

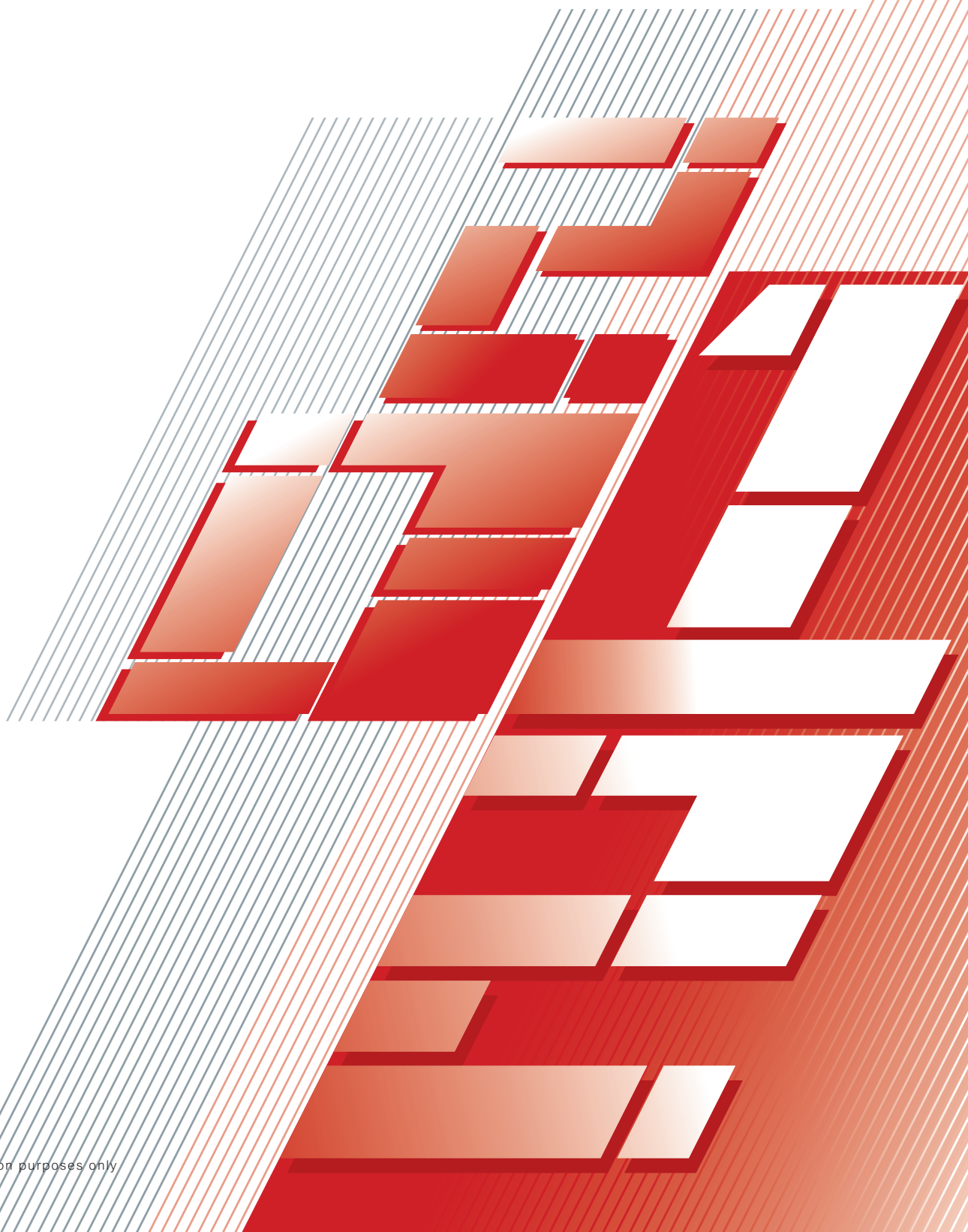


北京金隅股份有限公司
BBMG CORPORATION*

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

Stock Code : 2009

2012 Annual Report



*for identification purposes only



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FINANCIAL HIGHLIGHTS

	2012	2011	Change	
Revenue (RMB'000)	34,054,096	28,744,794	5,309,302	18.5%
Gross profit margin from principal business (%)	24.0	27.4		decrease of 3.4 percentage points
Net profit attributable to the shareholders of the parent company (RMB'000)	2,965,089	3,428,645	-463,556	-13.5%
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)	2,262,939	2,846,083	-583,144	-20.5%
Basic EPS (RMB)	0.69	0.81	-0.12	-14.8%
Final dividend per share (RMB)	0.071	0.072	-0.001	-1.39%
Cash and bank balances (RMB'000)	5,906,095	7,918,479	-2,012,384	-25.4%
Total assets (RMB'000)	83,161,804	76,914,972	6,246,832	8.1%
Equity attributable to the shareholders of the parent company (RMB'000)	22,903,904	20,153,779	2,750,125	13.6%
Net profit margin (%)	8.71	11.93		decrease of 3.22 percentage points
Return on total assets (%)	3.57	4.46		decrease of 0.89 percentage point
Total debt to equity ratio (%)	69.9	71.8		increase of 1.9 percentage points
Net assets per share (RMB)	5.35	4.70	0.65	13.8%

/ CORPORATE INFORMATION

Chinese name of the Company	北京金隅股份有限公司
English name of the Company	BBMG Corporation*
Headquarters	Tower D, Global Trade Center No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Registered office and principal place of business in the PRC	No. 36, North Third Ring East Road Dongcheng District, Beijing, the PRC
Principal place of business in Hong Kong	Room 904, Wah Ying Cheong Central Building 158-164 Queen's Road Central, Central, Hong Kong
Website of the Company	www.bbm.com.cn
Legal representative	Jiang Weiping
The Board of Directors	
<i>Executive Directors</i>	Jiang Weiping (<i>Chairman</i>) Jiang Deyi (<i>President</i>) Shi Xijun Zang Feng Wang Hongjun Wang Shizhong
<i>Non-executive Director</i>	Yu Shiliang
<i>Independent non-executive Directors</i>	Hu Zhaoguang Zhang Chengfu Xu Yongmo Yip Wai Ming

* for identification purposes only

CORPORATE INFORMATION

The Supervisory Board*Supervisors*

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

Committees*Audit Committee*

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

*Remuneration and
Nomination Committee*

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

Strategic Committee

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

Authorised Representatives

Wang Hongjun
Lau Fai Lawrence

Board Secretary

Wu Xiangyong

Company Secretary

Lau Fai Lawrence

CORPORATE INFORMATION

Listing Information

A Shares

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

H Shares

H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Place of listing	The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")
Stock name	BBMG
Board lot	500 shares
Stock code	02009.HK

Principal Bankers

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

Independent Auditor

Ernst & Young Hua Ming LLP
Certified Public Accountants

Legal Advisers

Paul Hastings
As to Hong Kong law

Guantao Law Firm
As to PRC law

/ CORPORATE PROFILE

BBMG Corporation

BBMG Corporation (hereinafter referred to as “BBMG” or the “Company”) was established in December 2005. Fully leveraging on its unique resources, the Company and its subsidiaries (the “Group”) is 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 PRC.

1. Cement and Ready-mixed Concrete Segment

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

2. Modern Building Materials and Commerce and Logistics Segment

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

/ Cement and Ready-mixed Concrete

/ Modern Building Materials and Commerce and Logistics



CORPORATE PROFILE

3. Property Development Segment

BBMG is one of the leading property developers in terms of comprehensive strength and one of the largest affordable housing developers in Beijing. With an annual GFA of commencing and resuming development of exceeding 2 million sq.m. and an accumulated developed area of over 4 million sq.m. for affordable housing, the Group becomes a Beijing-based property developer with presence in other major cities such as Hangzhou, Tianjin, Chongqing, Chengdu, Haikou, Tangshan and Hohhot.

4. Property Investment and Management Segment

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

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

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

Property Development

Property Investment and Management



/ BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

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

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Hu Zhaoguang, born in March 1939, has been an independent non-executive Director of the Company since 6 August 2008. Mr. Hu has extensive experience in corporate management and has authored publications in academic journals. Mr. Hu has been the chairman of the audit committee and an independent non-executive director of Digital China Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00861), since August 2006 and September 2004, respectively. He currently serves as an independent

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

non-executive director (non-pay) of the board of China City Railway Transportation Technology Holdings Company Limited and China Ground Source Energy Limited. Mr. Hu had also served as the chairman of the board of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00392), the chairman of the board of Beijing Holdings Limited, an independent non-executive director of China Overseas Land & Investment Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00688), the vice-mayor of Beijing City, and the chief executive of Beijing Haidian District Government. Mr. Hu graduated from Tsinghua University in 1965.

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Supervisors

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Senior Management

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

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

Fu Qitao, born in June 1970, is a vice president of the Company, has served as a manager of Xinbeishui, BBMG Mangrove Environmental and BBMG Fengshan Hot Spring Resort Co., Ltd., all of which are subsidiaries of the Company, since February 2008. Mr. Fu also serves as an assistant to the general manager of the Parent. Mr. Fu has worked in the building materials industry for over 18 years, and has worked in Beijing Cement Plant Co., Ltd. for more than 13

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

years. He was a manager of Beijing Cement Plant Co., Ltd. from December 2003 to July 2005. He was appointed as a manager of Beijing Xinbeishui Cement Co., Ltd. and BBMG Fengshan Hot Spring Resort Co., Ltd. in July 2005. He is mainly responsible for the overall business development, planning and management of the cement and building materials operations of the Company. He graduated from the Sichuan Institute of Building Materials majoring in mining. He is a senior economist. Mr. Fu graduated from Guanghua School of Management of Peking University with an MBA degree.

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

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

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



Jiang Weiping
Chairman

/ CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual results of the Group for year ended 31 December 2012 (the "Reporting Period"), and the operating results of the Group during the said period for your review.

Annual Results

During the Reporting Period, the Company's revenue amounted to approximately RMB34,054.1 million, representing a year-on-year increase of approximately 18.5%; profit attributable to the shareholders of the parent company was approximately RMB2,965.1 million, representing a year-on-year decrease of approximately 13.5%; basic earnings per share attributable to the shareholders of the parent company was approximately RMB0.69.

Business Environment

During the Reporting Period, the world economy saw a slowdown in its growth momentum. The Eurozone sovereign debt crisis faced uncertain prospects, and the risk for an economic downside further heightened. China's economic growth slowed down, yet the overall national economy remained steady. Domestic economy achieved growth while maintaining stability. Under the impact of the domestic and international economic landscapes, the national demand for cement witnessed a slowdown. Competition in the market intensified, leading to a year-on-year decrease in both profit and price. Benefiting from the favourable market opportunities, the property market gradually recorded noticeable pick-ups in trading volume.

CHAIRMAN'S STATEMENT

Review

Addressing the challenging global economic environment and the complex economic landscapes at home and abroad, the Board seized development opportunities accurately by defining a clear direction for development, formulating development strategies in a scientific manner and fine-tuning the growth path. Capitalizing on the industry regulatory policies, the Company stepped up efforts to draw upon its leading advantages in strategic planning, execution of major projects, management integration and innovation-driven system, and maintained a steady and healthy growth in the Company's operation results.

