANCE REPORT

Non-executive Directors:

Guo Yanming Member of the Audit Committee

Xue Chunlei Member of the Audit Committee

Independent non-executive Directors:

Wang Guangjin Chairman of the Remuneration and Nomination Committee and members
of the Audit Committee and Strategic Committee

Tian Lihui Chairman of the Audit Committee and members of the Remuneration and
Nomination Committee and Strategic Committee

Tang Jun Members of the Remuneration and Nomination Committee, Audit
Committee and Strategic Committee

Ngai Wai Fung Members of the Remuneration and Nomination Committee, Audit
Committee and Strategic Committee

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

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

The biographical details of each Director are disclosed on pages 10 to 14 of this Annual Report. All Directors shall report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflict of interest in any proposal under consideration, such Director shall declare his interests and abstain from voting and may, when necessary, apply for absence. The Board requires the Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries during each reporting period. Any material transactions relating to connected persons, which have been confirmed, will be disclosed in accordance with the Listing Rules and in the notes to the financial statements of the annual report.

CORPORATE GOVERNANCE REPORT

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Diversity

With a view to achieving a sustainable and balanced development, the Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development and has formulated the board diversity policy. The Remuneration and Nomination Committee regularly reviews the structure, number of members and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board in support of the Company's strategy.

The Remuneration and Nomination Committee reviews and implements the board diversity policy as and when appropriate, and proposes any recommended revisions as and when necessary to the Board for consideration and approval so as to ensure the effectiveness of the policy. The Company will make proper information disclosure on board composition (including gender, ethnicity, age and length of service) according to laws and regulations and Listing Rules.

The Chairman and the Chief Executive Officer

For the year ended 31 December 2019, the Company has reviewed its corporate governance documents and is of the view that the Company had fully complied with the code provisions of the CG Code set out in the Appendix 14 to the Listing Rules.

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

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

CORPORATE GOVERNANCE REPORT

Terms of Office of Directors, Supervisors and Senior Management

The terms of office of the current fifth session of the Board and Supervisory Board of the Company has commenced from the respective dates of appointment (that is, on the date of the 2018 Second EGM) and will expire on the date of the 2020 AGM. Upon the expiry of the terms of appointment at the 2020 AGM, the Company will arrange for the proposed appointment of the new session of the Board and the Supervisory Board.

Company Secretary

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

CORPORATE GOVERNANCE REPORT

The company secretary is also in charge of preparing and keeping written resolutions and/or minutes of meetings of the Board and the Board committees together with any relevant documents. All matters under consideration including any enquiry and objection by Directors will be minuted in details. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comments and final written resolutions and minutes will be sent to all Directors for their records.

According to Rule 3.29 of the Listing Rules, the company secretary had taken no less than 15 hours of relevant professional training during the Reporting Period.

Board Meetings

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

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

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

CORPORATE GOVERNANCE REPORT

The Board held four regular Board meetings during the Reporting Period to review the financial performance of the Group. Between these regular meetings, the Board also met to discuss and consider major issues (whether or not required by the Listing Rules) and also on other occasions when Board decisions are required. With respect to regular meetings of the Board, Directors were given a formal written notice of the meeting and an agenda with supporting Board papers to the meeting in accordance with the Listing Rules and the CG Code. With respect to other meetings called, Directors were given as much notice as was reasonable and practicable in the circumstances. During the Reporting Period, the Board also convened the 2018 AGM on 15 May 2019. The number of meetings and attendance details of each Director during the Reporting Period are set out in the table below:

Name of Directors	Number of attendance/ Number of meetings entitled to attend	
	Board meetings	2018 AGM
<i>Executive Directors</i>		
Jiang Deyi (Chairman)	9/9	1/1
Wu Dong	9/9	1/1
Zheng Baojin	9/9	1/1
<i>Non-executive Directors</i>		
Guo Yanming	9/9	1/1
Xue Chunlei	9/9	1/1
<i>Independent non-executive Directors</i>		
Wang Guangjin	9/9	1/1
Tian Lihui	9/9	1/1
Tang Jun	9/9	1/1
Ngai Wai Fung	9/9	1/1

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuous Professional Development

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Types of training
<i>Executive Directors</i>	
Jiang Deyi (Chairman)	A + B + C
Wu Dong	A + B + C
Zheng Baojin	A + B + C
<i>Non-executive Directors</i>	
Guo Yanming	A + B + C
Xue Chunlei	A + B + C
<i>Independent non-executive Directors</i>	
Wang Guangjin	A + B + C
Tian Lihui	A + B + C
Tang Jun	A + B + C
Ngai Wai Fung	A + B + C

- A: attending seminars, conferences and/or forums
- B: giving talks at seminars, conferences and/or forums
- C: reading newspapers, journals and updates relating to the economy, general business, building materials, property development or director's duties and responsibilities, etc.

All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

CORPORATE GOVERNANCE REPORT

Board Committees

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

Audit Committee

The Company has established the Audit Committee pursuant to the provisions of the CG Code with written terms of reference, aiming at (among other things) reviewing and supervising the Group's financial reporting procedures. The Audit Committee consists of two non-executive Directors and four independent non-executive Directors. At a meeting convened on 31 March 2020, the Audit Committee reviewed and considered the consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also recommended the Board to adopt the Group's consolidated financial statements for the Reporting Period.

The major functions and roles of the Audit Committee are:

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

CORPORATE GOVERNANCE REPORT

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

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

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Independent non-executive Directors</i>	
Tian Lihui (Chairman of the Audit Committee)	5/5
Wang Guangjin	5/5
Tang Jun	5/5
Ngai Wai Fung	5/5
<i>Non-executive Directors</i>	
Guo Yanming	5/5
Xue Chunlei	5/5

CORPORATE GOVERNANCE REPORT

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

- review of the external auditors' report in respect of the audited financial statements, annual report and results announcement for the year ended 31 December 2018;
- review of implementation of the final dividend for the year ended 31 December 2018;
- review of the accounting policies of the Group adopted during the Report Period;
- the proposed appointment of Ernst & Young Hua Ming LLP as the Company's independent auditor for the year ended 31 December 2019;
- review of the 2019 interim report and interim results announcement;
- review of the 2019 first quarter and third quarter results reports;
- review of the procedures for information disclosure during the Reporting Period;
- review of the internal control and risk management function of the Group with the discussion of the internal auditors;
- review of the internal control report;
- review of the Company's audit planning report prepared by Ernst & Young Hua Ming LLP for the year ended 31 December 2019;
- review of changes of accounting policy;
- review of the appointment and remuneration plan of senior management;
- review of the related transactions, external guarantee and occupied fund of the Group; and
- review of the work performed by other Board committees during the Reporting Period.

This Annual Report and the annual results announcement of the Company for the Reporting Period have been reviewed by the Audit Committee during the meeting convened on 31 March 2020.

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

CORPORATE GOVERNANCE REPORT

Remuneration and Nomination Committee

The Company established the Remuneration and Nomination Committee with written terms of reference in compliance with the CG Code. The main responsibilities of the committee are (i) to review and consider the remuneration policies and structure of the Directors and senior management and make relevant proposals to the Board; (ii) to review and approve the performance-based remuneration by reference to the objectives of the Group (as adopted from time to time by the Board); (iii) to submit the remuneration plan proposed by the committee for the Directors to the general meeting for consideration and approval after being approved by the Board before its implementation; (iv) to submit the remuneration distribution plan for the senior management personnel to the Board for approval; (v) to nominate candidates as Directors and senior management; (vi) to examine nominations for Directors and senior management and to make recommendations to the Board for appointments; and (vii) to review the implementation of the policy on diversity of the Board. The candidates of Directors are selected and recommended based on their working experience, professional expertise and commitment. The recommendations of the Nomination and Remuneration Committee are then put forward for consideration by the Board. As at 31 December 2019, the Remuneration and Nomination Committee consisted of five members, one of whom is executive Director, namely Wu Dong, together with four independent non-executive Directors, namely, Wang Guangjin (serving as chairman of the committee), Tian Lihui, Tang Jun and Ngai Wai Fung.

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

- a. The resolution of determining the remuneration of executive Directors of the Board and the senior management of the Company by the Remuneration and Nomination Committee;
- b. The proposals to the Board on 2018 performance-based remuneration plan for the Company's senior management and 2018 remuneration plan;
- c. The consideration and review on (i) the appointment of senior management and (ii) the composition of the Remuneration and Nomination Committee and Strategic Committee;
- d. The review of the proposals of appointing senior management; and
- e. Reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Executive Director</i>	
Wu Dong	2/2
<i>Independent non-executive Directors</i>	
Wang Guangjin (Chairman of the Remuneration and Nomination Committee)	2/2
Tian Lihui	2/2
Tang Jun	2/2
Ngai Wai Fung	2/2

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

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

The biographical details of senior management are disclosed on pages 17 to 21 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Strategic Committee

The Company established the Strategic Committee whose primary duties are to formulate the overall development plans and investment decision-making procedures of the Group. As at 31 December 2019, the Strategic Committee consisted of six members, two of whom are executive Directors, namely Jiang Deyi and Zheng Baojin with Jiang Deyi serving as the Chairman, together with four independent non-executive Directors, namely, Wang Guangjin, Tian Lihui, Tang Jun and Ngai Wai Fung.

During the Reporting Period, the Strategic Committee convened two meetings with an attendance rate of 100% to consider investment and financing plan of the Company and make comments and advise on the development planning strategy of the Company according to the environment and status of the industry and market where our Company are operating.

3. Statement of Financial Responsibility of the Board

It is the responsibility of the Board for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for (i) the preparation of the Company's financial statements; (ii) the completeness and legitimacy of the financial data; and (iii) the efficiency of the Company's internal control and risk management function for the year ended 31 December 2019.

Management team shall provide such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2019, the Directors have:

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

CORPORATE GOVERNANCE REPORT

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

The Company has received a statement by the independent auditors of the Company about their reporting responsibilities. The statement of the independent auditors of the Company on its reporting responsibilities on the financial statements is set out in the “Auditors’ Report” on pages 140 to 146 of this Annual Report.

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

4. Directors’ and Supervisors’ Securities Transactions

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

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

All Directors confirmed that as at 31 December 2019, none of the Directors, the Supervisors and the specific employees who may have possession of certain inside information that had not been disclosed in accordance with the requirements of the Model Code has interests or short positions which are required to notify the Company and the Hong Kong Stock Exchange, or incur any conduct in violation of regulations. Having made specific enquiries to all Directors and all Supervisors of the Company, they have confirmed that they had complied with the required standards set out in the Model Code throughout the Reporting Period.

CORPORATE GOVERNANCE REPORT

5. Senior Management's Remuneration

The Company considers the executive Directors, the president, the deputy general manager, the deputy general manager assistant, the board secretary and the company secretary as the members of the senior management.

For the year ended 31 December 2019, remuneration paid to the members of the senior management other than the Executive Directors was as follows:

	2019 RMB	2018 RMB
Total remuneration	8,012,772	7,550,475

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

	2019	2018
RMB0-1,000,000	10	8
RMB1,000,001-1,500,000	1	2
	11	10

6. Internal Control and Audit

Internal Control

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

CORPORATE GOVERNANCE REPORT

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

The Board's Statement on Its Responsibility for Internal Control

The Board has conducted self-evaluation on the effectiveness of the design and implementation of the internal control of the Company as at 31 December 2019 pursuant to the requirements of fundamental standards, evaluation guidelines and other relevant laws and regulations on an annual basis.

1. During the Reporting Period, the Company had established and effectively implemented an internal control system covering all businesses and issues required for evaluation with no significant or material pitfalls. The Company managed to realize its goals of internal control.

CORPORATE GOVERNANCE REPORT

2. From the benchmark date of the internal control evaluation report to the date of issuing the internal control evaluation report, there were no significant changes in internal control process which might impose any substantial impacts on the evaluation results. Internal control process may be subject to common defects in daily operation. However, the internal control of the Company is provided with dual monitoring mechanism of self-evaluation and internal audit to put risks under control and free the financial reports of the Company from its impact.
3. A standard unqualified internal control audit report has been issued to the Company by Ernst & Young Hua Ming LLP, the internal control auditor engaged by the Company.

In 2019, great changes took place in the internal control environment of the Company. The Company included Party building into the Articles of Association; adjusted the department setting of the group headquarter; established new materials industrialization group and investment property group and formed "1+7+X" control model. These changes required optimization of original internal control system. To adapt to these changes, the Company fully organized and revised the original system and re-issued 151 group regulations. On this basis, it completed the revision of Internal Control Manual and added "Three Major and One Large" (namely major issue decision making, major cadres appointment and dismissal, major project investment decision making and utilization of a large amount of funds) decision-making process, cadre management, assets evaluation management and bidding management in light of the control emphasis of the group; added overseas investment management, business outsourcing management, overseas (outbound) trips management, confidential work management in light of external supervision requirements. Through self-evaluation, the Company has maintained effective internal control in all major aspects in accordance with the internal control standard system and relevant regulations and found no major and significant flaws. Looking into 2020, the Company will strengthen the execution of all regulations and processes on the basis of the existing internal control system and ensure that all internal control work centers on its development strategy needs, strengthen risks prevention and ensure that the operation and management of the Company comply with laws, regulations, assets are safe, and financial reports and relevant information are true and complete, thereby enhancing operation efficiency and effect, promoting the Company to realize development strategy. Meanwhile, subject to new situations in the execution of existing internal control system, part of the business processes will be optimized and improved to ensure that the internal control system of the Company timely adapts to changes in environment and remains valid dynamically.

CORPORATE GOVERNANCE REPORT

Auditors' Remuneration

The Audit Committee reviewed the letter from Ernst & Young Hua Ming LLP to confirm its independence and objectiveness, and held meetings with Ernst & Young Hua Ming LLP to discuss the audit scope and fees by Ernst & Young Hua Ming LLP. The Company engaged Ernst & Young Hua Ming LLP as the sole external auditor of the Company. The remuneration in respect of audit services and non-audit services provided by Ernst & Young Hua Ming LLP in 2019 is summarised as follows:

Ernst & Young Hua Ming LLP	RMB
Annual results auditing services	5,800,000
Review of 2019 interim results	3,750,000
Other non-annual audit or review services	306,000
Total	9,856,000

7. Communications with Shareholders

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

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

CORPORATE GOVERNANCE REPORT

8. Shareholders' Rights

Procedure for shareholders to convene an extraordinary general meeting:

Pursuant to Articles 64 and 107 of the Articles of Association and Rules of Procedure for General Meetings of the Company, the following procedures are set out for shareholders to convene an extraordinary general meeting or class meeting of shareholders:

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

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

CORPORATE GOVERNANCE REPORT

Procedure for election of directors nominated by shareholders

Pursuant to Articles 67 and 140 of the Articles of Association and Rules of Procedure for General Meetings of the Company, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Stock Listing Rules of Shanghai Stock Exchange, the following procedure is set out for election of directors nominated by shareholders:

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

Proposals at a general meeting shall meet the following requirements:

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

CORPORATE GOVERNANCE REPORT

Voting on proposals for election of Directors shall take the form of cumulative voting, namely, if more than two directors are to be elected at the general meeting, every share held by the voting shareholders shall have voting rights equal to the number of directors to be elected, and any shareholder may concentrate his/her voting rights on one director candidate or distribute his/her voting rights among several director candidates.

Cumulative voting mentioned in the preceding paragraph means that when Directors or supervisors are being elected at a general meeting, each share has as many voting rights as the candidates for directors or supervisors, and the shareholders' voting rights may be used in a concentrated manner.

Procedure for Shareholders to put forward proposals at a general meeting

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

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

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

CORPORATE GOVERNANCE REPORT

Proposals at a general meeting shall meet the following requirements:

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

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

9. Constitutional Documents

The Company did not make amendments to the articles of association of the Company (“**Articles of Association**”) during the Reporting Period.

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

(3) Differentiated cash dividend distribution policies:

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

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

CORPORATE GOVERNANCE REPORT

(4) Conditions of dividend distribution in shares:

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

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

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

- (1) The profit distribution proposal shall be proposed by the management and submitted to the board of directors for review and approval, and independent directors shall express definite opinions in this regard. The board of directors shall record a resolution and submit to the shareholders' general meeting for review and approval.
- (2) The board of directors shall fully consider the profit distribution proposal pursuant to the provisions of the Articles of Association, having taken into full account of the Company's ability to operate on an ongoing basis, and the capital required for ensuring ordinary production, operation and business development as well as reasonable returns to investors. In deliberating and decision-making of the profit distribution proposal, the board of directors shall communicate and exchange ideas with independent directors and minority shareholders through multiple channels and take full account of the views of independent directors and the demands of minority shareholders.

CORPORATE GOVERNANCE REPORT

- (3) Independent directors may solicit opinions from minority shareholders, put forth dividends distribution proposals and directly submitted to the board of directors for review and approval.
- (4) The profit distribution proposal shall be submitted to the supervisory board for review and approval and shall be approved by the supervisory board.
- (5) If the Company decides not to distribute cash dividend due to special circumstances stipulated above, the board of directors shall provide a special explanation on matters relating to the detailed reasons, the exact purpose of the retained proceeds and estimated return on investment. After the independent directors express opinion, the special explanation shall be submitted to the shareholders' general meeting for review and approval, and disclosed on the media designated by the Company.

(IV) Implementation of profit distribution:

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

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

CORPORATE GOVERNANCE REPORT

(V) Adjustment of profit distribution policies:

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

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

On behalf of the Board

Jiang Deyi

Chairman

Beijing, the PRC

31 March 2020

AUDITORS' REPORT



Auditors' Report

Ernst & Young Hua Ming (2020) Shen Zi No. 60667053_A02

BBMG Corporation

To the shareholders of BBMG Corporation:

I. Audit opinion

We have audited the financial statements of BBMG Corporation, which comprise the consolidated and company balance sheets as at 31 December 2019, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for 2019 and the relevant notes to the financial statements.

In our opinion, the accompanying financial statements of BBMG Corporation present fairly, in all material aspects, the consolidated and company's financial position of BBMG Corporation as at 31 December 2019 and the consolidated and company's operating results and cash flows for 2019 in accordance with the Accounting Standards for Business Enterprises.

II. Basis for audit opinion

We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Our responsibilities under those standards are further described in the section "Certified Public Accountants' responsibilities for the audit of the financial statements" under the auditors' report. Pursuant to the Code of Ethics for Chinese Certified Public Accountants, we are independent of BBMG Corporation and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the section "Certified Public Accountants' responsibilities for the audit of the financial statements" under the report, including those in relation to these key audit matters. Accordingly, our audit included the performance of audit procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the key audit matters below, provide the basis for our audit opinion on the financial statements as a whole.

Auditors' Report *(continued)*

III. Key audit matters *(continued)*

Key audit matters:**How our audit addressed the matters:****Impairment of goodwill**

As at 31 December 2019, the carrying value of goodwill in the consolidated financial statements amounted to RMB2.591 billion, among which, the impairment provision made for goodwill amounted to RMB213 million.

Goodwill is tested for impairment at least annually by the Management and the carrying value of goodwill is adjusted according to the result of the impairment test, which depends, to a large extent, on the estimates made and the assumptions adopted by the Management, for example, the estimates of future cash flow expected to be generated from asset group and discount rates. Those estimates are affected by the judgment made by the Management on the future market and economic environment. The adoption of different estimates and assumptions would cause material impact on the recoverable value of the goodwill valued.

Please refer to Note III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES 18. Impairment of assets and 36. Significant accounting judgments and estimates and Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 21. Goodwill for disclosures on the matter in the financial statements.

Our audit procedures mainly included review on the Management's determination of asset groups and allocation of goodwill. We obtained an understanding of the historical performance and development planning of each asset group as well as the development trend of the macroeconomy and the industry the asset groups belong to. We evaluated the assumptions and methods adopted by the Management in estimate of the recoverable amounts of asset groups. We assessed the reasonableness of the estimated cash flow, including estimated production volumes, future sales prices, growth rates, estimated gross profit margin and relevant expenses of the asset groups, and compared them with the historical data and the industry benchmark for analysis. We involved our internal valuation specialists to review and assess the valuation methods selected and the key assumptions adopted by the Management, including the discount rates and perpetual growth rates, etc. We further reviewed the disclosures in relation to the impairment of goodwill in the financial statements.

Auditors' Report *(continued)*

III. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p>Fair value of investment properties</p> <p>As at 31 December 2019, the carrying value of the investment properties in the consolidated and the Company's financial statements amounted to RMB29.632 billion and RMB11.840 billion, respectively. The investment properties were subsequently measured using fair value model.</p> <p>The management of BBMG Corporation engages a third-party valuer with relevant qualifications to perform the valuation of the fair value of investment properties once a year. Income method and market price method were adopted in the valuation. The valuation of the fair value of investment properties involves a range of estimates and assumptions, such as the analysis of the economic environment and future trend of the regions where the investment properties are located, estimated rentals, occupancy rates and discount rates. The changes in estimates and assumptions would cause material impacts on the fair value of the investment properties valued.</p> <p>Please refer to Note III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES 13. Investment properties, 35. Fair value measurement and 36. Significant accounting judgments and estimates, and Note V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS 16. Investment properties and 60. Gains and losses from changes in fair value, Note IX. DISCLOSURE OF FAIR VALUE and Note XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS 3. Investment properties.</p>	<p>Our audit procedures mainly included assessment of the objectivity, independence and competence of the third-party valuer engaged by the Management. We selected material or typical samples to review and assess the valuation method, assumptions as well as the reasonableness of key valuation inputs selected, such as, lease term, current average rentals, anticipated rentals in the future, occupancy rates, lease area and discount rates, with the support from our real estate internal valuation specialists. We further reviewed the presentation and disclosures on the valuation of the fair value of investment properties in the financial statements.</p>

Auditors' Report *(continued)*

IV. Other information

The Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report.

Our audit opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the work we have performed, if we are certain that the other information is materially misstated, we should report the facts. In this regard, we have nothing to report.

V. Responsibilities of the Management and those charged with governance for the financial statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, performance and maintenance of such internal control as the Management determines necessary to enable the financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing BBMG Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to continuing as a going concern and using the assumptions of continuing as a going concern unless it is intended to either commence liquidation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BBMG Corporation's financial reporting process.

Auditors' Report *(continued)*

VI. Certified Public Accountants' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are usually considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also perform the following tasks:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the assumptions of continuing as a going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BBMG Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw attention of users of the financial statements in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information obtained up to the date of our auditors' report. However, future events or conditions may cause BBMG Corporation to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within BBMG Corporation to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Report *(continued)*

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

We communicate with those charged with governance the matters regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about these matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: **Meng Dong** (Engagement Partner)

Chinese Certified Public Accountant: **Meng Jia**

Beijing, the PRC

31 March 2020

Audited Consolidated Balance Sheet

As at 31 December 2019
RMB

	Note V	31 December 2019	31 December 2018
Assets			
Current Assets			
Cash and bank balances	1	21,325,042,578.37	18,774,468,260.66
Financial assets held for trading	2	1,015,278,286.73	1,034,558,112.73
Bills receivable	3	5,202,609,351.30	10,720,555,717.69
Accounts receivable	4	8,001,473,532.63	7,440,085,450.85
Receivables financing	5	501,846,392.39	505,226,096.81
Prepayments	6	1,524,225,471.45	2,008,371,750.64
Other receivables	7	9,067,357,777.42	9,941,619,578.19
Inventories	8	121,531,025,336.50	114,912,793,681.36
Contract assets	9	42,952,083.21	–
Assets held for sale		–	109,534,153.31
Other current assets	10	6,284,046,698.11	3,710,725,422.82
Total current assets		174,495,857,508.11	169,157,938,225.06
Non-current assets			
Debt investments	11	206,933,697.53	–
Long-term receivables	12	1,021,971,024.22	802,351,921.55
Long-term equity investments	13	3,988,531,537.26	3,036,757,009.85
Investment in other equity instruments	14	382,047,682.07	396,187,115.71
Other non-current financial assets	15	–	214,980,000.00
Investment properties	16	29,632,244,749.53	21,327,245,245.17
Fixed assets	17	44,512,207,458.24	44,692,772,001.56
Construction in progress	18	2,279,231,800.75	2,929,675,428.99
Right-of-use assets	19	589,176,549.64	–
Intangible assets	20	16,625,761,408.49	16,691,754,296.12
Goodwill	21	2,591,468,983.05	2,740,287,649.80
Long-term deferred expenditures	22	1,276,284,193.48	1,242,705,854.17
Deferred income tax assets	23	3,988,640,507.00	3,454,590,218.09
Other non-current assets	24	533,398,608.96	1,588,846,733.06
Total non-current assets		107,627,898,200.22	99,118,153,474.07
Total assets		282,123,755,708.33	268,276,091,699.13

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet *(continued)*As at 31 December 2019
RMB

	Note V	31 December 2019	31 December 2018
Liabilities and equity attributable to shareholders			
Current liabilities			
Short-term loans	26	37,217,682,474.50	39,880,392,209.57
Bills payable	27	1,976,142,322.65	2,080,749,336.98
Accounts payable	28	17,701,948,542.45	18,357,615,866.65
Receipts in advance	29	334,666,882.90	317,903,204.75
Contract liabilities	30	24,557,147,374.24	23,715,168,353.77
Wages payable	31	490,892,896.45	393,840,303.30
Tax payable	32	2,515,633,050.02	2,527,195,602.24
Other payables	33	8,517,423,661.65	8,352,595,483.33
Liabilities held for sale		–	40,291,356.83
Non-current liabilities due within one year	34	20,319,530,862.57	18,543,864,543.14
Short-term financing bonds	37	3,298,801,089.25	6,500,000,000.00
Other current liabilities	35	10,776,488,930.30	8,492,714,136.95
Total current liabilities		127,706,358,086.98	129,202,330,397.51
Non-current liabilities			
Long-term loans	36	35,787,401,022.47	30,506,054,265.70
Bonds payable	37	27,460,996,718.14	20,231,089,289.70
Lease liabilities	38	317,196,853.52	–
Long-term payables	39	17,818,306.88	315,856,652.08
Long-term wages payable	40	647,490,892.12	674,179,502.11
Accrued liabilities	41	803,168,068.27	606,650,918.54
Deferred income	42	837,416,381.95	888,404,866.72
Deferred income tax liabilities	23	5,992,070,007.93	5,960,849,194.26
Other non-current liabilities	43	22,488,938.80	676,174,065.29
Total non-current liabilities		71,886,047,190.08	59,859,258,754.40
Total liabilities		199,592,405,277.06	189,061,589,151.91

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet *(continued)*

As at 31 December 2019
RMB

	Note V	31 December 2019	31 December 2018
Liabilities and equity attributable to shareholders			
Equity attributable to shareholders			
Share capital	44	10,677,771,134.00	10,677,771,134.00
Other equity instruments	45	14,962,000,000.00	14,962,000,000.00
<i>Including: Perpetual bonds</i>		14,962,000,000.00	14,962,000,000.00
Capital reserve	46	6,434,307,002.11	5,273,970,842.54
Other comprehensive income	47	232,267,913.04	206,951,321.03
Specific reserve	48	32,250,174.13	20,124,124.94
Surplus reserve	49	1,926,994,968.55	1,537,434,040.24
General risk reserve	50	359,957,564.90	340,792,201.29
Retained earnings	51	26,505,650,840.60	24,646,427,835.84
Total equity attributable to the shareholders of the parent company		61,131,199,597.33	57,665,471,499.88
Minority interests		21,400,150,833.94	21,549,031,047.34
Total equity attributable to shareholders		82,531,350,431.27	79,214,502,547.22
Total liabilities and equity attributable to shareholders		282,123,755,708.33	268,276,091,699.13

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Zhu Yan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement

For the year ended 31 December 2019
RMB

	Note V	2019	2018
Operating revenue	52	91,829,311,097.05	83,116,733,092.15
Less: Operating costs	52	67,402,240,134.58	60,720,721,116.68
Tax and surcharges	53	3,405,479,644.18	3,151,475,912.48
Selling expenses	54	3,076,483,834.81	2,915,690,243.38
Administrative expenses	55	7,056,088,671.56	7,155,497,049.68
Research and development expenses	56	232,888,822.88	154,340,576.16
Finance costs	57	3,397,042,746.61	3,047,478,342.17
Including: Interest expenses		6,836,733,107.83	6,676,289,245.63
Interest income		712,519,742.58	269,724,243.63
Add: Other gains	58	738,078,540.73	769,376,627.47
Investment gains	59	259,882,805.24	629,155,191.67
Including: Gains from investment in associates and joint ventures		388,081,883.98	371,432,235.92
Derecognition gains on financial assets measured at amortized cost ("-" indicating loss)		(443,184,451.58)	–
Gains from changes in fair value	60	759,365,787.90	476,516,247.71
Credit impairment losses ("-" indicating loss)	61	(467,906,969.95)	(377,815,478.90)
Asset impairment losses ("-" indicating loss)	62	(642,657,903.94)	(827,770,147.15)
Gains / (losses) on disposal of assets	63	39,433,482.23	(72,270,242.82)
Operating profit		7,945,282,984.64	6,568,722,049.58
Add: Non-operating revenue	64	522,575,890.90	391,860,471.10
Less: Non-operating expenses	65	534,038,828.15	515,947,776.94
Total profit		7,933,820,047.39	6,444,634,743.74
Less: Income tax expenses	67	2,755,672,377.61	2,163,209,508.92
Net profit		5,178,147,669.78	4,281,425,234.82

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement *(continued)*

For the year ended 31 December 2019
RMB

	Note V	2019	2018
Classified by continuity of operations			
Net profit from continuing operations		5,178,147,669.78	4,281,425,234.82
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		3,693,582,654.45	3,260,449,276.97
Minority interests		1,484,565,015.33	1,020,975,957.85
Net other comprehensive income after tax	47	34,203,076.54	(183,560,942.69)
Net other comprehensive income after tax attributable to shareholders of the parent company		25,316,592.01	(47,258,838.29)
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		23,445,873.00	(16,710,741.00)
Changes in fair value of investment in other equity instruments		(2,472,685.22)	(29,595,877.63)
Other comprehensive income to be reclassified into profit or loss			
Other comprehensive income that may be reclassified to profit or loss under equity method		–	(4,136,231.56)
Exchange differences on foreign currency translation		4,343,404.23	3,184,011.90
Net other comprehensive income after deducting impact of income tax		25,316,592.01	(47,258,838.29)
Net other comprehensive income after tax attributable to minority interests		8,886,484.53	(136,302,104.40)
Total comprehensive income		5,212,350,746.32	4,097,864,292.13
Including:			
<i>Total comprehensive income attributable to the shareholders of the parent company</i>		3,718,899,246.46	3,213,190,438.68
<i>Total comprehensive income attributable to minority interests</i>		1,493,451,499.86	884,673,853.45
Earnings per share	68		
Basic earnings per share (RMB/share)		0.35	0.31
Diluted earnings per share (RMB/share)		0.35	0.31

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Shareholder's Equity

For the year ended 31 December 2019
RMB

2019

	Equity attributable to owners of the parent company										Total equity
	Share capital	Other equity instruments including: Perpetual bonds	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Minority interests	
I. Balance at the end of last year	10,677,771,134.00	14,962,000,000.00	5,273,970,842.54	206,951,321.03	20,124,124.94	1,537,434,040.24	340,792,201.29	24,646,027,835.84	57,665,471,499.88	21,549,031,047.34	79,214,502,547.22
Add: Effect of change in accounting policy	-	-	-	-	-	-	-	(39,155,945.38)	(39,155,945.38)	(71,099,466.79)	(110,255,412.17)
II. Balance at the beginning of the year	10,677,771,134.00	14,962,000,000.00	5,273,970,842.54	206,951,321.03	20,124,124.94	1,537,434,040.24	340,792,201.29	24,607,271,890.46	57,626,315,554.50	21,477,931,580.55	79,104,247,135.05
III. Movements during the year	-	-	-	25,316,592.01	-	-	-	3,693,582,654.45	3,718,899,246.46	1,493,451,499.86	5,212,350,746.32
(1) Total comprehensive income	-	-	-	25,316,592.01	-	-	-	3,693,582,654.45	3,718,899,246.46	1,493,451,499.86	5,212,350,746.32
(2) Capital contribution and reduction from shareholders	-	-	862,538,761.59	-	9,396,250.56	-	-	-	871,935,012.15	(871,935,012.15)	-
1 Equity transactions that do not affect control	-	-	-	-	-	-	-	-	-	-	-
2 Business combination not under common control	-	-	-	-	-	-	-	-	-	190,512,133.32	190,512,133.32
3 New capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	26,658,000.00	26,658,000.00
4 Acquisition of equity interest of minority shareholders	-	-	12,333,019.92	-	-	-	-	-	12,333,019.92	(13,233,019.92)	(900,000.00)
5 Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	361,304.27	361,304.27
6 Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(34,382,862.15)	(34,382,862.15)
7 Others	-	-	285,464,378.06	-	-	-	-	-	285,464,378.06	(172,231,402.06)	113,232,976.00

The accompanying notes form an integral part of these financial statements

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

For the year ended 31 December 2019
RMB

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

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Shareholder's Equity (continued)For the year ended 31 December 2019
RMB**2018**

	Equity attributable to owners of the parent company										Total equity
	Paid up capital	Other equity instruments including: perpetual bonds	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Minority interests	
I. Balance at the end of last year and at the beginning of the year	10,677,771,134.00	9,972,000,000.00	5,820,202,037.98	254,210,159.32	12,889,928.59	1,368,019,010.35	299,478,851.25	22,737,082,731.02	51,141,753,852.51	18,796,154,738.40	69,937,908,590.91
II. Movements during the year	-	-	-	(47,238,838.29)	-	-	-	3,260,449,276.97	3,213,190,438.68	884,673,853.45	4,097,864,292.13
(1) Total comprehensive income	-	-	-	(47,238,838.29)	-	-	-	3,260,449,276.97	3,213,190,438.68	884,673,853.45	4,097,864,292.13
(2) Capital contribution and reduction from shareholders	-	-	(546,231,195.44)	-	-	-	-	-	(546,231,195.44)	(2,696,538,267.41)	(3,242,769,462.85)
1 Equity transactions that do not affect control	-	-	(546,231,195.44)	-	-	-	-	-	(546,231,195.44)	(2,696,538,267.41)	(3,242,769,462.85)
2 Business combination not under common control	-	-	-	-	-	-	-	-	-	3,792,927,772.55	3,792,927,772.55
3 New capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	1,130,521,351.28	1,130,521,351.28
4 Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(11,711,187.21)	(11,711,187.21)
5 Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	78,929,284.49	78,929,284.49
6 Issuance of perpetual bonds	-	4,990,000,000.00	-	-	-	-	-	-	4,990,000,000.00	(18,000,000.00)	4,972,000,000.00

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

For the year ended 31 December 2019
RMB

	Equity attributable to owners of the parent company										Total equity	
	Paid up capital	Other equity instruments including: perpetual bonds	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Minority interest		
(3) Profit distribution												
1 Appropriation of surplus reserve	-	-	-	-	169,415,029.89	-	(169,415,029.89)	-	-	-	-	-
2 Dividend to shareholders	-	-	-	-	-	-	(512,533,014.44)	(512,533,014.44)	(512,533,014.44)	(266,039,603.34)	(778,572,617.78)	(778,572,617.78)
3 Interest on perpetual bonds	-	-	-	-	-	-	(627,842,777.78)	(627,842,777.78)	(627,842,777.78)	(164,005,479.45)	(791,848,257.23)	(791,848,257.23)
4 General risk reserve	-	-	-	-	-	41,313,350.04	(41,313,350.04)	-	-	-	-	-
(4) Specific reserve												
1 Appropriated during the year	-	-	-	-	36,144,729.80	-	-	-	36,144,729.80	150,785,622.46	186,930,352.26	186,930,352.26
2 Paid during the year	-	-	-	-	(29,010,533.45)	-	-	-	(29,010,533.45)	(28,667,037.88)	(157,677,571.33)	(157,677,571.33)
III. Balance at the end of the year	10,677,771,134.00	14,962,000,000.00	5,273,970,842.54	206,951,321.03	20,124,124.94	1,537,434,040.24	340,792,201.29	24,646,427,835.84	57,665,471,499.88	21,549,031,047.34	79,214,502,547.22	79,214,502,547.22

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows

For the year ended 31 December 2019
RMB

	Note V	2019	2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		91,476,656,260.31	78,884,194,184.31
Net decrease in deposits placed with the Central Bank		–	240,623,493.00
Refunds of taxes		603,815,128.45	614,481,052.19
Cash received from other operating activities	69	3,283,649,279.11	2,198,491,002.57
Subtotal of cash inflows from operating activities		95,364,120,667.87	81,937,789,732.07
Cash paid for goods and services		64,952,647,913.12	64,516,736,553.03
Cash paid to and on behalf of employees		6,594,513,631.07	6,204,450,133.36
Cash paid for all types of taxes		8,798,265,475.53	7,895,064,928.23
Cash paid for other operating activities	69	5,238,266,832.57	8,364,171,769.61
Net increase in deposits placed with the Central Bank		258,745,527.77	–
Subtotal of cash outflows from operating activities		85,842,439,380.06	86,980,423,384.23
Net cash flows from operating activities	69	9,521,681,287.81	(5,042,633,652.16)
II. Cash flows from investing activities:			
Cash received from redemption of investments		34,401,517.17	35,300,000.00
Cash received from return on investments		674,105,241.47	322,173,828.79
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		201,935,382.95	165,910,207.57
Net cash received from disposal of subsidiaries and other operating units	69	702,797,049.87	–
Cash received from other investing activities	69	5,084,272,223.08	11,399,540,800.00
Subtotal of cash inflows from investing activities		6,697,511,414.54	11,922,924,836.36
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		7,361,665,302.21	2,453,133,683.27
Cash paid for investments		1,075,054,307.43	357,559,442.20
Net cash paid for acquisition of subsidiaries and other operating units	69	48,421,037.65	4,086,508,618.89
Net cash from disposal of subsidiaries and other operating units	69	–	162,027,574.99
Cash paid for other investing activities	69	4,993,999,991.78	13,247,625,108.34
Subtotal of cash outflows from investing activities		13,479,140,639.07	20,306,854,427.69
Net cash flows from investing activities		(6,781,629,224.53)	(8,383,929,591.33)

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 December 2019
RMB

	Note V	2019	2018
III. Cash flows from financing activities			
Cash received from capital contributions		23,754,000.00	953,000,000.00
<i>Including: Cash received by subsidiaries from minority interests</i>		<i>23,754,000.00</i>	<i>953,000,000.00</i>
Cash received from issuance of bonds		17,282,562,226.41	21,000,000,000.00
Cash received from borrowings		60,262,437,880.84	60,869,051,120.80
Cash received from issuance of perpetual bonds		–	7,972,000,000.00
Cash received from other financing activities	69	242,079,240.52	–
Subtotal of cash inflows from financing activities		77,810,833,347.77	90,794,051,120.80
Cash paid for repayment of borrowings		55,135,802,868.53	47,745,084,999.87
Cash paid for distribution of dividends or profits or for interest expenses		8,073,709,087.14	7,103,371,950.68
<i>Including: Dividends and profits paid by subsidiaries to minority interests</i>		<i>521,749,250.63</i>	<i>63,344,075.89</i>
Cash paid for redemption of bonds		14,761,065,000.00	15,146,985,581.12
Cash paid for redemption of perpetual bonds		–	3,000,000,000.00
Cash paid for other financing activities	69	786,928,044.08	3,718,664,213.30
Subtotal of cash outflows from financing activities		78,757,504,999.75	76,714,106,744.97
Net cash flows from financing activities		(946,671,651.98)	14,079,944,375.83
IV. Effect of changes in exchange rate on cash and cash equivalents		14,117,578.39	(47,420,627.99)
V. Net increase in cash and cash equivalents	69	1,807,497,989.69	605,960,504.35
Add: Cash and cash equivalents at the beginning of the year		13,520,047,307.82	12,914,086,803.47
VI. Cash and cash equivalents at the end of the year	69	15,327,545,297.51	13,520,047,307.82

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet of the Company

As at 31 December 2019
RMB

	Note V	31 December 2019	31 December 2018
Assets			
Current assets			
Cash and bank balances		8,627,307,336.62	6,490,366,382.70
Prepayments		–	13,098,540.40
Other receivables	1	74,611,857,334.04	66,901,797,608.27
Other current assets		2,321,214.75	2,241,084.31
Total current assets		83,241,485,885.41	73,407,503,615.68
Non-current assets			
Long-term receivables		110,958,405.25	–
Investment in other equity instruments		200,000.00	200,000.00
Long-term equity investments	2	47,954,670,429.73	46,569,735,251.07
Investment properties	3	11,839,906,198.63	10,487,725,592.87
Fixed assets		1,093,157,067.74	1,162,385,959.60
Intangible asset		371,326,596.68	368,789,672.92
Deferred income tax assets		221,233,673.66	266,341,821.16
Other non-current assets		32,563,767.56	–
Total non-current assets		61,624,016,139.25	58,855,178,297.62
Total assets		144,865,502,024.66	132,262,681,913.30

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet of the Company (continued)

As at 31 December 2019

RMB

	31 December 2019	31 December 2018
Liabilities and owners' equity		
Current liabilities		
Short-term loans	29,448,150,000.00	24,931,850,000.00
Accounts payable	8,534,173.57	7,262,384.48
Receipts in advance	148,269,417.58	143,686,136.43
Wages payable	10,815,430.15	14,420,033.15
Tax payable	52,799,147.76	82,674,779.38
Other payables	3,594,511,759.17	4,398,166,645.39
Short-term financing bonds payable	2,000,000,000.00	6,500,000,000.00
Non-current liabilities due within one year	<u>11,593,754,157.19</u>	<u>8,769,671,412.11</u>
Total current liabilities	<u>46,856,834,085.42</u>	<u>44,847,731,390.94</u>
Non-current liabilities		
Long-term loans	22,426,432,300.00	19,767,370,000.00
Bonds payable	23,969,695,517.95	18,518,190,202.83
Investment in other equity instruments	341,924,593.46	363,676,960.00
Deferred income tax liabilities	<u>2,169,273,700.37</u>	<u>2,162,277,161.43</u>
Total non-current liabilities	<u>48,907,326,111.78</u>	<u>40,811,514,324.26</u>
Total liabilities	<u>95,764,160,197.20</u>	<u>85,659,245,715.20</u>
Shareholders' equity		
Share capital	10,677,771,134.00	10,677,771,134.00
Other equity instruments	14,962,000,000.00	14,962,000,000.00
Including: Perpetual bonds	14,962,000,000.00	14,962,000,000.00
Capital reserve	6,674,854,902.82	6,674,854,902.82
Other comprehensive income	81,426,873.79	64,844,712.79
Surplus reserve	1,924,214,128.32	1,537,434,040.24
Retained earnings	<u>14,781,074,788.53</u>	<u>12,686,531,408.25</u>
Total owners' equity	<u>49,101,341,827.46</u>	<u>46,603,436,198.10</u>
Total liabilities and owners' equity	<u>144,865,502,024.66</u>	<u>132,262,681,913.30</u>

The financial statements have been signed by:

Legal representative:

Jiang Deyi

Chief accountant:

Chen Guogao

Head of the accounting department:

Zhu Yan

The accompanying notes form an integral part of these financial statements

Audited Income Statement of the Company

For the year ended 31 December 2019
RMB

	Note XV	2019	2018
Operating revenue	4	1,048,469,960.18	1,011,040,615.04
Less: Operating costs	4	72,908,452.90	77,845,297.90
Tax and surcharges		141,398,405.44	135,509,278.53
Selling expenses		39,787,762.07	69,667,290.91
Administrative expenses		193,085,398.30	235,825,862.29
Finance costs		1,648,901,751.12	978,306,340.52
Including: Interest expenses		4,392,208,760.58	3,529,876,920.09
Interest income		2,856,417,701.92	2,629,924,876.38
Add: Investment gains	5	4,883,230,716.99	1,834,836,894.22
Including: Share of investment (loss)/gains of associates and joint ventures		(6,121,379.16)	33,134,518.98
Gains from changes in fair value		108,500,605.76	322,930,409.85
Credit impairment losses		–	5,671,315.87
Losses on disposal of assets		–	(39,602,527.20)
Operating profit		3,944,119,513.10	1,637,722,637.63
Add: Non-operating revenue		27,911,467.08	41,667,110.79
Less: Non-operating expenses		27,466,800.49	1,701.07
Total profit		3,944,564,179.69	1,679,388,047.35
Less: Income tax expenses		76,763,298.94	(14,762,251.58)
Net profit		3,867,800,880.75	1,694,150,298.93
Classified by operation continuity			
Including: net profit from continuing operations		3,867,800,880.75	1,694,150,298.93
Net other comprehensive income after tax		–	–
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		16,582,161.00	(17,353,818.00)
Total comprehensive income		3,884,383,041.75	1,676,796,480.93

The accompanying notes form an integral part of these financial statements

Audited Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2019

RMB

2019

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total Shareholders' equity
I. Balance at the beginning of the year	10,677,771,134.00	14,962,000,000.00	6,674,854,902.82	64,844,712.79	1,537,434,040.24	12,686,531,408.25	46,603,436,198.10
II. Movements during the year							
(1) Total comprehensive income	-	-	-	16,582,161.00	-	3,867,800,880.75	3,884,383,041.75
(2) Profit distribution							
1 Dividend to Shareholders	-	-	-	-	-	(587,277,412.39)	(587,277,412.39)
2 Interest on perpetual bonds	-	-	-	-	-	(799,200,000.00)	(799,200,000.00)
3 Appropriation of surplus reserves					386,780,088.08	(386,780,088.08)	-
III. Balance at the end of the year	10,677,771,134.00	14,962,000,000.00	6,674,854,902.82	81,426,873.79	1,924,214,128.32	14,781,074,788.53	49,101,341,827.46

The accompanying notes form an integral part of these financial statements

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

For the year ended 31 December 2019

RMB

2018

	Other equity instrument		Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
	Share capital	Including: Perpetual bonds					
I. Balance at the end of the previous year and at the beginning of the year	10,677,771,134.00	9,972,000,000.00	6,674,854,902.82	82,198,530.79	1,368,019,010.35	12,302,171,931.43	41,077,015,509.39
II. Movements during the year							
(1) Total comprehensive income	-	-	-	(17,353,818.00)	-	1,694,150,298.93	1,676,796,480.93
(2) Capital contribution from shareholders and reduction of costs							
1 Issuance of perpetual bonds	-	4,990,000,000.00	-	-	-	-	4,990,000,000.00
(3) Profit distribution							
1 Appropriation of surplus reserve	-	-	-	-	169,415,029.89	(169,415,029.89)	-
2 Dividend to Shareholders	-	-	-	-	-	(512,533,014.44)	(512,533,014.44)
3 Interest on perpetual bonds	-	-	-	-	-	(627,842,777.78)	(627,842,777.78)
III. Balance at the end of the year	10,677,771,134.00	14,962,000,000.00	6,674,854,902.82	64,844,712.79	1,537,434,040.24	12,686,531,408.25	46,603,436,198.10

The accompanying notes form an integral part of these financial statements

Audited Statement of Cash Flows of the Company

For the year ended 31 December 2019
RMB

	Note XV	2019	2018
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		1,124,045,093.39	1,139,750,322.49
Cash received from other operating activities	6	53,928,138,008.92	64,390,969,460.61
Subtotal of cash inflows from operating activities		55,052,183,102.31	65,530,719,783.10
Cash paid for goods and services		8,745,477.58	22,562,520.11
Cash paid to and on behalf of employees		63,855,956.84	69,291,106.71
Cash paid for all types of taxes		285,102,383.61	194,096,446.04
Cash paid for other operating activities	6	58,274,076,277.77	77,229,242,914.49
Subtotal of cash outflows from operating activities		58,631,780,095.80	77,515,192,987.35
Net cash flows from operating activities	7	(3,579,596,993.49)	(11,984,473,204.25)
II. Cash flows from investing activities:			
Cash received from redemption of investments		3,310,065,877.04	–
Cash received from return on investments		2,694,689,391.10	3,128,147,410.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,100.00	1,010.00
Subtotal of cash inflows from investing activities		6,004,756,368.14	3,128,148,420.10
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		25,448,547.47	10,234,720.00
Cash paid for investments		4,682,409,842.11	11,000,301,880.42
Subtotal of cash outflows from investing activities		4,707,858,389.58	11,010,536,600.42
Net cash flows from investing activities		1,296,897,978.56	(7,882,388,180.32)

The accompanying notes form an integral part of these financial statements

Audited Statement of Cash Flows of the Company *(continued)*For the year ended 31 December 2019
RMB

	Note XV	2019	2018
III. Cash flows from financing activities:			
Cash received from borrowings		40,696,950,000.00	38,161,850,000.00
Cash received from issuance of bonds		12,500,000,000.00	21,000,000,000.00
Cash received from issuance of perpetual bonds		<u>—</u>	<u>4,990,000,000.00</u>
Subtotal of cash inflows from financing activities		<u>53,196,950,000.00</u>	<u>64,151,850,000.00</u>
Cash paid for repayment of borrowings		29,965,887,700.00	27,198,650,000.00
Cash paid for redemption of bonds		13,281,000,000.00	12,500,000,000.00
Cash paid for distribution of dividends or profits or for interest expenses		<u>5,530,671,888.16</u>	<u>4,350,825,671.07</u>
Subtotal of cash outflows from financing activities		<u>48,777,559,588.16</u>	<u>44,049,475,671.07</u>
Net cash flows from financing activities		<u>4,419,390,411.84</u>	<u>20,102,374,328.93</u>
IV. Effect of changes in exchange rate on cash and cash equivalents		<u>19,551.04</u>	<u>(5,081,964.53)</u>
V. Net increase in cash and cash equivalents		2,136,710,947.95	230,430,979.83
Add: Cash and cash equivalents at the beginning of the year		<u>6,440,358,384.99</u>	<u>6,209,927,405.16</u>
VI. Cash and cash equivalents at the end of the year	7	<u>8,577,069,332.94</u>	<u>6,440,358,384.99</u>

Notes to Financial Statements

For the year ended 31 December 2019
RMB

I. BASIC INFORMATION

BBMG Corporation (hereinafter referred to as the “**Company**” or “**BBMG Group**”) is a joint stock company with limited liability incorporated in Beijing, the People’s Republic of China and was established on 22 December 2005. The Renminbi-denominated ordinary shares (A shares) and H shares of the Company are listed on the Shanghai Stock Exchange (“**Shanghai Stock Exchange**”) and The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”), respectively. The Company’s headquarters is located at No. 36, North Third Ring East Road, Dongcheng District, Beijing.

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

The Company’s parent and ultimate holding company is BBMG Assets Management Co., Ltd. (北京金隅資產經營管理有限責任公司) (formerly named as “**BBMG Group Company Limited**”, hereinafter referred to as “**BBMG Assets Company**”), a company established in the People’s Republic of China, originally. On 11 November 2016, State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality agreed the gratuitous transfer of all A shares of the Company held by BBMG Assets Company to Beijing SCOM Center (hereinafter referred to as “**BSCOMC**”). On 29 December 2016, the transfer registration formalities for the gratuitous transfer of the A shares of the Company were completed, after which, BSCOMC directly held 4,797,357,572 state-owned shares of the Company, representing 44.93% of the total share capital of the Company, and became the controlling shareholder of the Company.

These financial statements were approved by a resolution of the board of directors of the Company on 31 March 2020. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

The consolidation scope of consolidated financial statements was determined on the basis of control. Please refer to note VI for changes of the year.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are presented on a going concern basis.

Except for certain financial instruments and investment properties, the financial statements have been prepared under the historical cost convention. The prices of disposal groups held for sale shall be the lower of the carrying amount and the net amount of fair value less disposal expenses. If the assets are impaired, corresponding provisions for impairment shall be provided according to relevant provisions.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES

The specific accounting policies and accounting estimation has been prepared by the Group based on actual production and operation characteristics, as mainly embodied in the provision for bad debt of accounts receivable, inventory valuation method, the depreciation of fixed assets, revenue recognition the recognition and allocation of development costs on properties under construction.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for 2019.

2. Accounting period

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

3. Functional currency

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

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

4. Business combinations

Business combinations are classified into business combinations under common control and business combinations not under common control.

Business combinations under common control

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

4. Business combinations *(continued)*

Business combinations under common control *(continued)*

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

Business combinations not under common control

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

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

5. Consolidated financial statements

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

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

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

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

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

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

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

6. Classification of joint arrangements and joint operation

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

7. Cash and cash equivalents

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

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

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

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

9. Financial instruments *(continued)*

Classification and measurement of financial assets

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

In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit and loss for the current period; transaction costs relating to financial assets of other categories are included in the amounts initially recognised.

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

Financial assets at amortised cost

Financial assets are classified as financial assets measured at amortised cost if the financial assets meet the following conditions: the objective of the Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets requires that the cash flows giving rise on specified dates represent payments of principal and interest on the principal amount outstanding.

Debt instruments investment at fair value through other comprehensive income

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

9. Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

Equity instruments investment at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

Except for the above-mentioned financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Group has classified the remaining financial assets as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value, except for hedge accounting, where all changes in fair value are recognised in profit or loss for the current period.

Classification and measurement of financial liabilities

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

9. Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and those designated upon initial recognition at fair value through profit or loss. Financial liability held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, where all changes in fair value are recognised in profit or loss for the current period. For financial liabilities designated as measured at fair value through profit or loss, subsequent measurements are made at fair value. Changes in fair value caused by changes in the Group's own credit risk are recognised in other comprehensive income, while other changes in fair value are recognised in profit or loss for the current period. Unless changes in fair value caused by changes in the Group's own credit risk recognised in other comprehensive income may result in or expand accounting mismatches in profit or loss, the Group shall recognise all changes in fair value (including the amount of impact of changes in its own credit risk) in profit or loss for the current period.

Other financial liabilities

Such kinds of financial liabilities are subsequently measured at amortised cost by using the effective interest rate method.

Impairment of financial assets

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

9. Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

Offset of financial instruments

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

9. Financial instruments *(continued)*

Financial guarantee contract

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

Derivative financial instruments

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

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

Transfers of financial assets

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

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

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

Notes to Financial Statements *(continued)*

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

10. Inventories

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

Inventories are initially carried at cost. Except for properties under development and completed properties held for sale, cost of inventories comprises all costs of purchase, costs of conversion and other costs. The cost of inventories also includes gains or losses arising from purchase meeting the criteria of cash flow hedging transferred from other comprehensive income. The actual cost of inventories transferred out is determined by using the weighted average method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortised by using the immediate write-off method.

Costs of properties under development and completed properties held for sale consist of land acquisition cost, construction cost, interests capitalised and other direct and indirect development expenses. Cost of properties under development is transferred to cost of completed properties held for sale upon completion of development. Within the construction cost, public ancillary facilities represent government-approved public ancillary projects, i.e. roads. The relevant costs are recognised under the properties under development, and are accounted for and allotted by cost object and cost item. Land use rights for development purpose are classified as part of properties under development.

The Group adopts a perpetual inventory system.

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

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

Notes to Financial Statements *(continued)*

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

11. Non-current assets or disposal groups held for sale

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

12. Long-term equity investments

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

12. 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 asset impairment losses arising from internal transactions shall be recognised in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit distributions) and includes the corresponding adjustments in the shareholders' equity.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

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

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

13. Investment properties

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

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

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

13. Investment properties *(continued)*

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

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

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

14. Fixed assets

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

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

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

	Useful life	Estimated net residual value	Annual depreciation rate (%)
Buildings	20-40 years	5%	2.38-4.75%
Machinery and equipment	15 years	5%	6.33%
Transportation equipment	6-10 years	5%	9.50-15.83%
Office and other equipment	5 years	5%	19.00%

Notes to Financial Statements *(continued)*

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

14. Fixed assets *(continued)*

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

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

15. Construction in progress

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

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

16. Borrowing costs

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

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

Notes to Financial Statements *(continued)*

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

16. Borrowing costs *(continued)*

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

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

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

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

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

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

Notes to Financial Statements *(continued)*

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

17. Intangible assets

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

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

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

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

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

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

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

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

Notes to Financial Statements *(continued)*

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

18. Impairment of assets

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

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

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

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

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

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

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

Notes to Financial Statements *(continued)*

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

19. Long-term deferred expenditures

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

20. Employee benefits

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

Short-term benefits

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

Post-employment benefits (the defined contribution plan)

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

Post-employment benefits (the defined benefit plan)

The Group operates various defined benefit pension plans, which includes providing certain eligible retirees of the Company and its subsidiaries with supplementary allowance benefits. No capital has been injected into the plan. The benefits cost under the defined benefit plan is calculated using the projected accumulative benefit unit method.

Notes to Financial Statements *(continued)*

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

20. Employee benefits *(continued)*

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

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

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

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

Termination benefits

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

21. Accrued liabilities

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

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

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

Notes to Financial Statements *(continued)*

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

22. Other equity instruments

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

For financial instruments classified as equity instruments (such as perpetual bonds), its issue, repurchase, sale or cancellation are treated by the Group as changes in equity, with related transaction costs deducted from equity. The Group's distribution to holders of equity instruments are treated as a distribution of profits.

23. Revenue from contracts with customers

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

Sales contracts of goods

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

Revenue from the sales of completed properties is recognised when the risks and rewards of property ownership have been transferred to the buyer, i.e., when the properties has been completed and delivered to the buyer pursuant to the sale agreement and the collection of the consideration determined under the purchase and sales contract can be assured reasonably. According to the contract, the instalments of sold properties and proceeds from pre-sale collected prior to the revenue recognition will be presented in the contractual liabilities or other non-current liabilities under the balance sheet based on liquidity.

Construction Contracts

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

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

Contracts for provision of services

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

Significant financing component

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

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

Warranty obligations

The Group provides quality assurance for the goods sold pursuant to contractual agreement and laws and regulations. The Group performs accounting treatments in accordance with Note III. 21 with a view to providing guarantee to the customers that the goods sold meet the established quality standards. In addition to providing guarantee to the customers that the goods sold meet the established quality standards, providing the customers with a separate quality assurance for services is regarded as a separate performance obligation by the Group. Based on the relative proportion of the individual selling prices of providing quality assurance for goods and services, part of the transaction price is allocated to quality assurance of services and revenue is recognized when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantee to the customers that the goods sold meet the established quality standards; the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

Notes to Financial Statements *(continued)*

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

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

Variable consideration

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

Main responsible person/agent

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

Notes to Financial Statements *(continued)*

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

24. Contract assets and contract liabilities

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

Contract assets

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

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

Contract liabilities

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

Notes to Financial Statements *(continued)*

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

25. Assets related to contract costs

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

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

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

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

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

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

26. Government grants

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

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

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

A government grant related to an asset shall be offset against the carrying amount of relevant assets or recognised as deferred income, and recognised in profit or loss in instalments over the useful life of the related asset in a reasonable and systematic way, provided that a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period. If the related assets are disposed of, transferred, scrapped and damaged before the end of the useful life, the relevant remaining deferred income unallocated shall be transferred to the profit or loss for the period when the assets are disposed of.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

27. Income tax

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

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

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

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

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

27. Income tax *(continued)*

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

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

When the following conditions are satisfied, deferred tax assets and deferred tax liabilities are shown as net amounts after set-off: there is a legally enforceable right to settle current tax assets and current tax liabilities on a net basis; deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, but the involved taxable entities intended to settle the current tax assets and current tax liabilities on a net basis or to simultaneously acquire assets and repay debts during each future period in which significant amounts of deferred tax assets and deferred tax liabilities are expected to be reversed.

28. Right-of-use assets (Applicable from 1 January 2019)

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

29. Lease liabilities (Applicable from 1 January 2019)

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

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

30. Leases (Applicable from 1 January 2019)

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

Identification of separate leases

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

30. Leases (Applicable from 1 January 2019) *(continued)*

Assessment of lease term

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

As a lessee

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

Lease change

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

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

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

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

30. Leases (Applicable from 1 January 2019) *(continued)*

As a lessee (continued)

Short-term lease and low-value asset lease

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

As a lessor

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

As a lessor of a finance lease

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

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

As a lessor of an operating lease

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

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

Notes to Financial Statements *(continued)*

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

30. Leases (Applicable from 1 January 2019) *(continued)*

Sale and leaseback transactions

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

As a lessee

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

As a lessor

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

31. Leases (applicable for 2018)

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.

As a lessee of an operating lease

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

As a 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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

31. Leases (applicable for 2018) *(continued)*

As a 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.

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.

As a lessor of a finance lease

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

32. Hedge accounting

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

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

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

32. Hedge accounting *(continued)*

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

The Group's methodology for assessing the effectiveness of hedging, risk management strategy and how to apply the strategy to manage risks are described in Note V.72.

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

Fair value hedge

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

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

33. Distribution of profit

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

34. Production safety cost

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

35. Fair value measurement

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

Notes to Financial Statements *(continued)*

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

35. Fair value measurement *(continued)*

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

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

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

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

36. Significant accounting judgments and estimates

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

Judgments

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

Operating lease commitments – Group as lessor

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

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

Judgments (continued)

Classification between investment properties and inventories

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

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

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

Classification between investment properties and fixed assets

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

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

Judgments *(continued)*

Classification of perpetual bonds

As described in Note V. 45, the Group issued perpetual bonds of RMB1 billion, RMB4 billion, RMB5 billion and RMB5 billion in 2015, 2016, 2017 and 2018, respectively. Pursuant to the relevant prospectuses of the medium-term notes, upon comprehensive consideration by the management of the Group that the perpetual bonds have no maturity dates or the Group has the right to extend for unlimited number of times upon the maturity thereof, and has the right to deferred the payment of coupon interests on the perpetual bonds, and that the Group has no contractual obligations to pay cash or other financial assets nor to exchange financial assets or financial liabilities under potential adverse condition with the holders of the perpetual bonds, the Group classifies the perpetual bonds as equity instruments, and the subsequent declared distribution will be treated as distribution to the holders of the equity.

Uncertainty of estimation

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

Impairment of financial instruments

The Group uses expected credit losses model to conduct assessment on the impairment of financial instruments. The application of expected credit losses model requires significant judgement and estimation and takes into account all reasonable and reliable information, including forward-looking information. When making such judgement and estimation, the Group predicts the expected changes in credit risk of the obligor based on its historical data of repayment together with factors such as economic policy, macroeconomic indicators and industry risk. Differences in estimates may have an impact on the provision for Impairment. A provision for impairment may not be equal to the actual amount of impairment losses in the future.

Impairment of goodwill

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

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

Uncertainty of estimation (continued)

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

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

Deferred income tax assets

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

Land appreciation tax

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

Fair value of investment properties

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

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

Uncertainty of estimation (continued)

Recognition and allocation of development costs on properties under construction

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

Provision for decline in value of inventory

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

Measurement of defined benefit obligations

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

Useful lives and residual values of fixed assets

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

37. Change in accounting policies and accounting estimates

Change in Accounting Policy

New Lease Standard

In 2018, the Ministry of Finance issued the amended "Accounting Standards for Business Enterprises No. 21-Leasing" (the "**New Lease Standard**") which adopted the single model similar to that used for the current accounting treatment for finance lease and required the lessee to recognize right-of-use assets and lease liabilities for all leases other than short-term and low-value assets leases and recognize depreciation and interest expenses separately. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly amended lease standard, did not adjust information for the comparable period, and retrospectively adjusted retained earnings at the beginning of 2019 based on the difference between the New Lease Standard and the current lease standard on the date of initial implementation in accordance with the transitional requirements:

- (1) For the finance leases prior to the date of initial implementation, the Group measures the right-of-use assets and lease liabilities separately based on the original carrying amount of the finance lease assets and the finance lease payments payable;
- (2) For operating leases prior to the date of initial implementation, the Group measures lease liabilities based on the present value of the remaining lease payments discounted at the incremental borrowing rate on the date of initial implementation. Except certain major operating lease, measures the right-of-use assets on a lease-by-lease basis according to the amount equal to the lease liabilities with necessary adjustments based on the prepaid rent. As for certain major operating lease, assuming that the New Lease Standard is adopted from the starting date of the lease term, lease liabilities are recognized and right-of-use assets are measured using the carrying amount at the date of initial implementation discounted at the incremental borrowing rate of the Group as the lessee;
- (3) The Group conducts impairment test on the right-of-use assets and carries out corresponding accounting treatment according to Notes III. 18.

For operating leases prior to the date of initial implementation of which the lease assets are low-value assets, or operating leases that will be completed within 12 months, the Group adopts simplified treatment and does not recognize the right-of-use assets and lease liabilities.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

37. Change in accounting policies and accounting estimates *(continued)*

Change in Accounting Policy *(continued)*

New Lease Standard (continued)

For the minimum lease payments not made for the significant operating leases as disclosed in the 2018 financial statements, the adjustment of the difference between the present value discounted at the incremental borrowing rate as at 1 January 2019 of the Group as the lessee and the lease liabilities included in the consolidated balance sheet as at 1 January 2019 is as follows:

Minimum lease payments for significant operating leases as at 31 December 2018	1,074,063,817.13
Less: lease payments subject to simplified treatment	36,163,097.43
<i>Including: Lease with remaining lease term of less than 12 months</i>	<i>34,623,246.03</i>
<i>Low-value asset lease with remaining lease term of more than 12 months</i>	<i>1,539,851.40</i>
Add: not recognized but reasonably determined increase in lease payments due to the exercise of the option to renew the lease as at 31 December 2018	211,590,407.22
Weighted average incremental borrowing rate	5.14%
Present value of the operating lease payments as at 1 January 2019	1,116,600,498.79
Add: Finance leases payments payable as at 31 December 2018	13,468,876.97
Lease liabilities as at 1 January 2019	1,130,069,375.76

The impact of the implementation of the New Lease Standard on the consolidated balance sheet items as at 1 January 2019 is as follows:

Consolidated Balance Sheet

	Carrying amount	Assuming under the original standard	Impact
Right-of-use assets	1,154,078,494.31	–	1,154,078,494.31
Fixed assets	44,667,521,680.58	44,692,772,001.56	(25,250,320.98)
Long-term deferred expenditures	1,117,784,329.34	1,242,705,854.17	(124,921,524.83)
Long-term payables	299,949,336.99	315,856,652.08	(15,907,315.09)
Lease liabilities due within one year	172,134,210.97	–	172,134,210.97
Lease liabilities	957,935,164.79	–	957,935,164.79
Retained earnings	24,607,271,890.46	24,646,427,835.84	(39,155,945.38)
Minority interests	21,477,931,580.55	21,549,031,047.34	(71,099,466.79)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

37. Change in accounting policies and accounting estimates *(continued)*

Change in Accounting Policy *(continued)*

*New Lease Standard *(continued)**

The impact of the implementation of the New Lease Standard on the consolidated financial statements as at 31 December 2019 is as follows:

Consolidated Balance Sheet

	Carrying amount	Assuming under the original standard	Impact
Prepayments	1,524,225,471.45	1,537,737,295.16	(13,511,823.71)
Other receivables	9,067,357,777.42	9,067,490,877.42	(133,100.00)
Other current assets	6,284,046,698.11	6,285,563,367.47	(1,516,669.36)
Fixed assets	44,512,207,458.24	44,528,669,601.48	(16,462,143.24)
Right-of-use assets	589,176,549.64	–	589,176,549.64
Long-term deferred expenditures	1,276,284,193.48	1,436,013,915.60	(159,729,722.12)
Accounts payable	17,701,948,542.45	17,702,979,736.42	(1,031,193.97)
Other payables	8,517,423,661.65	8,517,615,565.36	(191,903.71)
Non-current liabilities due within one year	20,319,530,862.57	20,210,022,686.65	109,508,175.92
Lease liabilities	317,196,853.52	–	317,196,853.52
Long-term payables	17,818,306.88	31,287,183.85	(13,468,876.97)
Retained earnings	26,505,650,840.60	26,514,978,468.47	(9,327,627.87)
Minority interests	21,400,150,833.94	21,405,013,169.65	(4,862,335.71)

Consolidated Income Statement

	Carrying amount	Assuming under the original standard	Impact
Operating costs	67,402,240,134.58	67,438,394,422.80	(36,154,288.22)
Finance costs	3,397,042,746.61	3,362,014,208.57	35,028,538.04
Selling expenses	3,076,483,834.81	3,082,415,913.77	(5,932,078.96)
Administrative expenses	7,056,088,671.56	7,067,160,275.20	(11,071,603.64)
Non-operating revenue	522,575,890.90	444,639,875.10	77,936,015.80

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(continued)*

37. Change in accounting policies and accounting estimates *(continued)*

Change in Accounting Policy *(continued)*

*New Lease Standard *(continued)**

The Company

On the date of initial implementation and during 2019, the New Lease Standard has no significant impact on the Company's financial statements.

In addition, starting from the date of initial implementation, the Group will include the cash paid for the repayment of principal and interest of lease liabilities under the cash outflow from the financing activities in the cash flow statement. The short-term lease payments and lease payments for low-value asset for which simplified treatment is adopted and the variable lease payments that are not included in the measurement of lease liabilities are still included under cash outflow from operating activities.

Change in the presentation of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)) and the Notice on Revising and Issuing Format of Consolidated Financial Statements (2019)(Cai Kuai [2019] No. 16) (《關於修訂印發合併財務報表格式(2019版)的通知》(財會[2019]16號)), in the balance sheet, the "bills receivable and accounts receivable" shall be split into "bills receivable", "accounts receivable", the "receivables financing", the "bills payable and accounts payable" shall be split into "bills payable" and "accounts payable"; in the income statement, in addition to the expensed expenditures incurred during the research and development process, the "research and development expenses" shall also include the amortization of intangible assets developed by the Group as previously presented in the "administrative expenses". The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the consolidation, the net profit of the Company and the interests of the shareholders.

The impact of the implementation of the New Lease Standard on the items of the consolidated balance sheet as at 1 January 2019:

	Carrying amount	Assuming under the original standard	Impact
Bills receivable and accounts receivable	18,665,867,265.35	(18,665,867,265.35)	–
Bills receivable	–	10,720,555,717.69	10,720,555,717.69
Accounts receivable	–	7,440,085,450.85	7,440,085,450.85
Receivables financing	–	505,226,096.81	505,226,096.81
	<u>18,665,867,265.35</u>	<u>–</u>	<u>18,665,867,265.35</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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IV. TAXATION

(1) Major categories of taxes and respective tax rates

Value-added tax (VAT):	The Group's taxable revenue of the general taxpayer is calculated based on the corresponding tax rate, and the VTA is calculated based on the difference after deducting the input tax amount deductible for the current period; the goods sold by the Group is subject to output tax rate of 13% (16% prior to 1 April 2019). For small-scale taxpayers, VAT is levied based on the sales revenue at the tax rate of 3%. For the concrete industry, VAT is levied based on the sales revenue at a simplified tax rate of 6%. For financial leasing companies, VAT is levied based on the rental income at a simplified tax rate of 6%. For the sale of immovables of property developers, the VAT payable is determined by the output VAT calculated based on the taxable revenue from general taxpayers at the tax rate of 9% (10% prior to 1 April 2019), and those general taxpayers who are eligible under the Transition Policy may choose to be levied at the simplified rate of 5%. The rate of VAT for tourism and entertainment service, and food and beverage and accommodation service is 6%, and that for immovable leasing service is 11%.
City maintenance and construction tax:	It is levied at 7%, 5% and 1% of net VAT paid.
Education surcharge:	It is levied at 3% of net VAT paid.
Property tax:	It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10%-30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

IV. TAXATION *(continued)*

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

Urban land use tax:	It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local governments.
Individual income tax:	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group
Land appreciation tax:	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the transfer of ownership by the Group at a consideration.
Resource tax:	Under the relevant tax laws of the PRC, it is levied to the minerals exploited by the Group on a quantity basis or price basis.
Corporate income tax:	Except for the corporate income tax of BBMG Hong Kong Limited and Jidong Development (HK) International Ltd levied at the rate of 16.5% based on the taxable profits and the income tax concessions entitled to by some of the enterprises comprising the Group as below, the Group's corporate income tax is levied at the tax rate of 25% based on the taxable profit.

(2) Tax preferences

1. Corporate income tax

- (1) Certain subsidiaries of the Group are certified as high-tech enterprises by relevant governmental authorities and enjoy a preferential corporate income tax rate of 15% for high-tech enterprises pursuant to the implementation rules of the Law on Enterprise Income Tax of the People's Republic of China and the Notice of the State Administration of Taxation of the PRC regarding Income Tax Preferences for Hightech Enterprises (《國家稅務總局關於高新技術企業所得稅優惠有關問題的通知》).
- (2) In accordance with the Indices on Income Tax Preferential Policies for Enterprises Engaging in Environmental Protection as well as Energy and Water Saving Projects (《環境保護, 節能節水項目企業所得稅優惠政策目錄》), Qinyang BBMG Cement Co., Ltd. (from 1 January 2014 to 31 December 2019) and Guangling BBMG Cement (1 January 2016 to 31 December 2021) enjoy the preferential corporate income tax policy of "three-year exemption and three-year 50% reduction".
- (3) Pursuant to the Notice on the Issues concerning the Taxation Policies for Deepening the Implementation of the Develop-the-West Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) and Announcement No. 12, 2012 of the State Administration of Taxation on the Corporate Income Tax in relation to Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關企業所得稅問題的公告》), certain subsidiaries of the Group located in Western China meeting the criteria were subject to corporate income tax at rate of 15% after obtaining the approval from the competent tax authorities.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

2. Value-added tax (VAT)

Certain subsidiaries of the Group enjoy the following VAT preferences

- (1) In accordance with the Notice concerning the Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilisation of Goods and Services" (《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) (Cai Shui [2015] No. 78) promulgated by Ministry of Finance and State Administration of Taxation of the PRC with effect from 1 July 2015, some of the Company's subsidiaries engaged in cement production enjoy 70% VAT refund upon collection preferential policy in respect of their eligible cement products.
- (2) In accordance with the requirements of the Notice concerning the Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilisation of Goods and Services" (《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) (Cai Shui [2015] No. 78) with effect from 1 July 2015, a minor portion of products of BBMG Mortar Co., Ltd., being a subsidiary of the Group, meet the requirement of Comprehensive Utilization of Resources, enjoying 70% VAT refund upon collection.
- (3) In accordance with the requirements of the Notice concerning the Value-added Tax Policy for Novel Wall Materials (《關於新型牆體材料增值稅政策的通知》) (Cai Shui [2015] No. 73), Beijing Jinyu Aerated Concrete Co., Ltd. and Tangshan Jinyu Aerated Concrete Co., Ltd., both being the Group's subsidiaries, enjoy 50% VAT refund upon collection preferential policy in respect of their eligible novel wall materials.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (4) Under the project cooperation agreement entered into with the Management Committee of Tianjin Dongjiang Free Trade Zone (天津東疆保稅港區管理委員會), BBMG Finance Lease Co., Ltd., a subsidiary of the Group, enjoys a tax preference policy implemented by the tax authority in the Dongjiang Free Trade Zone, pursuant to which actual tax burden exceeding 3% will be entitled to VAT refund upon collection in accordance with the Notice concerning the Incorporation of the Railway Transportation Industry and the Postal Industry into the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《關於將鐵路運輸和郵政業納入營業稅改增值稅試點的通知》) (Cai Shui [2013] No. 106). In addition, in accordance with the Notice of Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau on Relevant Issues concerning Transitional Financial Subsidy for Pilot Program of Levying Value-added Tax in lieu of Business Tax (《天津市財政局天津市國家稅務局天津市地方稅務局關於營業稅改增值稅試點過渡性財政扶持資金申請撥付問題的通知》) (Jin Cai Shui Zheng [2013] No. 1), if the tax burden of VAT after the reform from business tax to value-added tax (“B2V Reform”) is greater than that of business tax before B2V Reform, the financial subsidy for the increased tax burden will be executed according to the relevant requirements of the above documents. Pursuant to the agreement, the Dongjiang Free Trade Zone would undertake 70% of turnover tax from 2015 to 2020 supported by the preferential policies.
- (5) In accordance with the requirements of the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products (《財政部國家稅務總局關於軟件產品增值稅政策的通知》) (Cai Shui [2011] No. 100), Tangshan Dunshi Information and Technology Co., Ltd. enjoys the preferential VAT policy of refund upon collection in respect of the actual tax burden exceeding 3% for the software it sells.
- (6) According to Item 2, Article 1 of Appendix 3 to the Notice of the Ministry of Finance and the State Administration of Taxation concerning the Overall Implementation of the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《財政部國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36), the elderly services provided by Beijing BBMG Aixin Binhe Elderly Services Co., Ltd. are exempted from VAT.

3. Resource tax

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

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31 December 2019	31 December 2018
Cash in stock	423,863.04	2,585,432.91
Bank deposits	19,585,982,860.68	16,455,156,910.94
Other monetary fund	492,075,865.11	1,328,911,455.04
Statutory deposit reserve placement with central bank by finance company	1,246,559,989.54	987,814,461.77
	21,325,042,578.37	18,774,468,260.66

Monetary fund with restrictions:

	31 December 2019	31 December 2018
Monetary fund for collateral:		
Statutory deposit reserve placement with central bank by finance company	1,246,559,989.54	987,814,461.77
Deposits for letter of credit	72,570,404.63	175,108,025.27
Quality/performance guarantees	189,169,233.08	273,062,584.16
Deposits for acceptance bills	291,346,394.08	576,988,247.64
Other monetary fund with restrictions:		
Restricted part of property pre-sale funds	3,872,605,923.80	2,926,411,562.08
Other restricted funds	325,245,335.73	315,036,071.92
	5,997,497,280.86	5,254,420,952.84

As at 31 December 2019, the monetary fund with restrictions utilized by the Group included bank deposits of RMB4,258,861,426.21 (31 December 2018: RMB2,983,786,522.27), other monetary fund of RMB492,075,865.11 (31 December 2018: RMB1,282,819,968.80) and statutory deposit reserve placement with central bank by finance company of RMB1,246,559,989.54 (31 December 2018: RMB987,814,461.77).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Cash and bank balances *(continued)*

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

As at 31 December 2019, the Group's monetary fund deposited overseas amounted to RMB169,742,515.94 (31 December 2018: RMB153,505,172.77).

2. Financial assets held for trading

	31 December 2019	31 December 2018
Wealth management product investment	1,001,034,386.73	1,000,708,555.99
Equity instrument investment	<u>14,243,900.00</u>	<u>33,849,556.74</u>
	<u>1,015,278,286.73</u>	<u>1,034,558,112.73</u>

3. Bills receivable

	31 December 2019	31 December 2018
Bank acceptance bills	4,518,509,076.65	9,514,351,643.03
Commercial acceptance bills	<u>825,050,192.62</u>	<u>1,272,059,132.66</u>
	5,343,559,269.27	10,786,410,775.69
Less: Provision for bad debts of bills receivable	<u>140,949,917.97</u>	<u>65,855,058.00</u>
	<u>5,202,609,351.30</u>	<u>10,720,555,717.69</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Bills receivable *(continued)*

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

	31 December 2019		31 December 2018	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance bills	8,797,061,826.06	565,734,467.17	4,908,466,725.70	4,351,540,018.60
Commercial acceptance bills	–	430,996,203.28	–	935,730,669.33
	8,797,061,826.06	996,730,670.45	4,908,466,725.70	5,287,270,687.93

As at 31 December 2019, bills receivable of RMB92,052,474.50 (31 December 2018: RMB129,872,209.57) were used for discounting of short-term loan. For details of pledge of bills receivable, please refer to Note V. 70.

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

	31 December 2019	31 December 2018
Bank acceptance bills	137,406,869.10	177,200,000.00

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

	31 December 2019	31 December 2018
Balance at the year	65,855,058.00	–
Provision for the year	75,094,859.97	65,855,058.00
Balance at the end of the year	140,949,917.97	65,855,058.00

See Note VIII. 2 for transfer of bills receivable.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***4. Accounts receivable**

The credit periods of accounts receivable from external third parties are generally 1 to 6 months and amounts due from related parties have no fixed terms of repayment. Accounts receivable are non-interest bearing.

An aging analysis of accounts receivable is as follows:

	31 December 2019	31 December 2018
Within 1 year	6,025,933,817.48	5,875,572,619.57
1 to 2 years	1,812,861,436.65	1,399,257,206.82
2 to 3 years	875,311,528.23	831,428,398.76
3 to 4 years	482,639,054.25	560,230,050.44
4 to 5 years	456,696,773.03	376,422,298.49
Over 5 years	968,507,647.38	820,700,395.22
	10,621,950,257.02	9,863,610,969.30
Less: Provision for bad debts of accounts receivable	2,620,476,724.39	2,423,525,518.45
	8,001,473,532.63	7,440,085,450.85

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable *(continued)*

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

	31 December 2019	31 December 2018
Opening balance	2,423,525,518.45	2,231,874,010.93
Provision for the year	376,975,737.13	68,999,649.21
Transferred in upon acquisition of subsidiaries	15,437,643.47	168,686,325.27
Reversal for the year	(51,395,447.89)	(2,679,120.48)
Write-off for the year	(24,878,817.44)	(10,080,941.31)
Removed from upon disposal of subsidiaries	(38,992,282.51)	(33,171,288.40)
Transferred to held for sale	–	(103,116.77)
Other transfers	(80,195,626.82)	–
Closing balance	2,620,476,724.39	2,423,525,518.45

	31 December 2019			
	Balance of carrying amount	Proportion (%)	Provision for bad debts amount	Proportion (%)
Subject to separate provision for bad debts	1,010,803,184.21	9.52	612,293,506.18	60.57
Provision for bad debts by credit risk characteristics group	9,611,147,072.81	90.48	2,008,183,218.21	20.89
	10,621,950,257.02	100.00	2,620,476,724.39	24.57

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable *(continued)*

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

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

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons
Unit 1	137,406,869.10	75,475,155.06	54.93	Partly uncollectible
Unit 2	78,697,034.78	78,697,034.78	100.00	All uncollectible
Unit 3	67,194,228.53	67,194,228.53	100.00	All uncollectible
Unit 4	51,900,000.00	51,900,000.00	100.00	All uncollectible
Unit 5	17,359,467.98	17,359,467.98	100.00	All uncollectible
Other units	<u>658,245,583.82</u>	<u>321,667,619.83</u>	48.87	Partly uncollectible
	<u>1,010,803,184.21</u>	<u>612,293,506.18</u>		

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable *(continued)*

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

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons
Unit 2	80,213,849.30	65,909,613.14	82.17	Partly uncollectible
Unit 4	51,900,000.00	26,282,311.70	50.64	Partly uncollectible
Unit 6	21,400,499.00	21,400,499.00	100.00	All uncollectible
Unit 5	17,484,567.98	17,484,567.98	100.00	All uncollectible
Unit 7	15,357,312.83	15,357,312.83	100.00	All uncollectible
Other units	829,453,773.35	260,730,171.70	31.43	Partly uncollectible
	<u>1,015,810,002.46</u>	<u>407,164,476.35</u>		

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***4. Accounts receivable** *(continued)*

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

	31 December 2019		
	Gross carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year (inclusive of 1 year)	6,019,802,531.83	2.95	177,546,364.46
1 to 2 years (inclusive of 2 years)	1,645,183,842.71	18.44	303,445,180.49
2 to 3 years (inclusive of 3 years)	628,836,190.67	42.80	269,125,118.69
3 to 4 years (inclusive of 4 years)	214,588,869.07	72.39	155,330,916.04
4 to 5 years (inclusive of 5 years)	334,213,779.17	100.00	334,213,779.17
Over 5 years	768,521,859.36	100.00	768,521,859.36
	9,611,147,072.81		2,008,183,218.21

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable *(continued)*

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

	Reason for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provisions for bad debts before recovery	Reversal amount
Unit 6	Payment for goods received	Expected all uncollectible	21,400,499.00	17,145,426.50
Unit 7	Payment for goods received	Expected all uncollectible	15,252,693.43	15,252,693.43
Unit 8	Payment for goods received	Expected all uncollectible	7,262,346.00	7,262,346.00
Unit 9	Payment for goods received	Expected all uncollectible	6,323,205.00	4,962,710.00
Unit 10	Payment for goods received	Expected all uncollectible	3,808,619.08	3,808,619.08
Other units	Payment for goods received	Expected all uncollectible	5,904,752.88	2,963,652.88
			59,952,115.39	51,395,447.89

As at 31 December 2018, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reason for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provisions for bad debts before recovery	Reversal amount
Unit 11	Payment for goods received	Expected all uncollectible	2,207,495.52	2,207,495.52
Unit 12	Payment for goods received	Expected all uncollectible	152,315.76	152,315.76
Unit 13	Payment for goods received	Expected all uncollectible	110,986.40	110,986.40
Unit 14	Payment for goods received	Expected all uncollectible	106,964.37	106,964.37
Unit 15	Payment for goods received	Expected all uncollectible	101,358.43	101,358.43
			2,679,120.48	2,679,120.48

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable *(continued)*

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

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

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

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

In 2019, provision for bad debts amounted to RMB376,975,737.13 (2018: RMB68,999,649.21), and provision for bad debts reversed or recovered amounted to RMB51,395,447.89 (2018: RMB2,679,120.48). The actual amount of accounts receivable written-off was RMB24,878,817.44 (2018: RMB10,080,941.31).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Receivables financing

	31 December 2019	31 December 2018
Bank acceptance bills	501,846,392.39	505,226,096.81

Due to the needs of daily fund management, the subsidiaries of the Group endorsed part of bank acceptance bills. The Group therefore classify bank acceptance bills as financial assets at fair value through other comprehensive income. The above bills receivables are all due within one year.

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

As at 31 December 2019, the Group endorsed the undue notes receivable of RMB2,323,508,285.10 (31 December 2018: RMB664,569,206.95) to its suppliers to settle trade payables of the same amounts and derecognised these notes receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2019, the maximum exposure to loss from its continuous involvement represents the amounts of undue notes receivable of RMB2,323,508,285.10 (31 December 2018: RMB664,569,206.95), which the Group endorsed to its suppliers.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***6. Prepayments**

An aging analysis of prepayments is as follows:

	31 December 2019		31 December 2018	
	Balance of carrying amount	Proportion	Balance of carrying amount	Proportion
Within 1 year	1,446,065,792.08	92.26%	1,897,051,101.24	92.94%
1 to 2 years	55,284,739.50	3.53%	57,451,838.84	2.81%
2 to 3 years	22,111,293.14	1.41%	22,897,375.59	1.12%
Over 3 years	43,847,858.42	2.80%	63,726,559.29	3.13%
	1,567,309,683.14	100.00%	2,041,126,874.96	100.00%
Less: Provision for bad debts of prepayments	43,084,211.69		32,755,124.32	
	1,524,225,471.45		2,008,371,750.64	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Prepayments *(continued)*

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

	Aging	Amount	Percentage of total amount	Reasons for being not yet settled in time
Unit 19	1 to 2 years	22,983,264.00	1.47%	Uncompleted
Unit 18	Over 3 years	6,941,024.00	0.44%	Uncompleted
Unit 15	Over 3 years	6,145,541.26	0.39%	Uncompleted
		36,069,829.26	2.30%	

As at 31 December 2018, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total amount	Reasons for being not yet settled in time
Unit 15	Over 3 years	6,145,541.26	0.30%	Uncompleted
Unit 16	Over 3 years	5,000,000.00	0.24%	Uncompleted
Unit 17	Over 3 years	4,620,000.00	0.23%	Uncompleted
		36,069,829.26	2.30%	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Prepayments *(continued)*

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

	Balance	Percentage of total prepayments
First	286,788,200.31	18.30%
Second	81,786,007.97	5.22%
Third	53,937,918.10	3.44%
Fourth	49,934,715.66	3.19%
Fifth	49,328,216.39	3.15%
	521,775,058.43	33.29%

As at 31 December 2018, the top five prepayments based on balances of the debtors are analysed as follows:

	Balance	Percentage of total prepayments
First	285,696,672.96	14.00%
Second	136,827,130.20	6.70%
Third	75,023,601.76	3.68%
Fourth	57,126,246.08	2.80%
Fifth	41,000,000.00	2.01%
	595,673,651.00	29.19%

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7 Other receivables

	31 December 2019	31 December 2018
Interests receivable	51,443,013.93	1,301,741.00
<i>Including: Interests on borrowings</i>	51,443,013.93	1,301,741.00
Dividends receivable	35,675,560.20	53,071,936.52
<i>Including: Dividends due from associates</i>	35,675,560.20	11,071,936.52
<i>Dividends due from other equity investment</i>	–	42,000,000.00
Other receivables		
Deposits	1,554,908,448.82	1,575,147,416.27
Current account with other entities	2,321,664,142.76	2,226,739,307.41
Disbursements previously made	467,923,730.99	496,332,654.05
Consideration receivable for equity transfer	278,839,265.88	981,951,645.48
Government grants receivable	12,666,129.89	37,385,615.66
Amount due from associates	3,199,850,555.58	3,965,372,615.42
Amount due from Joint ventures	82,653,803.40	81,870,093.63
Due from other related parties	–	208,457,696.17
Other current account	2,749,046,522.32	1,965,466,739.11
	10,754,671,173.77	11,593,097,460.72
Less: Provision for bad debts of other receivables	1,687,313,396.35	1,651,477,882.53
	9,067,357,777.42	9,941,619,578.19

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***7 Other receivables** *(continued)*

An aging analysis of other receivables is as follows:

	31 December 2019	31 December 2018
Within 1 year	3,110,003,235.43	7,135,662,244.78
1 to 2 years	4,404,431,711.89	645,336,788.23
2 to 3 years	424,560,302.77	1,053,350,631.36
3 to 4 years	846,541,288.85	401,621,124.08
4 to 5 years	288,493,855.45	388,160,367.93
Over 5 years	1,680,640,779.38	1,968,966,304.34
	10,754,671,173.77	11,593,097,460.72
Less: Provision for bad debts of other receivables	1,687,313,396.35	1,651,477,882.53
	9,067,357,777.42	9,941,619,578.19

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7 Other receivables *(continued)*

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

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

In 2019, provision for bad debts amounted to RMB90,085,465.98 (2018: RMB309,898,882.34), and provision for bad debts reversed amounted to RMB13,510,477.38 (2018: RMB57,421,684.31). The actual amount of accounts receivable written-off was RMB41,781,989.80 (2018: RMB12,135,460.15).

Notes to Financial Statements (continued)

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7 Other receivables (continued)

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

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	2,686,084,477.51	24.98%	Amount due from associates	Within 1 year, 1-2 years	-
Second	692,712,900.00	6.44%	Prices of land resumption	1-2 years	-
Third	533,440,850.42	4.96%	Payables	Within 1 year	-
Fourth	450,900,606.98	4.16%	Disbursements previously made	Within 1 year, 1-2 years, 3-4 years	-
Fifth	303,028,089.44	2.82%	General payables	Within 1 year, 1-2 years, 2-3 years, over 5 years	16,800,000.00
	4,666,166,924.35	43.39%			16,800,000.00

As at 31 December 2018, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	3,272,090,726.80	28.22%	Amount due from associates	Within 1 year	-
Second	692,712,900.00	5.98%	Prices of land resumption	Within 1 year	-
Third	677,256,689.33	5.84%	Consideration receivable for equity transfer	Within 1 year	-
Fourth	602,188,169.53	5.19%	General payables	over 5 years	60,000,000.00
Fifth	446,399,977.65	3.85%	Disbursements previously made	2-3 years	-
	5,690,648,463.31	49.08%			60,000,000.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7 Other receivables *(continued)*

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

	Description of government grants	Amount	Aging	Expected time of receipt
Local tax authorities	Refunds of VAT	<u>12,666,129.89</u>	Within 1 year	2020

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

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

As set out in Note IV. (II) Tax, certain companies of the Group enjoy the policy of immediate refund of VAT levied. As at the balance sheet date, the value-added tax receivable refund policies have been verified by various tax bureaus, and the management expects that the amounts will be fully recovered next year.