Despite the mixed and grim business environment and fierce market competition during the Reporting Period, the four major business segments of the Company overcame various challenges and difficulties and seized development opportunities while continuously enhancing overall strength. By earnestly pressing ahead with its strategic planning, the Company further broadened the path of development with smoothly progressing major projects as new growth drivers and the expanding strategic resource reserves as new pillars of sustainability. The cement and ready-mixed concrete segment achieved new progress in the "grand cross-shape" (大十字) strategic layout for target areas through "seismic wave" (地震波) orderly expansions and in the transformation progress towards green development, leading to constantly elevated sustainability. The property development segment deepened the adjustments to the "two structures" (兩個結構) under the strategy of "accelerating cash flow" (好水快流), posting remarkable business performance. The property investment and management segment carried forward its integrated advantages and maintained a satisfactory growth momentum under the established guideline of "Rooted in Beijing and extending the footprint orderly" (立足北京，有序拓展). On modern building materials and commerce and logistics segment, the industrial park-based model highlighted its cluster strength fuelled by the emerging commerce and logistics operations.

The corporate governance structure was refined constantly, providing strong management fundamentals to boost the company-wide vitality. By speeding up the paces in transformation and upgrade and improving its innovation-driven system, the Company further reinforced its foundation for rapid development as a market leader. With the increasing fruits of capital operations, the improvements in internal control and management system were pushed forward, which secured the overall growth with better synergy.

CHAIRMAN'S STATEMENT

Given the instability and uncertainties of global economic recovery and an overview of the international and domestic economic landscapes, the PRC is still in a crucial stage of strategic opportunities. The Central Government adhered to proactive fiscal policies and prudent monetary policies under the key note of "making progress while maintaining stability". Keeping in line with the overall regulatory environment for the property industry, the overwhelming trend of urbanization and the call for "intensive, intelligent, green and low-carbon" growth model that are closely related to its business segments, the Company proactively aligned itself with the changing situation and developed scientific and forward-looking strategy for advancing with the times, thus riding on the dynamics and keeping ahead of the peers in the PRC.

Prospects

Looking into 2013, the Company will seek to accurately judge macroeconomic situation and grasp external opportunities in order to further boost the capability of advancing with the times. To this end, the Company will further strengthen and optimize its core business chain to maintain strong market competitiveness. Meanwhile, the Company will strive to make more innovative progress in broadening the path for development in a scientific approach, and foster new drivers and inspire new vitality for innovation-driven development. In particular:

The cement and ready-mixed concrete segment will adhere to the "grand cross-shape" (大十字) layout for strategic region through the "seismic wave" (地震波) orderly expansions to expedite the regional consolidation of cement and ready-mixed concrete business and the control of upstream and downstream resources while forging ahead the industrial base clusters undertaken by its regional stronghold enterprises, so as to secure and heighten additional strengths in regional competition. It will follow the established sustainable growth model featuring transformation and upgrade, clean production and energy saving and emission reduction, earnestly fulfilling the corporate social responsibilities as "a city purifier and a good helper to government" (城市淨化器·政府好幫手). The segment will stick to the approach of focusing both on organic growth and external expansion, further strengthening its fundamental management, technology innovation, resource integration and risk management endeavours to sharpen its unique competitiveness in market competition. Furthermore, it will commit more efforts in developing the ready-mixed concrete business based on enhanced innovation and management compatibility, aiming at a leap-forward growth underpinned by significantly upgraded control over the end market.

CHAIRMAN'S STATEMENT

The property development segment will push forth the adjustments to the “two structures” (兩個結構) under the strategy of “accelerating cash flow” (好水快流), improving the mechanism and introducing innovative approaches in land acquisition. Efforts will be also made in speeding up the collection of receivables and the capital turnover efficiency. In light of the philosophy of “development-integration-expansion” (開發、扎根、拓展), the segment will establish a positive cycle of “project development – product sale – land reserve” to provide more fundamental supports to sound and rapid development on a sustainable basis. Moreover, it will step up the attempts to establish an investment mechanism for community property management service providers, seeking to boost the reputation and influence of the Company's property development segment based on improving property management performance and service quality.

The property investment and management segment will continue to rationally increase investments in multifaceted properties held for operation with a focus on Beijing through multiple channels, so as to expand the operating scale and maintain the leading position. With a focus on operating efficiency, management ability and service quality of various properties, the segment will seek to upgrade its service and management level and market image while consolidating and deepening the effect of business integration to tap on growth potentials, aiming to secure more projects to create new income streams for the Company backed by the existing industrial base.

The modern building materials and commerce and logistics segment will give full play to its advantages in centralized operations under the industrial park-based and industry-clustered model, high entry threshold, refined product mix and significant economies of scale. It will speed up the planning and implementation momentum, improve infrastructure and supporting facilities, continuously enhance project construction for overall expansion, as well as enhance the research and development capability under an innovative mechanism and optimized management model so as to achieve sustainable development. The segment is committed to gradually taking the lead in the industry by further improving the segment-wide marketing platform and further upgrading its operating and management efficiency.

CHAIRMAN'S STATEMENT

The Company will continue to promote innovations in mechanism, management and system, elevate standards of internal control, and continuously improve its corporate governance structure featuring coordinated operation, effective implementation and scientific check and balance. In light of the well-established development concept of "environmental friendly, resource saving, technologically advanced and urban servicing" (環境友好型、資源節約型、技術先進型、城市服務型), the Company will stick to the development principle of "a harmonious integration of economic, social and ecological benefits", and are speeding up the transformation process towards green development. The Company will also strengthen the building of its corporate cultural system, making it a humanistic cornerstone to secure business opportunities and sustainable development amid fierce competition.

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

Jiang Weiping

Chairman of the Board

Beijing, the PRC

20 March 2013

/ MANAGEMENT DISCUSSION AND ANALYSIS





MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Information

	2012 RMB'000	2011 RMB'000	Change
Revenue	34,054,096	28,744,794	18.5%
Revenue from principal business	33,549,170	28,234,383	18.8%
Gross profit from principal business	8,054,256	7,744,024	4.0%
Gross profit margin from principal business	24.0%	27.4%	a decrease of 3.4 percentage points
Profit attributable to the shareholders of the parent company	2,965,089	3,428,645	-13.5%
Basic earnings per share attributable to the shareholders of the parent company	RMB0.69	RMB0.81	-14.8%
Cash and banks balances	5,906,095	7,918,479	-25.4%
Current assets	47,101,879	44,726,243	5.3%
Current liabilities	43,462,947	39,299,199	10.6%
Net current assets	3,638,932	5,427,044	-32.9%
Non-current assets	36,059,925	32,188,730	12.0%
Non-current liabilities	14,674,167	15,900,158	-7.7%
Total assets	83,161,804	76,914,972	8.1%
Equity attributable to the shareholders of the parent company	22,903,904	20,153,779	13.7%
Debt ratio (total liabilities to total assets) (%)	69.9	71.8	a decrease of 1.9 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Business Information

1. Cement and Ready-mixed Concrete Segment

	<i>2012</i>	2011	Change
Sales volume:			
Cement (in thousand tonnes)	<i>35,400</i>	36,720	-3.6%
Concrete (in thousand cubic meters)	<i>9,020</i>	7,410	21.7%

2. Modern Building Materials and Commerce and Logistics Segment

	<i>2012</i>	2011	Change
Sales volume:			
Refractory materials (in thousand tonnes)	<i>213</i>	270	-21.1%

3. Property Development Segment

	<i>2012</i>	2011	Change
Booked GFA (in thousand sq.m.)	<i>836</i>	836	0.0%
Presales (sales) GFA (in thousand sq.m.)	<i>1,294</i>	973	33.0%

4. Property Investment and Management Segment

	<i>2012</i>	2011	Change
Gross GFA of investment properties (in thousand sq.m.)	<i>760</i>	742	2.4%

MANAGEMENT DISCUSSION AND ANALYSIS

Discussion and Analysis on the Business Operations during the Reporting Period

Given the adverse factors in 2012 such as downward adjustment of domestic economic growth, slowdown in infrastructure investment and tightened resource constraints, while upholding the objectives set at the beginning of the year, the Board of the Company has adhered to standardized operation, scientific decisions and advance planning guided by the development planning of the Company, adjusted and improved business structure continuously, optimized the integration of internal resources, and accelerated the transformation of growth model. Meanwhile, the regional and brand advantages played a greater role in measures regarding market expansion, dynamic adjustment to sales strategies, budget management enhancement, internal potential tapping and energy consumption reduction.

The overall economy of the Company realized a steady and relatively fast development. During the Reporting Period, the Company recorded operating revenue of RMB34,054 million, among which revenue from principal business amounted to RMB33,549 million, representing a year-on-year increase of 18.82%, total profit amounted to RMB3,954 million, representing a year-on-year decrease of 15.33%, net profit amounted to RMB3,150 million, representing a year-on-year decrease of 12.33%, and net profit attributable to the shareholders of the parent company amounted to RMB2,965 million, representing a year-on-year decrease of 13.52%.

1. Cement and Ready-Mixed Concrete Segment

Given the unprecedented challenging situation and fierce competition, the Company planned ahead, mobilized and utilized all the favorable factors and strived to gain an edge in the market for the cement segment. Firstly, the segment continued to leverage on the industrial synergy and inter-segment interaction mechanism, improve customer service system and diversify marketing approaches, leading to a firmer voice in the market of fierce competition. Secondly, the segment continued to optimize the industrial layout, extend industrial chain, enrich the essence of the Company's "grand cross-shape" (大十字) strategy, so as to constantly consolidate and expand the influence over regional market. Thirdly, the segment refined the measures on control and management, enhanced benchmarking management, cost management, quality control and centralized material supply management, resulting in pronounced improvements in economic operation quality and overall efficiency level. Fourthly, the segment stepped up efforts in technology innovation with accelerated transformation and upgrading, so as to maintain the leading edge in the synergistic use of cement kiln for the disposal of urban waste. Fifthly, the segment vigorously advocated the "Green Mine" (綠色礦山) construction and reinforced resource reserves, thus bolstering sustainability.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2012, the cement segment recorded revenue from its principal business of RMB11,470 million, a year-on-year decrease of 11.82%, with gross profit from principal business of RMB1,803 million, a year-on-year decrease of 35.95%. The consolidated sales volume of cement and clinker reached 35.4 million tonnes, a year-on-year decrease of 3.6%, among which cement sales volume amounted to 28.31 million tonnes, clinker sales volume amounted to 7.09 million tonnes, while the aggregated gross profit margin for cement and clinker was 15.33%, a year-on-year decrease of 7.67 percentage points. Sales volume of concrete totalled 9.02 million cubic meters, a year-on-year increase of 21.76%, while the gross profit margin for concrete was 15.19%, a year-on-year increase of 4.49 percentage points.

2. Modern Building Materials and Commerce and Logistics Segment

Given the pressure from the weakening market demand, the segment took the initiative to grasp the opportunity brought by favorable policies, accelerated the adjustment to marketing pattern, improved economic operation quality and shifted the focus on the development of commerce and logistics business, thus facilitating the simultaneous growth in the overall revenue and operational efficiency of the segment.

In 2012, the modern building materials and commerce and logistics segment recorded revenue from its principal business of RMB9,945 million, a year-on-year increase of 82.15%, while the gross profit from principal business amounted to RMB1,063 million, a year-on-year decrease of 0.66%.

3. Property Development Segment

Earnestly implementing the adjustment to “two structures” (兩個結構) and the strategy of “accelerating cash flow” (好水快流), the segment firmly grasped market transition opportunity, constantly improved the alignment with the affordable housing policies, timely optimized the sales strategy of commodity housing, enhanced project control and management, stepped up project quality control and innovated project development model, thus achieving a steady overall development.

In 2012, the property development segment recorded revenue from its principal business of RMB10,935 million, a year-on-year increase of 24.54%, while the gross profit from principal business was RMB4,136 million, a year-on-year increase of 39.87%. The booked GFA for the year was 836 thousand sq.m, remaining flat year-on-year, among which booked GFA of commodity housing amounted to 595 thousand sq.m, a year-on-year increase of 23.01%, and booked GFA of affordable housing amounted to 241

MANAGEMENT DISCUSSION AND ANALYSIS

thousand sq.m, a year-on-year decrease of 31.51%. Aggregated contracted sales area of the Company for the year was 1,294.4 thousand sq.m, a year-on-year increase of 33.01%, among which contracted sales area for commodity housing amounted to 768.2 thousand sq.m, a year-on-year increase of 81.21%, and contracted sales area for affordable housing amounted to 526.2 thousand sq.m, a year-on-year decrease of 4.21%. As at the end of the Reporting Period, the Company had a land reserve totaled 5,400 thousand sq.m.

Properties Held for Development by the Group as at 31 December 2012

No.	Project Name	Project Location	Date of Land Acquisition	Estimated Project Completion Date	Total Land Reserve as at 31 December 2012 (thousand sq.m.)	Percentage of the Group's interest to the total
Total					5,403.4	
I.	Commodity housing projects				4,741.8	
1	Jinyu Feili Phase I	Eastern Jiancaicheng, Xisanqi, Haidian District, Beijing	2009/12/30	2013		
	Jinyu Feili Phase I—Commercial				164.3	100%
	Jinyu Feili Phase II	Jiancaicheng, Xisanqi, Haidian District, Beijing	2011/7/18	To be determined		
2	Jinyu Huashijiang	Liyuan, Tongzhou District, Beijing	2009/5/25	To be determined	266.3	100%
	Jinyu Huashijiang—Ziyouzhu		2009/6/12	2013		
3	Tuqiao Phase III	Liyuan, Tongzhou District, Beijing	2010/11/11	2014	98.6	100%
4	Jincheng Center	Jiukeshu Village, Liyuan, Tongzhou District, Beijing	2010/12/9	2014	166.8	100%
5	Guogongzhuang	Guogongzhuang, Huaxiang, Fengtai District, Beijing	2012/1/19	2016	152.0	100%
6	Jinyu Fuge—I Cube	Da Zhuang, Huang Village, Daxing District, Beijing	2009/6/11	To be determined	79.7	100%
	Jinyu Fuge—2# Hotel					
7	Xi Hai'an	Jieshan, Changping District, Beijing	2009/6/25	2015	67.0	100%
8	Jinyu Vanke City—Commercial communities	Nanhuan Road, Changping District, Beijing	2007/3/1	To be determined	99.0	51%
	Jinyu Vanke City—Complex			To be determined		
9	Chaoyang New City non-ancillary public building—Site B (commercial)	Dongba, Chaoyang District, Beijing	2008/3/27	To be determined	97.0	100%
10	Jiaheyuan public building	Dongshahe, Changping District, Beijing	2008/10/21	To be determined	48.0	100%
11	Tianjin Yuecheng	Zhangguizhuang, Dongli District, Tianjin	2010/6/13	2015	382.7	100%
	Tianjin Yuecheng—Site B		2010/3/22	2015		
12	Inner Mongolia Jinyu Times City	Chilechuan Dajie, Saihan District, Huhhot, Inner Mongolia	2007/5/29	2014	213.6	100%
	Inner Mongolia Jinyu Times City—C2 public building			To be determined		
13	West of Zhonghai in Huhhot – Site 3	Saihan District, Huhhot, Inner Mongolia	2012/6/13	To be determined	125.1	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Properties Held for Development by the Group as at 31 December 2012 (continued)

No.	Project Name	Project Location	Date of Land Acquisition	Estimated Project Completion Date	Total Land Reserve as at 31 December 2012 (thousand sq.m.)	Percentage of the Group's interest to the total
14	Jinyu Lefu (Tangshan)	Opposite to the south gate of Da Cheng Mountain, Lubei District, Tangshan, Hebei	2010/8/23	2014	272.3	80%
15	Banshan Tianyuan, Gongshu District, Hangzhou	Banshan Tianyuan Gongshu District, Hangzhou	2010/11/30	2015	193.4	100%
16	Guanlan Times - International Garden Tianzhu			2013		
	Guanlan Times - International Garden Yundi	Baiyang Street, Economic and Technology Development Zone, Hangzhou, Zhejiang	2007/5/1	2013		
	Guanlan Times - public buildings DIFG			To be determined	498.0	100%
	Guanlan Times - International Garden Hanting			2013		
	Guanlan Times - International Garden Langxuan		2009/12/1	2013		
17	A site at the west side of Jinggang Mountain, Huangdao District, Qingdao	A site at the west side of Jinggang Mountain, Huangdao District, Qingdao	2012/7/30	2014	23.0	100%
18	Chongqing Huangjueya	Huangjueya Zutuan, Nan'an District	2010/6/4	To be determined	503.2	100%
19	Chongqing Chayuan	Chayuan Xincheng District, Nan'an District	2010/12/1	To be determined	801.5	100%
20	Haikou Meilinghu Villa	The west side of Haiyu East Line, Lingshan Town, Meilan District, Haikou City	2004/3/2	2013	24.1	100%
21	Chengdu Shuangliu	Xihanggangjiedao, Shuangliu, Chengdu	2011/12/12	2015	252.0	80%
22	Haikou Project	Haidian River, Haikou, Hainan Province	2012/12/1	To be determined	214.2	100%
II.	Affordable Housing Projects				661.6	
1	Binhejiayuan (Yanshan affordable housing)	Jingyuanlu, Shijingshan District, Beijing	2011/5/23	2014	295.5	100%
2	Binhexinyuan (Yanshan housing with a price cap)		2011/7/22	2014	14.3	100%
3	Chaoyang New City Zutuan D	Dongba, Chaoyang District, Beijing	2012/7/26	To be determined	196.0	100%
4	Xisha targeted settlement housing	Eastern Xisha region, Haidian District, Beijing	2012/3/22	2014	12.6	100%
5	Jinyu Kanghuiyuan	Shuangqiao, Chaoyang District, Beijing	2010/7/6	To be determined	38.6	100%
6	Ancillary public rental housing in Jinyu Feili Phase II	Jiancaicheng, Xisanqi, Haidian District, Beijing	2011/7/18	2015	30.0	100%
7	Other remaining flats in affordable housing	Shuanghui affordable housing, Chaoyang New City Zutuan G, Jianxinyuan, Jinyuanzhuang, etc.	-	-	74.6	100%

MANAGEMENT DISCUSSION AND ANALYSIS

4. Property Investment and Management Segment

Against the backdrop of complicated economy, both domestic and abroad, and the intensified industrial growth pressure, the segment made full use of the integrated advantages and the industrial characteristics of each enterprise with innovative approaches in operating and management, active optimization and adjustment and thorough potential exploration, solidly fulfilling every economic target and key project with pronounced improvement in economic scale and development quality.

In 2012, the property investment and management segment recorded revenue from its principal business of RMB1,741 million, a year-on-year increase of 20.72%, while the gross profit from principal business was RMB1,090 million, a year-on-year increase of 21.96%. As at the end of the Reporting Period, the Company has investment properties totalling 760 thousand sq.m in the core districts of Beijing.

Investment Properties held by the Group as at 31 December 2012

	Location	Usage	Property Gross Area (thousand sq.m.)	Fair Value (RMB million)	Rental Unit Price (RMB/day)	Average Occupancy Rate (Note)	Unit Fair Value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	Commercial	105	2,440	8.3	90%	23,238
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	Commercial	145	2,706	6.1	94%	18,662
Phase 3 of Global Trade Center (G/F)	North Third Ring Road, Beijing	Retail	61	974	5.8	91%	15,967
Tengda Plaza	West Second Ring Road, Beijing	Commercial	78	1,276	6.3	95%	16,359
Jin Yu Building	West Second Ring Road, Beijing	Commercial	44	890	7.3	87%	20,223
Jianda Building/ Jiancai Jingmao Building	East Second Ring Road, Beijing	Commercial	48	1,015	4.2	97%	21,146
Dacheng International Center	East Fourth Ring Road, Beijing	Commercial	42	537	2.9	100%	12,823
Sub-total			523	9,838			
Other properties	Beijing Municipality	Commercial and retail	237	3,002			
Total			760	12,840			16,888

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

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Assets and Liabilities

Unit: RMB'000

	<i>As at</i> <i>31 December</i> <i>2012</i>	As at 31 December 2011	Change
Cash and bank balances	5,906,094.5	7,918,479.4	-25.4%
Prepayments	909,415.1	1,397,237.5	-34.9%
Dividends receivable	1,215.4	-	N/A
Inventories	32,286,890.7	27,269,465.8	18.4%
Available-for-sale financial assets	-	95.1	-100.0%
Investment properties	12,840,400.0	11,599,000.0	10.7%
Fixed assets	15,331,150.6	14,613,460.8	4.9%
Construction in progress	2,146,494.6	950,567.7	125.8%
Deferred income tax assets	1,205,767.3	736,017.7	63.8%
Short-term loans	11,388,286.9	11,286,861.2	0.9%
Accounts payable	6,569,201.9	5,124,354.1	28.2%
Receipts in advance	14,206,950.3	11,621,778.3	22.2%
Tax payable	1,308,896.8	850,968.9	53.8%
Other payables	2,483,124.8	3,578,163.3	-30.6%
Short-term financing bonds payable	1,000,000.0	-	N/A
Long-term loans	4,757,051.5	7,772,597.5	-38.8%
Bonds payable	6,692,453.6	4,687,098.8	42.8%
Accrued liabilities	100,077.2	33,029.9	203.0%

Cash and bank balances decreased RMB2,012,384,900, which was mainly attributable to the acquisition and construction of long-term assets and the repayment of interest-bearing liabilities.

Prepayments decreased RMB487,822,400, which was mainly attributable to the decrease in prepayments for materials.

Dividends receivable increased RMB1,215,400, which was mainly attributable to the delay payment of dividends declared by investees of the Company in 2012.

Inventories increased RMB5,017,424,900, which was mainly attributable to the increased investment in development projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Available-for-sale financial assets decreased RMB95,100, which was mainly attributable to the disposal of the shares held by the Company in Bank of Beijing Co., Ltd.

Investment properties increased RMB1,241,400,000, which was mainly attributable to the change in the fair value of investment properties.

Fixed assets increased RMB717,689,800, which was mainly attributable to the acquisition and construction of fixed assets as well as the transfer of construction in progress to fixed assets during the Reporting Period.

Construction in progress increased RMB1,195,926,900, which was mainly attributable to the increased investment in projects under construction.