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***8. Inventories**

	31 December 2019		
	Balance of carrying amount	Provision for decline in value	Carrying value
Raw materials	2,203,791,559.92	94,201,495.59	2,109,590,064.33
Items in production	1,057,167,684.03	6,484,413.09	1,050,683,270.94
Finished goods	2,708,644,733.14	179,881,949.41	2,528,762,783.73
Turnover materials	10,725,951.18	–	10,725,951.18
Development costs	97,856,892,687.73	7,169,850.12	97,849,722,837.61
Products under development	18,333,890,490.13	427,977,001.15	17,905,913,488.98
Contract performance cost	96,439,125.88	20,812,186.15	75,626,939.73
	122,267,552,232.01	736,526,895.51	121,531,025,336.50

	31 December 2018		
	Balance of carrying amount	Provision for decline in value	Carrying value
Raw materials	2,042,210,001.97	111,744,448.57	1,930,465,553.40
Items in production	920,704,467.26	26,892,195.65	893,812,271.61
Finished goods	2,798,863,930.37	62,487,076.76	2,736,376,853.61
Turnover materials	20,916,607.52	81,472.31	20,835,135.21
Development costs	96,699,933,733.25	7,169,850.12	96,692,763,883.13
Products under development	13,045,110,219.65	470,289,422.94	12,574,820,796.71
Contract performance cost	74,705,027.12	10,985,839.43	63,719,187.69
	115,602,443,987.14	689,650,305.78	114,912,793,681.36

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories *(continued)*

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

2019

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

2018

	Opening balance	Provision for the year	Decrease during the year		Closing balance
			Removed from upon disposal of subsidiaries	Write-off	
Raw materials	100,513,654.18	28,093,555.65	7,965,733.09	8,897,028.17	111,744,448.57
Items in production	46,209,849.70	233,296.54	-	19,550,950.59	26,892,195.65
Finished goods	54,331,308.71	22,826,268.67	-	14,670,500.62	62,487,076.76
Turnover materials	81,472.31	-	-	-	81,472.31
Contract performance cost	-	10,985,839.43	-	-	10,985,839.43
Development costs	15,632,660.41	-	-	8,462,810.29	7,169,850.12
Products under development	182,077,333.06	314,037,742.90	-	25,825,653.02	470,289,422.94
	398,846,278.37	376,176,703.19	7,965,733.09	77,406,942.69	689,650,305.78

As at 31 December 2019, the balance of development costs included the capitalised borrowing costs of RMB6,443,373,626.99 (31 December 2018: RMB5,093,549,898.63). The capitalised borrowing costs amounted to RMB2,937,951,653.16 in aggregate in 2019 (2018: RMB3,594,842,102.54), and the rate of interest capitalisation was 4.00% (2018: 4.76%).

Details of pledge of inventories are set out in Note V. 70.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories *(continued)*

(1) *The following sets out the breakdown of costs of property development:*

Project name	Time of commencement	Estimated completion time of the next phase	Aggregate investment	31 December 2019	31 December 2018
Hangzhou – Jingfangsanbao Project	May 2017	April 2021	10,389,880,000.00	9,350,227,923.87	8,743,536,427.89
Ningbo – Plot 07#/15#/16# at Gaoxin District	March 2018	November 2021	8,390,000,000.00	6,757,660,897.36	5,964,438,756.85
Tianjin–Airport Economic Zone	March 2018	December 2020	9,119,780,000.00	6,570,362,734.47	6,664,978,005.55
Hefei – Plot S1606 at Baohe District	May 2017	December 2020	7,832,880,000.00	6,239,475,152.72	5,348,019,204.23
Nanjing – Diary Farm Project	December 2016	November 2021	6,845,850,000.00	4,529,416,501.71	5,990,562,745.69
Chongqing – Xinduhui Project	June 2018	April 2021	20,117,351,300.00	4,354,950,423.19	4,378,123,441.04
Nanjing – Plot G20 at Jiulonghu	July 2018	December 2020	5,267,680,000.00	3,852,299,084.74	3,491,305,934.90
Beijing – Yizhuang X89R1	August 2018	October 2021	4,571,940,000.00	3,757,156,557.60	3,412,499,921.28
Hefei – Nanqi Garden	March 2016	June 2020	7,490,660,000.00	3,734,091,449.36	5,231,381,039.37
Chengdu – Gaoxin Zhonghe Project	September 2018	December 2021	5,332,520,000.00	3,717,755,005.35	3,195,329,600.12
Tianjin – Jinzhong River Project (金鐘河項目)	April 2019	August 2021	4,285,000,000.00	3,581,867,022.54	3,032,762,236.31
Beijing – Anningzhuang (安寧莊)	March 2019	February 2022	5,377,000,000.00	3,228,669,677.24	–
Beijing – Yancun Project	November 2018	October 2020	4,060,920,000.00	3,083,118,014.28	2,822,570,346.58
Hangzhou-Plot 42 of BBMG Hanchao	February 2020	December 2022	2,636,000,000.00	2,966,730,816.62	–
Beijing – Incubator Technology Park (孵化器科技園)	March 2018	October 2021	4,590,000,000.00	2,945,938,079.42	2,125,026,154.56
Beijing – Jinlinfu Project	August 2018	October 2020	3,332,240,000.00	2,881,108,748.65	2,741,610,888.65
Beijing – Konggang Project	March 2018	August 2020	2,829,630,000.00	2,502,814,311.36	2,197,199,344.89
Qingdao – Jinyu Jimo	December 2018	June 2022	4,151,470,000.00	2,162,169,057.17	1,780,696,051.54
Hefei – Baohe S1802 (包河S1802)	February 2019	December 2022	3,007,450,000.00	1,954,843,373.78	1,612,219,198.99

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories *(continued)*

(1) *The following sets out the breakdown of costs of property development: (continued)*

Project name	Time of commencement	Estimated completion time of the next phase	Aggregate investment	31 December 2019	31 December 2018
Beijing-Penglai Project	May 2015	December 2021	6,816,300,000.00	1,879,965,799.14	4,401,205,993.71
Anhui – Forklift Factory Project	May 2018	December 2020	2,000,000,000.00	1,488,850,130.42	1,334,280,025.85
Shanghai-Dachenghuating (大成華庭)	June 2019	May 2021	1,772,560,000.00	1,444,750,473.67	1,161,530,000.00
Chengdu – Wuhou Longxijun Project	July 2018	January 2020	1,658,840,000.00	1,419,692,336.75	906,097,112.13
Chengdu – Xindu Dafeng Project	July 2018	September 2020	1,654,890,000.00	1,343,864,407.41	918,621,386.00
Tangshan – Qixin 1889#	April 2014	November 2020	2,963,829,179.54	1,265,408,210.87	1,183,989,575.09
Chongqing – Nanshanjun	December 2011	June 2020	5,198,000,000.00	1,253,773,814.83	1,429,747,454.90
Beijing – Fengtai Project	October 2015	June 2020	7,092,594,750.00	1,221,376,898.96	2,063,048,125.58
Beijing – Public Rental Apartments of Technology Park	June 2015	January 2020	1,377,090,000.00	1,165,699,092.52	1,174,379,768.14
Nanhu – Jin'anshiming	March 2018	December 2020	2,915,380,294.63	1,055,445,667.84	695,957,474.97
Haikou – Yangguangjun	April 2016	October 2022	2,532,000,000.00	1,023,065,478.29	1,165,702,075.03
Qingdao – Qingdao Project	November 2015	January 2020	3,263,310,000.00	979,859,344.99	1,147,415,341.38
Tianjin – Yingshun Building	March 2018	June 2020	850,380,000.00	760,201,445.19	688,711,570.57
Chengdu – Shangxifu	July 2018	September 2020	960,270,000.00	743,028,425.35	542,648,247.52
Beijing – Chicken Farm Project (雞場項目)	October 2018	February 2022	800,000,000.00	566,790,890.98	6,935,941.17
Chengde – Chengde Project	May 2018	June 2020	554,248,200.00	246,387,207.62	120,568,179.49
Hangzhou – Plot 2F, Plot 2G	April 2016	December 2020	592,280,000.00	229,476,736.75	123,183,347.18
Tangshan – Caofeidian E-02-2	June 2019	December 2020	711,741,959.00	218,654,384.75	98,556,505.44
Beijing – Kanghuiyuan	February 2009	June 2021	1,923,699,963.82	187,684,305.20	144,462,830.65
Beijing – Chaoyang New City	August 2013	June 2020	4,184,808,038.41	162,182,544.93	190,312,929.80

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories *(continued)*

(1) *The following sets out the breakdown of costs of property development: (continued)*

Project name	Time of commencement	Estimated completion time of the next phase	Aggregate investment	31 December 2019	31 December 2018
Tangshan – Jinyu Lefu		December			
	March 2010	2021	2,787,561,938.91	150,951,852.84	345,193,333.83
Tianjin – Jinyu Yuecheng	September 2010	January 2020	5,157,217,800.00	142,983,650.91	107,428,549.20
Inner Mongolia – Jinyu					
Global Finance Centre	July 2013	June 2020	1,500,000,000.00	141,908,400.00	558,409,716.21
Chongqing – Times Metro		December			
	October 2012	2021	5,068,220,000.00	112,812,221.15	105,651,337.02
Beijing – Phase II of					
Dandian	April 2014	March 2020	4,406,665,057.79	73,549,217.88	286,842,480.32
Beijing – Nankou Project	May 2016	March 2020	682,973,619.00	29,668,030.96	36,069,864.05
Beijing – Jinyu Vanke City	March 2008	N/A	4,011,000,000.00	24,615,485.01	24,578,918.96
Beijing – Plot at Western					
Xijiao Gravel Plant	November 2015	N/A	2,648,303,200.00	1,719,879.25	308,126,121.66
Beijing – Houshayu Project	October 2016	Completed	2,396,580,000.00	–	2,816,343,488.75
Tianjin – Qiaowanyuan					
Project	March 2018	Completed	757,796,000.00	–	695,270,534.16
Tianjin – Haoyu Company					
Commercial Project	May 2017	Completed	578,000,000.00	–	524,914,898.11
Ningbo – Plot at Yaojiang					
Chuanzha	March 2017	Completed	840,000,000.00	–	489,090,306.88
Beijing – Changyang					
Polytechnic University					
Land No.1	May 2013	Completed	3,277,058,700.00	–	46,117,139.59
Beijing – Phase II of					
Xingpai	April 2014	Completed	3,111,138,531.52	–	28,177,071.41
Shanghai – Jiading Juyuan	December 2015	Completed	5,500,000,000.00	–	1,738,537,902.56
Tangshan – Laishui					
Dormitory	March 2009	Completed	49,479,634.00	–	45,541,009.30
Others				344,701,671.72	306,858,028.08
				97,849,722,837.61	96,692,763,883.13

Notes to Financial Statements (continued)

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Shangchengjun	December 2019	377,275,478.94	3,664,664,597.27	1,291,557,290.12	2,750,382,786.09
Nanjing – Zijingdieyuan (紫京臺院)	October 2019	–	2,257,737,351.49	652,779,139.78	1,604,958,211.71
Beijing – Wangchuan Beiyuan	December 2018	1,571,735,059.40	–	150,788,231.36	1,420,946,828.04
Beijing – Jinchengyu Garden (金成裕雅苑)	December 2019	–	3,202,251,326.41	1,781,980,120.98	1,420,271,205.43
Shanghai – Jiading Juyuan	March 2019	702,558,296.54	2,327,864,593.03	2,125,009,915.19	905,412,974.38
Beijing – Jiapin MALL	September 2015	811,471,711.72	–	–	811,471,711.72
Beijing – Chaoyang New City	November 2019	765,022,511.29	31,237,471.67	1,300,182.08	794,959,800.88
Chongqing – Times Metro	August 2018	944,110,895.63	13,908,537.41	224,765,079.42	733,254,353.62
Chongqing – Nanshanjun	November 2019	573,550,807.91	680,231,307.52	554,491,811.41	699,290,304.02
Ningbo – Ganjiang Shidai (甌江時代)	June 2019	–	652,013,728.58	30,178,759.61	621,834,968.97
Tangshan – Jinyu Lefu	June 2019	705,518,262.46	211,650,019.14	371,883,587.37	545,284,694.23
Hefei – Nanqi Garden	November 2019	–	2,843,245,965.59	2,426,699,713.70	416,546,251.89
Tianjin – Qiaowanyuan	December 2019	–	695,265,612.17	296,137,877.52	399,127,734.65
Qingdao – Qingdao Hefu	August 2019	822,060,663.60	154,115,941.94	582,878,088.74	393,298,516.80
Tangshan – Jin'an hongbao	December 2017	478,437,400.98	–	172,777,803.83	305,659,597.15
Changyang – Polytechnic University Land No.1	October 2019	250,919,656.45	48,217,201.95	13,227,390.36	285,909,468.04
Chengdu – Dachengjun	December 2014	276,354,936.08	–	3,981,359.78	272,373,576.30
Inner Mongolia – Global Center	September 2019	272,242,721.09	398,489,980.36	414,460,412.97	256,272,288.48
Beijing – Hujiingyuan	November 2019	40,543,834.15	215,685,256.20	1,227,731.38	255,001,358.97
Haikou – Xixili	October 2017	424,616,850.87	–	196,873,690.25	227,743,160.62
Haikou – Yangguangjun	December 2019	–	466,511,495.74	238,947,612.22	227,563,883.52
Inner Mongolia – Ligang City	October 2015	214,414,918.90	–	24,118,066.83	190,296,852.07
Tianjin – Jinyu Yuecheng	October 2017	227,568,760.48	–	38,513,540.32	189,055,220.16
Beijing – Treasures Mansion House	November 2019	693,892,902.75	287,193,654.53	811,290,838.89	169,795,718.39
Tangshan – Qixin 1889#	June 2019	153,382,272.18	12,266,840.46	14,548,655.73	151,100,456.91
Chengdu – Longxijun	July 2017	219,789,282.02	–	69,366,387.38	150,422,894.64
Beijing – Dacheng Shidai	December 2019	73,881,317.53	70,429,402.18	–	144,310,719.71
Ma'an shan – Jiashanshu	June 2016	145,572,210.45	–	5,333,352.86	140,238,857.59
Chongqing – Plot No.2 of Xinduhui	November 2019	–	493,912,245.40	355,767,636.78	138,144,608.62

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***8. Inventories** *(continued)***(2) Breakdown of property development products is as follows:** *(continued)*

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Tianjin-Hongshanhuayuan (紅杉花苑)	June 2016	148,392,832.08	-	22,691,461.37	125,701,370.71
Beijing - Dacheng					
International	March 2018	113,491,181.74	-	-	113,491,181.74
Beijing - Kanghuiyuan	September 2011	117,849,302.62	-	5,353,891.91	112,495,410.71
Beijing - Wangheyuan	November 2019	72,760,319.71	25,417,216.35	7,688,711.94	90,488,824.12
Beijing - Binheyuan	June 2014	68,786,987.80	-	1,182,277.15	67,604,710.65
Beijing - Tuqiao Project	December 2016	66,785,871.61	-	2,888,519.52	63,897,352.09
Beijing - Guogongzhuang	December 2014	59,002,662.30	-	1,637,154.70	57,365,507.60
Beijing - Jinyu Town-House	October 2014	56,825,586.08	-	-	56,825,586.08
Beijing - Tuqiao Phase III	August 2016	68,723,448.37	-	12,891,299.95	55,832,148.42
Beijing - Huixingyuan	November 2019	29,456,585.44	22,527,008.96	-	51,983,594.40
Inner Mongolia - Jinyu					
Times City	June 2019	42,727,913.55	1,101,253.74	4,715,000.68	39,114,166.61
Beijing - Jiaheyuan	March 2018	44,728,502.58	-	6,544,292.23	38,184,210.35
Beijing - Chang'an New City	December 2007	52,232,691.68	-	14,268,228.13	37,964,463.55
Hainan - Dacheng Business					
Apartments	February 2005	33,819,032.85	-	-	33,819,032.85
Hangzhou - Guanlan Times	May 2018	164,133,993.58	-	131,210,561.48	32,923,432.10
Beijing - Wangyajiyuan (旺雅家園)	September 2018	31,789,119.66	-	3,276,945.01	28,512,174.65
Beijing - I Cube	February 2015	27,255,962.07	-	-	27,255,962.07
Beijing - Jinyu Lanwan	October 2016	32,436,479.81	-	5,313,381.53	27,123,098.28
Hangzhou - Jinyu Xuefu	November 2017	112,967,718.38	-	86,306,219.25	26,661,499.13
Tangshan - Xitang (鑫唐)	June 2019	-	177,084,059.47	155,104,286.22	21,979,773.25
Tianjin - Liulanhuayuan					
Project Phase I	June 2010	21,781,855.85	-	2,493,500.33	19,288,355.52
Hangzhou - Banshan					
Tianyuan	March 2016	11,509,911.11	-	4,376,659.68	7,133,251.43
Tianjin - Rongxiyuan Project	May 2015	52,915,370.82	-	45,911,976.62	7,003,394.20
Tangshan - Lixinjiayuan	September 2016	18,314,891.78	-	11,363,195.46	6,951,696.32
Nanjing - Zijinfu	May 2018	50,106,439.43	-	46,245,399.05	3,861,040.38
Beijing - Jinyu Feili	November 2016	71,719,231.29	-	68,971,128.89	2,748,102.40
Tianjin - Gediaoqiyan (格調琦園)	September 2018	132,937,365.05	-	132,937,365.05	-
Others		126,448,788.05	13,702,220.98	11,375,863.26	128,775,145.77
		<u>12,574,820,796.71</u>	<u>18,966,724,288.54</u>	<u>13,635,631,596.27</u>	<u>17,905,913,488.98</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

9. Contract assets

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

	31 December 2019			31 December 2018		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Completed but not yet settled	45,439,239.13	2,487,155.92	42,952,083.21	-	-	-

10. Other current assets

	31 December 2019	31 December 2018
Prepaid enterprise income tax	764,288,817.63	804,009,937.68
Prepaid value-added tax	750,836,243.03	645,876,093.44
Prepaid business tax and other tax	493,923,753.32	567,283,553.53
VAT recoverable	3,318,194,495.46	1,060,730,742.71
VAT certifiable	121,281,074.41	146,775,350.18
Cost of obtaining a contract	119,704,979.53	71,454,731.13
Others	715,817,334.73	414,595,014.15
	6,284,046,698.11	3,710,725,422.82

Notes to Financial Statements (continued)

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***11. Debt investments**

	31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value
Financial Bonds of Policy Bank – 19 Nong Fa 01 (政策性銀行金融債券-19農發01)	206,933,697.53	–	206,933,697.53

In the year, BBMG Finance Co., Ltd purchased the first tranche of financial bonds for 2019 of Agricultural Bank of China totaling RMB199,917,800.00 with a coupon rate of 3.75% and maturity date of 25 January 2029.

12. Long-term receivables

	31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value
Sales of goods by instalments	613,816,168.84	20,103,877.84	593,712,291.00
Loans to Related parties	428,258,733.22	–	428,258,733.22
	1,042,074,902.06	20,103,877.84	1,021,971,024.22

	31 December 2018		
	Balance of carrying amount	Provision for impairment	Carrying value
Sales of goods by instalments	555,690,827.57	30,179,310.27	525,511,517.30
Loans to Related parties	276,840,404.25	–	276,840,404.25
	832,531,231.82	30,179,310.27	802,351,921.55

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

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For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term receivables (continued)

Loans to related parties mainly referred to the borrowings and interest receivable provided to Cross Point Trading 274 (Pty) Ltd (RF) and Mamba Cement Company (Pty) Ltd (RF), joint ventures of African Rhino Co., Ltd. (非洲犀牛有限公司) which is a subsidiary of the Group. Pursuant to the agreement between both parties, such borrowings will be recovered before March 2044. Others represent the loans provided by the Company to Beijing Chenyu Real Estate Development Co., Ltd., an associate of the Company. According to the agreement between the two parties, the amounts will be due on 27 February 2021 and 24 May 2021, respectively.

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

	As at 31 December 2019	As at 31 December 2018
Opening balance	30,179,310.27	22,092,206.76
Transferred in upon acquisition of subsidiaries	-	14,924,409.37
Reversal for the year	(10,075,432.43)	(6,837,305.86)
Closing balance	20,103,877.84	30,179,310.27

13. Long-term equity investments

2019

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

2019 *(continued)*

	Movements during the year					Carrying amount at the end of year
	Opening balance	Increase/ (decrease) in investment)	Investment gains or losses under equity method	Other changes in equity	Cash dividend declared	
Associates						
Beijing Sinobai Technology Co., Ltd.	14,336,074.25	-	2,508,091.36	-	(690,000.00)	16,154,165.61
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,364,723.95	-	148,441.93	-	-	16,513,165.88
Beijing Chenyu Real Estate Development Co., Ltd.	22,892,370.60	955,500,000.00	-	-	-	978,392,370.60
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,740,589.67	-	25,063.46	-	(219,843.13)	1,545,810.00
Zehnder (China) Indoor Climate Co., Ltd.	101,170,647.34	-	1,866,694.55	-	-	103,037,341.89
OCV Reinforcements (Beijing) Co., Ltd.	64,425,972.15	-	6,959,541.80	-	-	71,385,513.95
Beijing Gaoqiang Concrete Co., Ltd.	22,942,777.09	-	3,494,216.67	-	(152,900.00)	26,284,093.76
Tangshan Conch Profiles Co., Ltd.	136,669,380.49	-	(3,356,643.58)	-	(2,400,000.00)	130,912,736.91
Toto Machinery (Beijing) Company Limited Beijing Toto Co., Ltd.	161,293,228.09	-	(27,181,318.82)	-	(6,400,000.00)	127,711,909.27
Beijing Innovation Industry Investment Co., Ltd.	146,590,536.67	-	(1,544,935.53)	-	-	145,045,601.14
Beijing Innovation Industry Investment Co., Ltd.	-	100,000,000.00	436,014.35	-	-	100,436,014.35
Baogang Jidong Cement Co., Ltd. *	104,107,413.65	(102,482,490.39)	(1,624,923.26)	-	-	-
Jilin Cement (Group) Co., Ltd.	14,285,000.00	-	409,041.46	-	-	14,694,041.46
Liaoning Yunding Cement Group Co., Ltd.	-	820,000.00	497,804.07	-	-	1,317,804.07
Jidong Cement Fufeng Transportation Co., Ltd.	6,727,093.29	-	707,347.06	-	(1,187,500.00)	6,246,940.35
Jilin Changjitu Investment Co., Ltd.	140,529,163.93	-	(3,226,623.73)	-	-	137,302,540.20
SINJI TRADING PTE LTD	4,727,694.10	-	(44,620.05)	-	-	4,683,074.05
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	4,982,054.25	-	(230.82)	-	-	4,981,823.43
Changchun Light Rail Jidong Concrete Co., Ltd.	33,188,543.22	-	(1,494,814.44)	-	(8,772,934.84)	22,920,793.94
Tianjin Gangbei Concrete Industry Co., Ltd.	3,133,485.90	-	34,834.79	-	-	3,168,320.69
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	2,063,640.66	(690,288.33)	(1,306,558.28)	-	-	66,794.05
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	31,260,986.45	-	634,343.97	-	-	31,895,330.42
Tianjin Yaopi Glass Co., Ltd.	160,244,985.32	-	(10,068,926.74)	-	-	150,176,058.58
Tianjin Xinling Environmental Protection Engineering Co., Ltd.	3,517,210.75	(3,517,210.75)	-	-	-	-
Tianjin Binhai Jiantai Investment Co., Ltd.	158,664,427.82	-	(29,000,000.00)	-	-	129,664,427.82
Tianjin Huanbohai Rock Materials Trading Centre Co., Ltd.	9,708,495.86	(7,700,000.00)	41,302,459.35	-	(43,310,955.21)	-
Subtotal of associates	1,365,566,495.50	941,930,010.53	(19,825,700.43)	-	(63,134,133.18)	2,224,536,672.42
	3,036,757,009.85	941,930,010.53	388,081,883.97	4,851,945.63	(383,089,312.72)	3,988,531,537.26

* See details in Note VI. 1.

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

Notes to Financial Statements (continued)

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

2018

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

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***13. Long-term equity investments** *(continued)*2018 *(continued)*

	Opening balance	Movements during the year					Closing carrying amount
		Obtained through business combination not under common control	Increase/ (decrease) in investment	Investment gain under equity method	Other changes in equity	Cash dividend declared	
Associates							
Zehnder (China) Indoor Climate Co., Ltd.	95,352,921.83	-	-	5,817,725.51	-	-	101,170,647.34
OCV Reinforcements (Beijing) Co., Ltd.	59,574,366.74	-	-	4,851,605.41	-	-	64,425,972.15
Beijing Gaoqiang Concrete Co., Ltd.	23,774,703.48	-	-	(346,426.39)	-	(485,500.00)	22,942,777.09
Beijing Sinobaide Technology Co., Ltd.	11,897,320.50	-	-	3,128,753.75	-	(690,000.00)	14,336,074.25
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,239,040.84	-	-	125,683.11	-	-	16,364,723.95
Tangshan Conch Profiles Co., Ltd.	139,532,805.60	-	-	(463,425.11)	-	(2,400,000.00)	136,669,380.49
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,585,375.30	-	-	155,214.37	-	-	1,740,589.67
Baogang Jidong Cement Co., Ltd.	102,107,514.31	-	-	1,999,899.34	-	-	104,107,413.65
Jidong Cement Fufeng Transportation Co., Ltd.	6,479,080.36	-	-	248,012.93	-	-	6,727,093.29
Jilin Changjitu Investment Co., Ltd.	143,393,971.16	-	-	(2,864,807.23)	-	-	140,529,163.93
SINJI TRADING PTE LTD	4,676,430.77	-	-	51,263.33	-	-	4,727,694.10

Notes to Financial Statements (continued)

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

2018 (continued)

	Movements during the year						
	Opening balance	Obtained through business combination not under common control	Increase/(decrease) in investment	Investment gain under equity method	Other changes in equity	Cash dividend declared	Closing carrying amount
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	4,991,835.01	-	-	(9,780.76)	-	-	4,982,054.25
Changchun Light Rail Jidong Concrete Co., Ltd.	31,335,094.62	-	-	1,853,448.60	-	-	33,188,543.22
Tianjin Gangbei Concrete Industry Co., Ltd.	-	6,769,873.20	-	(3,636,387.30)	-	-	3,133,485.90
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	-	2,525,553.70	(497,902.06)	35,989.02	-	-	2,063,640.66
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	-	30,133,514.23	-	1,127,472.22	-	-	31,260,986.45
Tianjin Yaopi Glass Co., Ltd.	-	157,510,944.13	-	2,734,041.19	-	-	160,244,985.32
Tianjin Xinling Environmental Protection Co., Ltd.	-	3,229,810.16	-	287,400.59	-	-	3,517,210.75
Tianjin Binhai Jiantai Investment Co., Ltd.	-	163,655,516.51	(8,878,257.17)	3,887,168.48	-	-	158,664,427.82
Tianjin Huanbohai Rock Materials Trading Centre Co., Ltd.	-	12,877,730.75	-	(2,399,234.89)	-	(770,000.00)	9,708,495.86
Beijing Chenyu Real Estate Development Co., Ltd.	-	-	24,500,000.00	(1,607,629.40)	-	-	22,892,370.60
Toto Machinery (Beijing) Company Limited	-	-	158,839,800.00	2,453,428.09	-	-	161,293,228.09
Jilin Cement (Group) Co., Ltd.	-	-	14,285,000.00	-	-	-	14,285,000.00
Beijing Toto Co., Ltd.	-	-	140,850,000.00	5,740,536.67	-	-	146,590,536.67
	<u>640,940,460.52</u>	<u>376,702,942.68</u>	<u>329,098,640.77</u>	<u>23,169,951.53</u>	<u>-</u>	<u>(4,345,000.00)</u>	<u>1,365,566,495.50</u>
	<u>2,174,939,257.51</u>	<u>376,702,942.68</u>	<u>317,316,896.55</u>	<u>371,432,235.90</u>	<u>(12,540,226.55)</u>	<u>(191,094,096.24)</u>	<u>3,036,757,009.85</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Investment in other equity instruments

As at 31 December 2019

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

As at 31 December 2018

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Other non-current financial assets

	As at 31 December 2019	As at 31 December 2018
Designated asset management of Huazheng Value No. 330	–	104,000,000.00
FTSE New Hope No. 1	–	110,980,000.00
	–	214,980,000.00

16. Investment properties

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

2019:

	Completed buildings	Buildings in progress	Total
Opening balance	20,581,460,343.02	745,784,902.15	21,327,245,245.17
Acquisition for the year	5,602,837,661.53	–	5,602,837,661.53
Transfer from construction in progress during the year	552,767,476.61	836,658,950.85	1,389,426,427.46
Transfer from inventories during the year	311,241,471.35	510,193,222.00	821,434,693.35
Disposal	(71,349,033.47)	–	(71,349,033.47)
Other transfers (Note)	(167,400,000.00)	–	(167,400,000.00)
Changes in fair value	730,049,755.49	–	730,049,755.49
Closing balance	27,539,607,674.53	2,092,637,075.00	29,632,244,749.53

Note: Other transfers were transferred into inventories due to policy relocation and the second land development.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Investment properties *(continued)*

2018:

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

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

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

As at 31 December 2019, the carrying value of investment properties without completing their procedures for the title certificates was RMB1,248,341,430.00 (31 December 2018: RMB1,087,626,970.00). These investment properties were acquired through the business combination, and the Group was in the process of handling the procedures for changing the relevant titles. The management was of the view that the Group had the legitimate and valid right to occupy and use or dispose of the above properties and the above matters would not impose material adverse effect on the operation of the Group.

Details of pledge of investment properties are set out in Note V. 70.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Fixed assets

As at 31 December 2019

	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
Cost					
Opening balance	30,714,134,322.93	28,567,409,083.37	1,817,409,277.34	749,960,619.99	61,848,913,303.63
Addition	1,071,536,182.28	298,570,268.44	74,341,770.65	79,555,377.84	1,524,003,599.21
Transfer from construction in progress	1,043,007,688.30	888,926,547.75	16,424,383.42	17,023,858.78	1,965,382,478.25
Business combination not under common control	161,606,550.60	292,166,912.76	554,467.13	1,969,041.88	456,296,972.37
Other transfer	132,767,200.05	-	-	-	132,767,200.05
Disposal or retirement	(233,643,708.24)	(457,724,355.16)	(530,414,455.47)	(57,462,876.47)	(1,279,245,395.34)
Removed from upon disposal of subsidiaries	(26,427,757.84)	(27,031,224.85)	(17,072,650.80)	(2,736,242.36)	(73,267,875.85)
Other transfers	(34,016,823.33)	(40,374,367.42)	(34,666,849.77)	(2,086,488.95)	(111,144,529.47)
Closing balance	<u>32,828,963,654.75</u>	<u>29,521,942,864.89</u>	<u>1,326,575,942.50</u>	<u>786,223,290.71</u>	<u>64,463,705,752.85</u>
Accumulated depreciation					
Opening balance	5,761,397,429.37	9,331,909,491.75	829,414,709.27	506,872,273.91	16,429,593,904.30
Provision	1,242,789,761.54	2,031,689,001.31	248,948,632.50	66,421,406.39	3,589,848,801.74
Business combination not under common control	29,706,107.21	95,328,139.16	245,095.79	1,042,200.31	126,321,542.47
Disposal or retirement	(137,852,339.72)	(279,708,022.40)	(415,555,943.64)	(50,599,945.35)	(883,716,251.11)
Disposal of subsidiaries	(10,222,578.89)	(21,166,859.31)	(14,317,756.12)	(2,384,890.69)	(48,092,085.01)
Other transfers	(11,736,726.28)	(24,808,350.81)	(28,229,878.14)	(1,880,639.28)	(66,655,594.51)
Closing balance	<u>6,874,081,653.23</u>	<u>11,133,243,399.70</u>	<u>620,504,859.66</u>	<u>519,470,405.29</u>	<u>19,147,300,317.88</u>
Provision for impairment					
Opening balance	325,412,112.11	357,156,467.08	40,912,423.15	3,066,395.43	726,547,397.77
Provision	166,830,665.80	97,574,514.90	8,762,717.68	956,646.59	274,124,544.97
Disposal or retirement	(18,875,395.32)	(109,706,249.38)	(20,557,510.15)	(765,784.36)	(149,904,939.21)
Disposal of subsidiaries	(16,205,178.95)	(2,626,423.59)	(378,884.89)	(270,670.49)	(19,481,157.92)
Other transfers	(18,811,308.79)	(8,097,962.95)	-	(178,597.14)	(27,087,868.88)
Closing balance	<u>438,350,894.85</u>	<u>334,300,346.06</u>	<u>28,738,745.79</u>	<u>2,807,990.03</u>	<u>804,197,976.73</u>
Carrying amount					
At the end of the year	<u>25,516,531,106.67</u>	<u>18,054,399,119.13</u>	<u>677,332,337.05</u>	<u>263,944,895.39</u>	<u>44,512,207,458.24</u>
At the beginning of the year	<u>24,627,324,781.45</u>	<u>18,878,343,124.54</u>	<u>947,082,144.92</u>	<u>240,021,950.65</u>	<u>44,692,772,001.56</u>

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS**

(continued)

17. Fixed assets (continued)

As at 31 December 2018

	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
Cost					
Opening balance	29,492,547,790.90	27,803,469,106.66	2,034,078,198.14	677,408,152.34	60,007,503,248.04
Addition	73,214,999.90	241,926,949.84	147,646,047.38	94,407,676.73	557,195,673.85
Transfer from construction in progress	1,220,088,160.33	846,464,681.67	700,008.53	12,502,430.43	2,079,755,280.96
Business combination not under common control	1,093,773,291.27	147,718,160.17	44,023,729.33	10,354,702.96	1,295,869,883.73
Disposal of subsidiaries	(312,241,697.85)	(220,194,966.18)	(30,495,167.85)	(3,247,393.30)	(566,179,225.18)
Classified as held for sale	-	-	(1,328,500.00)	(526,286.45)	(1,854,786.45)
Disposal or retirement	(292,694,797.81)	(251,974,848.79)	(377,215,038.19)	(40,938,662.72)	(962,823,347.51)
Other transfers	(560,553,423.81)	-	-	-	(560,553,423.81)
Closing balance	<u>30,714,134,322.93</u>	<u>28,567,409,083.37</u>	<u>1,817,409,277.34</u>	<u>749,960,619.99</u>	<u>61,848,913,303.63</u>
Accumulated depreciation					
Opening balance	4,825,210,669.20	7,513,672,795.22	869,043,773.49	473,499,551.88	13,681,426,789.79
Provisions for the year	1,232,481,858.81	2,125,477,936.82	283,919,764.65	67,613,109.21	3,709,492,669.49
Disposal of subsidiaries	(114,640,721.89)	(139,130,927.58)	(24,948,530.80)	(2,736,908.54)	(281,457,088.81)
Classified as held for sale	-	-	(782,815.69)	(474,900.85)	(1,257,716.54)
Disposal or retirement	(103,137,024.81)	(168,110,312.71)	(297,817,482.38)	(31,028,577.79)	(600,093,397.69)
Other transfers	(78,517,351.94)	-	-	-	(78,517,351.94)
Closing balance	<u>5,761,397,429.37</u>	<u>9,331,909,491.75</u>	<u>829,414,709.27</u>	<u>506,872,273.91</u>	<u>16,429,593,904.30</u>
Provision for impairment					
Opening balance	152,820,438.85	254,443,957.54	22,167,534.24	1,323,044.38	430,754,975.01
Provisions for the year	223,004,318.94	116,385,775.52	29,268,068.19	1,993,240.00	370,651,402.65
Disposal of subsidiaries	(19,289,273.83)	(6,120,940.15)	(858,321.92)	(26,052.85)	(26,294,588.75)
Disposal or retirement	(31,123,371.85)	(7,552,325.83)	(9,664,857.36)	(223,836.10)	(48,564,391.14)
Closing balance	<u>325,412,112.11</u>	<u>357,156,467.08</u>	<u>40,912,423.15</u>	<u>3,066,395.43</u>	<u>726,547,397.77</u>
Carrying amount					
At the end of the year	<u>24,627,324,781.45</u>	<u>18,878,343,124.54</u>	<u>947,082,144.92</u>	<u>240,021,950.65</u>	<u>44,692,772,001.56</u>
At the beginning of the year	<u>24,514,516,682.85</u>	<u>20,035,352,353.90</u>	<u>1,142,866,890.41</u>	<u>202,585,556.08</u>	<u>45,895,321,483.24</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Fixed assets *(continued)*

Fixed assets leased under operating leases are as follows:

2019

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***17. Fixed assets** *(continued)*

	31 December 2018
Buildings	111,936,150.15
Machinery and equipment	21,063,571.04
Transportation equipment	<u>1,152,993.29</u>
	<u>134,152,714.48</u>

As at 31 December 2019, the carrying amount for fixed assets pending completion of the procedures for the title certificates amounted to RMB567,407,280.99 (31 December 2018: RMB551,047,894.19). The Group was in the process of handling the procedures for changing the relevant titles. The management was of the view that the Group had the legitimate and valid right to occupy and use or dispose of the above fixed assets and the above matters would not impose material adverse effect on the operations of the Group.

Details of pledge of fixed assets are set out in Note V. 70.

Notes to Financial Statements (continued)

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress

	31 December 2019	31 December 2018
Construction in progress	2,228,559,450.02	2,878,754,002.03
Construction materials	50,672,350.73	50,921,426.96
	2,279,231,800.75	2,929,675,428.99

	31 December 2019			31 December 2018		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying value	Provision for impairment	Carrying value
BBMG Tiantan (Tangshan) Wood Technology						
— BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	511,845,733.57	-	511,845,733.57	97,201,771.99	-	97,201,771.99
Badaling Hot Spring						
— Resort Upgrade and Renovation	173,067,568.08	-	173,067,568.08	78,399,632.59	-	78,399,632.59
Huahai Wind Power						
— Caofeidian New Wind Power Project	108,462,903.07	-	108,462,903.07	107,045,976.72	-	107,045,976.72
Jidong Equipment & Engineering						
— BBMG Intelligent Electric Manufacturing Base (phase I construction project)	106,112,789.23	-	106,112,789.23	-	-	-
— BBMG Intelligent Electric Manufacturing Base (civil works)	24,611,705.44	-	24,611,705.44	-	-	-
BBMG Residential Industrialization (Tangshan)						
— BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	100,662,454.78	-	100,662,454.78	-	-	-
Dingxin Cement						
— Environmental protection technology improvement project for collaborative disposal of integrated solid waste	80,368,155.63	-	80,368,155.63	132,075.47	-	132,075.47
— Industrial Tour Project	50,585,972.09	-	50,585,972.09	194,174.76	-	194,174.76
Beijing Chinefarge Cement						
— Chinefarge upgrading project	58,030,727.54	-	58,030,727.54	41,179,676.84	-	41,179,676.84
Jidong Development Group						
— Caofeidian Industrial Park	72,673,443.48	-	72,673,443.48	71,168,497.32	-	71,168,497.32
Dachang BBMG Tiantan Furniture						
— Dachang project construction	46,341,727.58	-	46,341,727.58	42,150,752.38	-	42,150,752.38
Handan Shexian BBMG Cement						
— Project of collaborative disposal of domestic waste using cement kiln	39,644,396.55	-	39,644,396.55	2,787,418.76	-	2,787,418.76
Tangshan Jidong Cement						
— Integrated management, control and operation of information platform project	36,536,792.46	-	36,536,792.46	-	-	-
Zuoquan BBMG Cement						
— 1.5 million tonne per year limestone (for cement use) mine project	28,104,798.26	-	28,104,798.26	17,204,850.71	-	17,204,850.71

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***18. Construction in progress** *(continued)*

	31 December 2019			31 December 2018		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying value	Provision for impairment	Carrying value
Jidong Luanzhou Environmental Protection Technology						
— All-process flue gas standard treatment project	27,005,898.60	-	27,005,898.60	-	-	-
BBMG GEM Real Estate						
— Supply and installation of home appliances and furniture for public rental housing of Xisha West Project	26,070,452.64	-	26,070,452.64	-	-	-
Jidong Cement Tongchuan						
— Yangguanshan mine development project	25,243,662.65	-	25,243,662.65	2,083,094.79	-	2,083,094.79
Zanhuang BBMG Cement						
— Project of collaborative disposal of hazardous waste using cement kiln	23,606,622.35	-	23,606,622.35	424,528.30	-	424,528.30
BBMG (Dachang) Modern Industrial Park						
— Standard housing of Tiantan furniture project	25,226,379.16	-	25,226,379.16	25,226,379.16	-	25,226,379.16
Engineer materials	66,654,828.30	15,982,477.57	50,672,350.73	67,205,356.43	16,283,929.47	50,921,426.96
Others	753,196,622.57	88,839,355.71	664,357,266.86	2,479,732,497.57	86,177,325.33	2,393,555,172.24
Total	2,384,053,634.03	104,821,833.28	2,279,231,800.75	3,032,136,683.79	102,461,254.80	2,929,675,428.99

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress *(continued)*

Significant changes of construction in progress in 2019 are as below:

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Beijing Chinafarge Cement								
— Chinafarge upgrading project	58,031.00	41,179,676.84	16,851,050.70	-	-	58,030,727.54	Self-financing	100.00%
Beijing Aerated Concrete								
— Logistics park project	1,367,600.00	644,884,628.11	64,418,269.73	-	(709,302,897.84)	-	Self-financing	51.86%
Beijing BBMG Tiantan Wood Technology								
— Xisanqi plant renovation	700,000.00	470,347,297.56	161,484,654.10	-	(631,831,951.66)	-	Self-financing	90.26%
BBMG Keshi (Caofeidian) Precision Manufacture								
— Purchase of equipment	82,780.00	999,999.99	48,336,466.19	(37,129,989.05)	-	12,206,477.13	Self-financing	59.60%
BBMG Residential Industrialization (Tangshan)								
— BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	218,917.00	-	100,662,454.78	-	-	100,662,454.78	Self-financing and borrowing	45.98%
BBMG Tiantan (Tangshan) Wood Technology								
— BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	848,117.00	97,201,771.99	414,643,961.58	-	-	511,845,733.57	Self-financing and borrowing	55.26%
Dachang BBMG Tiantan Furniture								
— Dachang project construction	558,600.00	42,150,752.38	31,473,090.19	(27,282,114.99)	-	46,341,727.58	Self-financing and state	84.00%
BBMG Star Insulation and Energy Conservation Technology (Tangshan)								
— Caofeidian Project	170,930.00	79,222,364.42	63,506,823.00	(142,729,187.42)	-	-	Self-financing	83.50%
Badaling Hot Spring								
— Resort upgrade and renovation	698,670.00	78,399,632.59	124,227,937.05	(28,912,349.12)	(647,652.44)	173,067,568.08	Self-financing and borrowing	29.00%
Beijing Jianji Assets Management								
— Lock factory renovation	74,000.00	-	15,658,313.79	-	-	15,658,313.79	Self-financing	21.26%
Huahai Wind Power								
— Caofeidian new wind power project	230,000.00	107,045,976.72	1,416,926.35	-	-	108,462,903.07	Self-financing	47.16%
Jidong Development Group								
— Caofeidian Industrial Park	1,430,000.00	71,168,497.32	1,630,417.72	-	(125,471.56)	72,673,443.48	Self-financing and borrowing	5.08%

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress *(continued)*

Significant changes of construction in progress in 2019 are as below: *(continued)*

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Jidong Development Machinery and Equipment								
— Heavy equipment plant	276,328.00	108,753,967.02	585,380.02	(109,131,538.63)	-	207,808.41	Self-financing	100.01%
— Equipment under installation	272,070.00	96,382,505.77	19,688,240.41	(109,283,105.06)	-	6,787,641.12	Self-financing	72.34%
— Deferred expenditures	77,894.00	73,543,672.66	11,083,395.21	(79,894,290.39)	-	4,732,777.48	Self-financing	108.64%
— Ancillary equipment plant	136,006.00	45,800,221.56	292,743.23	(45,885,156.37)	-	207,808.42	Self-financing	134.03%
— Hotworking plant	24,000.00	18,486,280.34	361,988.84	(18,491,057.04)	-	357,212.14	Self-financing	78.53%
— Dunshi machinery manufacturing project	286,000.00	14,057,435.08	-	-	(6,150,786.32)	7,906,648.76	Self-financing and borrowing	4.92%
— Bid lot I (integrated warehouse, cafeteria, bathrooms, and heat exchange station, etc.)	33,829.00	25,198,916.61	399,618.94	(25,211,539.96)	-	386,995.59	Self-financing	75.67%
Jidong Equipment & Engineering								
— Construction project of heavy machinery hotworking center	64,144.00	41,247,964.46	2,131,087.64	(43,379,052.10)	-	-	Self-financing	67.63%
— BBMG Intelligent Electric Manufacturing Base (phase I construction project)	198,000.00	-	106,112,789.23	-	-	106,112,789.23	Self-financing and borrowing	53.59%
Jidong Development Jingyang Building Materials								
— Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	330,780.00	46,809,915.30	12,240,138.03	(58,072,703.90)	-	977,349.43	Self-financing	75.21%
— 6 million-tonne aggregate machined-made sand project	42,050.00	-	38,835,902.14	(38,835,902.14)	-	-	Self-financing	92.36%
Jidong Cement Tongchuan								
— Yangquanshan mine development project	76,420.00	2,083,094.79	23,160,567.86	-	-	25,243,662.65	Self-financing	33.03%
Zuoquan BBMG Cement								
— 1.5 million tonne per year limestone (for cement use) mine project	42,227.00	17,204,850.71	10,899,947.55	-	-	28,104,798.26	Self-financing	66.56%
Zhuolu BBMG Cement								
— Shed project of 0.3 million tonnes of clinker	25,481.00	2,800,701.56	18,901,667.04	(21,702,368.60)	-	-	Self-financing	85.17%
Handan Shexian BBMG Cement								
— Project of collaborative disposal of domestic waste using cement kiln	65,140.00	2,787,418.76	36,856,977.79	-	-	39,644,396.55	Self-financing	60.86%

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress *(continued)*

Significant changes of construction in progress in 2019 are as below: *(continued)*

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Jidong Luanzhou Environmental Protection Technology								
— All-process flue gas standard treatment project	57,470.00	-	27,005,898.60	-	-	27,005,898.60	Self-financing	46.99%
Tangshan Jidong Cement								
— Integrated management, control and operation information platform project	108,860.00	-	36,536,792.46	-	-	36,536,792.46	Self-financing	33.56%
BBMG Liushui Environmental Protection Technology								
— Construction waste resources optimization project	116,000.00	-	20,559,369.56	(20,559,369.56)	-	-	Self-financing	99.96%
Tang County Jidong Cement								
— Daily disposal of 500 tonne household garbage project	99,970.00	14,493,163.67	68,583,643.59	(83,076,807.26)	-	-	Self-financing and borrowing	83.10%
Dingxin Cement								
— Environmental protection technology improvement project for collaborative disposal of integrated solid waste	117,830.00	132,075.47	80,236,080.16	-	-	80,368,155.63	Self-financing and borrowing	68.21%
— Industrial tour project	81,000.00	194,174.76	50,391,797.33	-	-	50,585,972.09	Self-financing	62.45%

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS**
(continued)**18. Construction in progress** (continued)

Significant changes of construction in progress in 2018 are as below:

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
BBMG Liushui Environmental Protection Technology								
— Improvement and expansion project of fly ash	70,910.00	34,986,805.15	29,988,645.31	(64,975,450.46)	—	—	Self-financing and borrowing	91.63%
— Capacity enhancement and optimization of treatment line of fly ash	22,960.00	11,777,217.29	—	(11,777,217.29)	—	—	Self-financing and borrowing	51.29%
— Project concerning comprehensive utilization of fly ash	61,290.00	5,647,066.46	—	(5,647,066.46)	—	—	Self-financing and borrowing	9.21%
— Construction waste resources optimization project	116,000.00	57,780,767.18	37,618,139.11	(95,398,906.29)	—	—	Self-financing and borrowing	82.24%
Handan Shexian BBMG Cement								
— 2016J-1.92 million t/a relocation and technological improvement project of cement grinding station	99,620.00	—	4,388,341.77	(4,388,341.77)	—	—	Self-financing	4.41%
Huahai Wind Power								
— Caofeidian new wind power project	230,000.00	107,045,976.72	—	—	—	107,045,976.72	Self-financing	46.54%
Beijing Chinefarge Cement								
— Chinefarge upgrading project	41,180.00	5,651,361.34	35,528,315.50	—	—	41,179,676.84	Self-financing	100.00%
Beijing BBMG Tiantan Wood Technology								
— Xisanqi plant renovation	400,000.00	153,744,434.99	317,437,346.36	—	(834,483.79)	470,347,297.56	Self-financing	117.59%
Dachang BBMG Tiantan Furniture								
— Dachang project construction	558,600.00	20,774,294.83	21,376,457.55	—	—	42,150,752.38	Self-financing and state	78.37%
BBMG Tiantan (Tangshan) Wood Technology								
— BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	848,117.00	—	97,201,771.99	—	—	97,201,771.99	Self-financing and borrowing	11.46%
Beijing Aerated Concrete								
— Logistics park project	1,367,600.00	955,230,172.52	130,935,691.20	—	(441,281,235.61)	644,884,628.11	Self-financing	47.15%
BBMG (Dachang) Modern Industrial Park								
— Tiantan Furniture phase I with capacity of 0.8 million pieces of furniture at Lot 7# and 9#	197,707.00	37,670.62	21,300,450.00	(21,338,120.62)	—	—	Self-financing	10.79%
BBMG Weiguan (Cangzhou)								
— Adhesive and poly-hydroxy-acid alkaline agent project	88,392.00	46,739,986.14	9,164,281.15	(55,904,267.29)	—	—	Self-financing	63.25%

Notes to Financial Statements (continued)

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

Significant changes of construction in progress in 2018 are as below:(continued)

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
BBMG Star Insulation and Energy								
Conservation Technology (Tangshan)								
— Caofeidian Project	170,000.00	-	79,222,364.42	-	-	79,222,364.42	Self-financing	46.60%
Badaling Hot Spring								
— Resort upgrade and renovation	698,670.00	1,264,150.93	77,631,519.66	(472,493.00)	(23,545.00)	78,399,632.59	Self-financing	11.29%
Jidong Development Group								
— Caofeidian Industrial Park	67,352.00	67,352,913.55	3,815,583.77	-	-	71,168,497.32	Self-financing and borrowing	105.67%
Jidong Development Machinery and Equipment								
— Amortized expenses	73,540.00	39,280,497.78	37,273,144.57	-	(3,009,969.69)	73,543,672.66	Self-financing	100.00%
Jidong Development Machinery and Equipment								
— Dunshi machinery manufacturing project	286,000.00	14,057,435.08	-	-	-	14,057,435.08	Self-financing and borrowing	4.92%
— Ancillary equipment plant	136,006.00	163,959,664.38	18,034,183.44	(136,193,626.26)	-	45,800,221.56	Self-financing	133.81%
— Equipment under installation	272,070.00	98,554,523.11	78,574,519.44	(80,746,536.78)	-	96,382,505.77	Self-financing	65.10%
— Heavy equipment plant	276,328.00	241,232,485.60	34,536,629.60	(167,015,148.18)	-	108,753,967.02	Self-financing	99.80%
Yan Dong Construction								
— Yuquan plate-making workshop	100,000.00	104,418.53	1,231,000.00	-	(1,231,000.00)	104,418.53	Self-financing	3.22%
Laishui Jinglai Building Materials								
— Construction project of a production line of 2.5 million tonnes dolomite	120,073.00	23,466,333.46	6,351,725.09	(16,764,249.13)	-	13,053,809.42	Self-financing and borrowing	24.83%
Jidong Development Jingyang Building Materials								
— Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials	330,780.00	14,044,839.69	32,765,075.61	-	-	46,809,915.30	Self-financing	14.15%
Yantai Jidong Runtai Building Materials								
— Production line project	238,098.00	10,437,308.14	580,946.26	(15,490.99)	-	11,002,763.41	Self-financing	85.75%

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***18. Construction in progress** *(continued)*Significant changes of construction in progress in 2018 are as below: *(continued)*

	Budget	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
	(RMB'000)							
Jidong Cement Heilongjiang								
— Cement production line using new drying process with clinker	1,670,000.00	53,164,479.34	111,038,301.08	(164,202,780.42)	-	-	Borrowing	73.05%
Jidong Cement Huludao								
— Cement production line using new drying process with clinker	790,000.00	3,190,260.58	117,924.53	-	-	3,308,185.11	Self-financing	0.42%
— Conveyor belt project	55,000.00	28,893,452.21	-	-	-	28,893,452.21	Self-financing	52.53%
Mizhi Jidong Cement								
— Project concerning cement production by comprehensive utilization using new dry process	487,831.00	5,926,650.40	4,601,876.01	(10,528,526.41)	-	-	Self-financing	2.16%
Tang County Jidong Cement								
— Daily disposal of 500 tonne household garbage project	99,970.00	-	14,493,163.67	-	-	14,493,163.67	Borrowing	14.50%
Yangquan Jidong Cement								
— Mining Phase II project	25,000.00	-	1,217,475.71	-	-	1,217,475.71	Self-financing	4.87%
Yi County Xinhai Mining								
— Project concerning crushed stone production of 1.2 million cubic meters per annum	92,172.00	55,942,478.74	3,245,286.77	(49,625,961.78)	(9,500,288.74)	61,514.99	Borrowing	64.21%

Note: Other reductions were mainly investment properties transferred in from Beijing Aerated Concrete's logistics park project and BBMG Tiantan Wood Technology's Xisanqi plant renovation project. The Dunshi machinery and manufacturing project of Jidong Development Machinery and Equipment was partially disposed of and transferred out. The Mining Phase II project of Yangquan Jidong Cement and the construction project concerning energy saving and environmental protection project of Jilin Jidong Logistics were transferred into long-term deferred expenses.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress *(continued)*

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

As at 31 December 2019

	Progress of works (%)	Accumulated amount of interest capitalized	Including: Interest capitalized for the year	Capitalization rate of interest for the year (%)
BBMG Tiantan (Tangshan) Wood				
— BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	55.26	24,428,418.55	19,508,313.20	4.58
Jidong Development Group				
— Caofeidian Industrial Park	5.08	22,561,618.77	—	—
— Deep reform and treatment of mine	59.62	355,785.87	109,724.96	6.60
Jidong Equipment project				
— BBMG Intelligent Electric Manufacturing Base (phase I construction project)	53.39	1,743,866.56	1,743,866.56	4.46
BBMG Residential Industrialization (Tangshan)				
— BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	45.98	3,241,756.69	3,241,756.69	4.53
Badaling Hot Spring				
— Resort upgrade and renovation	29.00	1,336,493.11	1,336,493.11	4.66
Jilin BBMG Jidong Environmental Protection Technology				
— Project concerning a change of exploration right to mining right of Qincaigou mine	6.80	319,925.36	99,743.92	4.45
Dingxin Cement				
— Environmental protection technology improvement project for collaborative disposal of integrated solid waste	68.21	66,700.00	66,700.00	3.48
		<u>54,054,564.91</u>	<u>26,106,598.44</u>	

Note: The amount of capitalized interests included in construction in progress for 2019 was RMB28,516,793.52 (2018: RMB13,070,277.66), among which, RMB7,981,871.64 (2018: RMB153,278,506.52) had been transferred to fixed assets.

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress *(continued)*

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

As at 31 December 2018

	Progress of works (%)	Accumulated amount of interest capitalized	Including: Interest capitalized for the year	Capitalization rate of interest for the year (%)
BBMG Liushui Environmental Protection				
— Improvement and expansion project of fly ash	91.63	292,851.67	292,851.67	3.48
— Construction waste resources optimization	82.24	858,399.99	643,799.99	3.48
BBMG Tiantan (Tangshan) Wood				
—BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	11.46	4,920,105.35	4,920,105.35	4.54
Jidong Development Group				
— Caofeidian Industrial Park	2.90	22,561,618.77	3,598,856.01	5.18
Jidong Development Machinery and Equipment				
— Dunshi machinery manufacturing project	4.92	4,347,133.63	—	—
Laishui Jinglai Building Materials				
— Construction project of a production line of 2.5 million tonnes dolomite	24.83	2,346,909.29	—	—
Chengde BBMG Cement				
— Project concerning comprehensive utilisation of hazardous waste	86.96	747,936.58	131,055.83	4.35
Jilin BBMG Jidong Environmental Protection Technology				
— Project of intelligent delivery and transportation plaza in front of plant and roads nearby	103.87	6,208.93	5,966.67	4.49
— Project concerning a change of exploration right to mining right of Qincaigou mine	5.36	220,181.44	115,896.10	4.68
— Technological improvement project of construction of new raw coal shed	94.39	30,415.36	30,385.13	4.64
Tang County Jidong Cement				
— Daily disposal of 500 tonne household garbage project	14.50	239,733.34	239,733.34	3.48
Yi County Xinhai Mining				
— Project concerning crushed stone production of 1.2 million cubic meters per annum	64.21	6,046,059.11	615,464.27	4.61
		<u>42,617,553.46</u>	<u>10,594,114.36</u>	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress *(continued)*

Provision for impairment of construction in progress as at 31 December 2019:

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

Provision for impairment of construction in progress as at 31 December 2018:

	Opening balance	Increase in the year	Decrease/write-off for the year	Closing balance
Jidong Group – Nanhu Yingbinguan	25,696,028.66	38,003,375.89	–	63,699,404.55
Jidong Cement Tongchuan – Conveyor belt project	3,978,739.01	2,422,302.52	–	6,401,041.53
Others	4,928,225.40	11,148,653.85	–	16,076,879.25
Provision for impairment of construction in progress	34,602,993.07	51,574,332.26	–	86,177,325.33
Provision for impairment of construction materials	15,171,060.40	4,572,915.08	3,460,046.01	16,283,929.47
Total	49,774,053.47	56,147,247.34	3,460,046.01	102,461,254.80

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

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***19. Right-of-use assets****31 December 2019**

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

Notes to Financial Statements (continued)

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Intangible assets

As at 31 December 2019

	Computer software					Total
	Land use rights	licenses	Mining rights	Trademark rights	Others	
Cost						
Opening balance	15,317,007,872.39	201,497,021.08	2,872,240,892.09	83,414,700.00	194,627,109.07	18,668,787,594.63
Addition	198,087,406.79	38,591,174.97	450,594,228.28	-	277,785.28	687,550,595.32
Disposal	(88,353,055.10)	(861,063.07)	(3,550,835.60)	-	-	(92,764,953.77)
Other decrease	(65,602,400.72)	-	-	-	-	(65,602,400.72)
Closing balance	15,361,139,823.36	239,227,132.98	3,319,284,284.77	83,414,700.00	194,904,894.35	19,197,970,835.46
Accumulated amortisation						
Openings balance	1,229,037,833.88	84,716,200.76	513,149,405.45	-	56,780,002.39	1,883,683,442.48
Provision for the year	376,014,944.37	39,457,751.87	146,076,936.33	-	16,042,759.17	577,592,391.74
Disposal	(13,037,965.17)	(586,384.78)	-	-	-	(13,624,349.95)
Other decrease	(12,754,166.00)	-	-	-	-	(12,754,166.00)
Closing balance	1,579,260,647.08	123,587,567.85	659,226,341.78	-	72,822,761.56	2,434,897,318.27
Provision for impairment						
Opening balance	12,359,130.01	-	67,943,968.48	5,000,000.00	8,046,757.54	93,349,856.03
Provision for the year	16,428,997.10	-	33,630,862.16	-	-	50,059,859.26
Disposal	(6,097,606.59)	-	-	-	-	(6,097,606.59)
Closing balance	22,690,520.52	-	101,574,830.64	5,000,000.00	8,046,757.54	137,312,108.70
Carrying amount						
At the end of the year	13,759,188,655.76	115,639,565.13	2,558,483,112.35	78,414,700.00	114,035,375.25	16,625,761,408.49
At the beginning of the year	14,075,610,908.50	116,780,820.32	2,291,147,518.16	78,414,700.00	129,800,349.14	16,691,754,296.12

Notes to Financial Statements (continued)

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Intangible assets (continued)

As at 31 December 2018

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	9,126,604,942.70	167,093,919.84	2,806,043,512.90	83,414,700.00	197,289,497.90	12,380,446,573.34
Addition	451,779,026.19	38,707,748.91	43,504,959.79	–	3,968,563.90	537,960,298.79
Business combination not under common control	6,670,458,320.35	1,062,424.99	33,029,955.89	–	–	6,704,550,701.23
Disposal	(780,992,413.64)	(3,975,375.20)	(10,337,536.49)	–	(6,630,952.73)	(801,936,278.06)
Disposal of subsidiaries	(150,842,003.21)	(1,391,697.46)	–	–	–	(152,233,700.67)
Closing balance	15,317,007,872.39	201,497,021.08	2,872,240,892.09	83,414,700.00	194,627,109.07	18,668,787,594.63
Accumulated amortisation						
Opening balance	970,003,171.86	63,873,740.72	355,658,391.06	–	46,865,377.82	1,436,400,681.46
Provision for the year	321,061,570.25	24,446,575.76	161,515,861.34	–	13,137,451.41	520,161,458.76
Disposal	(37,677,785.10)	(2,279,415.69)	(4,024,846.95)	–	(3,222,826.84)	(47,204,874.58)
Disposal of subsidiaries	(24,349,123.13)	(1,324,700.03)	–	–	–	(25,673,823.16)
Closing balance	1,229,037,833.88	84,716,200.76	513,149,405.45	–	56,780,002.39	1,883,683,442.48
Provision for impairment						
Opening balance	6,235,685.06	–	67,943,968.48	5,000,000.00	7,780,240.56	86,959,894.10
Provision for the year	6,123,444.95	–	–	–	266,516.98	6,389,961.93
Closing balance	12,359,130.01	–	67,943,968.48	5,000,000.00	8,046,757.54	93,349,856.03
Carrying amount						
At the end of the year	14,075,610,908.50	116,780,820.32	2,291,147,518.16	78,414,700.00	129,800,349.14	16,691,754,296.12
At the beginning of the year	8,150,366,085.78	103,220,179.12	2,382,441,153.36	78,414,700.00	142,643,879.52	10,857,085,997.78

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Intangible assets *(continued)*

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

	31 December 2019	31 December 2018
Less than 50 years	13,759,188,655.76	14,075,610,908.50

Details of pledge of intangible assets are set out in Note V.70.

As at 31 December 2019, the useful life of trademark rights with a carrying amount of RMB78,414,700.00 was indefinite (31 December 2018: RMB78,414,700.00). The Group can apply for extension at the end of the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during future periods. After evaluated by the management of the Group, no provision for impairment is necessary.

As at 31 December 2019, the carrying value of intangible assets of the Group pending completion of the procedures for title certificates amounted to RMB92,592,491.88 (31 December 2018: RMB23,937,247.93). The management of the Company is of the view that there would not be any material adverse impact on the business operation of the Group from the aforementioned incomplete procedures for the title certificates.

21. Goodwill

	31 December 2019	31 December 2018
Hebei BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing Taihang Prospect Environmental Protection Technology Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	2,742,710.29
Tianjin BBMG Zhenxing Environmental Protection Technology Co., Ltd.	10,931,009.96	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	56,276,121.38	56,276,121.38
Jidong Cement Business	2,013,854,242.93	2,013,854,242.93
Jidong Equipment Business	477,549,380.23	477,549,380.23
Baogang Jidong Cement Co., Ltd.	1,181,333.25	–
	2,804,114,378.64	2,802,933,045.39
Less: Provision for impairment of goodwill	212,645,395.59	62,645,395.59
	2,591,468,983.05	2,740,287,649.80

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

21. Goodwill *(continued)*

Movements in provision for impairment of goodwill in 2019 are as follows:

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

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

The recoverable amount was determined based on the higher of the net amount of fair value of the assets group less costs to sell and the present value of the estimated future cash flow of the asset.

The goodwill formed by the interest in the listed companies held by the Company was determined as the net amount of fair value less costs to sell based on the market value of the interests held by the Group in the RMB denominated ordinary shares issued by way of public issuance in the People's Republic of China as at 31 December 2019.

The estimated future cash flows are based on the five-year financial budget approved by the management at a discount rate of 9% -10% (2018: 9% -10%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%-3% (2018: 1% – 3%) per annum. Other key assumptions adopted during the evaluation include estimated production capacity, future selling price, growth rate, expected gross profit margin and relevant expenditures of the asset product portfolio, and the above assumptions are based on the previous performance of these assets groups, industry standard and the management's expectations on market development.

Notes to Financial Statements (continued)

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

22. Long-term deferred expenditures

2019

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

2018

	Opening balance	Increase in the year	Increase in business combination not under common control	Amortisation for the year	Other decreases	Provision for impairment in the year	Closing balance
Decoration	117,765,888.69	26,625,306.69	18,265,390.25	34,459,223.43	1,712,580.26	–	126,484,781.94
Leasehold improvement for fixed assets rented	20,425,942.92	29,008,922.82	524,044.30	13,104,276.70	1,082,857.03	–	35,771,776.31
Land lease prepayments and compensation for land acquisition	338,573,072.61	59,129,252.33	–	68,995,162.47	10,807,942.83	3,708,289.17	314,190,930.47
Cost of stripping mines	494,325,767.23	125,972,786.67	–	37,545,577.26	402,390.87	–	582,350,585.77
Others	163,271,355.66	60,537,786.13	17,125,247.33	47,379,947.25	9,646,662.19	–	183,907,779.68
	1,134,362,027.11	301,274,054.64	35,914,681.88	201,484,187.11	23,652,433.18	3,708,289.17	1,242,705,854.17

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***23. Deferred income tax assets/liabilities**

Deferred income tax assets not eliminated:

	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred tax income assets
Provision for LAT	5,062,550,235.28	1,265,637,558.82	3,600,808,425.84	900,202,106.46
Deductible tax losses	3,508,555,489.12	877,138,872.28	3,084,918,114.24	771,229,528.56
Provision for impairment of assets	2,604,674,639.00	651,168,659.75	2,529,193,292.44	632,298,323.11
Difference in accounting and tax of revenue recognition	50,226,212.96	12,556,553.24	57,197,038.40	14,299,259.60
Accrual of property development cost	2,811,167,735.00	702,791,933.75	2,865,103,566.52	716,275,891.63
Unrealised profits and losses of internal transactions	1,358,806,121.72	339,701,530.43	1,174,375,630.40	293,593,907.60
Changes in fair value of other equity instruments	104,143,073.28	26,035,768.32	91,125,189.12	22,781,297.28
Others	454,438,521.64	113,609,630.41	415,639,615.40	103,909,903.85
	15,954,562,028.00	3,988,640,507.00	13,818,360,872.36	3,454,590,218.09

Deferred income tax liabilities not eliminated:

	31 December 2019		31 December 2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Valuation gains of investment properties	9,706,318,284.48	2,426,579,571.12	9,060,700,276.36	2,265,175,069.09
Assessment increase/decrease in business combination	12,459,311,258.80	3,114,827,814.70	13,140,030,058.44	3,285,007,514.61
Gains from changes in fair value	-	-	95,393,661.76	23,848,415.44
Others	1,802,650,488.44	450,662,622.11	1,547,272,780.48	386,818,195.12
	23,968,280,031.72	5,992,070,007.93	23,843,396,777.04	5,960,849,194.26

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

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

	31 December 2019	31 December 2018
Deductible tax losses	9,031,770,210.90	9,968,563,908.72
Deductible temporary differences	<u>8,566,317,199.04</u>	<u>6,795,856,858.10</u>
	<u>17,598,087,409.94</u>	<u>16,764,420,766.82</u>

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

	31 December 2019	31 December 2018
2019	–	366,077,289.95
2020	1,813,760,495.84	464,813,465.26
2021	1,360,673,245.72	3,216,211,777.67
2022	1,381,679,641.80	1,999,148,025.22
2023	1,817,170,872.17	3,922,313,350.62
2024	<u>2,658,485,955.37</u>	<u>–</u>
	<u>9,031,770,210.90</u>	<u>9,968,563,908.72</u>

24. Other non-current assets

	31 December 2019	31 December 2018
Repurchase	–	462,387,504.78
Prepayment for projects, equipment and plants	136,262,442.04	892,886,084.54
Prepayment for lands	301,604,869.87	163,594,970.99
Prepayment for exploration rights	<u>95,531,297.05</u>	<u>69,978,172.75</u>
	<u>533,398,608.96</u>	<u>1,588,846,733.06</u>

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)**25. Provisions for impairment of assets****As at 31 December 2019**

	Increase in the year				Decrease in the year				Closing balance
	Opening balance	Provision for the year	Business combination not under common control	Other increase	Removed from upon disposal of subsidiaries	Reversal	Write-off	Other decrease	
Provision for bad debts	4,171,037,769.25	542,888,327.65	23,081,988.95	1,754,891.35	45,594,112.97	74,981,357.70	66,660,807.24	80,195,626.82	4,471,331,072.47
Including: Accounts receivable	2,423,525,518.45	376,975,737.13	15,437,643.47	-	38,992,282.51	51,395,447.89	24,878,817.44	80,195,626.82	2,620,476,724.39
Bills receivable	65,855,058.00	75,094,859.97	-	-	-	-	-	-	140,949,917.97
Other receivables	1,651,477,882.53	90,085,465.98	7,644,345.48	-	6,601,830.46	13,510,477.38	41,781,989.80	-	1,687,313,396.35
Long-term receivables	30,179,310.27	-	-	-	-	10,075,432.43	-	-	20,103,877.84
Contract assets	-	732,264.57	-	1,754,891.35	-	-	-	-	2,487,155.92
Prepayments	32,755,124.32	15,995,917.82	-	3,293,526.75	673,969.26	6,735,064.83	1,551,323.12	-	43,084,211.68
Provision for decline in value of inventories	689,650,305.78	174,272,648.43	-	-	2,228,856.31	18,742,032.08	106,425,170.31	-	736,526,895.51
Provision for impairment of fixed assets	726,547,397.77	274,124,544.97	-	-	19,481,157.92	-	149,904,939.21	27,087,868.88	804,197,976.73
Provision for impairment of construction in progress	102,461,254.80	3,682,030.38	-	-	-	-	1,321,451.90	-	104,821,833.28
Provision for impairment of intangible assets	93,349,856.03	50,059,859.26	-	-	-	-	6,097,606.59	-	137,312,108.70
Provision for impairment of goodwill	62,645,395.59	150,000,000.00	-	-	-	-	-	-	212,645,395.59
Other current assets	578,270.60	-	-	-	-	-	578,270.60	-	-
Impairment of long-term prepaid expenses	3,708,289.17	-	-	-	-	-	3,708,289.17	-	-
	5,882,733,663.31	1,211,023,328.51	23,081,988.95	5,048,418.10	67,978,096.46	100,459,454.61	336,247,858.14	107,283,495.70	6,509,919,493.96

Notes to Financial Statements (continued)

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Provisions for impairment of assets (continued)

As at 31 December 2018

	Increase in the year			Decrease in the year			Closing balance		
	Opening balance	Opening balance after restatement	Provision for the year	Business combination not under common control	Removed from upon disposal of subsidiaries	Reversal		Write-off	Transferred to held for sale
Provision for bad debts	3,705,453,385.17	3,591,038,977.24	444,753,589.55	292,491,692.58	67,988,807.24	66,938,110.65	22,216,401.46	103,170.77	4,171,037,769.25
Including: Accounts receivable	2,420,720,346.67	2,231,874,010.93	68,999,649.21	168,686,325.27	33,171,288.40	2,679,120.48	10,080,941.31	103,116.77	2,423,525,518.45
Bills receivable	-	-	65,855,058.00	-	-	-	-	-	65,855,058.00
Other receivables	1,284,733,038.50	1,337,072,759.55	309,898,882.34	108,880,957.94	34,817,518.84	57,421,684.31	12,135,460.15	54.00	1,651,477,882.53
Long-term receivables	-	22,092,206.76	-	14,924,409.37	-	6,837,305.86	-	-	30,179,310.27
Prepayments	43,106,152.03	43,106,152.03	17,416,094.52	-	-	3,297,822.23	24,469,300.00	-	32,755,124.32
Provision for decline in value of inventories	398,846,278.37	398,846,278.37	376,176,703.19	-	7,965,733.09	-	77,406,942.69	-	689,650,305.78
Provision for impairment of fixed assets	430,754,975.01	430,754,975.01	370,651,402.65	-	26,294,588.75	-	48,564,391.14	-	726,547,397.77
Provision for impairment of construction in progress	49,774,053.47	49,774,053.47	56,147,247.34	-	-	-	3,460,046.01	-	102,461,254.80
Provision for impairment of intangible assets	86,959,894.10	86,959,894.10	6,389,961.93	-	-	-	-	-	93,349,856.03
Provision for impairment of goodwill	62,645,395.59	62,645,395.59	-	-	-	-	-	-	62,645,395.59
Other non-current assets	2,754,674.63	2,754,674.63	-	-	-	-	2,754,674.63	-	-
Other current assets	-	-	578,270.60	-	-	-	-	-	578,270.60
Impairment of long-term prepaid expenses	-	-	3,708,289.17	-	-	-	-	-	3,708,289.17
	4,780,294,808.37	4,665,880,400.44	1,275,821,558.95	292,491,692.58	102,249,129.08	70,235,932.88	178,871,755.93	103,170.77	5,882,733,663.31

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

26. Short-term loans

	31 December 2019	31 December 2018
Guaranteed loans (Note 1)	1,669,000,000.00	1,900,000,000.00
Credit loans	35,456,630,000.00	36,942,270,000.00
Mortgaged loans (Note 2)	–	675,000,000.00
Pledged loans (Note 2)	92,052,474.50	363,122,209.57
	37,217,682,474.50	39,880,392,209.57

Note 1: As at 31 December 2019, the guaranteed loans were guaranteed by entities within the Group.

Note 2: As at 31 December 2019, details and value of collaterals corresponding to mortgaged and pledged loans of the Group are set out in note V. 70.

As at 31 December 2019, the interest rates of the above loans were 3.96%-7.00% per annum (31 December 2018: 3.48%-7.00%).

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

27. Bills payable

	31 December 2019	31 December 2018
Bank acceptance bills	1,958,755,385.87	1,974,216,957.31
Commercial acceptance bills	17,386,936.78	106,532,379.67
	1,976,142,322.65	2,080,749,336.98

As at 31 December 2019, there were had no outstanding bills payable (31 December 2018: Nil).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

28. Accounts payable

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

An aging analysis of the accounts payable is as follows:

	31 December 2019	31 December 2018
Within 1 year (inclusive of 1 year)	14,362,144,476.30	14,843,680,448.83
1 to 2 years (inclusive of 2 years)	1,648,614,458.46	2,342,046,547.01
2 to 3 years (inclusive of 3 years)	828,401,100.74	426,530,426.20
Over 3 years	862,788,506.95	745,358,444.61
	17,701,948,542.45	18,357,615,866.65

As at 31 December 2019, significant accounts payable of the Group aging over 1 year are as follows:

	Relationship with the Group	Amount	Percentage of total accounts Payable (%)	Reasons for non- payment
First	Third party	1,232,447,312.89	6.96	Unsettled
Second	Third party	140,101,944.50	0.79	Unsettled
Third	Third party	86,056,768.22	0.49	Unsettled
Fourth	Third party	59,260,000.00	0.33	Unsettled
Fifth	Third party	55,950,158.81	0.32	Unsettled

29. Receipts in advance

	31 December 2019	31 December 2018
Advances on rents	334,666,882.90	317,903,204.75

As at 31 December 2019, there were no significant receipts in advance aged over one year (31 December 2018: Nil).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***30. Contract liabilities**

	31 December 2019	31 December 2018
Advances on pre-sale of properties	22,674,040,221.21	21,150,513,544.32
Advances on sale of goods	1,321,001,097.44	1,988,020,988.13
Advances on construction costs	60,264,629.35	73,190,484.08
Advances on property fees	253,386,219.51	227,478,705.19
Others	248,455,206.73	275,964,632.05
	24,557,147,374.24	23,715,168,353.77

Notes to Financial Statements (continued)

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

30. Contract liabilities (continued)

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

Projects	Expected settlement date of the next batch	Proportion of the pre-sale	31 December 2019	31 December 2018
Hefei – Nanqi Garden	December 2021	87.00%	3,704,683,288.89	5,126,527,246.45
Hangzhou – Metro Forest (都會森林)	December 2021	37.89%	3,431,027,209.46	363,433,975.45
Beijing – Jin'gang Jiayuan	October 2020	67.37%	2,102,515,720.52	868,907,071.47
Qingdao – Beizutuan	December 2021	79.82%	1,578,850,379.68	1,997,948,490.16
Ningbo – Shengjunhuating (晟郡華庭)	December 2021	62.37%	1,208,521,687.37	31,747,190.00
Beijing – Jinyu Feili	January 2020	90.00%	1,202,590,949.81	912,695,456.61
Tangshan – Jin'an hongbao	June 2020	86.81%	958,745,439.99	123,358,807.83
Beijing – Yizhuang X89R1	December 2021	25.92%	784,231,271.37	–
Beijing – Yancun project	December 2021	29.42%	734,104,277.08	–
Beijing – Chaoyang New City	December 2020	97.00%	664,752,946.71	8,614,218.49
Hefei – Dachengjun	December 2021	17.09%	615,250,954.16	–
Beijing – Wangchuan Beiyuan	December 2021	100.00%	580,639,020.71	1,864,599,797.48
Ningbo – Longyao huating	December 2021	49.22%	502,723,527.99	–
Chongqing – Nanshanjun	December 2020	64.20%	461,080,339.43	447,651,641.66
Nanjing – Zijingdi yuan (紫京豐院)	December 2021	20.00%	450,094,564.01	5,183,510.00
Beijing – Shangchengjun	December 2021	71.09%	397,585,056.76	347,859,317.89
Beijing – Xuefu	December 2021	12.43%	340,214,588.99	–
Beijing – Treasures Mansion House	December 2021	95.00%	276,556,877.77	3,585,450,834.92
Hangzhou – Guanlan Commercial	December 2021	61.73%	274,779,510.09	–
Tangshan – Jinyu Xuefu	December 2020	91.95%	236,576,515.60	159,132,282.90
Haikou – Yangguangjun	December 2021	20.67%	223,886,455.10	115,407,883.52
Tianjin – Qiaowanyuan	December 2020	45.77%	190,733,554.00	127,293,027.16
Tianjin – Jinyu Yuecheng	December 2020	98.92%	186,323,898.21	76,713,894.39
Chengde – BBMG Demonstration	December 2021	55.99%	176,572,163.23	–
Chengdu – Longxi Center (龍熙中心)	December 2021	36.74%	169,583,979.70	39,061,737.27
Inner Mongolia – Jinyu Global Finance Centre	December 2021	87.00%	162,702,857.53	320,328,438.48
Hefei – Jincheng Mansion	December 2021	20.00%	116,877,931.15	–
Beijing – Changyang Polytechnic University Land No. 1	December 2021	90.00%	100,363,038.86	118,020,331.47
Tangshan – BBMG Dachengjun	December 2020	26.33%	98,265,013.00	–
Beijing – Shunyi Jinchengyu Garden (順義金成裕雅苑)	December 2021	82.41%	90,440,579.79	1,624,488,303.66
Beijing – Dacheng Shidai Center (大成時代中心)	January 2020	99.92%	83,869,523.82	83,809,523.82
Chongqing – Xinduhui	December 2020	46.12%	56,826,524.77	108,112,292.81
Haikou – Xixili	December 2021	94.22%	49,349,869.43	220,313,135.15
Chongqing – Times Metro	December 2020	92.27%	48,739,247.43	213,794,794.35
Shanghai – Juyuan	December 2021	100.00%	36,946,073.80	1,560,582,243.75
Ningbo – Ganjiang Shidai (甌江時代)	December 2021	100.00%	36,583,270.11	34,292,790.40
Tianjin – Jinyu Mantang	December 2020	100.00%	32,109,463.58	31,364,728.24
Beijing – Kanghuiyuan	December 2021	97.00%	18,146,882.66	19,707,906.20
Inner Mongolia – Jinyu Elegancy City	December 2021	92.00%	16,729,743.86	12,649,402.19
Hangzhou – Guanlan Times	December 2021	99.69%	16,557,904.40	66,594,259.32
Chengdu – Longxijun	December 2021	74.54%	14,031,916.00	19,018,808.58
Hangzhou – Jinyu Xuefu	December 2021	99.00%	12,941,679.65	110,376,716.97
Others			229,934,524.74	405,473,485.28
			22,674,040,221.21	21,150,513,544.32

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***31. Wages payable****2019**

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

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	297,848,583.63	5,489,164,575.11	5,427,495,782.49	359,517,376.25
Post-employment benefits (defined contribution plan)	35,723,955.91	666,296,868.06	690,312,385.55	11,708,438.42
Termination benefits	32,014,591.22	77,241,862.72	86,641,965.31	22,614,488.63
	365,587,130.76	6,232,703,305.89	6,204,450,133.35	393,840,303.30

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

31. Wages payable *(continued)*

Short-term remunerations are as bellow:

2019

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

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	208,846,996.99	4,249,429,092.03	4,214,890,845.25	243,385,243.77
Staff welfare	–	354,815,366.20	354,061,258.47	754,107.73
Social insurance	9,235,934.89	412,032,567.30	411,390,313.05	9,878,189.14
Including:				
Medical insurance	7,649,678.21	350,066,149.78	349,358,600.24	8,357,227.75
Work injury insurance	1,175,668.47	40,823,255.02	41,053,720.35	945,203.14
Maternity insurance	410,588.21	21,143,162.50	20,977,992.46	575,758.25
Housing funds	7,694,117.71	378,532,199.32	354,509,440.52	31,716,876.51
Union fund and employee education fund	52,350,745.92	94,355,350.26	92,643,925.20	54,062,170.98
Others	19,720,788.12	–	–	19,720,788.12
	297,848,583.63	5,489,164,575.11	5,427,495,782.49	359,517,376.25

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

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***31. Wages payable** *(continued)*

Details of defined contribution plan are as follows:

2019

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

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	34,016,342.42	600,758,397.94	624,322,037.01	10,452,703.35
Corporate annuity	543,064.46	42,206,770.47	42,322,361.83	427,473.10
Unemployment insurance	1,164,549.03	23,331,699.65	23,667,986.71	828,261.97
	35,723,955.91	666,296,868.06	690,312,385.55	11,708,438.42

The Group participated in the pension insurance and unemployment insurance managed by local government, to which the Group and employees made contributions based on 16% and 0.7-0.8% of the total wages in the previous year respectively. In addition, the Group also participated in the corporate annuity scheme operated and managed by a competent external management organization, to pay a certain percentage of annuity for eligible enterprises and employees.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

32. Tax payable

	31 December 2019	31 December 2018
VAT	636,498,220.38	685,827,284.15
Corporate income tax	1,404,307,009.53	1,318,708,063.22
Individual income tax	27,268,987.00	28,999,879.59
City maintenance and construction tax	33,336,065.82	45,191,206.54
Resource tax	10,839,625.94	5,971,972.27
Land appreciation tax	247,713,910.22	201,215,665.93
Education surcharges	25,831,318.50	35,181,993.79
Urban and rural land use tax	22,659,470.00	40,193,955.11
Real estate tax	44,361,788.09	58,259,144.18
Deed tax and others	62,816,654.54	107,646,437.46
	2,515,633,050.02	2,527,195,602.24

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***33. Other payables**

	2019	2018
Interests payable	1,325,247,208.26	1,006,889,605.80
Interests on borrowings	171,363,199.96	157,169,868.60
Including: Interests on long-term borrowings	106,678,044.18	67,603,463.65
Interests on short-term borrowings	64,685,155.78	89,566,404.95
Interests of corporate bonds	1,153,884,008.30	849,719,737.20
Dividends payable	267,517,744.80	492,510,444.74
Other shareholders	33,432,097.90	258,424,797.84
Interest on perpetual bonds	234,085,646.90	234,085,646.90
Other payables	6,924,658,708.59	6,853,195,432.79
Amounts collected on behalf and temporary receipts	3,272,977,666.14	3,070,939,674.79
Deposits	1,565,547,800.81	1,844,161,323.40
Payables for land use right	156,108,204.90	155,493,125.23
Construction costs payable	166,857,414.06	179,760,984.68
Payables for relocation compensation	437,230,015.66	218,280,669.07
Freight and miscellaneous charges payable	151,075,130.58	140,929,864.42
Payables for acquisition of equity investments	15,225,800.00	22,927,800.00
Payables to related parties (Note X.6)	58,765,600.32	114,556,923.42
Utilities	40,550,355.15	43,331,819.10
Public maintenance fund payable	35,673,189.38	33,737,788.77
Current portion of net liabilities of defined benefit plan (Note V.40)	62,702,595.71	66,454,809.12
Others	961,944,935.88	962,620,650.79
	8,517,423,661.65	8,352,595,483.33

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

33. Other payables *(continued)*

As at 31 December 2019, significant other payables of the Group aging more than one year are as follows:

	Relationship with the Group	Amount	Percentage of total other payables (%)	Reasons for non- payment
Unit 21	Third party	300,033,343.80	3.76	Unsettled
Unit 22	Third party	208,017,855.77	2.61	Unsettled
Unit 23	Third party	97,026,950.57	1.22	Unsettled
Unit 24	Third party	84,183,156.80	1.06	Unsettled
Unit 25	Third party	83,462,613.03	1.05	Unsettled

34. Non-current liabilities due within one year

	31 December 2019	31 December 2018
Long-term loans due within one year	13,229,616,201.98	9,465,848,283.40
Bonds payable due within one year	6,940,839,101.59	8,428,234,671.07
Long-term payables due within one year	39,567,383.08	649,781,588.67
Lease liabilities due with one year	109,508,175.92	—
	20,319,530,862.57	18,543,864,543.14

35. Other current liabilities

	31 December 2019	31 December 2018
Accrued expenses	9,840,401,927.79	7,697,764,315.99
Including: Accrued development costs	3,340,717,883.13	3,456,448,364.86
Provision for LAT	5,028,726,969.09	3,721,648,449.34
Accrued costs for treatment of solid wastes	165,911,329.50	164,902,810.56
Repurchase	942,512,451.52	—
Other accrued expenses	362,533,294.55	354,764,691.23
Tax to be written off	936,087,002.51	794,949,820.96
	10,776,488,930.30	8,492,714,136.95

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

36. Long-term loans

	31 December 2019	31 December 2018
Guaranteed loans (Note 1)	14,220,056,660.00	10,484,580,000.00
Credit loans	15,247,569,349.97	14,071,789,349.97
Mortgaged loans (Note 2)	14,079,691,214.48	12,388,040,000.00
Pledged loans (Note 2)	5,444,700,000.00	3,027,493,199.13
Pledged/Mortgaged loans and guaranteed loans (Note 2)	25,000,000.00	–
Closing balance	49,017,017,224.45	39,971,902,549.10
Less: Long-term loans due within one year (Note V. 34)	13,229,616,201.98	9,465,848,283.40
	35,787,401,022.47	30,506,054,265.70

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

	31 December 2019	31 December 2018
Within 1 year	13,229,616,201.98	9,465,848,283.40
1-2 years	9,569,842,858.00	12,078,352,584.27
2-5 years	13,291,071,702.00	10,517,464,831.46
Over 5 years	12,926,486,462.47	7,910,236,849.97
	49,017,017,224.45	39,971,902,549.10

Note 1: As at 31 December 2019, the guaranteed loans of the Group were guaranteed by entities within the Group.

Note 2: As at 31 December 2019, details and value of collaterals corresponding to mortgaged, pledged and pledged/mortgaged and guaranteed loans of the Group are set out in note V. 70.

As at 31 December 2019, the interest rates of the above loans were 1.20%-10.34% (31 December 2018: 1.20%-10.34%) per annum.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

37. Short-term financing bonds and bonds payable

	31 December 2019	31 December 2018
Short-term financing bonds	3,298,801,089.25	6,500,000,000.00
Bonds payable		
Corporate bonds	23,401,835,819.73	20,159,323,960.77
Medium-term notes	11,000,000,000.00	8,000,000,000.00
Debt financing plan	–	500,000,000.00
Closing balance	34,401,835,819.73	28,659,323,960.77
Less: Bonds payable due within one year	6,940,839,101.59	8,428,234,671.07
Non-current portion	27,460,996,718.14	20,231,089,289.70
	31 December 2019	31 December 2018
Analysis of maturity of bonds payable		
Within 1 year (inclusive of 1 year)	6,940,839,101.58	8,428,234,671.07
1 to 2 years (inclusive of 2 years)	7,186,009,296.88	500,000,000.00
2 to 5 years (inclusive of 5 years)	18,779,591,863.34	19,731,089,289.70
Over 5 years	1,495,395,557.93	–
	34,401,835,819.73	28,659,323,960.77

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)**37. Short-term financing bonds and bonds payable** (continued)

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

	Par value	issuance date	Term	issuance amount	Opening balance	issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Bonds payable:											
Non-current portion:											
1) RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	85,005,555.56	-	(2,000,000,000.00)	-	-
1) RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	70,225,000.00	-	(1,500,000,000.00)	-	-
2) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	5 years	3,200,000,000.00	3,192,247,592.89	-	123,076,336.21	3,526,240.50	(6,065,000.00)	-	3,189,708,833.39
2) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	7 years	1,800,000,000.00	1,793,773,035.20	-	64,400,857.84	1,400,857.84	-	-	1,795,173,893.04
3) RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	38,464,000.00	-	-	36,000.00	(39,000,000.00)	-	-
4) RMB900 million corporate bonds	RMB900 million	20 March 2012	8 years	418,695,000.00	416,817,322.70	-	23,363,181.00	1,498,007.31	-	(418,315,330.01)	-
5) RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	449,399,258.96	-	21,018,750.00	400,741.04	(450,000,000.00)	-	-
5) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	797,641,931.84	-	48,000,000.00	620,549.17	-	-	798,262,481.01
6) RMB3.5 billion corporate bonds	RMB3.5 billion	19 May 2017	5 years	3,500,000,000.00	3,490,400,661.46	-	184,670,310.89	2,670,310.89	-	(3,493,070,972.35)	-
6) RMB500 million corporate bonds	RMB500 million	19 May 2017	7 years	500,000,000.00	498,439,876.79	-	27,157,493.36	257,493.36	-	-	498,697,370.15
7) RMB1.25 billion corporate bonds	RMB1.25 billion	13 July 2017	2 years	1,250,000,000.00	1,247,423,819.22	-	44,731,423.19	2,232,156.51	(781,000,000.00)	(468,655,975.73)	-
8) RMB1.75 billion corporate bonds	RMB1.75 billion	13 July 2017	3 years	1,750,000,000.00	1,745,003,295.30	-	94,073,913.81	1,323,913.81	-	(1,746,327,209.11)	-
9) RMB500 million short-term bonds	RMB500 million	17 November 2017	2+3 years	500,000,000.00	500,000,000.00	-	24,215,277.78	-	(500,000,000.00)	-	-
10) RMB500 million corporate bonds	RMB500 million	30 June 2017	3 years	500,000,000.00	498,439,832.33	-	22,431,250.00	1,029,782.06	(185,000,000.00)	(314,469,614.39)	-
11) RMB2 billion medium-term notes	RMB2 billion	22 January 2018	5 years	2,000,000,000.00	2,000,000,000.00	-	117,000,000.00	-	-	-	2,000,000,000.00
12) RMB500 million short-term bonds	RMB500 million	27 February 2018	3+2 years	500,000,000.00	500,000,000.00	-	29,000,000.00	-	-	(500,000,000.00)	-
13) RMB2.5 billion short-term bonds	RMB2.5 billion	25 June 2018	3 years	2,500,000,000.00	2,500,000,000.00	-	157,500,000.00	-	-	-	2,500,000,000.00
14) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	3+2 years	1,500,000,000.00	1,495,357,176.10	-	71,443,287.39	943,287.39	-	-	1,496,300,463.49

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
14) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	5+2 years	1,500,000,000.00	1,495,216,157.98	-	75,637,012.07	637,012.07	-	-	1,495,853,170.05
15) RMB2.5 billion medium-term notes	RMB2.5 billion	13 August 2018	5 years	2,500,000,000.00	2,500,000,000.00	-	117,500,000.00	-	-	-	2,500,000,000.00
16) RMB500 million corporate bonds	RMB500 million	9 January 2019	3+2 years	500,000,000.00	-	498,250,000.00	18,499,978.88	316,228.88	-	-	498,566,228.88
16) RMB1.5 billion corporate bonds	RMB1.5 billion	9 January 2019	5+2 years	1,500,000,000.00	-	1,494,750,000.00	60,169,307.95	645,557.95	-	-	1,495,395,557.95
19) RMB2.5 billion medium-term notes	RMB2.5 billion	11 March 2019	5 years	2,500,000,000.00	-	2,500,000,000.00	87,302,083.33	-	-	-	2,500,000,000.00
20) RMB1.2 billion corporate bonds	RMB1.2 billion	20 March 2019	3 years	1,200,000,000.00	-	1,196,603,773.58	49,700,000.00	542,497.60	-	-	1,197,146,271.18
20) RMB1.5 billion corporate bonds	RMB1.5 billion	29 October 2019	3 years	1,500,000,000.00	-	1,495,754,716.98	11,008,064.62	137,731.02	-	-	1,495,892,448.00
21) RMB2 billion medium-term notes	RMB2 billion	9 August 2019	5 years	2,000,000,000.00	-	2,000,000,000.00	30,863,333.33	-	-	-	2,000,000,000.00
21) RMB2 billion medium-term notes	RMB2 billion	14 November 2019	5 years	2,000,000,000.00	-	2,000,000,000.00	10,880,107.53	-	-	-	2,000,000,000.00
				40,668,695,000.00	28,659,223,960.77	11,185,358,490.56	1,668,872,225.74	18,218,368.40	(5,461,065,000.00)	(6,940,839,101.59)	27,460,996,718.14

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)**37. Short-term financing bonds and bonds payable** (continued)

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

	Par value	issuance date	Term	issuance amount	Opening balance	issuance amount during the year	interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Short-term financing bond:											
RMB1.5 billion ultrashort financing bonds	RMB1.5 billion	23 April 2018	270 days	1,500,000,000.00	1,500,000,000.00	-	3,442,500.00	-	(1,500,000,000.00)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	18 July 2018	270 days	2,000,000,000.00	2,000,000,000.00	-	25,364,444.44	-	(2,000,000,000.00)	-	-
RMB1 billion ultrashort financing bonds	RMB1 billion	16 November 2018	210 days	1,000,000,000.00	1,000,000,000.00	-	16,582,222.22	-	(1,000,000,000.00)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	11 December 2018	197 days	2,000,000,000.00	2,000,000,000.00	-	35,102,222.22	-	(2,000,000,000.00)	-	-
(17) RMB800 million ultrashort financing bonds	RMB0.8 billion	22 February 2019	270 days	800,000,000.00	-	798,981,132.08	19,528,767.12	1,018,867.92	(800,000,000.00)	-	-
(17) RMB800 million ultrashort financing bonds	RMB800 million	26 July 2019	270 days	800,000,000.00	-	799,166,000.00	11,607,868.85	228,083.19	-	-	799,394,083.19
(17) RMB500 million ultrashort financing bonds	RMB500 million	25 September 2019	270 days	500,000,000.00	-	499,056,603.77	4,440,803.22	350,402.29	-	-	499,407,006.06
(18) RMB2 billion ultrashort financing bonds	RMB2 billion	21 February 2019	216 days	2,000,000,000.00	-	2,000,000,000.00	36,142,222.22	-	(2,000,000,000.00)	-	-
(22) RMB2 billion ultrashort financing bonds	RMB2 billion	15 October 2019	177 days	2,000,000,000.00	-	2,000,000,000.00	11,822,222.22	-	-	-	2,000,000,000.00
				12,600,000,000.00	6,500,000,000.00	6,097,203,735.85	164,033,272.52	1,597,353.40	(9,300,000,000.00)	-	3,298,601,089.25
				53,268,695,000.00	35,199,223,960.77	17,282,562,226.41	1,832,905,498.25	19,815,721.80	(14,761,065,000.00)	(6,940,835,101.59)	30,759,197,807.38

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

As at 31 December 2018, the balance of bonds payable is as follows:

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Bonds payable:											
Non-current portion:											
RMB1.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00	-	68,875,000.00	-	(1,500,000,000.00)	-	-
1) 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)	-
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)	-
RMB2 billion private placement bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	2,000,000,000.00	-	11,000,000.00	-	(2,000,000,000.00)	-	-
RMB2.5 billion private placement bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	2,500,000,000.00	-	30,333,333.33	-	(2,500,000,000.00)	-	-
RMB500 million private placement bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	500,000,000.00	-	14,377,083.33	-	(500,000,000.00)	-	-
2) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	5 years	3,200,000,000.00	3,188,753,555.19	-	103,334,037.70	3,494,037.70	-	(3,192,247,592.89)	-
RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	7 years	1,800,000,000.00	1,792,420,728.61	-	64,352,306.62	1,352,306.59	-	-	1,793,773,035.20
3) RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	38,911,200.00	-	2,457,000.00	52,800.00	-	(38,964,000.00)	-
RMB300 million private placement bonds	RMB300 million	4 May 2015	3 years	300,000,000.00	298,475,000.00	-	7,076,712.33	300,000.00	(298,775,000.00)	-	-

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***37. Short-term financing bonds and bonds payable** *(continued)*As at 31 December 2018, the balance of bonds payable is as follows: *(continued)*

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
RMB500 million private placement bonds	RMB500 million	3 June 2015	3 years	500,000,000.00	500,000,000.00	-	14,101,369.75	575,000.00	(500,575,000.00)	-	-
RMB1.6 billion corporate bonds	RMB1.6 billion	30 August 2011	7 years	1,600,000,000.00	1,076,154,908.13	-	45,129,650.00	1,782,591.87	(1,077,937,500.00)	-	-
4) RMB900 million corporate bonds	RMB900 million	20 March 2012	8 years	900,000,000.00	415,400,880.64	-	23,363,181.00	1,416,442.06	-	-	416,817,322.70
5) RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	449,128,818.21	-	26,550,000.00	470,440.75	-	(449,599,258.96)	-
5) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	797,104,074.72	-	48,000,000.00	537,857.12	-	-	797,641,931.84
6) RMB3.5 billion corporate bonds	RMB3.5 billion	19 May 2017	5 years	3,500,000,000.00	3,487,864,532.24	-	184,536,129.22	2,556,129.22	-	-	3,490,400,661.46
6) RMB500 million corporate bonds	RMB500 million	19 May 2017	7 years	500,000,000.00	498,195,688.05	-	27,144,188.74	244,188.74	-	-	498,439,876.79
7) RMB1.25 billion corporate bonds	RMB1.25 billion	13 July 2017	2 years	1,250,000,000.00	1,245,844,212.93	-	66,579,606.28	1,579,606.29	-	(1,247,423,819.22)	-
8) RMB1.75 billion corporate bonds	RMB1.75 billion	13 July 2017	3 years	1,750,000,000.00	1,743,746,919.98	-	94,006,375.33	1,256,375.32	-	-	1,745,003,295.30
9) RMB500 million short-term bonds	RMB500 million	17 November 2017	2+3 years	500,000,000.00	500,000,000.00	-	27,500,000.00	-	-	-	500,000,000.00
10) RMB500 million corporate bonds	RMB500 million	30 June 2017	3 years	500,000,000.00	497,470,217.94	-	29,900,000.00	969,614.39	-	-	498,439,832.33
11) RMB2 billion medium-term notes	RMB2 billion	22 January 2018	5 years	2,000,000,000.00	-	2,000,000,000.00	110,175,000.00	-	-	-	2,000,000,000.00
12) RMB500 million short-term bonds	RMB500 million	27 February 2018	3+2 years	500,000,000.00	-	500,000,000.00	24,488,888.89	-	-	-	500,000,000.00
13) RMB2.5 billion short-term bonds	RMB2.5 billion	25 June 2018	3 years	2,500,000,000.00	-	2,500,000,000.00	81,375,000.00	-	-	-	2,500,000,000.00
14) RMB1.5 billion corporate bonds	RMB1.5 billion	13 July 2018	3+2 years	1,500,000,000.00	-	1,500,000,000.00	33,289,996.61	(4,642,823.90)	-	-	1,495,357,176.10
14) RMB1.5 billion corporate bonds	RMB1.5 billion	13 July 2018	5+2 years	1,500,000,000.00	-	1,500,000,000.00	35,500,478.49	(4,783,842.02)	-	-	1,495,216,157.98
15) RMB2.5 billion medium-term notes	RMB2.5 billion	9 August 2018	5 years	2,500,000,000.00	-	2,500,000,000.00	45,041,666.67	-	-	-	2,500,000,000.00
				38,850,000,000.00	26,529,470,736.64	10,500,000,000.00	1,405,216,004.29	7,140,724.13	(8,377,287,500.00)	(8,428,234,671.07)	20,231,089,289.70

Notes to Financial Statements (continued)

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

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

As at 31 December 2018, the balance of bonds payable is as follows: (continued)

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Short-term financing bond:											
RMB1 billion short-term financing bond	RMB1 billion	21 June 2017	270 days	1,000,000,000.00	799,698,081.12	-	-	-	(799,698,081.12)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	28 September 2017	270 days	2,000,000,000.00	1,970,000,000.00	-	47,638,888.89	-	(1,970,000,000.00)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	29 January 2018	180 days	2,000,000,000.00	-	2,000,000,000.00	44,755,555.56	-	(2,000,000,000.00)	-	-
RMB2 billion ultrashort financing bonds	RMB2 billion	5 March 2018	180 days	2,000,000,000.00	-	2,000,000,000.00	33,345,000.00	-	(2,000,000,000.00)	-	-
RMB1.5 billion ultrashort financing bond	RMB1.5 billion	23 April 2018	270 days	1,500,000,000.00	-	1,500,000,000.00	13,005,000.00	-	-	-	1,500,000,000.00
RMB2 billion ultrashort financing bonds	RMB2 billion	17 July 2018	270 days	2,000,000,000.00	-	2,000,000,000.00	39,753,888.89	-	-	-	2,000,000,000.00
RMB1 billion ultrashort financing bonds	RMB1 billion	15 November 2018	210 days	1,000,000,000.00	-	1,000,000,000.00	4,550,000.00	-	-	-	1,000,000,000.00
RMB2 billion ultrashort financing bonds	RMB2 billion	10 December 2018	197 days	2,000,000,000.00	-	2,000,000,000.00	3,988,888.89	-	-	-	2,000,000,000.00
				13,500,000,000.00	2,769,698,081.12	10,500,000,000.00	187,037,222.23	-	(6,769,698,081.12)	-	6,500,000,000.00
				52,350,000,000.00	29,299,168,817.76	21,000,000,000.00	1,592,263,226.52	7,440,724.13	(15,146,985,581.12)	(8,428,234,671.07)	26,751,089,289.70

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

- 1) Pursuant to the document Zhong Shi Xie Zhu [2014] No. 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, totalling RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.35% and issued its second tranche of medium-term notes for 2014 on 17 November 2014, totalling RMB1,500,000,000 with a term of 5 years and a coupon rate of 5.3%.
- 2) Pursuant to the document [2016] No. 35 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2016 on 14 March 2016, totalling RMB3,200,000,000 with a term of 5 years and a coupon rate of 3.12%. In accordance with the issuer's option to raise the coupon rate stipulated in Prospectus of BBMG in Relation to the Public Issuance of 2016 Corporate Bonds (Tranche 1) (for Qualified Investors) (《北京金隅股份有限公司公开发行2016年公司债券(第一期)募集说明书(面向合格投资者)》), the Company raised the coupon rate of the bonds for the current period to 3.9% for the next two years (i.e. from 14 March 2019 to 13 March 2021). The Company issued its first tranche of corporate bonds (type two) for 2016 on 14 March 2016, totalling RMB1,800,000,000 with a term of 7 years and a coupon rate of 3.5%.
- 3) Pursuant to the document (Fa Gai Cai Jin [2012] No. 2810) issued by National Development and Reform Commission, Jidong Group issued the first tranche of corporate bonds for 2012 on 13 September 2012 (hereinafter referred to as "12 Jidong Development Bond"), totaling RMB800,000,000 with a term of 7 years and a coupon rate of 6.3%.
- 4) Pursuant to the document (Zheng Jian Xu Ke [2011] No. 1179) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB2,500,000,000 to the public, including "2011 Jidong 01" and "2011 Jidong 02". On 30 August 2011, it issued 2011 Jidong 01, totalling RMB1,600,000,000 with a coupon rate of 6.28% and an effective interest rate of 6.46%. The term of the bonds is 7 years (with the issuer's option to raise the coupon rate after the end of the fifth year and the investors' entitlement to sell back the bonds). The sale back amount as announced on 30 August 2016 is RMB522,000,000, with the remaining amount of RMB1,078,000,000 due on 30 August 2018. On 20 March 2012, it issued 2011 Jidong 02 in an amount of RMB900,000,000 with a coupon rate of 5.58% and an effective interest rate of 5.76%. The term of the bonds is 8 years (with the issuer's option to raise the coupon rate after the end of the fifth year and the investors' entitlement to sell back the bonds). The total sale back amount as announced on 17 March 2017 is RMB481,305,000.00 (exclusive of interests) with the remaining amount of RMB418,315,330.01 (exclusive of interests) due on 20 March 2020.
- 5) Pursuant to the document (Zheng Jian Xu Ke [2012] No. 1000) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB1,250,000,000 to the public. On 15 October 2012, it issued 2012 Jidong 02 Bonds in an amount of RMB450,000,000 with a term of 7 years, a coupon rate of 5.90% and an effective interest rate of 6.02%. The maturity date is 15 October 2019. On 15 October 2012, it issued 2012 Jidong 03 Bonds in an amount of RMB800,000,000 with a term of 10 years, a coupon rate of 6.00% and an effective interest rate of 6.09%. The maturity date is 15 October 2022.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

- 6) Upon consideration and approval by the 4th meeting of the 4th session of the Board held on 23 March 2016 and the 2015 annual general meeting of the Company held on 18 May 2016, the Company intended to issue corporate bonds of no more than RMB4,000,000,000. Pursuant to the document [2017] No. 46 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2017 on 19 May 2017, totalling RMB3,500,000,000 with a term of 5 years and a coupon rate of 5.2%; and the Company issued its first tranche of corporate bonds (type two) for 2017 on 19 May 2017, totalling RMB500,000,000 with a term of 7 years and a coupon rate of 5.38%.
- 7) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totalling RMB1,250,000,000 with a term of 2 years. The bonds bear an annual coupon rate of 5.20% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.
- 8) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totalling RMB1,750,000,000 with a term of 3 years. The bonds bear an annual interest rate of 5.30% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.
- 9) Pursuant to the document Debt Financing Plan [2017] No. 0192 issued by Beijing Financial Assets Exchange Limited, the Company successfully issued the first tranche of debt financing plan for 2017 on 17 November 2017. The interest commencement date was 17 November 2017 and the expiry date will be in 2022. The actual listing amount totalled RMB500,000,000 with a coupon rate of 5.50%. The interests are calculated at fixed rate and allocated based on actual number of days.
- 10) Pursuant to the No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Issuance of Corporate Bonds for 2016 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2016] No. 471) (《關於唐山冀東水泥股份有限公司2016非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2016]471號)) issued by the Shenzhen Stock Exchange, Jidong Cement issued the first tranche of corporate bonds by way of non-public issuance on 3 July 2017 with a term of 3 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the second year. The interest commencement date was 30 June 2017 and the actual amount issued totalled RMB500,000,000. The bonds bear an interest rate of 5.98%.
- 11) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》(中市協注[2017]MTN512號)) issued by the National Association of Financial Market Institutional Investors ("NAFMII"), the Company successfully issued the first tranche of medium term notes for 2018 of BBMG Corporation on 22 January 2018. The amount issued totalled RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.85%.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

- 12) The Company successfully issued the first tranche of debt financing plan for 2018 named "18BBMGZR001 (18京金隅ZR001)" on 27 February 2018 for a term of 2+3 years. The interest commencement date was 27 February 2018 and expiry date will be 27 February 2023. The actual listing amount totalled RMB500,000,000 with a coupon rate of 5.80%.
- 13) The Company successfully issued the second tranche of debt financing plan for 2018 named "18BBMGZR0 (18京金隅ZR0)" on 25 June 2018 for a term of 3 years. The expiry date will be 25 June 2021. The actual listing amount totalled RMB2,500,000,000 and the listing price was 6.30% with a coupon rate of 6.30%.
- 14) Pursuant to the document [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2018 on 13 July 2018, totalling RMB1,500,000,000 with a term of 5 years and a coupon rate of 4.7%. The issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the third year; and the Company issued its first tranche of corporate bonds (type two) for 2018 on 13 July 2018, totalling RMB1,500,000,000 with a term of 7 years and a coupon rate of 5.00%. The issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the fifth year.
- 15) Pursuant to the Notice of Acceptance of Registration issued by the NAFMII, the Company successfully issued the third tranche of medium term notes for 2018 on 9 August 2018. The interest commencement date was 13 August 2018 and the amount issued totalled RMB2,500,000,000 with a term of 5 years and a coupon rate of 4.70%.
- 16) Pursuant to the document Zheng Jian Xu Ke [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued corporate bonds (classified to two types) with par value of no more than RMB5,000,000,000 to qualified investors by way of public issuance on 9 January 2019. Type one amounted to RMB500,000,000 in total with a term of 5 years and a coupon rate of 3.73%. The issuer has an option to adjust the coupon rate and the investors have a sale back option at the end of the third year; and type two amounted to RMB1,500,000,000 in total with a term of 7 years and a coupon rate of 4.07%. The issuer has an option to adjust the coupon rate and the investors have a sale back option at the end of the fifth year.
- 17) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP16) issued by the NAFMII, Jidong Cement successfully issued the first tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 22 February 2019 with a term of 270 days. The interest commencement date was 22 February 2019 and the actual amount issued totalled RMB800,000,000 with a coupon rate of 3.30%; Jidong Cement successfully issued the second tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 26 July 2019 with a term of 270 days. The interest commencement date was 26 July 2019 and the actual amount issued totalled RMB800,000,000 with a coupon rate of 3.34%; Jidong Cement successfully issued the third tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 25 September 2019 with a term of 270 days. The interest commencement date was 25 September 2019 and the actual amount issued totalled RMB500,000,000 with a coupon rate of 3.30%.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

- 18) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》中市協註[2017] SCP300號) issued by the NAFMII, the Company successfully issued the first tranche of ultrashort financing bonds for 2019 from 20 February 2019 to 21 February 2019 for a term of 216 days. The interest commencement date was 22 February 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.04%.
- 19) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》中市協註[2017] MTN512號) issued by the NAFMII, the Company successfully issued the first tranche of medium term notes of BBMG Corporation for 2019 on 11 March 2019. The interest commencement date was 11 March 2019 and the actual amount issued totalled RMB2,500,000,000 with a coupon rate of 4.35%.
- 20) Pursuant to the No Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange in the Non-Public Issuance of Corporate Bonds for 2018 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2018] No. 810) (《關於唐山冀東水泥股份有限公司2018非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2018]810號)) issued by the Shenzhen Stock Exchange, Jidong Cement issued the first tranche of corporate bonds by way of non-public issuance on 20 March 2019 with a term of 5 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the third year. The interest commencement date was 19 March 2019 and the actual amount issued totalled RMB1,200,000,000. The bonds bear an interest rate of 4.97%. Jidong Cement issued the second tranche of corporate bonds by way of non-public issuance on 29 October 2019 with a term of 5 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the third year. The interest commencement date was 28 October 2019 and the actual amount issued totalled RMB1,500,000,000. The bonds bear an interest rate of 4.20%.
- 21) Upon consideration and approval by the 34th meeting of the 4th session of the Board held on 29 August 2018 and the second 2018 extraordinary general meeting held on 16 October 2018, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF 16) issued by the NAFMII, the Company successfully issued the second tranche of medium term notes for 2019 on 9 August 2019. The interest commencement date was 9 August 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.94%; the Company successfully issued the third tranche of medium term notes for 2019 on 14 November 2019. The interest commencement date was 14 November 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.13%.
- 22) Upon consideration and approval by the 34th meeting of the 4th session of the Board held on 29 August 2018 and the second 2018 extraordinary general meeting of the Company held on 16 October 2018, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF 16) issued by the NAFMII, the Company successfully issued the second tranche of ultrashort financing bonds on 15 October 2019 with a term of 177 days. The interest commencement date was 15 October 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 2.80%.

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS**
(continued)**38. Lease liabilities**

	31 December 2019
Principal of lease liabilities	528,120,698.61
Less: Unrecognised finance cost	101,415,669.17
Closing balance	426,705,029.44
Less: Lease liabilities due within one year (Note V.34)	109,508,175.92
Non-current portion	317,196,853.52

39. Long-term payables

	31 December 2019	31 December 2018
Finance leases	–	915,808,652.67
Others	57,385,689.96	49,829,588.08
	57,385,689.96	965,638,240.75
Less: Long-term payables due within one year (Note V. 34)	39,567,383.08	649,781,588.67
Non-current portion	17,818,306.88	315,856,652.08

	31 December 2019	31 December 2018
Analysis of maturity of long-term payables	2,228,559,450.02	2,878,754,002.03
Within 1 year (inclusive of 1 year)	39,567,383.08	649,781,588.67
1 to 2 years (inclusive of 2 years)	7,556,101.88	300,731,943.18
2 to 5 years (over 2 years and inclusive of 5 years)	10,262,205.00	15,124,708.90
	57,385,689.96	965,638,240.75

40. Long-term wages payable

	31 December 2019	31 December 2018
Net liabilities of defined benefit plan	647,490,892.12	674,179,502.11

The Group's defined benefit plans are various supplementary benefit plans targeting at employees retiring before the designated dates, and the plans are subject to impacts from interest rate risk and changes in the life expectancy of pension beneficiaries. The present value of the net liabilities of the defined benefit plans was determined by Towers Watson Consulting (Shanghai) Company Limited (韜睿惠悅諮詢(上海)有限公司), a member of the China Association of Actuaries (中國精算學會), on 31 December 2019 using the projected accumulated benefit units method.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

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

	2019	2018
Discount rate (%)	3.00%-4.00%	3.25%-4.05%
Growth rate of benefit costs of retirees and early retirees (%)	3.00%	3.00%

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

2019

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

2018

	Increase/(decrease) of defined benefit plan		Increase/(decrease) of defined benefit plan	
	Increase %		Decrease %	
Discount rate (%)	0.25	(9,166,366.00)	(0.25)	9,558,656.00
Expected growth rate of future retiree benefit costs (%)	0.50	17,636,527.00	(0.50)	(15,761,968.00)

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

The table below sets out the relevant costs recognised in the income statement:

	2019	2018
Net interest expenses charged to finance expenses	23,085,257.26	28,361,143.19
Charged to management expenses	31,768,000.00	14,819,000.00
	54,853,257.26	43,180,143.19

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

	2019	2018
Opening balance	740,634,311.23	724,680,592.19
Increase of business combination not under common control	–	34,066,000.00
Interest expenses for the year	23,085,257.26	28,361,143.19
Service costs for the year	31,768,000.00	14,819,000.00
Welfare benefits paid for the year	(56,700,657.66)	(76,542,915.15)
Actuarial gains recognised in other comprehensive income	(28,593,423.00)	15,250,491.00
Including: Actuarial changes arising from changes in financial assumptions	778,978.00	11,907,000.00
Including: Actuarial gains on difference in experience	(29,372,401.00)	3,343,491.00
Amount at the end of the year	710,193,487.83	740,634,311.23
Including: Current portion of net liabilities of defined benefit plan (Note V. 33)	62,702,595.71	66,454,809.12
Closing balance	647,490,892.12	674,179,502.11

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

Expected future payments to the defined benefit plan:

	31 December 2019	31 December 2018
Within 1 year	62,702,595.71	66,454,809.12
2 to 5 years	254,176,783.18	219,063,593.57
5 to 10 years	197,830,169.49	210,390,904.05
Over 10 years	634,763,958.33	677,848,827.10
Total expected deposit	1,149,473,506.71	1,173,758,133.84

41. Accrued liabilities

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Accrued concrete loss (Note 1)	52,220,099.45	35,131,336.68	38,153,880.30	49,197,555.83
Restoration cost of mines (Note 2)	252,654,622.13	348,765,540.17	34,634,301.05	566,785,861.25
Finance charges from sale and repurchase (Note 3)	214,414,200.00	–	214,414,200.00	–
Others	87,361,996.96	151,275,257.75	51,452,603.52	187,184,651.19
	606,650,918.54	535,172,134.60	338,654,984.87	803,168,068.27

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

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

Note 3: A subsidiary of the Group engaged in real estate has entered into an en bloc sales agreement for a commercial property in Chongqing on 16 December 2015. As the agreement provided for a possible repurchase after five years, it is expected that the repurchase will be triggered during the year, so the liabilities related to the after-sale repurchase will be reclassified to other current liabilities in the year.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS*(continued)***42. Deferred income**

Government grants	31 December 2019	31 December 2018
Opening balance	888,404,866.72	855,519,940.14
Increase in the year	37,907,716.82	89,745,143.93
Business combination not under common control	–	18,997,709.87
Decrease in the year	88,896,201.59	75,857,927.22
Closing balance	837,416,381.95	888,404,866.72

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

	31 December 2019	31 December 2018
Government grants related to assets	2,228,559,450.02	2,878,754,002.03
Environmental protection projects	442,094,288.87	489,823,323.81
Cogeneration projects	35,168,933.40	30,462,876.59
Relocation compensation	210,803,756.23	182,727,875.53
Specific funds	8,730,574.04	47,903,030.56
Others	136,688,089.97	136,334,260.23
Government grants related to income		
Research and development funds	3,930,739.44	1,153,500.00
Closing balance	837,416,381.95	888,404,866.72

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

42. Deferred income *(continued)*

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

	Opening balance	Increase in the year	Recognised in other income in the year	Closing balance	Related to assets
Asset subsidy for relocation compensation of Tiantan	168,506,737.22	–	10,749,495.47	157,757,241.75	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	141,539,203.10	–	15,375,917.64	126,163,285.46	Related to assets
Appropriation for mud project of Beijing Cement Plant	24,923,055.56	–	2,976,666.68	21,946,388.88	Related to assets
Tangshan Qixin Cement Industry Museum Project	49,207,539.50	–	1,480,873.20	47,726,666.30	Related to assets
Grant of liushui construction garbage project	41,000,000.00	–	2,449,333.36	38,550,666.64	Related to assets
Relocation compensation for Jianji	47,903,030.56	–	1,842,424.20	46,060,606.36	Related to assets
Zanhuang collaborative disposal of household garbage and sludge	15,487,500.00	–	1,062,000.00	14,425,500.00	Related to assets
Grant of Heilongjiang industrial production project	–	14,230,000.00	1,897,333.37	12,332,666.63	Related to assets
Zanhuang 2,500 tonnes new cement clinker production line project discount	6,515,111.06	–	730,666.68	5,784,444.38	Related to assets
Raw material storage tent of Zhenxing	8,064,000.00	–	672,000.00	7,392,000.00	Related to assets
Ground source heat pump construction project of BBMG Logistics Park	–	6,750,000.00	–	6,750,000.00	Related to assets
Heat supply renovation project of Liulihe	6,374,999.93	–	500,000.04	5,874,999.89	Related to assets
Air pollution control project of Zanhuang	6,478,000.04	–	6,478,000.04	–	Related to assets
	515,999,176.97	20,980,000.00	46,214,710.68	490,764,466.29	

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

42. Deferred income *(continued)*

As at 31 December 2018, the major items related to government grants were as follows:

	Opening balance	Increase in the year	Recognised in other income in the year	Closing balance	Related to assets
Asset subsidy for relocation compensation of Tiantan	173,235,980.36	–	4,729,243.14	168,506,737.22	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	156,915,120.74	–	15,375,917.64	141,539,203.10	Related to assets
Appropriation for mud project of Beijing Cement Plant	27,899,722.24	–	2,976,666.68	24,923,055.56	Related to assets
Relocation compensation for Jianji	49,745,454.76	–	1,842,424.20	47,903,030.56	Related to assets
Zanhuang -2,500 tonnes new cement clinker	7,245,777.74	–	730,666.68	6,515,111.06	Related to assets
Raw material storage tent of Zhenxing	8,736,000.00	–	672,000.00	8,064,000.00	Related to assets
Air pollution control project of Zanhuang	7,017,833.36	–	539,833.32	6,478,000.04	Related to assets
Heat supply renovation project of Liulihe	6,874,999.97	–	500,000.04	6,374,999.93	Related to assets
Tangshan Qixin Cement Industry Museum Project	50,688,412.70	–	1,480,873.20	49,207,539.50	Related to assets
Grant of liushui construction garbage project	–	41,000,000.00	–	41,000,000.00	Related to assets
Zanhuang collaborative disposal of household garbage and sludge	–	15,930,000.00	442,500.00	15,487,500.00	Related to assets
	<u>488,359,301.87</u>	<u>56,930,000.00</u>	<u>29,290,124.90</u>	<u>515,999,176.97</u>	

Notes to Financial Statements (continued)

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

43. Other non-current liabilities

	31 December 2019	31 December 2018
Repurchase (Note 1)	–	660,456,831.52
Advance payment for rent	12,000,000.00	15,000,000.00
Others	10,488,938.80	717,233.77
	22,488,938.80	676,174,065.29

Note 1: A subsidiary of the Group engaged in real estate has entered into an en bloc sales agreement for a commercial property in Chongqing on 16 December 2015. As the agreement provided for a repurchase after five years, the liabilities related to the after-sale repurchase will be reclassified to other current liabilities in the year.

44. Share capital

31 December 2019

	Increase/(decrease) in the year			
	Opening balance	Shares released from lock-up period	Subtotal	Closing balance
I. Shares subject to lock-up restriction				
1. State-owned legal person shareholdings	–	–	–	–
2. Other domestic shareholdings	4,848,000.00	–	–	4,848,000.00
Total shares subject to lock-up restriction	4,848,000.00	–	–	4,848,000.00
II. Shares not subject to lock-up restriction				
1. RMB ordinary shares	8,334,158,264.00	–	–	8,334,158,264.00
2. Overseas listed foreign shares	2,338,764,870.00	–	–	2,338,764,870.00
Total shares not subject to lock-up restriction	10,672,923,134.00	–	–	10,672,923,134.00
Total share capital	10,677,771,134.00	–	–	10,677,771,134.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

44. Share capital *(continued)*

31 December 2018

	Opening balance	Increase/(decrease) in the year		Closing balance
		Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction				
1. State-owned legal person shareholdings	188,679,244.00	(188,679,244.00)	(188,679,244.00)	–
2. Other domestic shareholdings	4,848,000.00	–	–	4,848,000.00
Total shares subject to lock-up restriction	<u>193,527,244.00</u>	<u>(188,679,244.00)</u>	<u>(188,679,244.00)</u>	<u>4,848,000.00</u>
II. Shares not subject to lock-up restriction				
1. RMB ordinary shares	8,145,479,020.00	188,679,244.00	188,679,244.00	8,334,158,264.00
2. Overseas listed foreign shares	<u>2,338,764,870.00</u>	–	–	<u>2,338,764,870.00</u>
Total shares not subject to lock-up restriction	<u>10,484,243,890.00</u>	<u>188,679,244.00</u>	<u>188,679,244.00</u>	<u>10,672,923,134.00</u>
Total share capital	<u>10,677,771,134.00</u>	<u>–</u>	<u>–</u>	<u>10,677,771,134.00</u>

45. Other equity instruments

Perpetual bonds	Issuance date	31 December 2019	31 December 2018
2015 First Tranche of Medium-term Notes	15 October 2015	990,000,000.00	990,000,000.00
2016 First Tranche of Medium-term Notes	2 September 2016	1,996,000,000.00	1,996,000,000.00
2016 Second Tranche of Medium-term Notes	6 September 2016	1,996,000,000.00	1,996,000,000.00
2017 First Tranche of Medium-term Notes	11 October 2017	2,495,000,000.00	2,495,000,000.00
2017 Second Tranche of Medium-term Notes	6 November 2017	2,495,000,000.00	2,495,000,000.00
2018 Second Tranche of Medium-term Notes	7 June 2018	1,996,000,000.00	1,996,000,000.00
2018 Fourth Tranche of Medium-term Notes	18 September 2018	1,497,000,000.00	1,497,000,000.00
2018 Fifth Tranche of Medium-term Notes	17 October 2018	1,497,000,000.00	1,497,000,000.00
		<u>14,962,000,000.00</u>	<u>14,962,000,000.00</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

45. Other equity instruments *(continued)*

According to the Prospectus, the major terms of the medium-term notes are as follows:

Maturity date	The medium-term notes have no fixed maturity date, which are on a long-term basis until redemption by the Company according to the requirement of the issuance provisions, and will expire when the Company redeems the notes according to the requirement of the issuance provisions.
Deferred distribution	Unless a mandatory interest payment event has occurred, on each interest payment date of the medium-term notes, the Company can elect to defer payment of interest due and all interest deferred according to the issuance provisions and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the requirement. Interest shall accrue on each of the deferred interest at the prevailing coupon rate over the period of deferral.
Mandatory distribution payment events	If any of the following events occurs within 12 months prior to the interest payment date, the Company shall not defer the payment of interest due or all interest deferred pursuant to this term and its fruits: <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 at par value plus payable interest (including all deferred interest) on the third/fifth and each of the subsequent interest payment dates of the medium-term notes.
Interest rate determination	<ul style="list-style-type: none"> — Medium-term notes carried fixed rate; — The coupon rate shall be reset every three/five years from the fourth/sixth year of interest calculation; — In the event that the issuer does not exercise its redemption right, starting from the fourth/sixth year of interest calculation, the coupon rate shall be adjusted to benchmark interest rate for the current period plus initial spread plus 300 basis points. Thereafter, the coupon interest rates is reset every 3/5 years to the benchmark interest rate for the current period plus the initial spread plus 300 basis points.

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

45. Other equity instruments *(continued)*

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

The interest rate of medium-term notes of the Group was 4.50%~6.80%, and as at 31 December 2019, the interest accrued was RMB799,200,000.00 and interest payable to specific investors amounted to RMB799,200,000.00.

46. Capital reserve

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	<u>5,273,970,842.54</u>	<u>1,160,336,159.57</u>	<u>-</u>	<u>6,434,307,002.11</u>

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	<u>5,820,202,037.98</u>	<u>-</u>	<u>546,231,195.44</u>	<u>5,273,970,842.54</u>

For the reasons of movements in capital reserve, please see Note VII. 2.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

47. Other comprehensive income

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

	1 January 2019	Increase / (decrease)	31 December 2019
Changes arising from re-measurement of defined benefit plans	53,361,769.00	23,445,873.00	76,807,642.00
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from self-occupied properties or inventories and measured with the fair value model	176,722,075.98	–	176,722,075.98
Other comprehensive income that may be reclassified to profit or loss under equity method	(1,008,660.75)	–	(1,008,660.75)
Exchange differences on foreign currency translation	4,115,841.18	4,343,404.23	8,459,245.41
Changes in fair value of investment in other equity instruments	<u>(26,239,704.38)</u>	<u>(2,472,685.22)</u>	<u>(28,712,389.60)</u>
	206,951,321.03	25,316,592.01	232,267,913.04
	1 January 2018	Increase / (decrease)	31 December 2018
Changes arising from re-measurement of defined benefit plans	70,072,510.00	(16,710,741.00)	53,361,769.00
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from self-occupied properties or inventories and measured with the fair value model	176,722,075.98	–	176,722,075.98
Other comprehensive income that may be reclassified to profit or loss under equity method	3,127,570.81	(4,136,231.56)	(1,008,660.75)
Exchange differences on foreign currency translation	931,829.28	3,184,011.90	4,115,841.18
Changes in fair value of investment in other equity instruments	<u>3,356,173.25</u>	<u>(29,595,877.63)</u>	<u>(26,239,704.38)</u>
	254,210,159.32	(47,258,838.29)	206,951,321.03

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

47. Other comprehensive income *(continued)*

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

2019

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

2018

	Amount before tax	Less: Income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income that will not be reclassified to profit or loss				
Changes arising on remeasurement of defined benefit plans	(15,250,491.00)	–	(16,710,741.00)	1,460,250.00
Changes in fair value of investments in other equity instruments	(219,690,220.81)	(53,514,101.97)	(29,595,877.63)	(136,580,241.21)
Other comprehensive income that may be subsequently reclassified to profit or loss				
Other comprehensive income that may be reclassified to profit or loss under equity method	(12,540,226.55)	–	(4,136,231.56)	(8,403,994.99)
Exchange differences on translation of statements denominated in foreign currencies	<u>10,405,893.70</u>	<u>–</u>	<u>3,184,011.90</u>	<u>7,221,881.80</u>
	<u>(237,075,044.66)</u>	<u>(53,514,101.97)</u>	<u>(47,258,838.29)</u>	<u>(136,302,104.40)</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

48. Specific reserve

2019

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

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Production safety cost	<u>12,989,928.59</u>	<u>36,144,729.80</u>	<u>29,010,533.45</u>	<u>20,124,124.94</u>

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. 34 Production safety cost.

49. Surplus reserve

2019

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

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>1,368,019,010.35</u>	<u>169,415,029.89</u>	<u>–</u>	<u>1,537,434,040.24</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

49. Surplus reserve *(continued)*

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has exceeded 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserve. Upon approval, discretionary surplus reserve can be used to make up for losses from previous years or to increase the share capital.

50. General risk reserve

2019

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

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
General risk reserve	<u>299,478,851.25</u>	<u>41,313,350.04</u>	–	<u>340,792,201.29</u>

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

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

51. Retained earnings

	2019	2018
Retained earnings as at the end of the previous year	24,646,427,835.84	22,737,082,731.02
Add: changes in accounting policy	<u>(39,155,945.38)</u>	-
Retained earnings as at the beginning of the year	24,607,271,890.46	22,737,082,731.02
Net profit attributable to the shareholders of the parent company	3,693,582,654.45	3,260,449,276.97
Less: Interest of perpetual bonds	799,200,000.00	627,842,777.78
Less: Appropriation of surplus reserve	389,560,928.31	169,415,029.89
Less: Appropriation of general risk reserve	19,165,363.61	41,313,350.04
Less: Cash dividends payable (Note)	<u>587,277,412.39</u>	<u>512,533,014.44</u>
Retained earnings at the end of the year	<u>26,505,650,840.60</u>	<u>24,646,427,835.84</u>

Note: Upon the consideration and approval by the 2018 annual general meeting of the Company convened on 15 May 2019, profit distribution for the year 2018 was calculated based on 10,677,771,134 ordinary shares in issue as of 31 December 2018, with the distribution of a dividend of RMB0.55 per 10 shares (tax inclusive) in an aggregate amount of cash dividends of RMB587,277,412.39.

52. Operating revenue and operating costs

	2019		2018	
	Revenue	Costs	Revenue	Costs
Principal operations	90,935,860,015.15	66,853,646,561.76	82,397,424,970.14	60,393,762,973.39
Other operations	<u>893,451,081.90</u>	<u>548,593,572.82</u>	<u>719,308,122.01</u>	<u>326,958,143.29</u>
	<u>91,829,311,097.05</u>	<u>67,402,240,134.58</u>	<u>83,116,733,092.15</u>	<u>60,720,721,116.68</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

Operating revenue are as follows:

	2019	2018
Revenue from contracts with customers	89,580,358,684.47	81,460,171,982.90
Rental income	1,976,602,651.71	1,387,969,898.65
Including: Rental income from investment properties	1,777,881,775.95	1,177,306,391.53
Other rental income	198,720,875.76	210,663,507.12
Interest income	272,349,760.87	268,591,210.60
	91,829,311,097.05	83,116,733,092.15

Disaggregated operating revenue from contracts with customers is as follows:

Revenue recognition time	2019	2018
Revenue recognized at a point in time		
Sale of products	43,173,115,629.91	40,676,526,764.41
Bulk commodity trade	19,765,110,574.18	13,825,473,639.79
Sale of properties	21,673,760,978.62	22,141,838,086.29
Others	1,545,365,645.18	1,874,309,534.63
Revenue recognized over time		
Property management	951,660,048.92	909,195,410.74
Hotel operation	411,270,349.60	500,524,216.84
Income from decoration	594,900,433.97	570,566,273.00
Treatment of solid wastes	1,465,175,024.09	961,738,057.20
	89,580,358,684.47	81,460,171,982.90

For disclosures of major operation places and product types, please see Note XIV. 2 Segment Report.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

53. Tax and surcharges

	2019	2018
City maintenance and construction tax	185,169,690.56	239,954,470.02
Education surcharges	159,556,851.81	199,286,243.78
Land appreciation tax	2,244,963,412.50	1,858,555,935.42
Real estate tax	337,227,124.63	288,188,133.63
Land use tax	190,963,900.70	198,804,354.89
Stamp duty	90,553,899.03	84,913,111.18
Green tax	90,800,946.87	99,536,713.62
Resource tax	65,191,799.18	53,949,600.70
Others	41,052,018.90	128,287,349.24
	3,405,479,644.18	3,151,475,912.48

54. Selling expenses

	2019	2018
Employee remuneration	979,339,136.12	880,655,928.70
Office expenses	361,559,228.47	251,984,873.08
Lease fee	72,042,739.79	134,522,095.39
Agency intermediary fee	419,911,565.97	431,527,611.38
Advertisement fee	322,474,958.37	344,374,803.42
Transportation expenses	860,511,142.06	815,165,809.84
Others	60,645,064.03	57,459,121.57
	3,076,483,834.81	2,915,690,243.38

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***55. Administrative expenses**

	2019	2018
Employee remunerations	2,800,165,692.88	2,760,126,708.05
Office expenses	1,130,399,958.32	1,112,193,130.07
Utilities	86,869,188.26	88,528,561.35
Intermediary service fees	339,585,155.54	382,411,849.53
Lease fee	75,649,865.17	121,349,670.16
Sewage and afforestation fees	57,517,915.36	70,230,207.33
Loss on shut down	799,239,796.44	792,989,324.94
Others	1,766,661,099.59	1,827,667,598.25
	7,056,088,671.56	7,155,497,049.68

56. Research and development expenses

	2019	2018
Employee remunerations	126,743,571.86	81,024,416.65
Material and equipment cost	33,144,983.17	50,538,433.69
Travel expenses	4,180,367.53	4,901,059.37
Others	68,819,900.32	17,876,666.45
	232,888,822.88	154,340,576.16

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

57. Finance costs

	2019	2018
Interest expense	6,836,733,107.83	6,676,289,245.63
<i>Including: Interests on bank loans and other loans to be fully repaid within 5 years</i>	6,753,197,751.10	6,635,830,758.31
<i>Interests on bank loans and other loans to be repaid over 5 years</i>	50,557,239.47	40,458,487.32
<i>Interest expense on lease liabilities</i>	32,978,117.26	–
Less: Interest income	712,519,742.58	269,724,243.63
Less: Amount of interest capitalized	2,966,468,446.68	3,607,912,380.20
Exchange (gains)/losses	(89,812.42)	47,420,627.99
Handling charges	138,841,337.86	126,939,441.92
Others	100,546,302.60	74,465,650.46
	3,397,042,746.61	3,047,478,342.17

In 2019, the amount of capitalised borrowing costs has been included in construction in progress of RMB28,516,793.52 (2018: RMB13,070,277.66) and costs for properties under development of RMB2,937,951,653.16 (2018: RMB3,594,842,102.54).

The following sets out the breakdown of interest income:

	2019	2018
Cash and bank balances	237,415,806.87	203,330,712.58
Long-term receivables	149,408,177.14	52,060,377.57
Other debt investments	325,695,758.57	14,333,153.48
	712,519,742.58	269,724,243.63

The above interest income has no interest income arising from impaired financial assets.

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

58. Other gains

	2019	2018	Related to assets/ gains
Refunds of VAT	577,918,676.86	595,274,443.74	Related to gains
Income from other subsidies	158,559,863.87	162,538,112.07	Related to assets/ gains
Grants of sale of heat	1,600,000.00	3,187,959.04	Related to gains
	738,078,540.73	769,376,627.47	

59. Investment gains

	2019	2018
Gains from long-term equity investments under equity method	388,081,883.97	371,432,235.92
Investment gains from disposal of subsidiaries	11,105,117.95	31,478,629.84
Investment losses from disposal of associates and joint ventures	2,766,984.35	57,034,496.04
Investment gains from financial assets held for trading during the holding Period	759,000.00	130,786,598.62
Investment gains from financial assets measured at amortized cost during the holding period	6,933,705.75	24,407,626.67
Dividend income	-	6,198,333.20
Dividend income from investment in other equity instruments during the holding period	570,951.93	-
Investment gains from disposal of financial assets held for trading	283,724,406.29	-
Losses on derecognition of financial assets measured at amortized cost	(443,184,451.58)	-
Gains on re-measurement of equity interests in the acquiree held before the date of acquisition at fair value	9,248,144.36	-
Others	(122,937.78)	7,817,271.38
	259,882,805.24	629,155,191.67

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2019. In 2019, a net loss from listed share investment among the Group's investment income amounted to RMB20,146,588.49 (2018: net gain of RMB6,146,686.40).