Deferred income tax assets increased RMB469,749,600, which was mainly attributable to the unrealized gains and losses of intra-group transactions and the recognition of deferred income tax arising from the carrying amount of the provision of land appreciation tax exceeding tax base.

Short-term loans increased RMB101,425,700, which was mainly attributable to the banking financing of the Group due to the increase in capital requirement driven by business growth.

Accounts payable increased RMB1,444,847,800, which was mainly attributable to the increase in accounts payable for material purchases.

Receipts in advance increased RMB2,585,172,000, which was mainly attributable to the presale of property projects.

Tax payable increased RMB457,927,900, which was mainly attributable to the increase in the provision made for relevant taxes according to the relevant requirements.

Other payables decreased RMB1,095,038,500, which was mainly attributable to the payment of the consideration for the acquisition of equity interests to China Cinda Asset Management Co., Ltd.

Short-term financing bonds payable increased RMB1,000,000,000, which was mainly attributable to the new issue of short-term financing bonds during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Long-term loans decreased RMB3,015,546,000, which was mainly attributable to the transfer of certain long-term loans due within one year to current liabilities.

Bonds payable increased RMB2,005,354,800, which was mainly attributable to the issuance of medium-term notes during the Reporting Period.

Accrued liabilities increased RMB67,047,300, which was mainly attributable to the provision made by cement enterprises of the Company for mine rehabilitation expenses.

Analysis of Financial Position for the Reporting Period

1. Principal business operations

Unit: RMB million

	Revenue from principal business	Cost of sales from principal business	Gross profit margin from principal business (%)	Increase or decrease in revenue from principal business compared with last year (%)	Increase or decrease in cost of sales from principal business as compared with last year (%)	Increase or decrease in gross profit margin from principal business compared with last year
Cement and Ready-mixed Concrete	11,470.4	9,667.6	15.7	-11.8	-5.2	Decrease of 5.9 percentage points
Modern Building Materials and Commerce and Logistics	9,945.4	8,882.4	10.7	82.2	102.3	Decrease of 8.9 percentage points
Property Development	10,934.9	6,798.9	37.8	24.5	16.8	Increase of 4.2 percentage points
Property Investment and Management	1,741.1	650.7	62.6	20.7	18.7	Increase of 0.6 percentage point
Elimination	-542.6	-504.7	-	-	-	-
Total	33,549.2	25,494.9	24.0	18.8	24.4	Decrease of 3.4 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Investment properties measured at fair value*

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

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

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group were RMB936.2 million, accounting for 23.7% of the profits before tax. The fair value gains on investment properties during the period were mainly due to an upward revision to the fair value of the investment properties of the Group by the valuer based on the significant rise in rental of commercial properties on the open market in general in Beijing.

3. *Expenses during the Reporting Period*

- (1) Selling expenses were RMB1,350.6 million, an increase of RMB176.7 million year-on-year. Such increase in selling expenses including labor costs and transportation costs was mainly due to business expansion.
- (2) Administrative expenses were RMB2,189.1 million, an increase of RMB58.7 million year-on-year. Such increase in administrative expenses including labor costs was mainly due to business expansion.
- (3) Finance costs were RMB902.4 million, an increase of RMB105.0 million year-on-year. Such increase was mainly due to the increase in average amount and average interest rate of loans of the Group during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Cash flows

In 2012, a net decrease of RMB1,568.8 million in cash and cash equivalents was recognised in consolidated financial statements of the Company. Such decrease was the net result of (i) the net cash inflow generated from operating activities of RMB4,310.8 million, an increase of RMB5,446.5 million year-on-year, which was attributable to the Company's enhanced efforts in cash recoverability during the Reporting Period; (ii) the net cash outflow generated from investment activities of RMB3,393.9 million, an increase in outflow of RMB976.2 million year-on-year, which was attributable to the increase in investment amount for the acquisition and construction of long-term assets, etc. during the Reporting Period; (iii) the net cash outflow generated from financing activities of RMB2,484.5 million, which was attributable to the increase in repayment of loans during the Reporting Period and (iv) the exchange realignment of RMB1.2 million.

Core Competence Analysis

The Company is one of the 12 large cement enterprises that received key support from the Central Government and the biggest cement and concrete manufacturer and supplier in the region covering Beijing, Tianjin and Hebei Province, one of the largest building materials manufacturers in the PRC and the leader of building materials industry in Pan Bohai Economic Rim, one of the property developers with the strongest comprehensive strengths and an affordable housing developer with the earliest development, the largest quantity of projects and the most comprehensive system in Beijing region, and one of the largest holder and manager of investment properties in Beijing. The four major business segments of the Company have witnessed strong growth and synergetic development, extending their principal businesses to nearly 20 provinces, cities and regions in the PRC.

The core competence of the Company is detailed as follows:

1. Competitive Edge in the Core Industrial Chain

The unique industrial chain development model with four business segments has been brought to life by the core industrial chain of "cement and ready-mixed concrete-modern building materials and commerce and logistics-property development-property investment and management". The overall advantage stands out with prominent inter-segmental synergy.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Competitive Edge in Technology R&D

The Company continues to enhance its investment in technology R&D in a move to ensure the smooth advancement of each technology innovation project. In respect of technologies, the Company has a sharp edge in the industry which provides the Company with an enduring source of growth. By actively integrating resource of technology innovations, the Company built a brand new technology innovation system of “1+N”, a national, provincial and municipal level platform for technology innovation. In 2012, the platform passed multiple national and provincial (municipal) level reviews of technology innovation platform. The first Academician Expert Workstation (院士專家工作站) in refractory industry is settled at Tongda Refractory Technology Corporation (a subsidiary of the Company). Taking part in 10 national science and technology projects in 2012, the Company filed 61 national patents and formulated or played a role in formulating 12 national and local standards, and received external technology funding support of RMB13.27 million.

3. Competitive Edge in the Development of Circular Economy

Based on the integration of Beijing, Tianjin and Hebei Province and the capital city's objective of “People's Beijing, High-Tech Beijing and Green Beijing”, the Company is putting more efforts in developing circular economy and low-carbon economy to embark on a sustainable path, as a result, providing the market with green environment-friendly and energy-saving products. As one of the first-batch pilot enterprises, the Company has been advocating the circular economy through the application of cement kiln technology, a proprietary technology of the Company that makes use of the advantage of the cement kiln, to generate power from its residual heat, to dispose industrial wastes, sludge from sewage treatment plants and hazardous wastes and to control fly ashes from garbage incineration, leading to a coordinated synergy of economic, social and ecological efficiency. The application of the technology also provides cement enterprises with valuable practical experience to transform into environment-friendly enterprises. The Company is the first cement enterprise of its kind being honored with “China's Environment Award” (中華環境獎).

MANAGEMENT DISCUSSION AND ANALYSIS

4. Competitive Edge in the R&D and Manufacturing of Green Building Materials

Upholding the sustainable development concept of green building materials and green building, the Company makes full use of the competitive edge in the interaction between building materials manufacturing segment and property development segment and vigorously advocates the green transformation of building materials and property development and acts on the concept of green building by green building materials. The Company has used a large amount of green ready-mixed concrete and aerated concrete which facilitate the development of circular economy in its property development projects. The internal and external walls of aerated concrete developed by the Company can be widely applied to factory, public buildings and industrialized apartments, saving labor costs while integrating the insulating function of external walls, thus extending the life cycle of energy-saving function of walls to be the same with that of the building itself. The insulation system made from energy-saving and heat-preservation A grade fire-resistance inorganic fiber, environment-friendly paint and environment-friendly furniture, developed by the Company, also help create a green interior environment that is both comfortable and safe.

5. Competitive Edge in Corporate Culture and Brand

The Company effectively achieves overall development by establishing scientific model for the control and management of corporate culture and improving the management procedures of the same. Standing on the strategic highland, the Company reviews its corporate culture construction from a macro perspective of wholeness and entirety, forming a basic framework and pattern for culture construction which is in line with the principle of "Showing personality while obtaining general acceptance among employees, embracing central tasks while delivering results as soon as possible" (突出自身特色·員工普遍認同·圍繞中心任務·盡快見到成效). Constantly extracting to encapsulate and exploring to innovate in practice, the Company effectively finalizes the corporate culture that takes the human spirit of the Company as its core essence. The human spirit of the Company includes the value of "faith", "responsibility", "respect" and "eight special". The unique culture raises the brand awareness and the prestige of the Company. The continuous growth of soft power in the form of corporate culture has created a sound cultural atmosphere and intelligent support for the materialization of development vision and objectives of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Discussion and Analysis on Future Development

1. Industry Competition Pattern and Development Trend

In 2013, the formidable external environment will impose numerous difficulties and challenges in the course of the Company's rapid development. However, the long-term positive economic fundamentals of the PRC remain unchanged and the favorable factors for steady and accelerated growth are gaining traction.

Cement Industry

After the 18th National Congress of the Communist Party of China, the Central Government has made the new urbanization project the long-term focus of the future economic growth. It is expected that the cement demand will hit a new record in 2013 with growth speed in a mid-to-low gear instead of high gear. The industry efficiency will depend more on the efficiency of the synergy among enterprises in the industry to maintain a welcoming demand-supply position. Meanwhile, the extension of the industrial chain in the cement industry will be an important approach for future growth of economic efficiency.

To address the issues of excessive output capacity and market competition, mergers and reorganizations will be the industry development mainstream in 2013; whereas a green and eco-friendly cement industry featuring energy conservation and emission reduction will be an inevitable development objective for the industry.

Property Industry

The latest policies of the Central Government on the regulation of property market reiterated the unswerving resolution to carry forward the regulating policies of the property market in 2013, continue the efforts in construction and management of affordable housing and redevelopment of run-down area and expedite the healthy development of property market through macro-economic regulation and market coordination.

Against the backdrop of steady macro-economic growth, stable and robust currency policies and tightened regulating policies in real estate market, it is expected that the national property market in 2013 will see a slight increase in sales volume and price with stable growth in investments and a rebound in new development projects.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Development Strategies of the Company

During the “12th Five-Year Plan” period, the PRC is experiencing a critical strategic period of opportunity, in which a great deal can be achieved. The PRC will accelerate the change of economic growth model, continue to expand domestic demand, speed up the strategic adjustment of the industry structure and vigorously promote urbanization. In this regard, the Company will continue to build a stronger and bigger principal business by fully capitalizing on the advantages in management, scale and brand and sharpen its core competence and overall strengths, with an aim to ensure the on-going and robust development of the Company.

The strategies of each segment of the Company: the cement and ready-mixed concrete segment will adhere to the regional “grand cross-shape” (大十字) layout through “seismic wave” (地震波) expansions, strengthening the regional integration of cement, ready-mixed concrete, gravel aggregate, dry-mixed mortar and cement products, and the control over the resources of up- and down-stream, so as to build certain concentrated industry bases of enterprises in each region and keep consolidating and sharpening the added competitiveness; the modern building materials and commerce and logistics segment will stick to the “industrial park-based” (園區化) growth pattern with accelerated layout and transformation adjustment and make full play of its advantages in industry concentration and industry synergy, so as to expedite the breakthrough in the development of commerce and logistics business; the property development segment will continue the adjustment to “two structures” (兩個結構) and the strategy of “accelerating cash flow” (好水快流) with strengthened capabilities in prediction of policy information and capturing of market opportunities and enhanced core competence, so as to facilitate the robust and sustained development of the industry; the property investment and management segment will uphold the principle of “resource integration, structure optimization, quality improvement and coordinated development” with in-depth adjustment and integration, optimized resource allocation, improved operating and management quality of assets, enhanced service quality and augmented soft and hard power so as to keep the segment on a sound development track.