60. Gains from changes in fair value

	2019	2018
Financial assets held for trading	29,316,032.41	(32,417,372.24)
Investment properties measured at fair value	730,049,755.49	508,933,619.95
	759,365,787.90	476,516,247.71

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

61. Credit impairment losses

	2019	2018
Losses on bad debts of bills receivables	75,094,859.97	65,855,058.00
Losses on bad debts of accounts receivable	325,580,289.24	66,320,528.73
Losses on bad debts of other receivables	76,574,988.60	252,477,198.03
Losses on bad debts of long-term receivables	(10,075,432.43)	(6,837,305.86)
Losses on impairment of contract assets	732,264.57	–
	467,906,969.95	377,815,478.90

62. Asset impairment losses

	2019	2018
Losses on decline in value of inventory	155,530,616.35	376,176,703.19
Losses on impairment of fixed assets	274,124,544.97	370,651,402.65
Losses on impairment of construction in progress	3,682,030.38	56,147,247.34
Losses on impairment of intangible assets	50,059,859.26	6,389,961.93
Losses on impairment of goodwill	150,000,000.00	–
Others	9,260,852.98	18,404,832.04
	642,657,903.94	827,770,147.15

63. Gains/(losses) on disposal of assets

	2019	2018
Gains/(losses) on disposal of fixed assets	24,150,454.84	(27,074,116.26)
Gains/(losses) on disposal of intangible assets	15,282,708.75	(43,225,890.82)
Others	318.64	(1,970,235.74)
	39,433,482.23	(72,270,242.82)

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

64. Non-operating income

	2019	2018	Recognised in nonrecurring profit and loss for 2019
Net gains from fines	139,783,448.15	89,311,388.60	139,783,448.15
Relocation compensation/government grants	111,663,451.47	162,768,716.76	111,663,451.47
Unpayable amounts	118,600,989.34	64,992,893.98	118,600,989.34
Other	152,528,001.94	74,787,471.76	152,528,001.94
	522,575,890.90	391,860,471.10	522,575,890.90

65. Non-operating expenses

	2019	2018	Recognised in non-recurring profit and loss for 2019
Losses on disposal of non-current assets	143,523,231.54	75,518,346.18	143,523,231.54
Including: Losses on disposal of fixed assets	142,147,754.65	75,278,159.30	142,147,754.65
Loss on disposal of other non-current assets	1,375,476.89	240,186.88	1,375,476.89
Abnormal losses	7,937,317.21	52,934,217.29	7,937,317.21
Expenses on charity donation	34,373,605.55	984,505.00	34,373,605.55
Losses on compensation, penalties and fines	312,617,568.37	175,016,499.09	312,617,568.37
Other expenses	35,587,105.48	211,494,209.38	35,587,105.48
	534,038,828.15	515,947,776.94	534,038,828.15

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

66. Expenses by nature

The supplemental information on the Group's operating costs, selling expenses, administrative expenses and R&D expenditure by nature is as follows:

	2019	2018
Consumption of raw materials	20,370,639,946.21	18,434,281,427.78
Procurement costs of tradable goods	20,874,212,437.81	14,920,056,773.06
Cost of sales of real estate	14,322,504,981.53	15,377,221,295.62
Changes in inventory of finished goods and work in progress	55,894,866.25	(468,868,984.63)
Employee remunerations	6,567,204,029.22	6,194,740,156.17
Depreciation and amortisation	4,467,713,735.85	4,431,138,315.36
Rentals	365,361,679.82	554,555,472.23
Maintenance expenses	1,554,305,562.57	1,482,586,261.70
Fuel and energy costs	2,927,321,090.66	3,101,187,323.58
Transportation fee	1,564,549,351.41	1,453,785,640.52
Advertisement fee	302,434,711.04	344,374,803.42
Office expenses	1,410,439,174.24	1,364,178,003.15
Intermediary fee	783,484,350.98	813,939,460.91
Others	2,201,635,546.24	2,943,073,037.03
	77,767,701,463.83	70,946,248,985.90

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***67. Income tax expense**

	2019	2018
Current income tax expense	3,236,391,368.60	2,593,086,938.71
Deferred income tax expense	<u>(480,718,990.99)</u>	<u>(429,877,429.79)</u>
	<u>2,755,672,377.61</u>	<u>2,163,209,508.92</u>

A reconciliation of income tax expense and total profit is set out as follows:

	2019	2018
Total profit	7,933,820,047.39	6,444,634,743.74
Income tax expense at the statutory income tax rate	1,983,455,011.85	1,611,158,685.94
Tax effect of different tax rates of some subsidiaries	(104,377,569.77)	(46,473,012.58)
Adjustments on the current income tax of previous periods	22,443,797.43	(7,053,843.69)
Share of profits and losses of joint ventures and associates	(66,360,611.06)	(92,858,058.98)
Income not subject to tax	(15,777,403.25)	(1,549,583.30)
Expenses not deductible	126,499,001.90	96,317,516.63
Deductible temporary difference and deductible losses not recognized	<u>809,790,150.51</u>	<u>603,667,804.90</u>
Income tax expense at the effective tax rate of the Group	<u>2,755,672,377.61</u>	<u>2,163,209,508.92</u>

68. Earnings per share

	2019 RMB/share	2018 RMB/share
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	<u>3,693,582,654.45</u>	<u>3,260,449,276.97</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>10,677,771,134.00</u>	<u>10,677,771,134.00</u>
Basic earnings per share – continuing operations	<u>0.35</u>	<u>0.31</u>

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.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

69. Notes to items of statement of cash flows

	2019	2018
Cash received relating to other operating activities		
Deposits and other amounts received	111,343,897.39	299,721,885.83
Compensation received	1,185,814,870.44	267,604,008.46
Received interest income	564,254,842.17	269,724,243.63
Current accounts and other current account	1,422,235,669.11	1,361,440,864.65
	3,283,649,279.11	2,198,491,002.57
Cash paid relating to other operating activities		
Selling and administrative expenses etc. paid	4,804,628,434.00	4,870,479,769.42
Other current accounts	433,638,398.57	3,493,692,000.19
	5,238,266,832.57	8,364,171,769.61
Cash received from other investing activities		
Disposal of financial products such as short-term funds or bonds	5,064,282,223.08	11,399,540,800.00
Recovery of equity transfer deposit	19,990,000.00	-
	5,084,272,223.08	11,399,540,800.00
Cash paid relating to other investing activities		
Payments for the purchase of trust products	4,993,999,991.78	9,975,534,381.54
Loans to associates	-	3,272,090,726.80
	4,993,999,991.78	13,247,625,108.34
Cash received relating to other financing activities		
Recovery of funding-related deposits	242,079,240.52	-
Cash paid relating to other financing activities		
Payment of loans to Kuishan Cement	766,928,044.08	-
Payment for acquisition of minority interests	-	2,109,797,490.42
Payment for financing of sale and lease back business	-	1,311,797,482.36
Others	20,000,000.00	297,069,240.52
	786,928,044.08	3,718,664,213.30

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***69. Notes to items of statement of cash flows** *(continued)***(1) Supplemental information to statement of cash flows**

Reconciliation of net profit to cash flows from operating activities:

	2019	2018
Net Profit	5,178,147,669.78	4,281,425,234.82
Add: Losses on credit impairment	467,906,969.95	377,815,478.90
Provision for impairment of assets	642,657,903.94	827,770,147.15
Depreciation of fixed assets	3,589,848,801.74	3,709,492,669.49
Depreciation of right-of-use assets	139,470,173.02	-
Amortisation of intangible assets	577,592,391.74	520,161,458.76
Amortisation of long-term deferred expenses	160,802,369.35	201,484,187.11
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	(39,433,482.23)	72,270,242.82
Losses on retirement of non-current assets	137,861,321.24	72,036,426.60
Gains from changes in fair value	(759,365,787.90)	(476,516,247.71)
Finance costs	3,870,174,848.73	3,115,797,493.41
Investment income	(259,882,805.24)	(629,155,191.67)
Increase in deferred income tax assets	(530,263,775.28)	(393,016,591.48)
Decrease/(increase) in deferred income tax liabilities	32,555,305.17	(36,860,838.31)
Increase in inventories	(3,949,482,469.46)	(11,793,730,310.81)
Decrease/(increase) in operating receivables	1,356,962,420.75	(3,352,702,003.98)
Decrease in operating payables	(1,093,870,567.49)	(1,538,905,807.26)
Net cash flows from/(used in) operating activities	9,521,681,287.81	(5,042,633,652.16)
Material financing activities not involving cash:		
Debt-to-equity swap of a minority shareholder (Note)	-	147,000,000.00
Endorsement and transfer of bills:		
Endorsement and transfer of bank acceptance bills received from sale of goods or rendering of services	13,888,143,654.48	13,263,461,730.83

Note: In 2018, Nuode Investment Co., Ltd. of China Railway Construction Engineering Group (中鐵建工集團諾德投資有限公司), a minority shareholder of BBMG China Railway Noble (Hangzhou) Property Development Co., Ltd. (金隅中鐵諾德(杭州)房地產開發有限公司), which, in turn, is a subsidiary of the Group, made additional investment to it in a way of debt-to-equity swap, with a capital increase of RMB147,000,000.00.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

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

	2019	2018
Balance of cash at the end of the year	15,327,545,297.51	13,520,047,307.82
Less: Balances of cash at the beginning of the year	<u>13,520,047,307.82</u>	<u>12,914,086,803.47</u>
Net increase in cash and cash equivalents	<u>1,807,497,989.69</u>	<u>605,960,504.35</u>

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

	2019	2018
Cash received from disposal of subsidiaries and other business entities	44,390,000.00	-
Cash and cash equivalents received during the year from disposal of subsidiaries and other operating units during the previous year (Note)	669,350,973.33	-
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	<u>10,943,923.46</u>	-
Net cash received from disposal of subsidiaries and other business entities	<u>702,797,049.87</u>	-

Note: During this year, the Group received the consideration in the amount of RMB669,350,973.33 for disposal of equity interest in Kuishan Jidong Cement Co., Ltd. in 2018.

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS***(continued)***69. Notes to items of statement of cash flows** *(continued)***(2) Information on acquisition or disposal of subsidiaries and other operating units**
(continued)

	2019	2018
Consideration for acquisition of subsidiaries and other operating units	49,065,891.00	4,521,906,972.21
Cash and cash equivalents received from subsidiaries and other operating units acquired	49,065,891.00	4,488,906,972.21
Less: Cash and cash equivalents held by subsidiaries and other operating units acquired	<u>644,853.35</u>	<u>402,398,353.32</u>
Net cash payments for acquisition of subsidiaries and other business units	<u>48,421,037.65</u>	<u>4,086,508,618.89</u>
	2019	2018
Cash received from disposal of subsidiaries and other business entities	–	1.00
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	<u>–</u>	<u>162,027,575.99</u>
Net cash received from disposal of subsidiaries and other business entities	<u>–</u>	<u>162,027,574.99</u>

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

(3) Cash and cash equivalents

	2019	2018
Cash	15,327,545,297.51	13,520,047,307.82
Including: Cash on hand	423,863.04	2,585,432.91
Bank deposits on demand	14,835,045,569.36	12,173,874,687.52
Other monetary fund on demand	492,075,865.11	1,343,587,187.39
	<u>15,327,545,297.51</u>	<u>13,520,047,307.82</u>
Balance of cash and cash equivalents at end of the year	<u>15,327,545,297.51</u>	<u>13,520,047,307.82</u>

70. Assets with restricted titles or right to use

	Notes	31 December 2019	31 December 2018
Pledged assets			
Cash and bank balances			
Statutory deposit reserve placement with central bank by			
Finance Company	(1)	1,246,559,989.54	987,814,461.77
Guarantee deposits for L/C	(1)	72,570,404.63	175,108,025.27
Quality/performance deposits	(1)	189,169,233.08	273,062,584.16
Guarantee deposits for acceptance bills	(1)	291,346,394.08	576,988,247.64
Inventories	(2)	33,915,878,899.67	21,971,607,254.27
Accounts receivable	(2)	-	1,379,171.95
Bills receivable	(3)	92,052,474.50	129,872,209.57
Fixed assets	(2)	2,801,737,447.90	6,858,474,963.04
Investment properties	(2)	13,777,616,246.95	11,349,885,820.64
Equity interests	(2)	10,406,110,545.93	5,557,233,899.11
Land use rights	(2)	97,806,790.99	23,390,669.69
Cash and bank balances whose titles are restricted for other reasons			
Restricted cash arising from pre-sales of properties	(4)	3,872,605,923.80	2,926,411,562.08
Others		325,245,335.73	315,036,071.92
		<u>67,088,699,686.80</u>	<u>51,146,264,941.11</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

Note 1: As at 31 December 2019, the total amount of the Group's pledged cash and bank balances was RMB1,799,646,021.33 (31 December 2018: RMB2,012,973,318.84), of which the amount paid by BBMG Finance Co., Ltd. (金隅財務有限公司) to the People's Bank of China as statutory deposit reserve in accordance with relevant regulations which cannot be used for daily operations was RMB1,246,559,989.54 (31 December 2018: RMB987,814,461.77).

Note 2: As at 31 December 2019, the Group obtained short-term borrowings of RMB0.00 (31 December 2018: RMB908,250,000.00) and long-term borrowings of RMB19,549,391,214.48 (31 December 2018: RMB15,415,533,199.13) secured by inventories with a carrying amount of RMB33,915,878,899.67 (31 December 2018: RMB21,971,607,254.27), accounts receivables with a carrying amount of RMB0.00 (31 December 2018: RMB1,379,171.95), fixed assets with a carrying amount of RMB2,801,737,447.90 (31 December 2018: RMB6,858,474,963.04), investment properties with a carrying amount of RMB13,777,616,246.95 (31 December 2018: RMB11,349,885,820.64), land use rights with a carrying amount of RMB97,806,790.99 (31 December 2018: RMB23,390,669.69) and equity interests with a carrying amount of RMB10,406,110,545.93 (31 December 2018: RMB5,557,233,899.11).

Note 3: The Group obtained short-term borrowings of RMB92,052,474.50 by discounting bills receivable with a carrying amount of RMB92,052,474.50 (31 December 2018: the Group obtained short-term borrowings of RMB129,872,209.57 by discounting bills receivable with a carrying amount of RMB129,872,209.57).

Note 4: In accordance with relevant provisions, funds from pre-sales of commodity housing of property developers have to be deposited in special bank accounts of funds from pre-sales of real estates for supervision to ensure that the pre-sales funds are used for construction projects first, and written application have to be made to the supervisory bank before using the funds. Where presale projects under supervision have been completed and accepted and other required conditions have been satisfied, application for lifting supervision of the funds may be made. As at 31 December 2019, there were no bank borrowings obtained from unreleased pledge by land use rights of commodity houses of the Company which had already been delivered to the purchasers.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

71. Foreign currency monetary items

	31 December 2019			31 December 2018		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
USD	28,297,213.35	6.9762	197,407,019.74	24,933,096.30	6.8632	171,120,826.53
HKD	1,051,607.60	0.8958	942,030.09	1,711,145.75	0.8762	1,499,305.91
EUR	-	-	-	90,905.58	7.8473	713,363.36
ZAR	24,012,863.64	0.4943	11,869,558.50	45,320,432.88	0.4735	21,459,224.97
MNT	41,620,778.09	0.0026	107,021.80	110,740,902.32	0.0026	287,926.35
Accounts receivable						
USD	104,013,033.27	6.9762	725,615,722.70	62,144,697.11	6.8632	426,511,485.21
EUR	-	-	-	210,398.43	7.8473	1,651,059.60
ZAR	11,050,626.44	0.4943	5,462,324.65	13,711,205.64	0.4735	6,492,255.87
MNT	-	-	-	7,220,536,370.46	0.0026	18,773,394.56
Accounts payable						
USD	106,870,702.74	6.9762	745,551,396.42	82,550,203.88	6.8632	566,558,559.27
ZAR	43,094,143.42	0.4943	21,301,435.09	106,528,687.40	0.4735	50,441,333.48
MNT	-	-	-	15,647,959,214.65	0.0026	40,684,693.96
Other receivables						
USD	4,414,494.77	6.9762	30,796,398.41	3,514,458.52	6.8632	24,120,431.71
ZAR	746,039.00	0.4943	368,767.08	8,171,466.92	0.4735	3,869,189.59
HKD	325,240.00	0.8958	291,349.99	-	-	-
EUR	-	-	-	325,240.00	7.8473	2,552,255.85
Long-term receivables						
USD	45,483,261.37	6.9762	317,300,327.97	40,336,928.00	6.8632	276,840,404.25
Long-term payables						
USD	8,286,088.00	6.9762	57,805,407.11	7,583,307.00	6.8632	52,045,752.60
Other payables						
USD	2,413,836.48	6.9762	16,839,406.05	4,713,035.48	6.8632	32,346,505.11
ZAR	5,411,693.82	0.4943	2,675,000.26	7,437,005.72	0.4735	3,521,422.21
HKD	-	-	-	2,595,133.28	0.8762	2,273,855.78
Short-term loans						
USD	-	-	-	189,000.00	6.8632	1,297,144.80
			445,987,876.00			206,721,856.55

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

72. Hedging

Fair value hedge

The Group is engaged in trading of commodities such as non-ferrous metals and ferrous metals (including copper, iron ore, coke and thermal coal futures). These commodities are subject to the risk of price changes. Therefore, the Group uses futures contracts of futures exchanges to manage its exposure to commodity price risks arising from trading commodities it holds. The standard indicators for the industrial products sold by the Group are the same as the corresponding delivery grades in the futures contract. The basic variables of the hedging instrument (futures contract) and the hedged item (certain commodities held by the Group) are all standard parameter prices. Through qualitative analysis, the Group determines that the ratio of the number of hedging instruments to the number of hedged items was 1:1. The ineffective portion of hedging mainly arose from the basis risk, the risk of changes in supply and demand in the spot or futures market, and other risks of uncertainties in the spot or futures market. The amount of ineffective hedges recognized during the year was not significant. The Group adopted fair value hedge for such hedging.

The time distribution and average price of the nominal amount of the hedging instruments are as follows:

2019	Within 6 months	6 to 12 months	After 1 year	Total
Nominal amount of copper futures	52,686,621.00	-	-	52,686,621.00
Average price of copper futures	48,783.91	-	-	48,783.91
Nominal amount of iron ore futures	108,653,950.00	-	-	108,653,950.00
Average price of iron ore futures	603.63	-	-	603.63
Nominal amount of coke futures	44,135,100.00	-	-	44,135,100.00
Average price of coke futures	1,765.40	-	-	1,765.40
Nominal amount of thermal coal futures	22,030,000.00	-	-	22,030,000.00
Average price of thermal coal futures	550.75	-	-	550.75

Notes to Financial Statements *(continued)*

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

72. Hedging *(continued)*

Fair value hedge (continued)

Changes in the carrying amount and fair value of the hedging instruments are as follows:

2019	Nominal amounts of the hedging instruments	Carrying amounts of the hedging instruments		Items on the balance sheet that contain hedging instruments	Changes in fair value of hedging instruments
		Assets	Liabilities		used as a basis for recognizing the ineffective portion of hedging in 2019
Commodity price risk-inventories	227,505,671.00	239,240,500.00	-	Inventories	(14,921,600.00)

The carrying amount of hedged items and related adjustments are as follows:

2019	Carrying amount of hedged items	Cumulative amount of adjustments to fair value hedge of hedged items (included in carrying amount of hedged items)		Items on the balance sheet that contain hedged items	Changes in fair value of hedged items used as a basis for recognizing the ineffective portion of hedging in 2019
		Assets	Assets		
Commodity price risk-inventories	281,439,098.50	6,613,938.05		Inventories	(14,921,600.00)

The ineffective portion of hedging in the changes in fair value of hedging instruments is set out below:

2019	Ineffective portion of hedging included in profit or loss	Ineffective portion of hedging included in other comprehensive income	Items on the income statement that contain ineffective portion of hedging
Inventory price risk	(14,921,600.00)	-	Changes in fair value

Notes to Financial Statements *(continued)*

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VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Business combination not under common control

Baogang Jidong Cement Co., Ltd. (hereinafter referred to as “Baogang Cement”) was originally an associate company of the Company’s subsidiary Tangshan Jidong Cement Co., Ltd. (hereinafter referred to as “Jidong Cement”) with a 49% shareholding. On 12 January 2019, Jidong Cement received a 21% equity interest in Jidong Cement held by Inner Mongolia Baogang Xichuang Group Co., Ltd. (內蒙古包鋼西創集團有限責任公司) through open bidding. The consideration for the transaction was RMB49,065,891.00. As of 31 January 2019, Jidong Cement has deposited the payment for equity interests to the supervisory bank account as stipulated in the agreement and completed the relevant equity transfer procedures and changes in the articles of association. Jidong Cement holds 70% of the equity interests of Baogang Cement and become its controlling shareholder.

The fair values and carrying values of identifiable assets and liabilities of Baogang Cement on acquisition date are set out as follows:

	Fair value as at 1 February 2019	Carrying amount as at 1 February 2019
Cash and bank balances	644,853.35	644,853.35
Bills receivable	33,683,968.19	33,683,968.19
Accounts receivable	96,302,054.94	96,302,054.94
Prepayments, net	5,596,855.20	5,596,855.20
Other receivables, net	1,127,275.17	1,127,275.17
Net inventories	16,726,785.70	16,726,785.70
Other current assets	2,755,281.41	2,755,281.41
Fixed assets	329,975,429.90	322,293,680.70
Construction in progress, net	2,364,586.35	2,366,417.37
Deferred income tax assets	3,786,513.63	3,786,513.63
Accounts payable	(117,125,480.48)	(117,125,480.48)
Contract liabilities	(21,412,307.75)	(21,412,307.75)
Wages payable	(877,576.85)	(877,576.85)
Taxes payable	(1,282,969.70)	(1,282,969.70)
Other payables	(122,323,585.97)	(122,323,585.97)
Deferred income tax liabilities	(1,919,979.54)	-
	228,021,703.55	222,261,764.91
Minority interests	68,406,511.07	-
Net assets attributable to the parent company	159,615,192.48	-
Fair value of 49% equity interest previously held	111,730,634.73	-
Fair value of 21% equity interest	47,884,557.75	-
Goodwill arising from purchases during the current period	1,181,333.25	-
Consideration paid	49,065,891.00	-

Notes to Financial Statements *(continued)*

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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combination not under common control *(continued)*

The operation results and cash flows of Baogang Cement from the acquisition date to the end of the year are set out as follows:

	From 1 February to 31 December 2019
Operating revenue	173,516,014.87
Net loss	(3,668,283.88)
Net cash flows	447,211.23

2. Disposal of subsidiaries

The Company entered into an Equity Transfer Contract with Shanghai Shengxuan Group Co., Ltd. (上海盛玄集團有限公司), under which the Company intends to sell its 51% equity interest in BBMG Material Industrial (Shanghai) Co., Ltd. to Shanghai Shengxuan Group Co., Ltd., with a consideration was RMB44,390,000.00. The date when the Company lost its control over BBMG Material Industrial (Shanghai) Co., Ltd is 28 February 2019. Therefore, from 28 February 2019, the Group will no longer include BBMG Material Industrial (Shanghai) Co., Ltd. in the scope of consolidation. The financial information of BBMG Material Industrial (Shanghai) Co., Ltd. is set forth below:

	Carrying amount at 28 February 2019	Carrying amount at 31 December 2018
Current assets	109,406,859.80	109,534,207.31
Current liabilities	(40,293,702.18)	(40,291,356.83)
	69,113,157.62	69,242,850.48
Minority interests	33,865,447.23	33,928,996.74
Fair value of remaining equity interest	35,247,710.39	
Gains or losses on disposal	9,142,289.61	
Consideration of disposal	44,390,000.00	

The operating results included in the combination scope in the year:

	From 1 January to 28 February 2019
BBMG Material Industrial (Shanghai) Co., Ltd.	
Operating revenue	–
Operating cost	–
Net loss	(129,692.86)

Notes to Financial Statements *(continued)*

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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)***2. Disposal of subsidiaries** *(continued)*

Jidong Cement entered into the Property Rights Transaction Contract with Liu Baoju (劉寶聚), under which Jidong Cement intends to sell 80% of the equity interest in Lincheng Jinyu Jidong Hengshi Cement Co., Ltd. (臨城金隅冀東恒實水泥有限公司) (“Lincheng Hengshi”) to Liu Baoju for a consideration of RMB4,032,488.00.

The date on which Jidong Cement lost control of Lincheng Hengshi was 31 December 2019. Therefore, from 31 December 2019, the Group will no longer include Lincheng Hengshi in the scope of consolidation. Financial information of Lincheng Hengshi is set out as follows:

	31 December 2019	31 December 2018
	Carrying amount	Carrying amount
Current assets	2,101,556.81	7,346,224.01
Non-current assets	2,106,651.58	22,777,516.89
Current liabilities	(1,621,133.83)	(5,920,573.19)
	2,587,074.56	24,203,167.71
Minority interests	517,414.89	4,840,633.54
Fair value of remaining equity interest	2,069,659.66	
Gains or losses on disposal	1,962,828.34	
Consideration of disposal	4,032,488.00	
		From 1 January to
Lincheng Hengshi		31 December 2019
Operating revenue		124,211.59
Operating cost		117,493.41
Net loss		(21,616,093.15)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

3. Deregistration of subsidiaries

The breakdown of deregistration of the Group's major subsidiaries in 2019 is as below:

Company Name	Proportion of shareholding of parent company before deregistration	Reason for not being subsidiary
Beijing Jinhaiyan Assets Management Co., Ltd.	100%	Absorption and merge
Tangshan Haigang Jidong Building Materials Co., Ltd. (唐山海港冀東建材有限公司)	100%	Absorption and merge
Shanxi Jidong Logistics Trade Co., Ltd. (山西冀東物流貿易有限公司)	100%	Deregistration
Tianjin Dunshi Xinshunda Concrete Co., Ltd. (天津盾石欣順達混凝土有限公司)	70%	Deregistration
Tianjin Hongda Foundation Concrete Co., Ltd. (天津市宏達基業混凝土有限公司)	100%	Deregistration
Beijing Huyue Concrete Co., Ltd. (北京虎躍混凝土有限公司)	100%	Deregistration
Tianjin Hangu Jidong Rainbow Concrete Co., Ltd. (天津漢沽冀東彩虹混凝土有限公司)	100%	Deregistration
Tangshan Jidong Guye Mining Investment Co., Ltd.	70%	Deregistration
Tianjin Mingjia Property Management Co., Ltd. (天津市名家物業管理有限公司)	100%	Deregistration
Tianjin Huanbohai Chuangmei Property Management Co., Ltd. (天津市環渤海創美物業管理有限公司)	100%	Deregistration
Tianjin Kaitai Building Materials Marketing Co., Ltd.	100%	Deregistration
Tianjin Binhai New Area Jianhengyu Trading Co., Ltd.	100%	Deregistration
Tianjin Longsheng Building Materials Co., Ltd.	100%	Deregistration
Tianjin Hengsheng Building Materials Co., Ltd.	100%	Deregistration

4. Establishment of new subsidiaries

Subsidiaries acquired by the Group through establishment or investment are as follows:

Company Name	Reasons for change
BBMG Residential Industrialization (Tangshan) Co., Ltd.	Newly established
Shanghai BBMG Jingcheng Property Development Co., Ltd.	Newly established
Jinyu Han Chao (Hangzhou) Real Estate Development Co., Ltd.	Newly established
Beijing Yucheng Real Estate Co., Ltd.	Newly established
Tangshan Jinyu Tiancai Pipe Technology Co., Ltd. (唐山金隅天材管業科技有限責任公司)	Newly established
Huanbohai (Tianjin) International Economic and Trade Co., Ltd. (環渤海(天津)國際經貿有限公司)	Newly established
Tianjin Jinyu Jinchen Real Estate Development Co., Ltd. (天津金隅津辰房地產開發有限公司)	Newly established
Beijing Chengyuan Real Estate Co., Ltd. (北京程遠置業有限公司)	Investment

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES

1. Interests in the subsidiaries

Information of the Company's major subsidiaries is as follows:

	Place of registration/ principal business	Business nature	Registered capital RMB'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control					
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67.00	-
Tianjin BBMG Concrete Co., Ltd.(2)	Tianjin	Concrete project construction and manufacturing, etc.	39,590.51	91.01	8.99
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.(2)	Shijiazhuang	Manufacture and sale of concrete	20,000.00	100.00	-
Beijing Dynea Chemical Industry Co., Ltd.	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	7,808.61	100.00	-
Beijing Chinefarge Cement Co., Ltd.	Beijing	Manufacture of cement and clinker, etc.	31,500.00	95.70	-
Krono (Beijing) Woods Co., Ltd.	Beijing	Production of fibreboard and other decorative plates, etc	44,987.38	100.00	-
BBMG Sports Culture Co., Ltd.	Beijing	Project operation of Sports	300.00	67.00	-
Beijing Doors and Windows Co., Ltd.	Beijing	Manufacture and process of plastics-steel doors and windows	100.00	100.00	-
Guantao BBMG Taihang Concrete Co., Ltd. (2) (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
Jidong Development Group Co., Ltd.	Tangshan Fengrun District	Building materials industry	247,950.41	55.00	-
Tangshan Jidong Cement Co., Ltd.	Tangshan	Manufacture and sales of cement, clinker, relevant building materials and cement equipment	134,752.29	7.00	30.00
Jidong Sand Gravel Aggregate Co., Ltd.	Tangshan	Aggregate	25,000.00	-	100.00
Hebei Jidong Development Group Mining Engineering Co., Ltd.	Shijiazhuang	Other construction and installation industry	2,000.00	-	85.00
Tangshan High Voltage Porcelain Insulator Works Co., Ltd. (唐山高壓電瓷有限公司)	Tangshan	Manufacture and sales of High Voltage Porcelain Insulator	5,000.00	-	100.00
Hebei Building Material Industry Design & Research Institution	Shijiazhuang	Building materials industry engineering design	11,550.60	-	100.00
Tangshan Qixin Cement Industry Museum	Tangshan	Cultural relic collection and exhibition to promote national culture, etc.	6,724.00	-	100.00
Tangshan Qixin Jiayi Property Services Co., Ltd.	Tangshan	Property service, commodity retail, etc	100.00	-	100.00
Tangshan Jidong Equipment & Engineering Co., Ltd.	Beijing	Machinery equipment and spare parts and civil installation	22,700.00	-	30.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control <i>(continued)</i>					
Tangshan Jidong Development Machinery and Equipment Manufacturing Co., Ltd.	Tangshan	Manufacture and sales of machinery equipment and accessories	60,000.00	-	100.00
Jidong Rizhang Energy-Conserving Fan Manufacture Co., Ltd.	Tangshan	State-owned enterprise (machinery manufacturing industry)	8,400.00	-	100.00
Tangshan Jidong Development Yan Dong Construction Co., Ltd.	Tangshan	Construction industry	20,000.00	-	59.00
Jidong Development International Trading Co., Ltd.	Beijing	Import and export and bulk commodity trade	23,000.00	-	100.00
Tangshan Jixin Cement Transition Co., Ltd.	Tangshan	Loading, offloading and handling	US\$600	-	60.00
Jidong Development (HK) International Ltd.	Hong Kong	Commodities trading	6,294.36	-	100.00
Tangshan Dunshi Real Estate Development Co., Ltd.	Tangshan	Real estate	30,000.00	-	100.00
Tangshan Jidong Cement Nanhui Property Development Co., Ltd.	Tangshan	Real estate	75,000.00	-	100.00
Shijiazhuang Dunshi Real Estate Development Co., Ltd.	Shijiazhuang	Property development and operation, etc.	10,000.00	-	65.00
Jidong Development Logistics Co., Ltd.	Tangshan	Storage and operation of general goods as well as coal trade	10,000.00	-	100.00
Tangshan Jidong Property Services Co., Ltd.	Tangshan	Property service	300.00	-	100.00
Huahai Wind Power Development Co., Ltd.	Tangshan	Wind power equipment manufacturing	15,000.00	-	70.00
Tangshan Qixin Building Materials Co., Ltd.	Tangshan	Manufacture of cement and cement products	16,747.00	-	100.00
Tangshan Qixin Cement Co., Ltd.	Tangshan	Manufacture of limestone, cement and cement clinker, etc.	23,544.00	-	100.00
Jidong Development Group Tangshan Xinxing Knitting Factory	Tangshan	Knitting processing	4,171.00	-	100.00
BBMG Jidong Caofeidian Supply Chain Management Co., Ltd. (金隅冀東曹妃甸供應鏈管理有限公司)	Tangshan	Supply chain management services	2,000.00	-	90.00
Tangshan Jinyu Dunshi Real Estate Development Co., Ltd.	Tangshan	Real estate development and operation and property management services, etc.	35,000.00	-	100.00
China-Africa Jidong Building Materials Investment Co., Ltd.	Tangshan	Investment in building materials industry	34,830.00	-	60.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control <i>(continued)</i>					
Tianjin Building Materials (Holding) Co., Ltd.	Tianjin	Manufacture and sales of building and decorative materials	508,222.35	55.00	-
Tianjin Tiancai Haoye Trading Co., Ltd.	Tianjin	Building materials and commerce and logistics	5,001.00	-	100.00
Tianjin Jianyu Energy Development Co., Ltd.	Tianjin	Building materials and commerce and logistics	18,000.00	-	51.00
Tianjin Bodingmeite Import Co., Ltd.	Tianjin	Building materials and commerce and logistics	3,200.00	-	100.00
Tianjin Tiancai Hengye Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	37,242.39	-	100.00
Huanbohai Jinan (Tianjin) Group Holding Co., Ltd.	Tianjin	Property investment management	19,634.40	-	51.66
Tianjin Xincal Property Development Co., Ltd.	Tianjin	Real estate	27,649.81	-	100.00
Tianjin North Longfeng Properties Development Co., Ltd.	Tianjin	Real estate	4,900.00	-	100.00
Tianjin Building Materials Scientific Study Co., Ltd.	Tianjin	Property investment management	16,129.64	-	100.00
Tianjin Tianying New Building Materials Co., Ltd.	Tianjin	Cement and ready-mixed concrete	1,250.00	-	100.00
Tianjin Tiancaiweiye Building Materials Co., Ltd.	Tianjin	Cement and ready-mixed concrete	26,275.03	-	100.00
Tianjin Tiantuhaobang Tuliao Co., Ltd.	Tianjin	Building materials and commerce and logistics	4,328.68	-	100.00
Tianjin Tianxia Doors and Window Co., Ltd.	Tianjin	Building materials and commerce and logistics	2,107.80	-	100.00
Tianjin Hengtong Industry and Trade Development Co., Ltd.	Tianjin	Building materials and commerce and logistics	5,231.48	-	90.17
Tianjin Tiancai Construction Investment Co., Ltd.	Tianjin	Property investment management	34,528.08	-	100.00
Tiancai Hongye (Tianjin) Building Materials Co., Ltd.	Tianjin	Property investment management	54,596.03	-	100.00
Tianjin Jinya Market Management Co., Ltd.	Tianjin	Property investment management	1,383.00	-	100.00
Tianjin Tiancai New Industry Assets Management Co., Ltd.	Tianjin	Property investment management	31,973.79	-	100.00
Tianjin Yuanyang Longda Glass Products Co., Ltd.	Tianjin	Property investment management	8,258.73	-	100.00
Tianjin Tiancai Chenrun Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	1,752.33	-	100.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control <i>(continued)</i>					
Tianjin Cement Stone Mine Co., Ltd.	Tianjin	Cement and ready-mixed concrete	119,937.67	-	100.00
Tianjin Yuanyang Glass Industry Co., Ltd.	Tianjin	Property investment management	3,869.18	-	100.00
Tianjin Tiancai Xingchen Building Material Co., Ltd.	Tianjin	Property investment management	42,798.30	-	100.00
Tianjin Stone Mine Co., Ltd.	Tianjin	Property investment management	44,081.24	-	100.00
Tianjin Xingmingtai Plastic Products Co., Ltd.	Tianjin	Property investment management	6,492.95	-	100.00
BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd.	Tangshan	Manufacture and sales of concrete and concrete-based products	400,000.00	55.00	45.00
Beijing Jidong Haiqiang Concrete Co., Ltd. (北京冀東海強混凝土有限公司) (2)	Beijing	Ready-mix commodity concrete etc.	2,980.00	-	70.00
Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司) (2)	Beijing	Processing and manufacturing of commodity concrete etc.	9,518.00	-	70.00
Beijing Zhongjian Hongfu Concrete Co., Ltd. (北京中建宏福混凝土有限公司) (2)	Beijing	Professional goods transportation (tank)	4,500.00	-	90.00
Beijing Yongfeng Weiye Concrete Co., Ltd. (北京永豐偉業混凝土有限責任公司) (2)	Beijing	Manufacture and sales of concrete and concrete products	2,000.00	-	100.00
Beijing Chengwu Concrete Co., Ltd. (北京城五混凝土有限公司) (2)	Beijing	Manufacturing of concrete and concrete-based products, etc.	2,000.00	-	66.00
Beijing Hanxin Concrete Co., Ltd. (北京韓信混凝土有限公司) (2)	Beijing	Production of concrete, etc.	4,510.00	-	70.00
Beijing Hengkun Concrete Co., Ltd. (北京恒坤混凝土有限公司) (2)	Beijing	Special goods transportation (in tank), etc.	5,000.00	-	60.00
Tianjin Jidong Haifeng Concrete Co., Ltd. (天津冀東海豐混凝土有限公司) (2)	Tianjin	Wholesale and retail of commodity concrete, etc.	2,500.00	-	100.00
Tianjin Jidong Jinpujiye Concrete Co., Ltd. (天津冀東津璞基業混凝土有限公司) (2)	Tianjin	Processing, sales and pouring of ready-mixed concrete	2,900.00	-	100.00

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**VII. INTERESTS IN OTHER ENTITIES** *(continued)***1. Interests in the subsidiaries** *(continued)*Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control <i>(continued)</i>					
Jidong Concrete (Tianjin) Co., Ltd. (冀東混凝土(天津)有限公司) (2)	Tianjin	Processing, production and sale of ready-mixed concrete	3,000.00	-	100.00
Tangshan Jidong Cement Xujian Concrete Co., Ltd. (唐山冀東水泥涿建混凝土有限公司) (2)	Tangshan	Manufacture of ready-mixed concrete etc.	3,500.00	-	70.00
Tangshan Qianxi Jidong Concrete Co., Ltd. (唐山遷西冀東混凝土有限公司) (2)	Qianxi County	Production of commodity concrete etc.	1,200.00	-	100.00
Tangshan Jidong Xingang Concrete Co., Ltd. (唐山冀東新港混凝土有限公司) (2)	Tangshan	Manufacture and sales of commercial concrete, etc.	3,360.00	-	100.00
Tangshan Jidong Hengsheng Concrete Co., Ltd. (唐山冀東恒盛混凝土有限公司) (2)	Chengde	Construction equipment templates lease, etc.	2,000.00	-	100.00
Hohhot Jidong Cement Concrete Co., Ltd. (呼和浩特市冀東水泥混凝土有限公司) (2)	Hohhot	Special goods transportation (in tanks), etc.	3,000.00	-	100.00
Liaoning Ruirong Concrete Co., Ltd. (遼寧瑞豐混凝土有限公司) (2)	Shenyang	Production of commodity concrete and additive for concrete, etc.	2,500.00	-	100.00
Shenyang Aohuaxing Concrete Co., Ltd. (瀋陽澳華興混凝土有限公司) (2)	Shenyang	Special goods transportation (tank, pump), etc.	3,100.00	-	100.00
Shenyang Landing Concrete Co., Ltd. (瀋陽藍鼎混凝土有限公司) (2)	Shenyang	Special goods transportation (tank, pump), etc.	2,008.00	-	100.00
Jilin Jidong Concrete Co., Ltd. (吉林市冀東混凝土有限公司) (2)	Jilin	Production of concrete components and products, etc.	2,000.00	-	100.00
Chongqing Jushi New Building Materials Co., Ltd. (重慶鉅實新型建材有限公司) (2)	Chongqing	Ready-mixed commodity concrete professional contracting (level 3), etc.	2,100.00	-	100.00
Xinxingzhan (Chongqing) Building Materials Co., Ltd. (新興棧(重慶)建材有限公司) (2)	Chongqing	Manufacture and sale of commodity concrete	7,563.00	-	100.00
Jidong Cement (Chongqing) Concrete Co., Ltd. (冀東水泥重慶混凝土有限公司) (2)	Chongqing	Special goods transportation (in tank), etc.	3,000.00	-	100.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination not under common control <i>(continued)</i>					
Hunan Dunshi Concrete Co., Ltd. (湖南盾石混凝土有限公司) (2)	Changsha	Manufacture and sale of concrete and ready-mixed mortar	6,000.00	-	95.00
Baoji Jidong Dunshi Concrete Co., Ltd. (寶雞冀東盾石混凝土有限公司) (2)	Baoji	Ready-mixed concrete and pouring projects	4,000.00	-	100.00
Shenzhou Jidong Concrete Co., Ltd. (深州冀東混凝土有限公司) (2)	Shenzhou	Manufacture and sales of ready-mixed commercial concrete, etc.	3,000.00	-	100.00
Datong Dunshi Concrete Co., Ltd. (大同盾石混凝土有限公司) (2)	Datong County	Sales and transportation of ready-mixed concrete, etc	2,000.00	-	100.00
Datong Jinlong Commodity Concrete Co., Ltd. (大同市金龍商品混凝土有限公司) (2)	Datong	Sales and transportation of ready-mixed concrete, etc.	3,000.00	-	100.00
Shaanxi Xi Xian New Area Jidong Concrete Co., Ltd. (陝西咸新區冀東混凝土有限公司) (2)	Xianyang	Manufacture of ready-mixed concrete etc.	2,000.00	-	100.00
Changchun Jidong Cement & Concrete Co., Ltd. (長春冀東水泥混凝土有限公司) (2)	Changchun	Production of concrete, etc.	1,000.00	-	100.00
Huanghua BBMG Jidong Concrete Co., Ltd. (黃驊金隅冀東混凝土有限公司) (2)	Huanghua	Sales and transportation of ready-mixed concrete, etc.	2,500.00	-	100.00
Cangzhou Lingang BBMG Jidong Concrete Co., Ltd. (滄州臨港金隅冀東混凝土有限公司) (2)	Cangzhou	Sales and transportation of ready-mixed concrete, etc.	2,500.00	-	100.00
Beijing Bengpu Construction Machinery Operation Co., Ltd. (北京泵普建築機械施工有限公司) (2)	Beijing	Professional contracting; construction general contracting	6,450.00	-	70.00
Tianjin Binhai New Area Haoyu Investment Co., Ltd. (天津濱海新區昊昱投資有限公司)	Tianjin	Real estate development and operation and property management	10,000.00	-	100.00
Tianjin Meisheng Crafts Co., Ltd. (天津美升工藝品有限公司)	Tianjin	Manufacturing and sales of handicrafts;	200.00	-	51.00

Notes to Financial Statements *(continued)*

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VII. INTERESTS IN OTHER ENTITIES *(continued)***1. Interests in the subsidiaries** *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital RMB'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination under common control					
Beijing Building Decoration and Design Engineering Co., Ltd.	Beijing	Design of projects' decoration and furniture decoration, etc.	8,500.00	100.00	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	Beijing	Manufacture of insulation and energy-saving building materials, etc.	15,037.66	100.00	-
Beijing BBMG Property Development Group Co., Ltd.	Beijing	Property development and operation	600,000.00	100.00	-
Haikou Dacheng Property Investment Co., Ltd.	Haikou	Property development etc.	1,600.00	-	100.00
BBMG Dacheng Property Management Co., Ltd.	Beijing	Property management	500.00	100.00	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	Beijing	Rental and property management, etc.	200.00	100.00	-
BBMG Hong Kong Limited	Hong Kong	Self-owned property rental	HK\$100.00	100.00	-
Beijing Yanshui Asset Management Co., Ltd.	Beijing	Self-owned buildings rental	6,266.85	100.00	-
Tongda Refractory Technology Co., Ltd.	Beijing	Development and manufacture of various new refractory materials etc.	28,517.14	92.83	-

Notes to Financial Statements *(continued)*

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ Place of principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment					
Beijing BBMG Mining Co., Ltd.	Beijing	Sale of metal ore and mining products etc.	500.00	100.00	–
Beijing BBMG Concrete Co., Ltd.	Beijing	Processing of commodity concrete etc.	46,541.04	100.00	–
Handan BBMG Taihang Cement Co., Ltd.	Handan	Manufacture and sale of concrete	6,600.00	100.00	–
Wei County BBMG Concrete Co., Ltd.	Handan	Manufacture and sale of concrete	1,000.00	92.00	–
Handan Hanshan BBMG Concrete Co. Ltd.	Handan	Manufacture and sale of commercial concrete and crushed stone	3,000.00	92.00	–
Handan Jinyu Chenxiang Concrete Co., Ltd.	Handan	Manufacture and sale of concrete	3,000.00	92.00	–
Beijing BBMG Coating Co., Ltd.	Beijing	Manufacture of coating; professional contracting	8,900.00	100.00	–
Dachang BBMG Coating Co., Ltd.	Dachang County	Manufacture and sale of coating	3,000.00	–	100.00
Xinjiang BBMG Coating Co., Ltd.	Urumqi	Manufacture of coating; sale of building materials etc	100.00	–	55.00
BBMG New Building materials industrialization Group Co., Ltd.	Beijing	Manufacture and sale of building materials	37,496.77	100.00	–
Beijing Sanchong Mirror Co., Ltd.	Beijing	Manufacture and sale of glass made spectacle lenses	5,766.00	–	100.00
Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd.	Langfang	Manufacture and sale of building materials	1,700.00	–	100.00
Beijing Sanchong Mirror (Dachang) Co., Ltd.	Langfang	Manufacture and sale of glass made spectacle lenses	5,800.00	–	100.00
BBMG Star Insulation and Energy Conservation Technology (Tangshan) Co., Ltd.	Tangshan	Manufacturing	5,000.00	–	100.00
Beijing Jiandu Design and Research Institute Co., Ltd.	Beijing	Design of modern building materials etc.	954.12	100.00	–
Beijing Jinyu Aerated Concrete Co., Ltd.	Beijing	Manufacture and sale of aerated concrete products etc.	10,000.00	100.00	–
Beijing BBMG Business and Trading Co., Ltd.	Beijing	Wholesale of building materials and metal materials etc.	66,000.00	100.00	–
BBMG Mortar Co., Ltd.	Beijing	Manufacture and sale of dry and mixed mortar	11,875.00	100.00	–

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ Place of principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	Dachang County	Manufacture of various modern building materials etc.	50,000.00	100.00	-
Beijing BBMG Tiantan Furniture Co., Ltd.	Beijing	Manufacture, processing, and sale of furniture etc.	20,916.49	97.81	-
BBMG Residential Industrialization (Tangshan) Co., Ltd. (3)	Tangshan	Manufacture and sale of building materials	35,000.00	100.00	-
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd.	Dachang County	Manufacture and sale of glass wool products	8,000.00	100.00	-
BBMG Weiguan (Gangzhou) Chemical Co., Ltd.	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	6,000.00	-	100.00
Beijing Building Materials Academy Co., Ltd.	Beijing	Development, manufacture and sale of building materials etc.	19,170.00	100.00	-
Beijing Building Materials Testing Academy Co., Ltd.	Beijing	Testing for building material quality etc.	8,136.61	100.00	-
Beijing BBMG Cement Environmental Protection Technology Co., Ltd.	Beijing	Construction project management, construction general contracting and eco-friendly technology development etc.	1,000.00	-	100.00
Beijing Concrete World Magazine (北京《混凝土世界》杂志社)(1)	Beijing	Publishing of Concrete World Magazine; advertising design and production	30.00	-	100.00
Beijing Dacheng Changrun Properties Limited	Beijing	Property development and operation	1,000.00	-	82.00
Beijing BBMG Konggang Development Co., Ltd.	Beijing	Property development	10,000.00	-	95.00
BBMG Xingda Real Estate Development Co., Ltd.	Beijing	Property development and operation	5,000.00	-	100.00
Chongqing BBMG Dacheng Property Development Co., Ltd.	Chongqing	Property development and consultation etc.	20,000.00	-	100.00
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd.	Chongqing	Property development and sale of housing, etc.	49,250.00	-	100.00
Chongqing BBMG Dacheng NewMetropolis Co., Ltd.	Chongqing	Property development; sale of commodity housing etc.	150,000.00	-	100.00
Chengdu BBMG Dacheng Property Development Co., Ltd.	Chengdu	Property development etc.	5,000.00	-	100.00

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ Place of principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Chengdu BBMG Yuehuang Real Estate Co., Ltd.	Chengdu	Property development	5,000.00	-	100.00
Shanghai BBMG Dacheng Property Development Co., Ltd.	Shanghai	Property development and operation, etc.	100,000.00	-	100.00
BBMG Jinghua Property Development Hefei Co., Ltd.	Hefei	Property development	50,000.00	-	100.00
Ningbo BBMG Dacheng Property Development Co., Ltd.	Ningbo	Property development and operation, etc.	5,000.00	-	100.00
BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd.	Ningbo	Property development	20,000.00	-	100.00
Chengde BBMG Real Estate Development Co., Ltd.	Chengde	Property development and operation	5,000.00	-	100.00
Beijing Longyuan Real Estate Development Co., Ltd.	Beijing	Property development and operation	5,000.00	-	100.00
Qingdao Jinyu Chuang Real Estate Development Co., Ltd.	Qingdao	Property development and operation	1,000.00	-	100.00
Tianjin Jinyu Jinli Real Estate Development Co., Ltd.	Tianjin	Property development and operation	5,000.00	-	100.00
BBMG (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and sale etc.	80,000.00	-	100.00
Jinyu Ligang (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and operation	39,000.00	-	100.00
BBMG Jindian (Tianjin) Property Co., Ltd.	Tianjin	Property development and operation	10,000.00	-	100.00
Chengdu BBMG Jingfeng Real Estate Development Co., Ltd.	Chengdu	Property development	5,000.00	-	100.00
Chengdu BBMG Wancheng Real Estate Development Co., Ltd.	Chengdu	Property development	5,000.00	-	100.00
BBMG Nanjing Real Estate Development Co., Ltd.	Nanjing	Property development and operation, etc.	122,000.00	-	100.00
BBMG Jiahua Nanjing Real Estate Co., Ltd.	Nanjing	Property development	50,000.00	-	100.00
Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd.	Maanshan	Property development and commodity housing sales etc.	5,000.00	-	100.00
BBMG Real Estate Development (Hefei) Co., Ltd.	Hefei	Property development and operation	150,000.00	-	100.00
BBMG Properties (Anhui) Co., Ltd.	Hefei	Property development and property management, etc.	50,000.00	-	100.00
Hefei BBMG Jingyun Real Estate Development Co., Ltd.	Hefei	Property development and operation	5,000.00	-	100.00
BBMG (Hangzhou) Property Development Co., Ltd.	Hangzhou	Property development and operation	75,000.00	-	100.00