3. Operating Planning

The year 2013 will be a crucial year for the Company to build on past achievement and strive for new progress in regard of facilitating the “12th Five-Year” development strategy. Closely following the strategic planning of “12th Five-Year” development and the annual work objectives, the Company will invest more efforts in the four segments

MANAGEMENT DISCUSSION AND ANALYSIS

of principal businesses, i.e. cement and ready-mixed concrete segment, modern building materials and commerce and logistics segment, property development segment and property investment and management segment, so as to sharpen the core competence and expedite the rapid and healthy growth of the Company.

4. Capital Requirement for the Company to Maintain Current Businesses and Complete the Construction-In-Progress Investment Projects

In 2013, the Company will ensure normal manufacturing and operation by making overall plan to allocate capital and arranging for the proper use of capital. Meanwhile, the Company will further optimize the asset structure, intensify control over the progress of sales and settlement, strictly control various expenses and fully utilize various financial instruments to lower the costs of using capital and ensure the benign circulation of cash flow, so as to provide the strategic development of the Company with capital supports.

5. Possible Risks

(i) Risks in Macro-Environment

Currently, the Central Government is vigorously promoting the reform of economic system, changing the economic growth model and facilitating the upgrade of industry structure. And the Central Government introduced a series of regulating policies concerning cement and property which were associated with the Company's business and formulated a series of measures on industry layout and scale, energy conservation and emission reduction which will impose certain impact on the materialization of the development strategies and operating objectives of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Industry Risks*Cement Industry*

Benefiting from the rapid economic growth driven by investments in the PRC over recent years, the cement output grew continuously, leading to the current excessive output capacity with utilizing ratio slipping to 72.7%. Despite the intensified effort in eliminating obsolete cement output capacity by the Central Government, the situation of long-term and overall excessive output capacity is set to be inevitable as the remaining obsolete capacity is contracting due to the previous elimination. With the implementation of the national regulating policies for cement industry, the future cement industry is destined to transform into an environment-friendly industry. Standards on nitrogen oxide emission in cement industry, which is being formulated by Ministry of Environmental Protection recently, will further impact the whole industry if the standards are enhanced, especially under the circumstances of existing excessive output capacity and declining profit.

Solution: centering on efficiency and propelled by technology advancement, the Company will continue to diversify marketing approaches, refine internal control and management, accelerate transformation and upgrading, improve industry layout and optimize industry chains; the Company will sharpen the core competence of segment by strategic interactions and regional coordination, bringing the overall advantage of the cement segment into play and consolidating the leading position of strong regional enterprises and their effects as role models, thus achieving a sound and rapid development.

Property Industry

During the regulating years for property, the Central Government frequently introduced numerous policies in the market which turned into a policy-based market. Any change in the policies will take toll on the attitude of property purchasers, operating strategy of developers and value appraisal of investors. In 2013, the Central Government and ministries concerned will continue the tightened grip on the regulating policies of real estate, which will pose a greater challenge to the property sales of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Solution: capitalizing on three work platforms of project operation, cost control and management and land acquisition, the Company will continue to implement the adjustment to “two structures” (兩個結構) and the strategy of “accelerating cash flow” (好水快流) with strengthened capabilities in prediction of policy information and capturing of market opportunities, innovate growth model and enhance core competence, so as to facilitate the robust and sustained development of the industry.

(iii) Risks in Market Competition

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

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

Liquidity and Financial Resources

As at 31 December 2012, the Group's total assets amounted to RMB83,161.8 million, an increase of 8.1% from the end of last year, of which liabilities amounted to RMB58,137.1 million, non-controlling interests RMB2,120.8 million and equity attributable to the shareholders of the parent company RMB22,903.9 million. The asset quality was significantly improved. Total equity attributable to shareholders amounted to RMB25,024.7 million, an increase of 15.2% from the end of last year. As at 31 December 2012, the Group's net current assets were RMB3,638.9 million, a decrease of RMB1,788.1 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2012 was 69.9%, a slight decrease of 1.9 percentage points from the beginning of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2012, the Group's cash and bank balances amounted to RMB5,906.1 million, a decrease of RMB2,012.4 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, corporate bonds, medium-term notes and banking facilities provided by its principal bankers in the PRC. As at 31 December 2012, the Group's interest-bearing bank borrowings amounted to RMB18,721.4 million. Of these borrowings, approximately RMB13,964.3 million interest bearing bank borrowings were due for repayment within one year, a decrease of approximately RMB926.7 million from the beginning of the year. Approximately RMB4,757.1 million interest-bearing bank borrowings were due for repayment after one year, a decrease of approximately RMB3,015.5 million from the beginning of the year.

During the Reporting Period, the Company signed cooperation agreements with various banks to obtain credit facilities. The Company has sufficient capital for its operation.

Material Acquisitions of Subsidiaries

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

Pledge of Assets

As at 31 December 2012, certain of the Group's accounts receivable, inventories, fixed assets and investment properties amounting to RMB6,393.3 million (31 December 2011: RMB10,803.7 million) were pledged to certain banks for securing the loans granted to the Group and the corporate debenture issued by BBMG Group Company Limited and accounted for approximately 7.7% of the total assets of the Group (31 December 2011: 14.0%).

MANAGEMENT DISCUSSION AND ANALYSIS

Contingencies

		Unit: RMB	
		<i>31 December</i>	31 December
		<i>2012</i>	2011
Provision of guarantee to an associate	Note 1	<i>800,000,000.00</i>	800,000,000.00
Provision of guarantee to third parties	Note 2	<i>3,885,136,892.77</i>	3,120,640,376.71
		<i>4,685,136,892.77</i>	3,920,640,376.71

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

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

Commitments

		Unit: RMB	
		<i>31 December</i>	31 December
		<i>2012</i>	2011
Acquisition or construction of fixed assets which are contracted but not completed		<i>600,880,577.76</i>	649,549,808.22
Property development contracts which are contracted and being executed or will be executed		<i>5,386,341,877.26</i>	6,857,714,585.64
Equity investment contract which is contracted and being executed		<i>216,500,000.00</i>	195,000,000.00
		<i>6,203,722,455.02</i>	7,702,264,393.86

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events After the Balance Sheet Date

Save for the profit distribution proposal for 2012, whereby a cash dividend of RMB0.071 per share (inclusive of tax) will be distributed with a total amount of approximately RMB304,145,300.00 and subject to the approval of the Company's shareholders at the forthcoming annual general meeting, as at the date of the report, the Group did not have any significant event after the balance sheet date required to be disclosed.

Employees and Remuneration Policy

As at 31 December 2012, the Group had 28,753 employees in total (as at 31 December 2011: 33,678). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB1,433.2 million (2011: RMB1,239.6 million), representing an increase of approximately of 15.6%.

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

The Company mainly adopted a yearly-based salary system for operation and management personnel and raised the proportion of performance-linked pay in the total remuneration, expediting the senior management personnel to fulfill their obligations and responsibility diligently through its policies and systems and a position-linked salary system for general management, technicians and production personnel. The Company raised the proportion of fixed income to guarantee the stability of staff team through a well-established position evaluation system. Meanwhile, the Company put greater efforts in performance assessment to develop a fairer and more scientific income distribution system so that all staff could be benefited from the development of the Company. Focusing on different characteristics of our subsidiaries, the Company also proactively explored a remuneration distribution system with various allocation factors for management, sales and technical personnel in a bid to boost the enthusiasm and creativity of key talents and further enhance the production efficiency by adopting piece rate for production staff.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Training scheme

Training scheme was formulated based on comprehensive analyses on the training requirements of each department and subsidiary according to the needs of strategic development of the Company, aiming at improving the overall quality of our staff and turning training into an important part in terms of corporate human resource management while focusing on learning new technologies, methods and theories, so as to keep the knowledge of our staff to be most updated and highlight the forward-looking nature of education and training.

In 2013, the Company will establish a hierarchical classification training system comprising both internal and external training methods and provide a variety of trainings in terms of levels, types, contents and forms to carry out trainings for adaptability, qualifications and skills upgrade especially for managerial personnel and professional technicians from various level according to the needs of rapid development of the Company, in a bid to cultivate and foster their actual competence and overall attainments. The Company will spare no effort in nurturing and bringing up a staff team that is capable of adapting to our development needs.

The statistics of the profession composition of the employee (as of 31 December 2012)

Employee profession	Number of employees
Production personnel	17,185
Sales personnel	2,976
Technical personnel	2,993
Financial personnel	1,053
Administrative personnel	3,427
Other personnel	1,119
Total	28,753

MANAGEMENT DISCUSSION AND ANALYSIS

The statistics of the education level of the employee (as of 31 December 2012)

Education level	Number of employees
Postgraduate or higher	627
Undergraduate	7,923
Tertiary college graduate	5,796
Secondary vocational school graduates or lower qualifications	14,407
Total	28,753

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 year. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

Treasury Policies

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

/ REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the shareholders their report and the audited financial statements of the Group for the year ended 31 December 2012. The Company was established and registered as a joint stock company with limited liability in the PRC under the Company Law of the PRC on 22 December 2005 and registered on 4 November 2008 as a non-Hong Kong company in Hong Kong under part XI of the Hong Kong Companies Ordinance. The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 29 July 2009. The A shares of the Company were listed on the Shanghai Stock Exchange on 1 March 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment. The Group is principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment and provision of property management services. The activities of the Group's principal subsidiaries are shown on pages 156 to 170. An analysis of the performance of the operating segments of the Group for the year by business segments is set out in Note X.3 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Company and the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 103 to 105 and 110 to 112 of this Annual Report.

No interim dividend has been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.071 per share for the year ended 31 December 2012 to the shareholders on or before 28 June 2013 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years is set out on page 308 of this Annual Report. This summary does not form part of the audited financial statements.

BANK LOANS, CORPORATE BONDS AND NOTES

Details of the Company's and the Group's bank loans, corporate bonds and notes as at 31 December 2012 are set out in Notes V.23, 24, 35 and 36 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB723,672,304.44, details of which were set out in Note V.48 to the financial statements. Pursuant to the approval of a special resolution at the annual general meeting of the Company held on 24 May 2012, the Company (1) completed the issuance of the first tranche of short term financing bonds in the PRC in the amount of RMB1 billion on 18 September 2012. The term of the financing bonds is 365 days with a coupon rate of 4.8%; and (2) completed the issuance of the first tranche of mid-term notes in the PRC in the amount of RMB2 billion from 18 to 19 September 2012. The term of the debentures is five years with a coupon rate of 5.58%. The proceeds of the short-term financing bonds and mid-term notes will be used for general working capital and including but not limited to the capital requirements for project investments and capital operations.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in Note V.49 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.40, 41, 42 and 43 to the financial statements, the consolidated statement of changes in equity and the statement of changes in equity.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2012, an amount of approximately RMB6,506,988,600 standing to the credit of the Company's reserve account is available for distribution, of which RMB304,145,300 has been proposed as a final dividend for the year.

DIRECTORS AND SUPERVISORS

During the Reporting Period, in accordance with the articles of association of the Company (the "Articles"), certain directors ("Directors") and supervisors ("Supervisors") were elected or re-elected by the shareholders of the Company ("Shareholders") to constitute the third session of the Board and the third session of the supervisory committee of the Company (the "Supervisory Board") respectively at the extraordinary general meeting convened on Friday, 26 October 2012 (the "2012 EGM"). The term of the third session of the Board and that of the Supervisory Board has commenced from the conclusion of the 2012 EGM and will expire on the date of the annual general meeting of the Company for the year of 2014.

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

Executive Directors:

Jiang Weiping (*Chairman*)

Jiang Deyi (*President*)

Shi Xijun

Zang Feng (appointed on 26 October 2012)

Wang Hongjun

Wang Shizhong (appointed on 26 October 2012)

Li Changli (resigned on 9 January 2012)

Deng Guangjun (resigned on 11 July 2012)

Non-executive Directors:

Yu Shiliang (appointed on 26 October 2012)

Li Xinhua (resigned on 26 October 2012)

Independent non-executive Directors:

Hu Zhaoguang

Zhang Chengfu

Xu Yongmo

Yip Wai Ming

REPORT OF THE DIRECTORS

Supervisors:

Liu Yi	(appointed on 26 October 2012)
Li Bichi	(appointed on 26 October 2012)
Hu Jingshan	
Qian Xiaoqiang	(appointed on 26 October 2012)
Zhang Dengfeng	(appointed on 26 October 2012)
Zhang Yifeng	(appointed on 26 October 2012)
Wang Xin	(appointed on 26 October 2012)
Wang Xiaoqun	(resigned on 26 October 2012)
Zhang Jie	(resigned on 26 October 2012)
Hong Ye	(resigned on 26 October 2012)
Wang Youbin	(resigned on 26 October 2012)
Ma Weixin	(resigned on 26 October 2012)
Sheng Guihua	(resigned on 26 October 2012)

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE GROUP

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

EMPLOYEE RETIREMENT PLAN

Please refer to Notes II.27 and V.37 to the financial statements for details of the Group's employee retirement plan.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SUPERVISORS' REMUNERATIONS

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

SENIOR MANAGEMENT'S REMUNERATION

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

For the year ended 31 December 2012, remuneration paid to the members of the senior management other than the Executive Directors is as follows:

	<i>2012</i>	2011
	<i>RMB</i>	RMB
Salaries, allowances and benefits in kind	<i>1,941,352</i>	1,978,587
Performance related bonuses	<i>2,463,124</i>	3,171,499
Pension scheme contributions	<i>139,068</i>	145,902
	<i>4,543,544</i>	5,295,988

REPORT OF THE DIRECTORS

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

	<i>2012</i>	2011
RMB0-1,000,000	<i>6</i>	7
RMB1,000,001-1,500,000	<i>1</i>	1
	<i>7</i>	8

TOP FIVE HIGHEST-PAID EMPLOYEES

Details of the top five highest-paid employees of the Company during the Reporting Period are set out in Note X. 8 to the financial statements.

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

As at 31 December 2012, none of the Directors, the Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") that was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part VI of the SFO (including interest and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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.

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 2012, 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 2012, shareholders of the Company who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
A shares	BBMG Group Company Limited	Directly and beneficially owned	1,844,852,426	59.24	43.07
A shares	China National Materials Co., Ltd.	Directly and beneficially owned	239,580,000	7.69	5.59
H shares	HSBC Global Asset Management (Hong Kong) Limited	Directly and beneficially owned	83,553,248	7.14	1.95
H shares	Sloane Robinson LLP	Directly and beneficially owned	70,497,000	6.03	1.65
H Shares	Schroders Plc	Directly and beneficially owned	59,581,000	5.09	1.39

REPORT OF THE DIRECTORS

Short positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
A shares	BBMG Group Company Limited	Directly and beneficially owned	92,120,474	2.96	2.15

Save as disclosed above, as at 31 December 2012, so far as was known to the Directors, there were no other parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

COMPETITION AND CONFLICT OF INTERESTS

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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

A. One-off Connected Transactions**(1) *The Commodity Property Master Sale Agreement***

On 28 September 2012, BBMG GEM Property Development Co., Ltd. (“BBMG GEM”, a wholly-owned subsidiary of the Company) entered into the Commodity Property Master Sale Agreement with the Parent, pursuant to which the Parent has agreed to purchase certain commodity properties from BBMG GEM developed by BBMG GEM and located in Beijing area of the PRC with an aggregated consideration of not more than RMB500 million.

During the Reporting Period, the parties have entered into individual sale and purchase agreement for each commodity property in accordance with the relevant regulations of which such commodity property is located. The total consideration payable by the wholly-owned subsidiary of the Parent to BBMG GEM for the purchase of commodity properties is approximately RMB500 million and will give rise to a total gross profit of approximately RMB125 million.

The total consideration was arrived at after arm’s length negotiation between the parties having taking into account, among other things, the current market price of the BBMG GEM’s commodity properties and the Parent’s purchase plan for BBMG GEM’s commodity properties.

The Parent is a substantial shareholder of the Company and therefore a connected person of the Company for the purposes of the Listing Rules.

REPORT OF THE DIRECTORS

(2) The Enterprise Relocation and Compensation Agreements

On 25 October 2012, BBMG GEM entered into the Haidian Relocation and Compensation Agreement with 北京西砂資產經有限公司 (Beijing Xisha Assets Management Co., Ltd., or "Beijing Xisha") and the Chaoyang Relocation and Compensation Agreement with 北京市門窗有限公司 (Beijing Doors and Windows Co., Ltd. or "Beijing DW").

Pursuant to the Haidian Relocation and Compensation Agreement, BBMG GEM has agreed to engage Beijing Xisha to carry out demolition and relocation works on the site with an area of 49,831 sq. m. located in Tiancun Mountain South Road, Haidian District, Beijing, the PRC (中國北京市海澱區田村山南路) (the "Haidian Site"). Pursuant to the Chaoyang Relocation and Compensation Agreement, BBMG GEM has agreed to engage Beijing DW to carry out demolishing and relocation works on the site with an area of 89,954 sq. m. located in the south area of Dongba construction cluster, Chaoyang District, Beijing, the PRC (中國北京市朝陽區東壩邊緣集團南區) (the "Chaoyang Site").

The fee payable by BBMG GEM to Beijing Xisha for such engagement and payment is RMB80,494,900, which was paid in 7 December 2012 and on the same day, Beijing Xisha has delivered to BBMG GEM the Haidian Site at its current status. The fee payable by BBMG GEM to Beijing DW for such engagement is RMB127,822,400, which was paid in 6 December 2012 and on the same day, Beijing DW has delivered to BBMG GEM the Chaoyang Site with flat site area, temporary accessible motorways, temporary electricity supply and temporary water supply.

The considerations under the Haidian Relocation and Compensation Agreement and the Chaoyang Relocation and Compensation Agreement was arrived at after arm's length negotiation between the relevant parties having taking into account, among other things, (i) the estimated expenses and costs of the demolishing and relocation works; (ii) the expected compensation payable to the existing residents on the Haidian Site and the Chaoyang Site; and (iii) the appraised compensation value determined by an independent valuer, Beijing Jinggang Real Estate Appraisal Co., Ltd., engaged by BBMG GEM.

Beijing Xisha and Beijing DW are wholly-owned subsidiaries of the Parent, which in turn is a substantial shareholder of the Company. Beijing Xisha and Beijing DW are therefore connected persons of the Company for the purposes of the Listing Rules.

REPORT OF THE DIRECTORS

B. Continuing Connected Transactions**(1) Leasing of properties from the Parent Group**

On 28 October 2011, the Company and the Parent entered into a lease framework agreement (the "Lease Framework Agreement"), pursuant to which the Parent and its subsidiaries (the "Parent Group") leased to the Group certain land and properties owned by the Parent Group (including its associates) mutually identified by the parties from time to time during the term of the Lease Framework Agreement commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Lease Framework Agreement for the Reporting Period was RMB20,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB3,656,000.

(2) Purchase of services from the Parent Group

On 28 October 2011, the Company and the Parent entered into a service purchase framework agreement (the "Service Purchase Framework Agreement"), pursuant to which the Group agreed to purchase services such as property management, quality control and checking, property demolishing and other services needed for the business operation of the Group from the Parent Group (including its associates) for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Service Purchase Framework Agreement for the Reporting Period was RMB32,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB2,568,000.

(3) Sale of goods to the Parent Group

On 28 October 2011, the Company and the Parent entered into a sales framework agreement (the "Goods Sales Framework Agreement"), pursuant to which the Group agreed to supply goods such as cement, clinker, refractory materials, furniture, colour boards, toiletry, wooden products and other woods to the Parent Group (including its associates) for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the Goods Sales Agreement for the Reporting Period was RMB50,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB1,159,000.

REPORT OF THE DIRECTORS

(4) Lease of equipment from the Parent Group

On 6 January 2010, the Company entered into a master equipment lease agreement with the Parent (the "Master Equipment Lease Agreement"), pursuant to which the Parent Group (including its associates) agreed to lease to the Group certain ancillary and supplemental production equipment and systems for a term commencing on 1 January 2010 and expiring on 31 December 2012. As disclosed in the announcement of the Company dated 6 January 2010, the annual cap in respect of the transactions under the Master Equipment Lease Agreement for the Reporting Period was approximately RMB32,000,000 and no transaction under the Master Equipment Lease Agreement was entered into for the Reporting Period.

(5) Purchase of goods from the Parent Group

On 28 October 2011, the Company entered into a goods purchase framework agreement with the Parent (the "BBMG Group Goods Purchase Framework Agreement"), pursuant to which the Parent Group (including its associates) agreed to supply to the Group goods including cement, cement clinker, limestone, stone, fuel, plastic-steel windows and other goods for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the BBMG Group Goods Purchase Agreement for the Reporting Period was RMB30,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB1,176,000.

(6) Provision of services to the Parent Group

On 28 October 2011, the Company entered into a service provision framework agreement with the Parent (the "BBMG Group Service Provision Framework Agreement"), pursuant to which the Group agreed to provide services such as property management, consultancy, conference services, accommodation services and other services needed for the operation of the Parent (including its associates) for a term commenced on 1 January 2012 and expiring on 31 December 2014. As disclosed in the announcement of the Company dated 28 October 2011, the annual cap in respect of the transactions under the BBMG Group Service Provision Framework Agreement for the Reporting Period was RMB60,000,000 and the total actual transaction amounts for the Reporting Period was approximately RMB8,383,000.

REPORT OF THE DIRECTORS

(7) *Supplemental agreement in relation to renovation project in Xisanqi Jiancaicheng*

On 5 August 2008, Xisanqi High-Tech Building Materials (a wholly-owned subsidiary of the Company) and the Parent entered into a renovation agreement (the "Renovation Agreement"), pursuant to which the Parent appointed Xisanqi High-Tech Building Materials to undertake the primary land development of a property owned by the Parent and located at the residential area of Xisanqi Jiancaicheng, Haidian District, Beijing (the "Renovation Project"). The scope of the primary land development includes the resettlement of existing residents, construction of new buildings and other infrastructure developments. Xisanqi High-Tech Building Materials will also be responsible for obtaining the necessary governmental approvals for the Renovation Project.