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**VII. INTERESTS IN OTHER ENTITIES** *(continued)***1. Interests in the subsidiaries** *(continued)*Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Hangzhou BBMG Mountain Villa Property Development Co., Ltd.	Hangzhou	Property development and others	25,000.00	-	100.00
Hangzhou BBMG Guanchao Real Estate Development Co., Ltd.	Hangzhou	Property development and operation, etc.	58,600.00	-	100.00
BBMG Jiaxing Nanjing Real Estate Development Co., Ltd.	Nanjing	Property development	10,000.00	-	70.00
Beijing BBMG Dongcheng Real Estate Co., Ltd.	Beijing	Property development	100,000.00	-	90.50
BBMG (Qingdao) Property Development Co., Ltd.	Qingdao	Property development and operation, etc.	5,000.00	-	100.00
Qingdao BBMG Yangguang Property Development Co., Ltd.	Qingdao	Property development	60,000.00	-	100.00
BBMG China Railway Noble (Hangzhou) Property Development Co., Ltd.	Hangzhou	Property development and operation, etc.	50,000.00	-	51.00
Shanghai BBMG Jingcheng Property Development Co., Ltd.	Shanghai	Property development	5,000.00	-	100.00
BBMG GEM Real Estate Development Co., Ltd.	Beijing	Property development and operation etc.	650,000.00	100.00	-
Beijing BBMG Property Development Co., Ltd.	Beijing	Property development and sale etc.	5,000.00	-	100.00
BBMG Vanke Property Development Co., Ltd.	Beijing	Property development and sale of housing, etc.	19,000.00	-	51.00
Beijing Jinyu Chaoxin Tiandi Property Investment Co., Ltd.	Beijing	Property development and property management, etc.	1,000.00	-	100.00
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.	Beijing	Property development and operation, etc.	237,254.90	-	100.00
Beijing BBMG Property Investment Co., Ltd.	Beijing	Sale of self-developed commercial housing	5,000.00	-	70.00
Inner Mongolia BBMG Property Investment Co., Ltd.	Hohhot	Property development and operation etc.	20,000.00	-	100.00
Tangshan BBMG Julong Property Development Co., Ltd.	Tangshan	Property development and operation etc.	5,000.00	-	80.00
Beijing Jinyexincheng Property Management Co., Ltd.	Beijing	Property management	50.00	-	100.00

Notes to Financial Statements *(continued)*

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ Place of principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Beijing BBMG Chengyuan Property Development Co., Ltd.	Beijing	Property development and sale of commodity housing etc.	45,944.06	100.00	–
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	Beijing	Property rental and development etc.	6,129.76	100.00	–
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	Beijing	Incubating property management and technology business	100,000.00	100.00	–
BBMG Property Management Co., Ltd.	Beijing	Hotel management	9,900.00	100.00	–
Beijing BBMG Culture Technology Development Co., Ltd.	Beijing	Technology development, transfer, consulting, service	3,000.00	–	68.00
BBMG Commercial Management Co., Ltd.	Beijing	Business management	1,000.00	–	100.00
BBMG Property Management Co., Ltd.	Beijing	Property management	2,000.00	100.00	–
Beijing Jinhaiyan Property Management Co., Ltd.	Beijing	Property management	1,370.00	100.00	–
Beijing Keshi Hardware Co., Ltd.	Beijing	Manufacture of new products like construction hardware	6,595.92	100.00	–
BBMG Fengshan Hot Spring Resort Co., Ltd.	Beijing	Accommodation and conference services, etc.	36,818.91	100.00	–
Beijing Jianji Assets Management Co., Ltd.	Beijing	Self-owned property rental, property management etc.	78,732.79	100.00	–
Beijing Aerated Concrete Co., Ltd.	Beijing	Manufacture and sales of aerated concrete panel	27,480.00	55.68	–
Beijing Woodworking Factory Co., Ltd.	Beijing	Manufacture and sale of woodbased panels, etc.	5,455.63	100.00	–
BBMG Finance Co., Ltd.	Beijing	Operation of finance business and financing advisory business etc.	300,000.00	100.00	–
BBMG Finance Lease Co., Ltd.	Tianjin	Finance lease business	65,594.00	60.00	40.00
Beijing Tongda Refractory Engineering Technology Co., Ltd.	Beijing	Development and manufacture of various new refractory materials etc.	1,000.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	Gongyi	Manufacture and distribution of refractory materials	1,050.00	–	100.00
Yangquan Tongda BBMG Refractory Materials Co., Ltd.	Yangquan	Manufacture and sale of refractory ceramic etc.	6,000.00	–	100.00

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**VII. INTERESTS IN OTHER ENTITIES** *(continued)***1. Interests in the subsidiaries** *(continued)*Information of the Company's major subsidiaries is as follows: *(continued)*

	Place of registration/ Place of principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
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 commodity concrete	1,000.00	-	100.00
Daming BBMG Taihang Concrete Co., Ltd. (大名縣金隅太行混凝土有限公司)	Daming County	Sales of concrete and mortar	1,000.00	-	90.00
Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司)	Handan	Sales of prefabricated part	1,000.00	-	100.00
Jinyu Han Chao (Hangzhou) Real Estate Development Co., Ltd. (3)	Hangzhou	Property development and operation, etc.	5,000.00	-	100.00
Beijing Yucheng Real Estate Co., Ltd. (3)	Beijing	Property development and operation, etc.	1,000.00	-	100.00
Beijing Jianyuan Hotel Co., Ltd.	Beijing	Accommodation and conference services	1,000.53	-	100.00
BBMG Badaling Hot Spring Resort Co., Ltd.	Beijing	Accommodation and conference services, etc.	65,420.00	-	100.00
Beijing Chengyuan Real Estate Co., Ltd. (北京程遠置業有限公司) (3)	Beijing	Property development	10,000.00	-	100.00
Tangshan Jinyu Tiancai Pipe Technology Co., Ltd. (唐山金隅天材管業科技有限責任公司) (3)	Tianjin	Manufacturing and sales of steel and iron pipes	50,000.00	-	70.00
Huanbohai (Tianjin) International Economic and Trade Co., Ltd. (環渤海(天津)國際經貿有限公司) (3)	Tianjin	Import or export of goods or technologies	5,000.00	-	100.00
Tianjin Jinyu Jincheng Real Estate Development Co., Ltd. (天津金隅津辰房地產開發有限公司) (3)	Tianjin	Property development and operation, etc.	50,000.00	-	55.00

- (1) Newly-acquired subsidiaries during the year.
- (2) The Company obtained 51% equity of BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd. under common control in the year, and its 37 former level-4 subsidiaries became level-3 subsidiaries.
- (3) Newly-established during the year.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Subsidiaries with significant minority interests are as follows:

	Percentage of minority shareholding	Impact of the New Lease Standard on opening minority interests	Profit or loss attributable to minority shareholders	Dividend payment to minority shareholders	Accumulated equity attributable to minority interests at the end of the year
2019					
Jidong Group	45.00%	(13,952,229.84)	1,768,520,239.82	484,807,414.33	16,322,949,877.06
Tianjin Building Materials	45.00%	(57,147,236.95)	(278,496,511.04)	9,490,483.58	4,825,167,684.31
2018					
Jidong Group	45.00%	–	860,093,648.41	57,105,226.25	15,461,796,508.64
Tianjin Building Materials	45.00%	–	(123,971,000.20)	–	5,097,883,771.72

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

31 December 2019

	Jidong Group	Tianjin Building Materials
Current assets	27,497,025,631.33	4,700,897,818.02
Non-current assets	52,898,035,980.50	12,430,527,837.69
Total assets	80,395,061,611.83	17,131,425,655.71
Current liabilities	34,518,648,171.65	6,066,370,764.85
Non-current liabilities	14,345,822,715.01	1,771,268,322.50
Total liabilities	48,864,470,886.66	7,837,639,087.35
2019		
Operating revenue	52,849,938,813.85	6,240,472,472.64
Net profit/(loss)	3,764,670,469.03	(688,345,828.34)
Total comprehensive income	3,764,670,469.03	(689,128,734.81)
Net cash flows from/(used in) operating activities	8,534,238,259.01	(141,026,007.35)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)***1. Interests in the subsidiaries** *(continued)*

31 December 2018

	Jidong Group	Tianjin Building Materials
Current assets	35,967,188,697.52	5,783,193,737.93
Non-current assets	<u>47,310,049,251.89</u>	<u>11,628,540,847.68</u>
Total assets	<u>83,277,237,949.41</u>	<u>17,411,734,585.61</u>
Current liabilities	48,145,246,331.65	5,516,918,952.00
Non-current liabilities	<u>8,296,675,584.48</u>	<u>1,877,744,702.97</u>
Total liabilities	<u>56,441,921,916.13</u>	<u>7,394,663,654.97</u>

	2018 Jidong Group	22 May 2018 to 31 December 2018 Tianjin Building Materials
Operating revenue	44,244,740,470.83	2,367,140,048.27
Net profit/(loss)	1,713,644,595.02	(320,042,135.30)
Total comprehensive income	1,644,674,633.52	599,798,617.90
Net cash flows from/(used in) operating activities	<u>6,320,324,301.78</u>	<u>(1,301,801,987.97)</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

Internal restructuring of the cement business

- 1) In 2019, to completely resolve the issue of competition in the same industry, the Company contributed the equity interests it held in 7 companies including Zanhuang BBMG Cement Co., Ltd., and Tangshan Jidong Cement Co., Ltd. ("Jidong Cement") contributed the equity interests it held in 5 companies including Linli Jidong Cement Co., Ltd. and cash of RMB2,481,749,700.00 to BBMG Jidong Cement (Tangshan) Co., Ltd. (hereinafter referred to as "JV Company"), at the same time, the Company has transferred the equity interests in seven companies including Zuoquan BBMG Cement Co., Ltd. to Jidong Cement at an agreed consideration of RMB1,536,867,900.00. The Reorganization has been completed in March 2019 (hereinafter referred to as the "Transaction"). The difference between the interests of the Company in Jidong Cement and related subsidiaries before and after the completion of the Transaction as a result of the Transaction was RMB505,602,711.69, adjusted against the capital reserve for 2019.
- 2) In October 2019, Jidong Cement entered into separate equity transfer agreements with the Company and the JV Company. Jidong Cement acquired 49% of equity interest in BBMG Mangrove Environmental Protection Technology Co., Ltd. (hereinafter referred to as "Mangrove") held by BBMG Group for a consideration of RMB1,721,464,506.00; meanwhile, Jidong Cement swapped its equity interests in four subsidiaries including Zuoquan with 51% of equity interest in Mangrove held by the JV Company. The reorganization was completed at the end of November 2019. Upon completion the reorganization, Jidong Cement directly held 100% equity of Mangrove. The difference between the interests of the Company in Jidong Cement and related subsidiaries before and after the completion of the Transaction as a result of the Transaction was RMB445,168,619.89, adjusted against the capital reserve for 2019.

Internal restructuring of the concrete business

To optimize industrial structure, the Company entered into equity transfer agreements with Jidong Development Group Co., Ltd. (hereinafter referred to as "Jidong Development Group") and Jidong Cement, respectively, under which the Company purchased 36% equity of BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd. (金隅冀東(唐山)混凝土環保科技集團有限公司) (hereinafter referred to as "BBMG Concrete Group") held by Jidong Development Group and 19% equity of the same by Jidong Cement, with agreed considerations of RMB85,338,025.20 and RMB45,039,513.00, respectively. Upon the completion of the equity transaction, the shareholdings of the Company, Jidong Development Group and Jidong Cement in BBMG Concrete Group are 55%, 15% and 30%.

On 28 June 2019, the Company, Jidong Development Group and Jidong Cement entered into the "Capital Contribution Agreement of BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd.", under which, the Company, Jidong Development Group and Jidong Cement will contribute capital BBMG Concrete Group in the same proportion, where the Company contributes the equity of 7 subsidiaries including Beijing BBMG Concrete in the amount of RMB1.114 billion, Jidong Group contributes RMB303,876,386.25 through debt-to-capital swap, and Jidong Cement contributes RMB607,752,772.49 through debt-to-capital swap. The restructuring and capital contribution (hereinafter referred to as the "Transaction") were completed in June 2019. The difference between the interests of the Company in BBMG Concrete Group and related subsidiaries before and after the completion of the Transaction as a result of the Transaction was RMB75,398,509.86, adjusted against the capital reserve for 2019.

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**VII. INTERESTS IN OTHER ENTITIES** *(continued)***3. Interests in joint ventures and associates**

	Place of registration/ principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding (%)	
				Direct	Indirect
Joint ventures					
STAR-USG Building Materials Co., Ltd.	Dachang County	Production of mineral wool acoustic board, etc.	USD54,520	50.00	–
BBMG Landao Commercial Operation Management Co., Ltd.	Beijing	Commodities retail	6,000	–	50.00
BBMG TUS Technology Incubator Co., Ltd.	Beijing	Incubating technology business, enterprise management, etc.	8,000	–	50.00
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Baoji	Manufacture and sales of cement and clinker, etc.	489,875	–	48.11
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Xianyang	Manufacture and sales of cement and clinker, etc.	458,960	–	50.00
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	Tangshan	Manufacture and sales of slag fine powder and by-product	200,000	–	50.00
Anshan Jidong Cement	Anshan	Manufacture and sales of cement and clinker, etc.	300,000	–	50.00
Cross Point Trading 274 (Pty) Ltd (RF)	South Africa	Investment in building materials industry	ZAR300,000	–	56.10

Notes to Financial Statements *(continued)*

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding (%)	
				Direct	Indirect
Associates					
Beijing Gaoqiang Concrete Co., Ltd.	Beijing	Production of concrete, pumping, etc.	55,000	25.00	–
Zehnder (China) Indoor Climate Co., Ltd.	Beijing	Production of radiators, etc.	USD27,500	26.70	–
OCV Reinforcements (Beijing) Co., Ltd.	Beijing	Complete non-standard control of concrete and pumping	276,000	20.00	–
Beijing Sinobaide Technology Co., Ltd.	Beijing	Design and production of equipment	10,000	–	23.00
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Chengde	Technology research and testing for comprehensive utilization of solid waste, etc.	46,000	–	34.78
Tangshan Conch Profiles Co., Ltd.	Tangshan	Manufacture and sales of architectural profiles	160,000	40.00	–
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Beijing	Education technology promotion services, etc.	10,000	–	30.00
Beijing Chenyu Real Estate Development Co., Ltd.	Beijing	Property development and operation, etc.	50,000	–	49.00
Toto Machinery (Beijing) Company Limited	Beijing	Production of sanitary ceramics	USD24,000	20.00	–
Beijing Toto Co., Ltd.	Beijing	Production of sanitary ceramics	USD15,000	30.00	–
SINJI TRADING PTE LTD	Singapore	Wholesale and sales of metal and metallic mineral, etc.	SGD800,000	40.00	–
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	Tangshan	Property development and operation, etc.	10,000	–	40.00
Changchun Light Rail Jidong Concrete Co., Ltd.	Changchun	Manufacture and sales of commercial concrete, etc.	10,000	–	49.00
Jidong Cement Fufeng Transportation Co., Ltd.	Baoji	Automobile transportation, etc.	16,000	–	23.75
Jilin Changjitu Investment Co., Ltd.	Jilin	Service industry, etc.	500,000	–	30.00
Jilin Cement (Group) Co., Ltd.	Jilin	Manufacture and sales of clinker, cement, etc.	50,000	–	28.60
Tianjin Gangbei Concrete Industry Co., Ltd.	Tianjin	Manufacture of cement, ready-mixed concrete and concrete products, etc.	20,000	–	30.00
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	Tianjin	Sales of insulation materials and ancillary products of building exterior walls, etc.	9,600	–	35.00
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Tianjin	Undertaking the construction of various types of projects, etc.	100,000	–	30.00

Notes to Financial Statements *(continued)*

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding (%)	
				Direct	Indirect
Associates <i>(continued)</i>					
Tianjin Yaopi Glass Co., Ltd	Tianjin	Manufacture and sale of various types of plate glass, etc.	736,166	-	22.75
Tianjin Binhai Jiantai Investment Co., Ltd.	Tianjin	Investments in high-tech industry, etc.	156,250	-	48.00
Tianjin Huanbohai Rock Materials Trading Centre Co., Ltd.	Tianjin	Wholesale and retail of stone, stone conservation, etc.	22,000	-	35.00
Beijing Innovation Industry Investment Co., Ltd.	Beijing	Investment management, asset management, etc.	2,000,000	10.00	-
Liaoning Yunding Cement Group Co., Ltd. (遼寧雲鼎水泥集團股份有限公司)	Shenyang	Production and sales of cement clinker	32,990	-	3.47

The Group adopts the equity method for interests in joint ventures and associates.

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

	2019	2018
Joint ventures		
Total carrying amount of investments	1,763,994,864.84	1,671,190,514.35
Total amount calculated based on shareholding		
Net Profit	407,907,584.40	348,262,284.37
Total comprehensive income	407,907,584.40	335,722,057.82
Associates		
Total carrying amount of investments	2,224,536,672.42	1,365,566,495.50
Total amount calculated based on shareholding		
Net (loss)/profit	(19,825,700.43)	23,169,951.53
Total comprehensive income	(19,825,700.43)	23,169,951.53

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

31 December 2019

Financial assets	Financial assets at fair value with through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Cash and bank balances	-	21,325,042,578.37	-	21,325,042,578.37
Financial assets held for trading	1,015,278,286.73	-	-	1,015,278,286.73
Bills receivable	-	5,202,609,351.30	-	5,202,609,351.30
Accounts receivable	-	8,001,473,532.63	-	8,001,473,532.63
Receivables financing	-	-	501,846,392.39	501,846,392.39
Other receivables	-	7,636,127,559.99	-	7,636,127,559.99
Debt investments	-	206,933,697.53	-	206,933,697.53
Long-term receivables	-	1,021,971,024.22	-	1,021,971,024.22
Investment in other equity instruments	-	-	382,047,682.07	382,047,682.07
	1,015,278,286.73	43,394,157,744.04	883,894,074.46	45,293,330,105.23

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS** *(continued)***1. Financial instruments by category** *(continued)*

31 December 2018

Financial assets	Financial assets at fair value with through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Cash and bank balances	–	18,774,468,260.66	–	18,774,468,260.66
Financial assets held for trading	1,034,558,112.73	–	–	1,034,558,112.73
Bills receivable	–	10,720,555,717.69	–	10,720,555,717.69
Accounts receivable	–	7,440,085,450.85	–	7,440,085,450.85
Receivables financing	–	–	505,226,096.81	505,226,096.81
Other receivables	–	8,794,539,636.36	–	8,794,539,636.36
Investment in other equity instruments	–	–	396,187,115.71	396,187,115.71
Long-term receivables	–	802,351,921.55	–	802,351,921.55
Other non-current financial assets	214,980,000.00	–	–	214,980,000.00
	<u>1,249,538,112.73</u>	<u>46,532,000,987.11</u>	<u>901,413,212.52</u>	<u>48,682,952,312.36</u>

Notes to Financial Statements *(continued)*

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

Financial liabilities	31 December 2019 Financial liabilities at amortised costs	31 December 2018 Financial liabilities at amortised costs
Short-term loans	37,217,682,474.50	39,880,392,209.57
Bills payable	1,976,142,322.65	2,080,749,336.98
Accounts payable	17,701,948,542.45	18,357,615,866.65
Other payables	7,913,766,387.50	7,962,849,469.00
Non-current liabilities due within one year	20,319,530,862.57	18,543,864,543.14
Long-term borrowings	35,787,401,022.47	30,506,054,265.70
Bonds payable	27,460,996,718.14	20,231,089,289.70
Short-term financing bonds	3,298,801,089.25	6,500,000,000.00
Long-term payables	17,818,306.88	315,856,652.08
Lease liabilities	317,196,853.52	-
	152,011,284,579.93	144,378,471,632.82

2. Transfers of financial assets

Financial assets transferred but not yet fully derecognised

As at 31 December 2019, the Group endorsed bank acceptance bills and commercial acceptance bills with a carrying amount of RMB473,681,992.67 and RMB430,996,203.28 respectively (31 December 2018: RMB4,221,929,275.41 and RMB935,469,202.95) to its suppliers for settlement of accounts payable, and discounted bank acceptance bills with a carrying amount of RMB92,052,474.50 respectively (31 December 2018: bank acceptance bills and commercial acceptance bills of RMB129,610,743.19 and RMB261,466.38 respectively) to the banks. As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognise them and the settled accounts payable or short-term loans associated therewith in full. As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including default risk relating thereto, the Group has continued to recognise them in full 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 parties. As at 31 December 2019, the carrying amount of accounts payable settled or short-term loans secured by the Group through these financial assets amounted to RMB904,678,195.95 and RMB92,052,474.50 respectively (31 December 2018: RMB5,157,398,478.36 and RMB129,872,209.57).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets *(continued)*

Transferred financial assets fully derecognised but with continuing involvement

As at 31 December 2019, the carrying amount of bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks by the Group was RMB11,120,570,111.16 (31 December 2018: RMB5,573,035,932.65, including the portion included in bills receivable and receivables financings). As at 31 December 2019, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("Continuing Involvement") if the relevant acceptance bank defaults. As the Group is of the opinion that the Group has transferred substantially all their risks and rewards, the Group has derecognised them and the settled accounts payable associated therewith (carrying amounts). The maximum exposure to loss from the Continuing Involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

In 2019, no gains or losses were recognised on their dates of transfer by the Group. No income or expenses were recognised for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in derecognised financial assets. Endorsements were incurred basically evenly during the period.

3. Financial Instruments Risks

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group is mainly comprised of cash and bank balances, borrowings and bonds payables, bills receivable and accounts receivable and bills payable and accounts payable, etc. Risks related to these financial instruments and the Group's risk management policies adopted to reduce such risks are described as follows.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who request to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant.

As the counterparties of cash and bank balances and bank acceptance bills receivable are reputable banks and other financial institutions, these financial instruments have lower credit risk.

The credit risk of the Group's other financial assets, which comprise other receivables, long-term receivables and other non-current financial assets, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. Contingencies.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

The maximum credit risk exposure of the Group on each balance sheet date is the total amount charged to customers less the amount after deducing impairment provision.

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

Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Quantitative criteria mainly comprises of the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition
- Qualitative criteria mainly comprises of the circumstances that significant adverse change in debtor's operation or financial status and being listed on the watch-list, etc.

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

Definition of credit-impaired asset (continued)

- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various financing means, such as bank borrowings, perpetual bonds, bonds payable and short-term financing bonds payable.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk (continued)

The liquidity of the Group is primarily dependent on adequate cash inflows from operations to meet its debt obligations as they fall due and external financing to meet its committed future capital expenditure. With respect to future capital commitment and other financing requirements, the Group's bank credit facilities granted by various domestic banks amounted to RMB267.95 billion as at 31 December 2019, of which approximately RMB126.037 billion remained unused.

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

As at 31 December 2019

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable	1,976,142,322.65	-	-	-	1,976,142,322.65
Accounts payable	17,701,948,542.45	-	-	-	17,701,948,542.45
Other payables	7,913,766,387.50	-	-	-	7,913,766,387.50
Long-term payables	39,567,383.08	7,556,101.88	-	10,262,205.00	57,385,689.96
Short-term loans	37,225,539,829.39	-	-	-	37,225,539,829.39
Long-term loans	13,248,627,751.40	9,584,887,308.67	13,304,893,096.27	12,971,215,195.90	49,109,623,352.24
Short-term financing bonds	3,332,030,611.11	-	-	-	3,332,030,611.11
Bonds payable	7,417,923,877.71	8,382,138,465.00	20,898,480,833.33	1,562,576,250.00	38,261,119,426.04
Lease liabilities	123,067,596.23	97,142,312.07	170,773,016.39	136,568,493.08	527,551,417.77
	88,978,614,301.52	18,071,724,187.62	34,374,146,945.99	14,680,622,143.98	156,105,107,579.11

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)***3. Financial Instruments Risks** *(continued)***Liquidity risk** *(continued)*

As at 31 December 2018

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable	2,080,749,336.98	-	-	-	2,080,749,336.98
Accounts payable	18,357,615,866.65	-	-	-	18,357,615,866.65
Other payables	7,962,849,469.00	-	-	-	7,962,849,469.00
Long-term payables	668,559,822.26	300,731,943.18	5,196,550.88	10,262,205.00	984,750,521.32
Short-term loans	40,847,830,476.75	-	-	-	40,847,830,476.75
Long-term loans	10,891,926,310.16	13,419,735,285.17	12,109,540,943.26	12,020,116,017.97	48,441,318,556.56
Short-term financing bonds	6,580,791,944.44	-	-	-	6,580,791,944.44
Bonds payable	<u>11,715,060,000.00</u>	<u>7,179,370,000.00</u>	<u>8,217,800,000.00</u>	<u>6,838,500,000.00</u>	<u>33,950,730,000.00</u>
	<u>99,105,383,226.24</u>	<u>20,899,837,228.35</u>	<u>20,332,537,494.14</u>	<u>18,868,878,222.97</u>	<u>159,206,636,171.70</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk

Interest rate risk

The Group's exposure to the changes in market interest rates is mainly related to the floating-rate long-term liabilities of the Group. The Group manages its interest cost by maintaining an appropriate mix of fixed- and floating-rate debts.

The table below demonstrates the sensitivity analysis of interest rate risk that reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

2019

	Increase in basis points	Decrease in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	100	(29,026,984.96)	-	(29,026,984.96)

2018

	Increase in basis points	Decrease in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/(decrease) in total shareholders' equity
RMB	100	(23,317,174.26)	-	(23,317,174.26)

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk mainly arises from certain financial assets and financial liabilities held by the Group that are principally denominated in USD, HKD, EUR, ZAR and MNT.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of RMB against USD, with all other variables held constant, with respect to the impact on net profit or loss and net other comprehensive income after tax.

2019

	Increase/(decrease) in exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/(decrease) in total shareholders' equity
USD appreciation against RMB	1%	3,381,924.44	-	3,381,924.44

2018

	Increase/(decrease) in exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/(decrease) in total shareholders' equity
USD appreciation against RMB	1%	1,857,317.48	-	1,857,317.48

Notes to Financial Statements *(continued)*

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. During 2019 and 2018, there was no change in the capital management objectives, policies or procedures.

The Group controls its capital using debt ratio, which is calculated by dividing total liabilities by total assets. As at the balance sheet date, the debt ratio of the Group was as follows:

	31 December 2019	31 December 2018
Total liabilities	199,592,405,277.06	189,061,589,151.91
Total assets	282,123,755,708.33	268,276,091,699.13
Debt ratio	70.75%	70.47%

Notes to Financial Statements *(continued)*

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IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

Hierarchies of fair value

	Input used for the measurement of fair value as at 31 December 2019			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held for trading	14,243,900.00	1,001,034,386.73	–	1,015,278,286.73
Receivables financing	–	501,846,392.39	–	501,846,392.39
Investment in other equity instruments	346,058,753.92	–	35,988,928.15	382,047,682.07
Investment properties	–	943,498,270.00	27,852,087,528.68	28,795,585,798.68
	360,302,653.92	2,446,379,049.12	27,888,076,456.83	30,694,758,159.87

	Input used for the measurement of fair value as at 31 December 2018			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held for trading	33,849,556.74	1,000,708,555.99	–	1,034,558,112.73
Receivables financing	–	505,226,096.81	–	505,226,096.81
Other non-current financial assets	–	214,980,000.00	–	214,980,000.00
Investment in other equity instruments	359,076,638.08	–	37,110,477.63	396,187,115.71
Investment properties	–	954,694,410.00	19,626,765,933.02	20,581,460,343.02
	392,926,194.82	2,675,609,062.80	19,663,876,410.65	22,732,411,668.27

Notes to Financial Statements *(continued)*

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IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Assets and Liabilities disclosed at fair value

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bills receivable, accounts receivable, receivables financing, other receivables, short-term loans, short-term financing bonds payable, bills payable and accounts payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short residual term of these instruments.

The Group's finance team is led by the manager of the finance and capital department, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the values of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief financial officer. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value:

The fair values of long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 31 December 2019, the Group's exposure to non-performance risk associated with the long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables is assessed as insignificant.

The fair values of listed equity instruments are determined on the basis of market prices. The fair values of investments in unlisted available-for-sale equity instruments have been estimated using a market multiple approach.

Notes to Financial Statements *(continued)*

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IX. DISCLOSURE OF FAIR VALUE *(continued)***3. Valuation of fair value**

The following table sets forth the changes in Level 2 and Level 3 fair value of the investment properties of the Group in 2019:

	Commercial properties Level 2	Commercial properties Level 3
Value as at 1 January 2019	954,694,410.00	19,626,765,933.02
Acquisition for the year	–	5,602,837,661.53
Transfer from construction in progress	–	552,767,476.61
Transfer from inventories	–	311,241,471.35
Disposal for the year	–	(71,349,033.47)
Removed from investment properties	–	(167,400,000.00)
Changes in fair value	<u>(11,196,140.00)</u>	<u>741,245,895.49</u>
Value as at 31 December 2019	<u>943,498,270.00</u>	<u>26,596,109,404.53</u>

Details of removed from investment properties are set out in Note V. 16.

In 2019, there was no change between different fair value levels of investment properties of the Group.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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IX. DISCLOSURE OF FAIR VALUE *(continued)*

3. Valuation 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 2019:

Valuation method	Significant unobservable inputs	Range of variation
Income approach	Unit rental (RMB/sq.m./day)	0.52-12.58
	Return on investment within the lease term	5%-8%
	Return on investment outside the lease term	5.5%-8.5%

For Level 3 fair value measurement under income approach, term and reversion approach in particular, the rental income derived from the existing tenancies with due allowance for the reversionary potential of the property is capitalised at the capitalisation rate. The estimated net leased income is capitalized over the remaining term of lease of the investment property at an appropriate market yield expected by investors for the type of properties to calculate the fair value of investment properties.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Business nature	Registered capital RMB'000	Over the Company	
				Proportion of shareholding (%)	Proportion of votes (%)
BSCOMC	Beijing	Investment and investment management, assets management, as well as the organization of the restructuring or merger of assets of enterprises	35,000,000	44.93	44.93

BSCOMC is the parent company of the Company, and the State- Owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality is the ultimate controlling party of the Company.

Notes to Financial Statements *(continued)*

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)***2. Subsidiaries**

For details on the subsidiaries, please refer to Note VII. 1. Interests in the subsidiaries.

3. Joint ventures and associates

For details on the joint ventures and associates, please refer to Note V. 13.

4. Other related parties

	Relationship with related parties
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	Associates
Beijing XinYuan Concrete Co., Ltd.	Associates
Fuxin Jidong Xianghe Concrete Co., Ltd.	Associates
Tianjin Shengxiang Plastic Business Management Co., Ltd.	Associates
Xianyang Jidong High-New Concrete Co., Ltd.	Associates
Zhangjiakou Xingpai Youshiji Building Materials Co., Ltd. (張家口星牌優時吉建築材料有限公司)	Associates
Beijing BBMG Assets Management Co., Ltd.	Other related parties
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee ("Party School")	Other related parties
Beijing Xisha Assets Management Co., Ltd.	Other related parties
Handan Hanni Building Materials Co., Ltd.	Other related parties
Beijing Dacheng Real Estate Development Co., Ltd.	Other related parties
Beijing Longfengshan Enterprise Management Co., Ltd.	Other related parties
Beijing Jinyu Scien-tech School	Other related parties
Beijing Guanghua Woodworking Factory Co., Ltd.	Other related parties
Beijing Jianmao Property Management Co., Ltd.	Other related parties
Beijing Yiliste Environmental Protection Technology Co., Ltd.	Other related parties
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Joint venture
Mamba Cement Company (Pty) Ltd (RF)	Subsidiary of a joint venture
Tianjin Binhai New Area Daxin Investment Co., Ltd.	Subsidiary of an associate

Notes: Beijing BBMG Assets Management Co., Ltd., Party School, Beijing Xisha Assets Management Co., Ltd., Handan Hanni Building Materials Co., Ltd., Beijing Dacheng Real Estate Development Co., Ltd., Beijing Longfengshan Enterprise Management Co., Ltd., Beijing Jinyu Scien-tech School, Beijing Guanghua Woodworking Factory, Beijing Jianmao Property Management Co., Ltd. and Beijing Yiliste Environmental Protection Technology Co., Ltd. ceased to be the related parties of the Group since 1 August 2019.

Notes to Financial Statements *(continued)*

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

5. Major transactions between the Group and related parties

(1) Transactions concerning goods and services with related parties

Type of goods or services	2019	2018
Purchase of goods and receipt of services from related parties		
Transactions with joint ventures and associates		
Anshan Jidong Cement Co., Ltd. Purchase of raw materials	38,912,831.87	73,591,878.05
Jilin Cement (Group) Co., Ltd. Purchase of raw materials	21,732,091.70	–
Tangshan Caofeidian Dunshi New Building Material Co., Ltd. Purchase of raw materials	9,849,112.93	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd. Receipt of services	5,714,295.41	3,642,382.51
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. Purchase of raw materials	3,339,010.90	1,181,392.54
Jidong Cement Fufeng Transportation Co., Ltd. Purchase of raw materials	2,778,276.64	3,395,467.41
Jidong Heidelberg (Fufeng) Cement Co., Ltd. Purchase of raw materials	2,552,085.16	18,590,533.81
Zehnder (China) Indoor Climate Co., Ltd. Purchase of commodities	2,030,041.24	254,686.77
Tianjin Xingye Longxiang Construction Engineering Co., Ltd. Purchase of raw materials	1,360,000.00	–
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd. Purchase of raw materials	1,038,827.09	2,963,177.05
Tianjin Yaopi Glass Co., Ltd. Purchase of raw materials	443,637.42	–
Baogang Jidong Cement Co., Ltd. Purchase of goods	–	16,879,401.56
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. Receipt of services	–	1,781,830.00
Beijing Xinyuan Concrete Co., Ltd. Purchase of raw materials	–	609,776.01
	89,750,210.36	122,890,525.71
Transactions with other related parties		
Beijing Jinyu Scien-tech School Receipt of training services	865,822.19	1,981.13
Beijing Jianmao Property Management Co., Ltd. Receipt of services	696,000.00	2,088,000.00
Party School Receipt of technical services	–	172,763.11
Beijing BBMG Assets Management Co., Ltd. Receipt of services	–	45,000.00
	1,561,822.19	2,307,744.24

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**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	2019	2018	
Sale of goods and rendering of services to related parties			
Transactions with joint ventures and associates			
Jilin Cement (Group) Co., Ltd.	Sale of goods	660,772,533.26	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Sale of goods/rendering of services	251,360,027.60	102,100,157.22
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Sale of goods/rendering of services	231,207,404.69	83,808,231.28
Anshan Jidong Cement Co., Ltd.	Sale of goods/rendering of services	80,804,034.05	39,378,763.49
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	34,586,256.35	–
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	Sale of goods/rendering of services	19,180,605.59	24,164,767.78
Jidong Cement Fufeng Transportation Co., Ltd.	Sale of goods/rendering of services	8,093,103.30	10,681,177.56
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	7,656,314.09	64,396.22
Mamba Cement Company (Pty) Ltd (RF)	Sale of goods	7,382,659.67	7,716,652.87
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Sale of goods/rendering of services	6,261,759.15	2,153,213.59
Changchun Light Rail Jidong Concrete Co., Ltd.	Sale of goods/rendering of services	3,463,315.35	20,015,117.60
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Sale of goods/rendering of services	2,253,698.14	9,407,104.58
Beijing Xinyuan Concrete Co., Ltd.	Sale of goods	599,400.00	–
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Sale of goods	445,114.09	1,999,756.91
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Rendering of services	75,000.00	631,543.00
Tangshan Conch Profiles Co., Ltd.	Sale of goods	57,454.86	–
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Rendering of services	–	276,120.00
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	Sale of goods/rendering of services	–	2,627.36
Baogang Jidong Cement Co., Ltd.	Sale of goods/rendering of services	–	72,706,549.74
		1,314,198,680.19	375,106,179.20
Transactions with other related parties			
Beijing Dacheng Real Estate Development Co., Ltd.	Property service	18,867.93	798,451.06
Beijing BBMG Assets Management Co., Ltd.	Property service	–	357,900.00
Handan Hanni Building Materials Co., Ltd.	Sale of goods	–	237,382.58
		18,867.93	1,393,733.64

Purchase/sale of goods and receipt/rendering of services from/to related parties by the Group are negotiated and determined based on market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(2) Leases with related parties

As lessor

Name of the lessee	Category of leased assets	2019 Rental income	2018 Rental income
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Building	5,285,596.63	6,755,947.05
Beijing Dacheng Real Estate Development Co., Ltd.	Building	1,763,705.72	5,039,159.22
Zhangjiakou Xingpai Youshiji Building Materials Co., Ltd. (張家口星牌優時吉建築材料有限公司)	Building	978,553.92	1,233,483.40
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Building	382,801.68	–
Changchun Light Rail Jidong Concrete Co., Ltd.	Equipment	6,607.80	28,950.00
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Building	–	421,000.00
		8,417,265.75	13,478,539.67

As lessee

Name of the lessor	Category of leased assets	2019 Leasing expenses	2018 Leasing expenses
Beijing Xisha Assets Management Co., Ltd.	Site	923,466.67	550,844.00
Beijing Dacheng Real Estate Development Co., Ltd.	Building	33,333.33	209,833.38
		956,800.00	760,677.38

The rentals from the assets leased out to or leased from related parties by the Group are negotiated and determined by making reference to market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***5. Major transactions between the Group and related parties** *(continued)***(3) Guarantees received from/provided to related parties***Guarantees received from related parties***2019**

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	600,000,000.00	20 April 2017	19 April 2022	No
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	200,000,000.00	27 May 2017	26 May 2022	No
		<u>800,000,000.00</u>			

2018

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	600,000,000.00	20 April 2017	19 April 2022	No
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	200,000,000.00	27 May 2017	26 May 2022	No
		<u>800,000,000.00</u>			

The above-mentioned related parties provide guarantees in respect of borrowings for the Group at nil consideration.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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)*

Guarantee for related parties

2019

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement	2,400,000.00	31 July 2019	31 January 2020	No
Jidong Cement	Anshan Jidong Cement	3,600,000.00	13 August 2019	13 February 2020	No
Jidong Cement	Anshan Jidong Cement	20,000,000.00	12 November 2019	11 November 2020	No
Jidong Cement	Anshan Jidong Cement	18,000,000.00	17 December 2019	16 December 2020	No
Jidong Cement	Anshan Jidong Cement	14,000,000.00	18 December 2019	17 December 2020	No
		<u>58,000,000.00</u>			

2018

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement	18,000,000.00	17 December 2018	16 December 2019	No
Jidong Cement	Anshan Jidong Cement	14,000,000.00	17 December 2018	16 December 2019	No
Jidong Cement	Anshan Jidong Cement	20,000,000.00	30 October 2018	29 October 2019	No
Jidong Cement	Anshan Jidong Cement	2,700,000.00	29 August 2018	28 February 2019	No
Jidong Cement	Anshan Jidong Cement	1,260,000.00	23 July 2018	23 January 2019	No
		<u>55,960,000.00</u>			

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***5. Major transactions between the Group and related parties** *(continued)***(4) Lending to/borrowing from related parties***Borrowings***2019**

	Amount of lending/ borrowing	Commencement date	Maturity date
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	30 January 2019	25 January 2020
BSCOMC	110,000,000.00	27 June 2019	27 June 2020
BSCOMC	40,000,000.00	30 July 2019	29 July 2020
BSCOMC	99,600,000.00	22 November 2019	21 November 2020
BSCOMC	20,550,000.00	12 October 2019	12 October 2020
BSCOMC	<u>12,000,000.00</u>	27 December 2019	27 December 2020
	<u>363,150,000.00</u>		

2018

	Amount of lending/ borrowing	Commencement date	Maturity date
Beijing Dacheng Real Estate Development Co., Ltd.	250,000,000.00	29 September 2018	27 September 2019
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	13 February 2018	25 January 2019
BSCOMC	60,000,000.00	29 May 2018	29 May 2019
Beijing BBMG Assets Management Co., Ltd.	50,000,000.00	29 November 2018	25 November 2019
BSCOMC	40,000,000.00	20 July 2018	20 July 2019
BSCOMC	20,550,000.00	19 September 2018	19 September 2019
BSCOMC	40,000,000.00	29 October 2018	29 October 2019
BSCOMC	8,300,000.00	22 November 2018	22 November 2019
BSCOMC	<u>12,000,000.00</u>	27 December 2018	27 December 2019
	<u>561,850,000.00</u>		

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

5. Major transactions between the Group and related parties *(continued)*

(4) Lending to/borrowing from related parties *(continued)*

Lending:

As at 31 December 2019, the outstanding lending to Beijing Chenyu Real Estate Development Co., Ltd. amounted to RMB2,718,779,938.43 at an interest rate of 6.50% per annum (2018: RMB3,272,090,726.80).

In 2019, there was no new lending to Cross Point Trading 274 (Pty) Ltd (RF). As at 31 December 2019, the outstanding lending amounted to RMB218,837,214.27, and the interest rate was adjusted from 10% to 9-10.5% per annum (2018: RMB190,821,671.38 at an annual interest rate of 10%).

In 2019, there was no new lending to Mamba Cement Company (Pty) Ltd (RF). As at 31 December 2019, the outstanding lending amounted to RMB98,463,113.00 at an interest rate of 9%--10.5% per annum (2018: RMB114,996,932.87 at an annual interest rate 10-10.50%).

As at 31 December 2019, the Group's outstanding lending to STAR-USG Building Materials Co., Ltd. was RMB81,315,040.00 (31 December 2018: RMB82,616,781.00).

In 2019, Baogang Jidong Cement Co., Ltd. did not have lending from the Group. In 2018, lending from the Group amounted to RMB60,000,000.00 at interest rate of 4.35% per annum.