The Renovation Project commenced in 2005 and was originally scheduled to complete before 31 December 2011. The Parent and Xisanqi High-Tech Building Materials had agreed to amend certain terms and conditions of the Renovation Agreement by extending the completion date of the Renovation Project and the payment of the service fee to 31 December 2012 and therefore entered into the Supplemental Agreement on 25 April 2012.

The Parent will bear all the expenses and costs of the Renovation Project including reimbursing all expenses and costs incurred by Xisanqi High-Tech Building Materials upon completion of the Renovation Project. All benefit and interest of the Renovation Project will belong to the Parent. The Parent will indemnify Xisanqi High-Tech Building Materials for any liabilities, penalties or fines resulting from the Renovation Project undertaken.

According to the Supplemental Agreement, Xisanqi High-Tech Building Materials is entitled to receive a service fee equal to 12% of the expenses and costs of the Renovation Project provided that phase two of the Renovation Project is completed before 31 December 2012.

The Parent is a substantial shareholder of the Company and therefore a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions for the Company under the Listing Rules.

REPORT OF THE DIRECTORS

As disclosed in the announcement of the Company dated 25 April 2012, the annual cap in respect of the transactions under the Supplemental Agreement for the year ended 31 December 2012 was RMB50,000,000. Renovation income of approximately RMB43,945,000 was recorded for the Reporting Period.

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

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

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

REPORT OF THE DIRECTORS

AUDITORS AND PREPARATION OF FINANCIAL STATEMENTS USING MAINLAND ACCOUNTING STANDARDS

Beijing Xinghua Certified Public Accountants Co., Ltd. and Ernst & Young have retired as the domestic auditor and the international auditor of the Company with effect from the close of the 2011 annual general meeting of the Company (the "2011 AGM") held on 24 May 2012 and will not be re-appointed.

The Company has received a confirmation letter from each of Beijing Xinghua Certified Public Accountants Co., Ltd. and Ernst & Young confirming that there were no matters regarding their retirement that need to be brought to the attention to the Board and the Audit Committee of the Company. The Board also confirmed that there were no relevant matters regarding to the proposed change of auditors that need to be brought to the attention to the shareholders of the Company. The Board and the Audit Committee of the Company further confirmed that there were no disagreements or unresolved matters between the Company and Beijing Xinghua Certified Public Accountants Co., Ltd. or Ernst & Young regarding their retirement.

Pursuant to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" issued by the Hong Kong Stock Exchange in December 2010 and the related amendments to the Listing Rules, Hong Kong-listed Mainland incorporated issuers are allowed to prepare their financial statements using Chinese Accounting Standards for Business Enterprises ("CASBE"), and Mainland accounting firms that have been approved (the "Approved Mainland Accounting Firms") by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission are eligible to provide auditing services to these issuers using Mainland auditing standards to satisfy the disclosure requirements of the Hong Kong Stock Exchange.

In light of the above changes and in order to enhance efficiency and to save costs, the Board has resolved to put forth, with the recommendation from the Audit Committee of the Company, the proposition to appoint Ernst & Young Hua Ming, being one of the Approved Mainland Accounting Firms, as the sole external auditor of the Company for the Reporting Period and such proposed appointment has been reviewed and approved by the shareholders of the Company at the 2011 AGM.

REPORT OF THE DIRECTORS

At the 2011 AGM, Beijing Xinghua Certified Public Accountants Co., Ltd. and Ernst & Young have retired as the domestic auditor and the international auditor of the Company and Ernst & Young Hua Ming Certified Public Accountants has been appointed, by way of an ordinary resolution passed at the 2011 AGM, as the sole external auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company. With effect from 2012, the Company would only adopt CASBE, but not Hong Kong accounting standards at the same time, in its preparation of financial statements.

The consolidated financial statements for the year ended 31 December 2012 of the Company have been audited by Ernst & Young Hua Ming Certified Public Accountants.

On behalf of the Board

Jiang Weiping

Chairman

Beijing, the PRC, 20 March 2013

/ REPORT OF THE SUPERVISORY BOARD

During the Reporting Period, the Supervisory Board exercised supervision over the Company's financial conditions, lawful operation and the performance of duties by the Board and the management with an aim to protect the interests of both the 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 fulfilled substantially all of the objectives of the Supervisory Board for the year 2012.

I. Meetings of the Supervisory Board in 2012

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

(1) The eleventh meeting of the second session of the Supervisory Board

The eleventh meeting of the second session of the Supervisory Board was convened on-site in Beijing on 27 March 2012. All the 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 2011;
2. the resolution for considering the audited accounts of the Company for 2011;
3. the resolution for considering the preliminary profit distribution plan of the Company for 2011;
4. the resolution for considering the corporate social responsibility report of the Company for 2011;
5. the resolution for considering the report of the Supervisory Board for 2011; and
6. the resolution for considering the change of term of office of the Supervisory Board of the Company.

REPORT OF THE SUPERVISORY BOARD

(2) The twelfth meeting of the second session of the Supervisory Board

The twelfth meeting of the second session of the Supervisory Board was convened on 25 April 2012 by way of communication voting. At the meeting, the resolution for considering the full text and body text of the first quarterly report of the Company for 2012 was considered and approved.

(3) The thirteenth meeting of the second session of the Supervisory Board

The thirteenth meeting of the second session of the Supervisory Board was convened on-site in Beijing on 28 August 2012. All the seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. the resolution for considering the interim report and its summary and the interim results announcement of the Company for 2012;
2. the resolution for considering the change of term of office of the Supervisory Board of the Company; and
3. the resolution for considering the remuneration of the Supervisors of the Company.

(4) The fourteenth meeting of the second session of the Supervisory Board

The fourteenth meeting of the second session of the Supervisory Board was convened on-site in Beijing on 25 October 2012. All the seven eligible Supervisors attended the meeting. At the meeting, the resolution for considering the third quarterly report of the Company for 2012 was considered and approved.

(5) The first meeting of the third session of the Supervisory Board

The first meeting of the third session of the Supervisory Board was convened on-site in Beijing on 26 October 2012. All the seven eligible Supervisors attended the meeting. At the meeting, the resolution for considering the election of the chairman of the Supervisory Board was considered and approved.

REPORT OF THE SUPERVISORY BOARD

II. Attendance of Members of the Supervisory Board to the General Meetings and the Board Meetings in 2012

During the Reporting Period, members of the Supervisory Board attended two shareholders' general meetings of the Company and seven Board meetings (including four on-site meetings and three meetings by way of communication) of the Company, and reviewed the resolutions proposed to such general meetings and the Board. 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 2012

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

(1) Opinion on standardized operation and performance of duties by the Directors and the 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 2012. 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

(2) Opinion on financial position of the Company

During the Reporting Period, the Supervisory Board and the Supervisors 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 2012, Preliminary Profit Distribution Plan for 2012 and the financial reports included in the regular reports (定期報告) in 2012, and are of the opinion that the Company's financial information gives a true, fair and complete view of its financial conditions and operating performance. The reporting accountant of the Company had audited the financial reports included in the regular reports and issued standard auditors' report without qualified opinions.

(3) Opinion on regular reports of the Company

During the Reporting Period, the Supervisory Board and the Supervisors exercised supervision over the preparation, review and disclosure procedures of the Company's regular reports in 2012, and are of the opinion that such procedures are in compliance with laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company. The content and format of the regular reports are in line with all provisions of the regulatory authorities and the information contained therein gives a true, accurate and complete view of the business activities of the Company in 2012. 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.

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

With respect to its transaction including acquisition or disposal of assets, external investment and guarantees during the Reporting Period, the Supervisory Board and the Supervisors are 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 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

(5) Opinion on connected transactions of the Company

The Supervisory Board and the Supervisors are 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.

(6) Opinion on corporate social responsibility report

During the Reporting Period, the Supervisory Board and the Supervisors reviewed the Company's corporate social responsibility report for 2012, and are 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. The change of term of office of the Supervisory Board

The second session of the Supervisory Board of the Company expired on 28 April 2012. As the process of candidates' recommendation for the third session of the Supervisory Board was not completed, the eleventh meeting of the second session of the Supervisory Board resolved to extend the change of the term of office and such process shall be completed no later than 28 October 2012.

As recommended by a resolution at the thirteenth meeting of the second session of the Supervisory Board of the Company, Liu Yi, Li Bichi, Hu Jingshan, Qian Xiaoqiang, Zhang Dengfeng, Zhang Yifeng and Wang Xin were elected as Supervisors of the third session of the Supervisory Board at the first extraordinary general meeting in 2012 of the Company, of whom Zhang Dengfeng, Zhang Yifeng and Wang Xin were employee representative Supervisors as elected by employees through democratic voting. The term of office of the third session of the Supervisory Board commences from the approval date by the first extraordinary general meeting in 2012 and expires on the date of the annual general meeting for the year of 2014. As resolved at the first meeting of the third session of the Supervisory Board, Liu Yi was elected as the chairman of the third session of the Supervisory Board of the Company.

REPORT OF THE SUPERVISORY BOARD

V. Work Plan of the Supervisory Board for 2013

In 2013, the Supervisory Board will continue to discharge its duties diligently in strict compliance with the relevant requirements under applicable laws and regulations including the Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Board of the Company, thereby protecting the legitimate rights and interests of the Company and its shareholders as a whole.

(1) Duly discharging duties under the laws and regulations

In 2013, the Supervisory Board will exercise supervision over standardised 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, 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.

(2) Strengthening supervision and inspections to avoid operational risks

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

REPORT OF THE SUPERVISORY BOARD

- (3) Enhancing communications with 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.**
- (4) Uplifting professional capabilities through self improvements to better perform the supervisory duties of the Supervisory Board.**

Liu Yi
Chairman

Beijing, the PRC, 20 March 2013

/ INVESTOR RELATIONS REPORT

OVERVIEW

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

INVESTOR RELATIONS REVIEW

1. Meetings with Investors

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

5. Timely Dissemination of Latest Corporate Updates

Company website is considered to be one of the quickest means to communicate with investors. The Group regularly updated the contents of the company website (www.bbm.com.cn), 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

INVESTOR RELATIONS REPORT

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.

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	
	<i>H Shares</i>	
	Listing date	29 July 2009
	Board lot	500 shares
	Number of issued H shares	1,169,382,435 shares (as at 31 December 2012 and 20 March 2013)
	Stock code	2009
	<i>A Shares</i>	
	Listing date	1 March 2011
	Board lot	100 shares
	Number of issued A shares	3,114,354,625 shares (as at 31 December 2012 and 20 March 2013)
	Stock code	601992

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2	Financial Calendar	
	2011 annual results announcement	published on 28 March 2012
	2012 first quarterly results announcement	published on 25 April 2012
	2012 interim results announcement	published on 28 August 2012
	2012 third quarterly results announcement	published on 25 October 2012
	2013 annual results announcement	published on 20 March 2013
	Closure of register of H shares members for attending the 2011 annual general meeting	from 25 April 2012 to 24 May 2012
	2011 annual general meeting	24 May 2012
	Closure of register of H shares members for attending the 2012 annual general meeting	from 22 April 2013 to 21 May 2013
	2012 annual general meeting	21 May 2013
	Financial year end	31 December
3	Dividends	
	2011 final dividend	RMB0.072 per share
	Closure of register of H shares members for 2011 final dividend	from 14 June 2012 to 18 June 2012
	Proposed 2012 final dividend	RMB0.071 per share
	Closure of register of H shares members for 2012 final dividend	from 25 May 2013 to 29 May 2013

For any queries, please contact:

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/ CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2012.