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***5. Major transactions between the Group and related parties** *(continued)***(4) Lending to/borrowing from related parties** *(continued)**Interest income from lending:*

	2019	2018
Beijing Chenyu Real Estate Development Co., Ltd.	289,016,905.30	–
Cross Point Trading 274 (Pty) Ltd (RF)	21,808,919.44	16,917,557.91
Mamba Cement Company (Pty) Ltd (RF)	9,687,426.01	3,456,064.28
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	2,617,846.55	4,462,493.20
Baogang Jidong Cement Co., Ltd.	–	2,850,000.00
	323,131,097.30	27,686,115.39

Interest expenses from borrowing:

	2019	2018
Beijing Dacheng Real Estate Development Co., Ltd.	6,940,957.03	3,634,931.51
BSCOMC	6,140,189.33	3,857,751.62
Beijing BBMG Assets Management Co., Ltd.	3,536,774.61	5,300,564.38
	16,617,920.97	12,793,247.51

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

6. Balances of receivables from related parties

Bills receivable	31 December 2019	31 December 2018
Due from associates		
Jidong Cement Fufeng Transportation Co., Ltd.	2,700,000.00	–
Jilin Cement (Group) Co., Ltd.	200,000.00	–
Baogang Jidong Cement Co., Ltd.	–	43,492,768.68
	2,900,000.00	43,492,768.68
Due from joint ventures		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	16,337,972.66	1,804,700.50
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	8,792,000.00	400,000.00
Anshan Jidong Cement Co., Ltd.	3,320,418.58	–
	28,450,391.24	2,204,700.50
	31,350,391.24	45,697,469.18

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***6. Balances of receivables from related parties** *(continued)*

Accounts receivable	31 December 2019	31 December 2018
Due from associates		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	12,783,060.19	10,319,608.88
Tianjin Gangbei Concrete Industry Co., Ltd.	10,606,551.29	10,706,551.29
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	4,230,282.84	4,230,282.84
Beijing Xinyuan Concrete Co., Ltd.	1,306,417.15	1,355,848.06
Jidong Cement Fufeng Transportation Co., Ltd.	426,756.44	750,462.39
Xianyang Jidong High-New Concrete Co., Ltd.	10,000.00	10,000.00
Changchun Light Rail Jidong Concrete Co., Ltd.	2,650.00	6,013,704.82
OCV Reinforcements (Beijing) Co., Ltd.	2,180.00	286,355.25
Fuxin Jidong Xianghe Concrete Co., Ltd.	2,000.00	2,000.00
Beijing Gaoqiang Concrete Co., Ltd.	–	6,422,413.91
Baogang Jidong Cement Co., Ltd.	–	12,252,593.95
	29,369,897.91	52,349,821.39
Due from joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	9,808,864.39	14,510,537.56
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	7,997,539.76	14,143,110.25
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	4,380,708.90	2,717,914.44
Anshan Jidong Cement Co., Ltd.	2,570,692.18	6,376,605.60
Mamba Cement Company (Pty) Ltd (RF)	2,154,341.81	1,897,429.89
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	222,174.56	285,142.59
	27,134,321.60	39,930,740.33
Due from other related companies		
Beijing Dacheng Real Estate Development Co., Ltd.	–	1,955,350.56
Beijing Longfengshan Enterprise Management Co., Ltd.	–	149,098.29
	–	2,104,448.85
	56,504,219.51	94,385,010.57

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

6. Balances of receivables from related parties *(continued)*

Prepayments	31 December 2019	31 December 2018
Prepayments to associates		
Zehnder (China) Indoor Climate Co., Ltd.	880,677.17	1,265,495.52
Tianjin Yaopi Glass Co., Ltd.	195,869.35	386,711.84
Baogang Jidong Cement Co., Ltd.	-	143.10
	1,076,546.52	1,652,350.46
Prepayments to joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	3,581,384.80	890,730.40
Anshan Jidong Cement Co., Ltd.	1,923,031.53	10,170.00
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	167,726.09	839,824.87
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	167,618.90	22,379.40
	5,839,761.32	1,763,104.67
Prepayments to other related parties		
Beijing Yiliste Environmental Protection Technology Co., Ltd.	-	800,000.00
Beijing Dacheng Real Estate Development Co., Ltd.	-	3,385.72
Beijing Xisha Assets Management Co., Ltd.	-	346,303.00
	-	1,149,688.72
	6,916,307.84	4,565,143.85

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***6. Balances of receivables from related parties** *(continued)*

Other receivables	31 December 2019	31 December 2018
Due from associates		
Beijing Chenyu Real Estate Development Co., Ltd.	2,607,821,533.18	3,272,090,726.80
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	450,900,606.98	446,399,977.65
Beijing Xinyuan Concrete Co., Ltd.	97,630,638.43	97,974,202.46
Fuxin Jidong Xianghe Concrete Co., Ltd.	84,298,723.45	84,298,723.45
Tianjin Binhai New Area Daxin Investment Co., Ltd.	28,152,625.36	-
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	11,537,617.00	5,292,720.49
Changchun Light Rail Jidong Concrete Co., Ltd.	5,840,137.34	7,228,483.45
Beijing Sinobaide Technology Co., Ltd.	690,000.00	-
Beijing Toto Co., Ltd.	85,120.54	-
Zehnder (China) Indoor Climate Co., Ltd.	9,500.00	9,500.00
Jilin Cement (Group) Co., Ltd.	2,627.43	-
Baogang Jidong Cement Co., Ltd.	-	60,077,262.64
Beijing Gaoqiang Concrete Co., Ltd.	-	3,071,700.00
OCV Reinforcements (Beijing) Co., Ltd.	-	1,255.00
	3,286,969,129.71	3,976,444,551.94
Due from joint ventures		
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	81,419,303.40	83,039,545.80
BBMG Landao Commercial Operation Management Co., Ltd.	1,162,500.00	-
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	50,000.00	50,000.00
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	22,000.00	82,288.83
	82,653,803.40	83,171,834.63
Due from other related companies		
Beijing Guanghua Woodworking Factory Co., Ltd.	-	68,990,957.90
Beijing BBMG Assets Management Co., Ltd.	-	134,656,540.31
Beijing Xisha Assets Management Co., Ltd.	-	100,000.00
Beijing Jianmao Property Management Co., Ltd.	-	80,610.62
Handan Hanni Building Materials Co., Ltd.	-	22,464.01
BBMG Human Resources Management Co., Ltd.	-	225,293.82
Beijing Longfengshan Enterprise Management Co., Ltd.	-	4,607,123.33
	-	208,682,989.99
	3,369,622,933.11	4,268,299,376.56

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

6. Balances of receivables from related parties *(continued)*

Long-term receivables	31 December 2019	31 December 2018
Due from an associate		
Beijing Chenyu Real Estate Development Co., Ltd.	110,958,405.25	–
Due from joint ventures		
Cross Point Trading 274 (Pty) Ltd (RF)	218,837,214.27	190,821,671.38
Mamba Cement Company (Pty) Ltd (RF)	98,463,113.70	86,018,732.87
	317,300,327.97	276,840,404.25
	428,258,733.22	276,840,404.25
Accounts payable	31 December 2019	31 December 2018
Due to associates		
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	2,229,605.11	1,821,352.54
Beijing Sinobaide Technology Co., Ltd.	307,067.88	432,067.88
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	150,000.00	31,190,081.36
Beijing Xinyuan Concrete Co., Ltd.	96,015.25	–
Zehnder (China) Indoor Climate Co., Ltd.	96,000.00	2,979,582.97
Jidong Cement Fufeng Transportation Co., Ltd.	17,428.53	214,628.83
Beijing Chenyu Real Estate Development Co., Ltd.	9,158.17	–
OCV Reinforcements (Beijing) Co., Ltd.	3,800.00	3,800.00
Baogang Jidong Cement Co., Ltd.	–	3,155,525.50
Tianjin Shengxiang Plastic Business Management Co., Ltd.	–	185,326.14
	2,909,074.94	39,982,365.22
Due to joint ventures		
Anshan Jidong Cement Co., Ltd.	6,167,951.56	8,595,981.56
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	1,365,228.70	2,110,244.02
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	844,212.06	418,849.37
	8,377,392.32	11,125,074.95
Due to other related parties		
Beijing Dacheng Real Estate Development Co., Ltd.	–	276,291.00
	11,286,467.26	51,383,731.17

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***6. Balances of receivables from related parties** *(continued)*

Contract liabilities	31 December 2019	31 December 2018
Associates		
Beijing Gaoqiang Concrete Co., Ltd.	8,112,934.71	8,112,934.71
OCV Reinforcements (Beijing) Co., Ltd.	5,400.00	5,400.00
Baogang Jidong Cement Co., Ltd.	-	36,761.24
	8,118,334.71	8,155,095.95
Joint ventures		
Anshan Jidong Cement Co., Ltd.	1,615,149.25	14,650.00
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	1,330,747.86	-
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	367,364.85	642,763.10
Jidong Cement Fufeng Transportation Co., Ltd.	3,000.00	-
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	-	327,480.00
Mamba Cement Company (Pty) Ltd (RF)	-	2,520,496.48
	3,316,261.96	3,505,389.58
	11,434,596.67	11,660,485.53

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

6. Balances of receivables from related parties *(continued)*

Other payables	31 December 2019	31 December 2018
Due to associates		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	52,237,279.00	88,834,066.82
Tianjin Shengxiang Plastic Business Management Co., Ltd.	4,916,172.95	6,328,467.95
Tianjin Gangbei Concrete Co., Ltd.	1,400,000.00	1,400,000.00
OCV Reinforcements (Beijing) Co., Ltd.	159,200.00	159,200.00
Tangshan Conch Profiles Co., Ltd.	2,967.00	2,967.00
Beijing Xinyuan Concrete Co., Ltd.	2,200.25	2,200.25
Xianyang Jidong High-New Concrete Co., Ltd.	282.12	282.12
Tianjin Xinling Environmental Protection Co., Ltd.	-	1,754,192.74
Baogang Jidong Cement Co., Ltd.	-	630,000.00
Tianjin Yaopi Glass Co., Ltd.	-	25,007.52
Beijing Sinobaide Technology Co., Ltd.	-	12,738.42
	58,718,101.32	99,149,122.82
Due to joint ventures		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	47,499.00	22,456.58
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	-	19,436.46
	47,499.00	41,893.04
Due to other related parties		
Beijing BBMG Assets Management Co., Ltd.	-	252,794.56
Beijing Dacheng Real Estate Development Co., Ltd.	-	1,200,000.00
Handan Hanni Building Materials Co., Ltd.	-	11,560,300.00
Beijing Xisha Assets Management Co., Ltd.	-	2,346,303.00
Beijing Jinyu Scien-tech School	-	6,510.00
	-	15,365,907.56
	58,765,600.32	114,556,923.42

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(continued)***6. Balances of receivables from related parties** *(continued)*

Short-term loans	31 December 2019	31 December 2018
BSCOMC	282,150,000.00	230,850,000.00
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	81,000,000.00
Beijing Dacheng Real Estate Development Co., Ltd.	–	250,000,000.00
	363,150,000.00	561,850,000.00

Except for the balances of short-term loans and of due from STAR-USG Building Materials Co., Ltd. and Beijing Chenyu Real Estate Development Co., Ltd. in other receivables, and of due from Cross Point Trading 274 (Pty) Ltd (RF) and Mamba Cement Company (Pty) Ltd (RF) in long-term receivables, other amounts due from and due to related parties are interest free, unsecured and have no fixed terms of repayment.

7. Transactions with other related parties

In 2019, upon approval of the Board of the Company, the Company donated RMB20,000,000.00 to BBMG Foundation, and Tangshan Jidong Cement Co., Ltd. donated RMB10,000,000.00 to BBMG Foundation.

The Group is of the view that the above related party transactions did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

8. Remuneration for key management personnel

	2019	2018
Remuneration for key management personnel	5,085,778.86	6,548,779.78

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XI. CONTINGENCIES

	Notes	31 December 2019	31 December 2018
Provision of guarantee on housing mortgage to third parties	Note 1	8,583,893,305.90	6,447,501,029.54
Provision of guarantee on loans and others to third parties	Note 2	1,000,000,000.00	2,630,000,000.00
		9,583,893,305.90	9,077,501,029.54

Note 1: Certain customers of the Group have purchased the commodity housing developed by the Group by way of bank mortgage (secured loans). According to the bank requirement in respect of the secured loans of the individual purchase of housing, the Group has provided guarantees to secure the periodical and joint obligation of such secured loans granted by banks for home buyers. These guarantee obligations will be released upon obtaining building ownership certificates and completion of formalities of housing mortgage by the home buyers. The management is of the opinion that in the event of default in payments, the net realizable value of the relevant properties is still sufficient to cover the outstanding mortgage principals together with the accrued interests and penalties, and therefore no provision for the guarantees has been made in the financial statements.

Note 2: Jidong Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB1,000,000,000.00 for Tangshan Culture & Tourism Investment Group Co., Ltd. (唐山市文化旅遊投資集團有限公司). The Guarantee will expire on 21 May 2029.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XII. COMMITMENTS

	31 December 2019	31 December 2018
Asset acquisition or construction contracts entered into but not completed	149,181,143.13	128,498,574.97
Property development contracts entered into and being executed or will be executed	<u>2,638,777,513.45</u>	<u>16,240,929,685.55</u>
	<u>2,787,958,656.58</u>	<u>16,369,428,260.52</u>

XIII. EVENTS AFTER BALANCE SHEET DATE

As considered and approved by the seventh meeting of the fifth session of the Board of Directors held on 31 March 2020, the Company intended to distribute a cash dividend of RMB1.2 (tax inclusive) per 10 shares, amounting to RMB1,281,332,536.08 in total, to all shareholders based on total share capital of 10,677,771,134 shares as at the end of 2019.

Since the outbreak of the novel coronavirus pneumonia epidemic (the "epidemic") in January 2020, Mainland China has adopted measures to prevent and control the epidemic. While maintaining our efforts in epidemic prevention and control, the Group has stepped up efforts to resume work and production and strive to minimize the impact of the epidemic on the production and operation results of enterprises. The Group expects that the epidemic and the prevention and control measures therefor have had certain temporary impacts on the Group's production and operation. The degree of subsequent impacts will depend on the progress of the epidemic prevention and control, the duration of the epidemic, and the implementation of local prevention and control policies. The Group pays close attention to the epidemic situation and evaluates its impact on our future financial position and operating results. As of the approval date of these financial statements, the evaluation is still in progress.

XIV. OTHER SIGNIFICANT MATTERS

1. Lease

As lessor

Operating leases: according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable leases are as follows:

	31 December 2019
Within 1 year (inclusive of 1 year)	473,682,439.35
1 to 2 years (inclusive of 2 years)	346,714,675.07
2 to 3 years (inclusive of 3 years)	308,103,367.60
3 to 4 years (inclusive of 4 years)	297,978,941.97
4 to 5 years (inclusive of 5 years)	228,728,028.12
Over 5 years	<u>999,506,395.46</u>
	<u>2,654,713,847.57</u>

Please refer to Note V. 16 and 17 for details of investment properties and fixed assets leased under operating leases.

Notes to Financial Statements *(continued)*

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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

1. Lease *(continued)*

Supplementary information on lease expenses

The Group adopted simplified treatment on short-term leases and leases of low-value assets, and did not recognize the right-of-use assets and lease liabilities. The short-term leases, low-value assets and variable lease payments not included in the measurement of lease liabilities are included in the expenses in the current period as follows:

	2019
Short-term lease expenses	42,685,962.77
Low-value lease expenses (other than short-term leases)	1,567,372.83
	<u>44,253,335.60</u>

Renewal option and termination option

During the Year, the Group recognized decrease in lease liabilities of RMB88,402,512.16, which was due to changes in lease term resulting from changes in the evaluation results or actual exercise of the renewal option or termination option.

Significant operating leases (applicable for 2018 only): according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable leases are as follows:

	31 December 2018
Within 1 year (inclusive of 1 year)	142,099,074.33
1 to 2 years (inclusive of 2 years)	106,630,562.28
2 to 3 years (inclusive of 3 years)	82,101,637.90
Over 3 years	452,057,815.00
	<u>782,889,089.51</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has four reportable segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commerce and logistics segment engages in the manufacture and sale of building materials and furniture and commerce and logistics;
- (3) the property development segment engages in property development and sales;
- (4) the property investment and management segment invests in properties for their potential rental income and/or for capital appreciation, and provides management and security services to residential and commercial properties.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and other than the exclusion of overheads attributable to the headquarters, the indicator is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the headquarters as these assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed upon by both parties of transactions with reference to the fair price quoted from transactions with third parties.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

2019

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/Liabilities/Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	40,596,553,417.73	24,498,816,331.59	22,190,751,212.69	4,543,190,135.04	-	-	91,829,311,097.05
Revenue from inter-segment transactions	1,232,748,739.60	2,179,611,418.41	-	811,101,639.97	-	(4,223,461,797.98)	-
	41,829,302,157.33	26,678,427,750.00	22,190,751,212.69	5,354,291,775.01	-	(4,223,461,797.98)	91,829,311,097.05
Gains/(losses) on investment in joint ventures and associates	376,762,482.66	24,406,187.94	(230.82)	(13,086,555.80)	-	-	388,081,883.98
Asset impairment losses	483,278,805.88	131,134,751.56	(1,754,891.35)	29,999,237.85	-	-	642,657,903.94
Credit impairment losses	222,749,107.96	319,839,751.53	762,760.02	(75,444,649.56)	-	-	467,906,969.95
Depreciation and amortisation	3,786,616,361.92	268,954,805.31	45,365,270.13	281,300,453.30	85,476,845.19	-	4,467,713,735.85
Total profits/(losses)	5,483,611,811.33	(1,149,095,057.32)	3,396,936,049.14	2,047,020,534.49	(1,841,987,149.42)	(2,666,140.83)	7,933,820,047.39
Income tax expense	1,324,061,434.39	84,223,312.22	953,604,349.84	854,946,603.72	(460,496,787.35)	(666,535.21)	2,755,672,377.61
Total assets	81,070,517,884.87	14,109,126,858.19	143,937,289,841.84	91,267,880,110.43	1,783,137,260.29	(50,044,196,247.29)	282,123,755,708.33
Total liabilities	44,744,914,691.92	10,467,396,033.06	123,914,643,139.59	50,443,413,837.62	20,009,356,799.53	(49,987,319,224.66)	199,592,405,277.06
Other disclosure							
Long-term equity investment in joint ventures and associates	2,190,218,086.28	(5,305,654.90)	983,374,194.03	820,244,911.85	-	-	3,988,531,537.26
Increase in other non-current assets (excluding long-term equity investments)	3,283,118,150.87	1,219,077,074.00	60,021,601.56	7,099,792,542.37	-	-	11,662,009,368.80

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**XIV. OTHER SIGNIFICANT MATTERS** (continued)**2. Segment reporting** (continued)

2018

	Cement Segment	Building Materials and Commerce Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/Liabilities/ Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	36,954,168,073.35	20,272,619,855.61	22,240,207,534.48	3,649,737,628.71	–	–	83,116,733,092.15
Revenue from inter-segment transactions	3,042,450,289.19	919,540,791.53	–	281,082,702.55	–	(4,243,073,783.27)	–
	39,996,618,362.54	21,192,160,647.14	22,240,207,534.48	3,930,820,331.26	–	(4,243,073,783.27)	83,116,733,092.15
Gains on investment in joint ventures and associates	280,753,752.70	35,906,985.03	(1,617,410.16)	56,388,908.35	–	–	371,432,235.92
Asset impairment losses	409,463,189.74	7,634,604.95	312,652,501.83	93,376,937.92	–	4,642,912.71	827,770,147.15
Credit impairment losses	307,572,518.64	108,659,261.56	6,863,302.57	(41,427,817.27)	–	(3,851,786.60)	377,815,478.90
Depreciation and amortisation	3,633,819,431.95	269,539,187.04	37,600,384.79	468,243,842.88	21,935,468.71	–	4,431,138,315.37
Total profit	3,284,405,950.92	(181,155,121.22)	2,850,574,587.30	1,526,717,107.48	(1,214,132,202.81)	178,224,422.07	6,444,634,743.74
Income tax expense	1,317,638,292.69	55,077,491.30	711,370,008.09	338,100,662.02	(303,533,050.70)	44,556,105.52	2,163,209,508.92
Total assets	90,020,977,682.66	13,073,641,075.39	126,217,983,770.22	75,216,846,451.08	253,521,912.16	(36,506,879,192.38)	268,276,091,699.13
Total liabilities	56,687,010,497.90	7,840,255,519.75	107,713,680,246.23	37,821,504,149.35	18,356,392,308.19	(39,357,253,569.51)	189,061,589,151.91
Other disclosure							
Long-term equity investment in joint ventures and associates	1,842,554,554.51	732,387,452.93	27,874,424.85	433,940,577.56	–	–	3,036,757,009.85
Increase in other non-current assets (excluding long-term equity investments)	4,364,528,255.51	1,541,107,793.13	35,612,130.47	9,879,629,777.97	–	–	15,820,877,957.08

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

Other information

Information on products and labour services

Operating revenue by product/service is set out in Note V. 52.

Geographic information

Operating revenue

	2019	2018
Asia	91,592,678,583.02	82,901,774,716.23
Europe	180,604,927.59	72,367,340.49
Africa	31,582,804.82	30,684,480.77
Others	24,444,781.62	111,906,554.66
	<u>91,829,311,097.05</u>	<u>83,116,733,092.15</u>

Revenues from external transactions are attributable to the geographic locations where the customers are located.

Major non-current assets of the Group are located in the PRC.

Information about major customers

In 2019 and 2018, none of the sales income arising from any single customer of the Group exceeds 10% of the Group's revenues.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Remuneration for key management personnel

Directors' and supervisors' remuneration for the period, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	2019	2018
Fees	600,000.00	641,670.00
Other emoluments:		
Salaries, allowances and benefits in kind	1,401,960.00	1,817,263.42
Performance related bonuses	2,916,437.50	3,883,860.92
Pension scheme contributions	167,381.36	205,985.44
	5,085,778.86	6,548,779.78

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the Year are as follows:

	2019	2018
Mr. Wang Guangjin	150,000.00	150,000.00
Mr. Tian Lihui	150,000.00	150,000.00
Mr. Tang Jun	150,000.00	150,000.00
Mr. Ngai Wai Fung	150,000.00	150,000.00
	600,000.00	600,000.00

No other remuneration was payable to independent non-executive directors for the year (2018: Nil).

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Remuneration for key management personnel *(continued)*

(2) *Executive directors, non-executive directors and supervisors* 2019

	Salaries, allowances and Performance Pension scheme Fees benefits in kind related bonuses contributions Total remuneration				
Executive directors					
Mr. Jiang Deyi*	–	244,400.00	629,500.00	23,503.68	897,403.68
Mr. Wu Dong	–	195,520.00	523,977.50	23,503.68	743,001.18
Mr. Zheng Baojin	–	195,520.00	528,300.00	23,503.68	747,323.68
	–	635,440.00	1,681,777.50	70,511.04	2,387,728.54

* Mr. Jiang Deyi is the Chairman of the Company.

	Salaries, allowances and Performance Pension scheme Fees benefits in kind related bonuses contributions Total remuneration				
Non-executive directors					
Mr. Guo Yanming	–	195,520.00	508,540.00	23,503.68	727,563.68

	Salaries, allowances and Performance Pension scheme Fees benefits in kind related bonuses contributions Total remuneration				
Supervisors					
Mr. Zhang Guoliang	–	192,000.00	259,680.00	23,503.68	475,183.68
Mr. Zhuang Zhenguo	–	192,000.00	269,680.00	23,503.68	485,183.68
Ms. Jiang Yu	–	132,000.00	112,400.00	18,341.28	262,741.28
Ms. Song Lifeng*	–	55,000.00	84,360.00	8,018.00	147,378.00
	–	571,000.00	726,120.00	73,366.64	1,370,486.64
	–	1,401,960.00	2,916,437.50	167,381.36	4,485,778.86

* Ms. Song Lifeng was transferred to another position in May 2019 and her salary was paid till May.

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**XIV. OTHER SIGNIFICANT MATTERS** *(continued)***3. Remuneration for key management personnel** *(continued)***(2) Executive directors, non-executive directors and supervisors** *(continued)*

2018

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Deyi*	–	213,033.33	618,033.33	23,289.12	854,355.78
Mr. Zeng Jin**	–	232,400.00	637,400.00	23,289.12	893,089.12
Mr. Wu Dong	–	185,920.00	547,444.00	23,289.12	756,653.12
Mr. Zheng Baojin	–	185,920.00	363,555.00	23,289.12	572,764.12
	–	817,273.33	2,166,432.33	93,156.48	3,076,862.14
Non-executive directors					
Mr. Guo Yanming	–	185,920.00	516,174.00	23,289.12	725,383.12
Mr. Xue Chunlei	–	–	–	–	–
Mr. Yu Zhongfu***	–	–	–	–	–
	–	185,920.00	516,174.00	23,289.12	725,383.12

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Remuneration for key management personnel *(continued)*

(2) *Executive directors, non-executive directors and supervisors (continued)* 2018 *(continued)*

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Supervisors					
Mr. Pei Ying	-	-	-	-	-
Mr. Wang Zhicheng	-	-	-	-	-
Mr. Yu Kaijun	41,670.00	-	-	-	41,670.00
Mr. Zhang Guoliang	-	191,870.09	289,600.00	15,193.44	496,663.53
Mr. Zhuang Zhenguo	-	192,900.00	279,600.00	23,289.12	495,789.12
Ms. Jiang Yu****	-	44,400.00	12,320.00	6,192.96	62,912.96
Ms. Song Lifeng*****	-	44,200.00	12,320.00	6,414.40	62,934.40
Ms. Xu Feng*****	-	-	-	-	-
Ms. Hu Juan*****	-	175,000.00	337,174.59	19,224.96	531,399.55
Mr. Zhang Qicheng*****	-	165,700.00	270,240.00	19,224.96	455,164.96
	<u>41,670.00</u>	<u>814,070.09</u>	<u>1,201,254.59</u>	<u>89,539.84</u>	<u>2,146,534.52</u>
	<u>41,670.00</u>	<u>1,817,263.42</u>	<u>3,883,860.92</u>	<u>205,985.44</u>	<u>5,948,779.78</u>

* Mr. Jiang Deyi is the Chairman of the Company;

** Mr. Zeng Jin left his position in December 2018;

*** Mr. Yu Zhongfu left his position in October 2018;

**** Ms. Jiang Yu has served as a supervisor of the Company since August 2018;

***** Ms. Song Lifeng has served as a supervisor of the Company since August 2018;

***** Ms. Xu Feng, Ms. Hu Juan and Mr. Zhang Qicheng have left their posts in October 2018.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XIV. OTHER SIGNIFICANT MATTERS *(continued)***3. Remuneration for key management personnel** *(continued)***(3) Five highest paid employees**

During the year, five highest paid employees are all non-director employees (2018: five non-director employees), the remuneration details of whom are as follows:

	2019	2018
Salaries, allowances and benefits in kind	1,487,300.00	1,537,200.00
Performance related bonuses	3,787,923.21	3,301,964.45
Pension scheme contributions	117,518.40	94,438.44
	5,392,741.61	4,933,602.89

The remuneration distribution of the non-director highest paid employees was as follows:

Remuneration amount of employees

	2019	2018
Hong Kong dollar 0 – 1,000,000	–	–
Hong Kong dollar 1,000,001 – 1,500,000	5	5
	5	5

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

	31 December 2019	31 December 2018
Interests receivable	2,823,010,176.24	2,685,808,925.09
Dividends receivable	1,210,008,522.92	255,727,024.99
Amounts due from subsidiaries	67,638,851,137.31	63,681,254,885.75
Due from joint ventures	2,745,552,948.53	81,315,040.00
Other current account	<u>218,040,900.66</u>	<u>218,741,348.52</u>
	74,635,463,685.66	66,922,847,224.35
Less: Provision for bad debts of other receivables	<u>23,606,351.62</u>	<u>21,049,616.08</u>
	<u>74,611,857,334.04</u>	<u>66,901,797,608.27</u>

An aging analysis of other receivables is as follows:

	31 December 2019	31 December 2018
Within 1 year (inclusive of 1 year)	30,325,255,793.47	23,787,735,640.48
1 to 2 years (inclusive of 2 years)	19,282,756,717.59	42,779,882,258.98
2 to 3 years (inclusive of 3 years)	24,660,015,132.38	262,559,741.32
3 to 4 years (inclusive of 4 years)	193,166,486.78	50,998,001.96
4 to 5 years (inclusive of 5 years)	50,998,001.96	256,734.52
Over 5 years	<u>123,271,553.48</u>	<u>41,414,847.09</u>
	74,635,463,685.66	66,922,847,224.35
Less: Provision for bad debts of other receivables	<u>23,606,351.62</u>	<u>21,049,616.08</u>
	<u>74,611,857,334.04</u>	<u>66,901,797,608.27</u>

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables *(continued)*

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

	31 December 2019	31 December 2018
Balance at the end of the prior year and the beginning of the year	21,049,616.08	26,845,178.09
Reversal during the year	-	5,795,562.01
Transferred in from absorption of subsidiaries for the year	<u>2,556,735.54</u>	-
Balance at the end of the year	<u>23,606,351.62</u>	<u>21,049,616.08</u>

As at 31 December 2019, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	<u>33,656,640.00</u>	<u>9,113,985.00</u>	<u>27.08</u>	Partly uncollectible

As at 31 December 2018, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	<u>33,656,640.00</u>	<u>9,113,985.00</u>	<u>27.08</u>	Partly uncollectible

Notes to Financial Statements *(continued)*

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

(continued)

1. Other receivables *(continued)*

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

	Closing balance	Percentage of proportion	Nature	Aging
Beijing Yucheng Real Estate Co., Ltd.	5,342,364,186.00	7.15	Amounts due from subsidiaries	Within 1 year
BBMG Jindian (Tianjin) Property Co., Ltd.	4,375,000,000.00	5.85	Amounts due from subsidiaries	2-3 years
Beijing BBMG Chengyuan Property Development Co., Ltd.	4,289,500,800.00	5.74	Amounts due from subsidiaries	Within 1 year
BBMG Xingda Real Estate Development Co., Ltd.	3,964,650,000.00	5.30	Amounts due from subsidiaries	1-2 years
BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd.	3,847,100,000.00	5.15	Amounts due from subsidiaries	1-2 years; 2-3 years
	21,818,614,986.00	29.19		

As at 31 December 2018, the top five of other receivables were as follows:

	Closing balance	Percentage of proportion	Nature	Aging
BBMG Jindian (Tianjin) Property Co., Ltd.	5,075,000,000.00	7.58	Amounts due from subsidiaries	1-2 years
Beijing BBMG Property Development Group Co., Ltd.	4,335,290,000.00	6.48	Amounts due from subsidiaries	Within 1 year 1-2 years
BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd.	3,907,100,000.00	5.84	Amounts due from subsidiaries	1-2 years
BBMG China Railway Noble (Hangzhou) Property Development Co., Ltd.	3,749,973,000.00	5.60	Amounts due from subsidiaries	1-2 years
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	3,700,000,000.00	5.53	Amounts due from subsidiaries	1-2 years
	20,767,363,000.00	31.03		

Notes to Financial Statements (continued)

For the year ended 31 December 2019
RMB

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

(continued)

1. Other receivables (continued)

Other receivables included the amounts due from subsidiaries, joint ventures and associates, which are as follows:

	31 December 2019	31 December 2018
Amounts due from subsidiaries	67,638,851,137.31	63,681,254,885.75
Amounts due from associates and joint ventures	2,745,552,948.53	81,315,040.00
	70,384,404,085.84	63,762,569,925.75

Other receivables due from related companies are unsecured, and have no fixed terms of repayment other than amounts due from joint ventures.

2. Long-term equity investments

31 December 2019

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method:							
BBMG Lushui Environmental Protection Technology Co., Ltd.	690,005,052.96	690,005,052.96	(690,005,052.96)	-	100.00	100.00	-
Beijing BBMG Concrete Co., Ltd.	509,235,910.27	509,235,910.27	(509,235,910.27)	-	100.00	100.00	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	1,753,806,765.40	1,753,806,765.40	(1,753,806,765.40)	-	51.00	51.00	107,800,000.00
Hebei Taihang Huaxin Building Materials Co., Ltd.	191,952,088.44	191,952,088.44	(191,952,088.44)	-	100.00	100.00	-
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67.00	67.00	-
Baoding Taihang Heyi Cement Co., Ltd.	120,000,000.00	120,000,000.00	(120,000,000.00)	-	75.00	75.00	-
Zanhuang BBMG Cement Co., Ltd.	700,000,000.00	700,000,000.00	(700,000,000.00)	-	100.00	100.00	-
Zhangjiakou BBMG Cement Co., Ltd.	391,071,805.81	391,071,805.81	(391,071,805.81)	-	100.00	100.00	-
Tianjin Zhenxing Cement Co., Ltd.	422,950,236.38	422,950,236.38	(422,950,236.38)	-	62.00	62.00	-
Tianjin BBMG Concrete Co., Ltd.	447,454,707.80	447,454,707.80	(447,454,707.80)	-	91.00	100.00	-
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	202,047,000.00	202,047,000.00	(202,047,000.00)	-	97.00	97.00	-
Lanxian BBMG Cement Co., Ltd.	160,240,000.00	160,240,000.00	(160,240,000.00)	-	80.00	80.00	-
Qinyang BBMG Cement Co., Ltd.	144,145,100.00	144,145,100.00	(144,145,100.00)	-	86.00	86.00	-
Zhuolu BBMG Cement Co., Ltd.	366,677,498.05	366,677,498.05	(366,677,498.05)	-	100.00	100.00	-
Handan Shexian BBMG Cement Co., Ltd.	181,678,700.00	181,678,700.00	(181,678,700.00)	-	91.00	91.00	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00	100.00	-
Lingchuan BBMG Cement Co., Ltd.	350,000,000.00	350,000,000.00	(350,000,000.00)	-	100.00	100.00	-
Beijing Jinyu Pinggu Cement Co., Ltd.	150,000,000.00	150,000,000.00	(150,000,000.00)	-	100.00	100.00	-
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95.00	95.00	-

Notes to Financial Statements (continued)

For the year ended 31 December 2019
RMB

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

(continued)

2. Long-term equity investments (continued)

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method: (continued)							
BBMG Shunfa Lafarge Cement Co., Ltd.	110,681,119.42	110,681,119.42	(110,681,119.42)	-	70.00	70.00	-
Zuoquan BBMG Cement Co., Ltd.	530,000,000.00	530,000,000.00	(530,000,000.00)	-	100.00	100.00	-
Xuanhua BBMG Cement Co., Ltd.	3,250,000.00	3,250,000.00	(3,250,000.00)	-	65.00	65.00	-
BBMG Mortar Co., Ltd.	95,000,000.00	95,000,000.00	(95,000,000.00)	-	100.00	100.00	-
Handan Fengfeng BBMG Concrete Co. Ltd.	66,000,000.00	66,000,000.00	(66,000,000.00)	-	100.00	100.00	-
Handan Harshan BBMG Concrete Co. Ltd.	27,600,000.00	27,600,000.00	(27,600,000.00)	-	92.00	92.00	-
Handan County BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	(27,600,000.00)	-	92.00	92.00	-
Wei County BBMG Concrete Co., Ltd.	9,200,000.00	9,200,000.00	(9,200,000.00)	-	92.00	92.00	-
Xingtai BBMG Yongning Cement Co., Ltd.	245,668,600.00	245,668,600.00	(245,668,600.00)	-	60.00	60.00	-
Beijing BBMG Tiantan Furniture Co., Ltd.	649,305,960.36	649,305,960.36	(649,305,960.36)	-	97.00	97.00	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.16	54,556,261.16	-	54,556,261.16	100.00	100.00	-
Tongda Refractory Technology Co., Ltd.	498,030,444.48	498,030,444.48	-	498,030,444.48	92.00	92.00	-
BBMG New Building Materials Industrialization Group Co., Ltd.	3,428,029,200.49	402,450,576.31	3,025,578,624.18	3,428,029,200.49	100.00	100.00	19,853,949.41
Beijing Aerated Concrete Co., Ltd.	166,166,021.38	166,166,021.38	-	166,166,021.38	56.00	100.00	-
Beijing Jinyu Aerated Concrete Co., Ltd.	107,946,419.68	107,946,419.68	(107,946,419.68)	-	100.00	100.00	-
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100.00	100.00	5,368,051.71
Beijing Building Materials Academy Co., Ltd.	194,167,784.68	194,167,784.68	-	194,167,784.68	100.00	100.00	695,360.68
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	64,098,826.55	(64,098,826.55)	-	100.00	100.00	-
Beijing Jiandu Design and Research Institute Co., Ltd.	59,864,057.89	59,864,057.89	(59,864,057.89)	-	100.00	100.00	-
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	500,000,000.00	500,000,000.00	(500,000,000.00)	-	100.00	100.00	-
Beijing BBMG Business and Trading Co., Ltd.	660,000,000.00	660,000,000.00	(660,000,000.00)	-	100.00	100.00	-
BBMG Material Industrial (Shanghai) Co., Ltd.	40,800,000.00	40,800,000.00	(40,800,000.00)	-	51.00	51.00	-
Beijing Dynea Chemical Industry Co., Ltd.	95,358,791.69	95,358,791.69	-	95,358,791.69	100.00	100.00	2,588,059.13
BBMG GEM Real Estate Development Co., Ltd.	6,165,138,411.45	6,165,138,411.45	-	6,165,138,411.45	100.00	100.00	353,762,209.35

Notes to Financial Statements *(continued)*For the year ended 31 December 2019
RMB**XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS***(continued)***2. Long-term equity investments** *(continued)*

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method: <i>(continued)</i>							
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	123,580,431.35	123,580,431.35	(123,580,431.35)	-	100.00	100.00	-
BBMG Property Management Co., Ltd.	99,264,530.92	99,264,530.92	(99,264,530.92)	-	100.00	100.00	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	370,680,361.57	370,680,361.57	(370,680,361.57)	-	100.00	100.00	-
Beijing Jianji Assets Management Co., Ltd.	776,172,150.30	776,172,150.30	(776,172,150.30)	-	100.00	100.00	-
Beijing Jinhaiyan Assets Management Co., Ltd.	78,479,818.89	78,479,818.89	(78,479,818.89)	-	100.00	100.00	-
Beijing Jinhaiyan Property Management Co., Ltd.	14,333,292.75	14,333,292.75	(14,333,292.75)	-	100.00	100.00	-
BBMG Property Management Co., Ltd.	2,746,329,327.93	99,000,000.00	2,647,329,327.93	2,746,329,327.93	100.00	100.00	27,958,583.87
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	473,509,857.53	(473,509,857.53)	-	100.00	100.00	48,376,481.36
Beijing BBMG Property Development Group Co., Ltd.	6,608,721,838.38	2,994,735,641.87	3,613,986,196.51	6,608,721,838.38	100.00	100.00	1,699,424,736.20
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	(82,429,882.34)	-	100.00	100.00	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	152,788,777.09	152,788,777.09	(152,788,777.09)	-	100.00	100.00	-
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100.00	100.00	36,200,404.85
BBMG Dacheng Property Management Co., Ltd.	16,198,711.92	16,198,711.92	(16,198,711.92)	-	100.00	100.00	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	(815,331,413.51)	-	100.00	100.00	-
BBMG Hong Kong Limited	288,057,387.91	288,057,387.91	-	288,057,387.91	100.00	100.00	21,744,812.24

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

(continued)

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

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method: <i>(continued)</i>							
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	1,000,000,048.47	513,676,100.00	486,323,948.47	1,000,000,048.47	100.00	100.00	-
BBMG Finance Co., Ltd.	3,000,000,000.00	3,000,000,000.00	-	3,000,000,000.00	100.00	100.00	349,222,287.63
BBMG Finance Lease Co., Ltd.	393,876,000.00	393,876,000.00	-	393,876,000.00	60.00	60.00	33,336,554.35
Krono (Beijing) Woods Co., Ltd.	287,445,693.34	287,445,693.34	-	287,445,693.34	100.00	100.00	-
Jidong Development Group Co., Ltd.	5,225,000,000.00	5,225,000,000.00	-	5,225,000,000.00	55.00	55.00	-
Beijing Doors and Windows Co., Ltd.	430,370,700.00	430,370,700.00	-	430,370,700.00	100.00	100.00	1,245,897.85
BBMG Sports Culture Co., Ltd.	25,359,900.00	25,359,900.00	-	25,359,900.00	66.67	66.67	-
Tangshan Jidong Cement Co., Ltd.	1,091,264,397.21	1,091,264,397.21	-	1,091,264,397.21	7.00	7.00	37,730,600.40
Tianjin Building Materials (Holding) Co., Ltd.	5,118,176,371.21	5,118,176,371.21	-	5,118,176,371.21	55.00	55.00	-
BBMG Jidong Cement (Tangshan) Co., Ltd.	8,171,903,569.59	5,163,578,287.95	3,008,325,281.64	8,171,903,569.59	55.82	55.82	894,710,000.00
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd.	80,000,000.00	-	80,000,000.00	80,000,000.00	100.00	100.00	-
BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd.	1,419,515,156.27	-	1,419,515,156.27	1,419,515,156.27	55.00	55.00	-
Total under cost method	60,133,985,844.17	45,852,927,309.17	1,300,009,457.82	47,152,936,766.99			3,640,017,989.03

Notes to Financial Statements (continued)For the year ended 31 December 2019
RMB**XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS**

(continued)

2. Long-term equity investments (continued)**Equity method:****31 December 2019**

	Movements during the year				Carrying amount at the end of the year
	Opening balance	Increase in investment during the year	Investment profit or loss under equity method	Cash dividend declared	
Joint ventures					
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	31,019,331.59	-	13,205,051.40	-	44,224,382.99
Associates					
Zehnder (China) Indoor Climate Co., Ltd.	101,170,647.34	-	1,866,694.55	-	103,037,341.89
OCV Reinforcements (Beijing) Co., Ltd.	64,425,972.15	-	6,959,541.80	-	71,385,513.95
Beijing Gaoqiang Concrete Co., Ltd.	22,942,777.09	-	3,494,216.67	(152,900.00)	26,284,093.76
Tangshan Conch Profiles Co., Ltd.	189,365,448.97	-	(3,356,643.58)	(2,400,000.00)	183,608,805.39
Toto Machinery (Beijing) Company Limited	161,293,228.09	-	(27,181,318.82)	(6,400,000.00)	127,711,909.27
Beijing Toto Co., Ltd.	146,590,536.67	-	(1,544,935.53)	-	145,045,601.14
Beijing Innovation Industry Investment Co., Ltd.	-	100,000,000.00	436,014.35	-	100,436,014.35
Subtotal for associates	685,788,610.31	100,000,000.00	(19,326,430.56)	(8,952,900.00)	757,509,279.75
Total under equity method	716,807,941.90	100,000,000.00	(6,121,379.16)	(8,952,900.00)	801,733,662.74

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

(continued)

3. Investment properties

Measured subsequently through fair value model:

31 December 2019	Buildings
Opening balance	10,487,725,592.87
Changes in fair value	108,500,605.76
Absorption and merge of subsidiaries	<u>1,243,680,000.00</u>
Closing balance	<u>11,839,906,198.63</u>

31 December 2018	Buildings
Opening balance	10,164,795,183.02
Changes in fair value	<u>322,930,409.85</u>
Closing balance	<u>10,487,725,592.87</u>

All the above investment properties are located in the PRC, leased out in form of operating leases and held under mid-term leases.

As at 31 December 2019 and 31 December 2018, there was no investment property for which the procedures for obtaining title certificates were incomplete.

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS*(continued)***4. Operating revenue and cost**

Information by products is as follows:

	2019		2018	
	Revenue	Cost	Revenue	Cost
Rental income	1,040,407,676.41	71,892,806.59	1,004,106,089.78	77,845,297.90
Others	8,062,283.77	1,015,646.31	6,934,525.26	—
	1,048,469,960.18	72,908,452.90	1,011,040,615.04	77,845,297.90

5. Investment gains

	2019	2018
Gains from long-term equity investments under cost method	3,640,017,989.03	1,801,702,375.24
Gains from long-term equity investments under equity method	(6,121,379.16)	33,134,518.98
Investment gains from absorption and merge of subsidiaries	1,225,998,009.51	—
Investment gains from disposal of subsidiaries	23,336,097.61	—
	4,883,230,716.99	1,834,836,894.22

6. Notes to items of statement of cash flows

	2019	2018
Cash received from other operating activities		
Cash received from superior units	28,981,108,702.88	25,850,000,000.00
Cash received from internal borrowings among subsidiaries	24,847,641,859.06	38,515,425,980.03
Interest income	99,387,446.98	25,543,480.58
	53,928,138,008.92	64,390,969,460.61
Cash paid for other operating activities		
Cash paid to subordinate units	25,551,152,600.00	25,850,000,000.00
Current accounts of subsidiaries	32,070,161,066.32	50,974,136,213.28
Expenses of the headquarters	652,762,611.45	405,106,701.21
	58,274,076,277.77	77,229,242,914.49

Notes to Financial Statements *(continued)*

For the year ended 31 December 2019
RMB

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

(continued)

7. Supplemental information to statement of cash flows

(1) Reconciliation of net profit to cash flows from operating activities:

	2019	2018
Net profit	3,867,800,880.75	1,694,150,298.93
Add: Credit impairment losses	-	(5,671,315.87)
Depreciation of fixed assets	70,931,956.90	70,803,956.99
Amortisation of intangible assets	19,193,186.60	14,186,385.01
(gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	(450.00)	39,602,527.20
Losses on retirement of fixed assets	8,469.42	991.07
Gains from changes in fair value	(108,500,605.76)	(322,930,409.85)
Finance costs	4,392,189,209.54	3,518,188,434.39
Investment gains	(4,883,230,716.99)	(1,834,836,894.22)
Decrease/(increase) in deferred tax assets	45,108,147.50	(95,494,854.04)
Increase in deferred tax liabilities	27,125,151.44	80,732,602.46
Increase in operating receivables	(3,536,058,599.23)	(11,811,610,119.26)
Decrease in operating payables	(3,474,163,623.66)	(3,331,594,807.06)
Net cash flows used in operating activities	<u>(3,579,596,993.49)</u>	<u>(11,984,473,204.25)</u>

(2) Cash and cash equivalents

	31 December 2019	31 December 2018
Cash	8,577,069,332.94	6,440,358,384.99
<i>Including: Bank deposits on demand</i>	<u>8,577,069,332.94</u>	<u>6,440,358,384.99</u>
Closing balance of cash and cash equivalents	<u>8,577,069,332.94</u>	<u>6,440,358,384.99</u>

Supplementary Information

For the year ended 31 December 2019
RMB

1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS ITEM

	2019
Net loss from disposal of non-current assets	(104,089,749.31)
Investment gains from disposal of subsidiaries, associates and joint ventures	13,872,102.30
Government grants recognised through profit or loss for the current period, in line with national policies and entitled continuously in accordance with certain standard based on a fixed amount or quantity	216,700,763.75
Capital occupancy fee from non-financial enterprises recognized through profit or loss for the current period	31,496,345.45
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures being less than the fair value of the share of the identifiable net assets of the investee entitled at the time of investment:	9,248,144.36
Profit and loss from debt restructuring	(443,184,451.58)
Profit or loss from change in fair value of held-for-trading financial assets and held for-trading financial liabilities, and investment gains from disposal of held-for trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business relating to the ordinary business operations of the Company	262,436,469.08
Reversal of provisions for impairment of receivables that are individually tested for impairment	76,750,059.36
Profit and loss from fair value change of investment properties measured subsequently through fair value model and profit and loss from changes in fair value of financial assets held for trading	730,049,755.49
Other non-operating income and expenses other than the above items	83,485,995.94
Total non-recurring profit and loss	876,765,434.84
Less: Impact of income tax	294,035,395.30
Less: Impact of minority interests	94,053,990.28
	488,676,049.26

Supplementary Information *(continued)*

For the year ended 31 December 2019
RMB

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2019

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Including other equity instrument indicators: Net profit attributable to ordinary shareholders of the Company	6.22	0.35	0.35
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.40	0.30	0.30
Excluding other equity instrument indicators: Net profit attributable to ordinary shareholders of the Company	6.57	0.27	0.27
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.46	0.23	0.23

2018

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Including other equity instrument indicators: Net profit attributable to ordinary shareholders of the Company	6.06	0.31	0.31
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.40	0.27	0.27
Excluding other equity instrument indicators: Net profit attributable to ordinary shareholders of the Company	6.27	0.25	0.25
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.42	0.21	0.21

The Company did not have potentially dilutive ordinary shares.

In calculating the weighted average return on net assets and earnings per share excluding other equity instruments, the Company has excluded declared and undeclared dividends of perpetual bonds.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out below:

RESULTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
OPERATING REVENUE	91,829,311	83,116,733	63,678,331	47,738,773	40,925,341
NET PROFIT	5,178,148	4,281,425	2,950,349	2,690,348	1,951,068
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	3,693,583	3,260,449	2,836,665	2,686,654	2,017,454
DIVIDEND	1,281,333	587,277	512,533	491,177	160,167
DIVIDEND PER SHARE (Note)	RMB0.120	RMB0.055	RMB0.048	RMB0.046	RMB0.015
BASIC EARNINGS PER SHARE (Note)	RMB0.35	RMB0.31	RMB0.27	RMB0.25	RMB0.20

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS	107,627,898	99,118,153	88,618,220	88,918,392	41,411,072
CURRENT ASSETS	174,495,858	169,157,938	143,589,262	119,478,725	89,335,633
TOTAL ASSETS	282,123,756	268,276,092	232,207,482	209,397,117	130,746,704
CURRENT LIABILITIES	127,706,358	129,202,330	110,434,361	94,964,190	65,186,574
NON-CURRENT LIABILITIES	71,886,047	59,859,259	51,855,311	50,523,416	23,378,256
TOTAL LIABILITIES	199,592,405	189,061,589	162,289,672	145,487,606	88,564,830
MINORITY INTERESTS	21,400,151	21,549,031	18,754,962	18,709,022	4,098,901
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	61,131,200	57,665,471	51,162,848	44,200,489	38,082,973

Note: The dividend per share and basic earnings per share for 2015 have been adjusted for the bonus issue in 2016.

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