1 Commitment to Corporate Governance

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

During the Reporting Period, the Company has applied the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company has adopted the code provisions of the Corporate Governance Code (applicable to financial reports covering a period after 1 April 2012) and the former Code on Corporate Governance Practices (the "CG Code"), as amended from time to time, set out in Appendix 14 to the Listing Rules during the year ended 31 December 2012 as its own code on corporate governance practices. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

In the opinion of the Directors, except for the deviation as described below, the Company has complied with the CG Code to the Listing Rules for year ended 31 December 2012.

Code Provision A.1.7

Code provision A.1.7 of the CG Code stipulated that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at that board meeting. The Board approved the connected transactions in relation to the Supplemental Agreement for the Renovation Project in Xisanqi Jiancaicheng and the

CORPORATE GOVERNANCE REPORT

Commodity Property Master Sale Agreement by way of written resolutions on 25 April 2012 and 28 September 2012 instead of holding a physical board meeting. However, the Directors (including the independent non-executive Directors), are of the view that the Commodity Property Master Sale Agreement and the Supplemental Agreement and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable and are in the ordinary and usual course of business of the Company and are in the best interest of the Group and the shareholders of the Company as a whole. In addition, Jiang Weiping, being the Director of the Company and a director of the Parent, has abstained from voting on the relevant written resolutions of the Board in approving the Commodity Property Master Sale Agreement and the Supplemental Agreement and the transaction contemplated thereunder pursuant to the articles of association of the Company and the Listing Rules. The Board considers that written resolutions will facilitate the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board shall nevertheless review its board meeting arrangement from time to time to ensure appropriate arrangement is being taken to comply with the requirements stipulated in the CG Code.

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); and Guidelines on Identifying Connected Parties (關連人士確認細則).

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company has also adopted 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.

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.

CORPORATE GOVERNANCE REPORT

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. In January 2012, the Group commenced the disclosure of preliminary annual major operational data to enable the investment public to have an advance overview and assessment of the Group's business operations. Regular management reports on the financial position and prospects of each business unit of the Group are reviewed by the senior management to enable the Board to make an informed assessment of the performance of the Group.

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

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

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

CORPORATE GOVERNANCE REPORT

Composition

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

Executive Directors:

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

Non-executive Director:

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

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

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

All Directors shall report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflict of interest in any proposal under consideration, such Director shall report his interests and abstain from voting and may, when necessary, apply for

CORPORATE GOVERNANCE REPORT

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 at each reporting period. Any material transactions relating to connected parties, which have been confirmed, will be disclosed in accordance with the Listing Rules and in the notes to the financial statements of the annual report.

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Chairman and the Chief Executive Officer

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

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

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

Term of Office of Directors

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

Company Secretary

On the meeting of the Board held on 26 October 2012, Lau Fai Lawrence ("Mr. Lau") has been appointed as the sole company secretary of the Company, Wu Xiangyong ("Mr. Wu"), ceased to be the joint company secretary of the Company on the same day. Mr. Lau has been appointed as the joint company secretary and qualified accountant of the Company since 6 August 2008.

CORPORATE GOVERNANCE REPORT

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

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

According to the Rule 3.29 of the Listing Rules, Mr. Wu and Mr. Lau have 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 on 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.

CORPORATE GOVERNANCE REPORT

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

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

The Board held four regular Board meetings during the Reporting Period to review the financial performance of the Group. Between these regular meetings, the Board also met to discuss and consider major issues (whether or not required by the Listing Rules) and also on other occasions when Board decisions are required. With respect to regular meetings of the Board, Directors are 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 are given as much notice as is reasonable and practicable in the circumstances. During the Reporting Period, the Board also resolved three written resolutions by way of circulation, convened the 2011 AGM on 24 May 2012 and the 2012 EGM on 26 October 2012. The number of meetings and attendance details of each Director during the Reporting Period are set out in the table below:

CORPORATE GOVERNANCE REPORT

Name of Director	Number of attendance/ Number of meetings			
	Written Resolutions	Regular Meeting	2011 AGM	2012 EGM
<i>Executive Directors</i>				
Jiang Weiping (Chairman)	3/3	4/4	1/1	1/1
Jiang Deyi (President)	3/3	4/4	1/1	1/1
Shi Xijun	3/3	4/4	1/1	1/1
Zang Feng (appointed on 26 October 2012)	0/0	1/1	0/0	0/0
Wang Hongjun	3/3	4/4	1/1	1/1
Wang Shizhong (appointed on 26 October 2012)	0/0	1/1	0/0	0/0
Li Changli (resigned on 9 January 2012)	0/0	0/0	0/0	0/0
Deng Guangjun (resigned on 11 July 2012)	1/1	1/1	1/1	0/0
<i>Non-executive Directors</i>				
Yu Shiliang (appointed on 26 October 2012)	0/0	1/1	0/0	0/0
Li Xinhua (resigned on 26 October 2012)	3/3	2/3	1/1	1/1
<i>Independent non-executive Directors</i>				
Hu Zhaoguang	3/3	4/4	1/1	1/1
Zhang Chengfu	3/3	4/4	1/1	1/1
Xu Yongmo	3/3	4/4	1/1	1/1
Yip Wai Ming	3/3	4/4	1/1	1/1

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuous Professional Development

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

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior management to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act 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 organised for the Directors and senior management an in-house workshop on the Listing Rules and relevant rules and regulations.

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

CORPORATE GOVERNANCE REPORT

	Corporate Governance/ Updates on laws, rules and regulations	
	Read materials	Attend briefings
<i>Executive Directors:</i>		
Jiang Weiping (<i>Chairman</i>)	✓	✓
Jiang Deyi (<i>President</i>)	✓	✓
Shi Xijun	✓	✓
Zang Feng (appointed on 26 October 2012)	✓	✓
Wang Hongjun	✓	✓
Wang Shizhong (appointed on 26 October 2012)	✓	✓
Li Changli (resigned on 9 January 2012)	✓	✓
Deng Guangjun (resigned on 11 July 2012)	✓	✓
<i>Non-executive Directors:</i>		
Yu Shiliang (appointed on 26 October 2012)	✓	✓
Li Xinhua (resigned on 26 October 2012)	✓	✓
<i>Independent non-executive Directors:</i>		
Hu Zhaoguang	✓	✓
Zhang Chengfu	✓	✓
Xu Yongmo	✓	✓
Yip Wai Ming	✓	✓

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

Board Committees

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

The major functions and roles of the Audit Committee are:

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Director	Number of attendance/ Number of meetings
<i>Independent non-executive Directors</i>	
Zhang Chengfu (<i>Chairman</i>)	5/5
Hu Zhaoguang	5/5
Xu Yongmo	5/5
Yip Wai Ming	5/5
<i>Non-executive Directors</i>	
Yu Shiliang (appointed as Member of the committee on 26 October 2012)	1/1
Li Xinhua (resigned as Member of the committee on 26 October 2012)	4/4

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

- review of the external auditors' report in respect of the audited financial statements, annual report and results announcement for the year ended 31 December 2011;
- the proposed appointment of Ernst & Young Hua Ming as the Company's sole external auditor for the year ended 31 December 2012;
- review of the 2012 interim report and interim results announcement;
- review of the internal control system of the Group with the discussion of the internal auditors;
- review of the internal control report;
- review of the Company's audit planning report prepared by Ernst & Young Hua Ming for the year ended 31 December 2012; and
- review of the connected transactions and continuing connected transactions of the Group.

CORPORATE GOVERNANCE REPORT

This Annual Report and annual results announcement of the Company for the Reporting Period have been reviewed by the Audit Committee during the meeting convened on 19 March 2013.

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 of the Company to the general meeting for consideration and approval after being approved by the Board before its implementation; (iv) to submit the remuneration distribution plan for the senior management personnel to the Board for approval; (v) to nominate candidates as Directors and senior management; and (vi) to examine nominations for Directors and senior management and to make recommendations to the Board for appointments. The candidates of Directors are selected and recommended based on their working experience, professional expertise and commitment. The recommendations of the Nomination and Remuneration Committee are then put forward for consideration by the Board. The Remuneration and Nomination Committee consists of five members, one of whom is executive Director, namely Shi Xijun, together with one independent non-executive Director, namely Yu Shiliang and three independent non-executive Directors, namely, Hu Zhaoguang (serving as Chairman of the committee), Zhang Chengfu and Xu Yongmo.

During the Reporting Period, the Remuneration and Nomination Committee convened 3 meetings. Key resolutions considered and approved at the meeting were:

- a. The resolution of determining the remuneration of executive Directors of the Board of the Company by the Remuneration and Nomination Committee;
- b. The proposals to the Board on 2011 Performance-based Remuneration Plan for the Company's senior management and 2011 Remuneration Plan; and
- c. The consideration and review on the proposed appointment of the third session of the board of directors of the Company.

CORPORATE GOVERNANCE REPORT

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

Name of Director	Number of attendance/ Number of meetings
<i>Executive Directors</i>	
Jiang Weiping (Resigned as Chairman and Member of the committee on 26 October 2012)	3/3
Shi Xijun	3/3
<i>Non-executive Directors</i>	
Yu Shiliang (Appointed as Member of the committee on 26 October 2012)	0/0
<i>Independent non-executive Directors</i>	
Hu Zhaoguang (Appointed as Chairman of the committee on 26 October 2012)	3/3
Zhang Chengfu	3/3
Xu Yongmo	3/3

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

The biographical details of senior management are disclosed on pages 14 to 15 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. Up to the date of this Annual Report, the Strategic Committee consists of six members, three of whom are executive Directors, namely Jiang Weiping, Jiang Deyi and Wang Hongjun, with Jiang Weiping serving as its Chairman and Jiang Deyi as its Vice Chairmen together with three independent non-executive Directors, namely Hu Zhaoguang, Zhang Chengfu and Xu Yongmo. Deng Guangjun resigned as member of the committee on 11 July 2012.

During the Reporting Period, the Strategic Committee convened one meeting with an attendance rate of 100% to review the investment and financing proposals of the Company for 2012.

3 Statement of Financial Responsibility of the Board

It is the responsibility of the Board for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for (i) the preparation of the Company's financial statements; (ii) the completeness and legitimacy of the financial data; and (iii) the efficiency of the Company's internal control system and risk management process for the year ended 31 December 2012.

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 2012, 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 "Audit Report" on pages 101 to 102 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 of the Listing Rules and established 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, special employees and/or senior management of the Group who may have certain price sensitive data that has not been disclosed. The Model Code is delivered four times a year, namely, no less than 30 days prior to the Board meeting to approve the Company's interim and quarterly results and no less than 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors, the Supervisors and the specific employees who may have certain price sensitive information that they may not deal in the Shares until the publication of the results announcement.

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

CORPORATE GOVERNANCE REPORT

All Directors confirmed that as at 31 December 2012, none of the Directors, the Supervisors and the specific employees who may have certain price sensitive information that has not been disclosed complied with the Model Code has interests or short positions which are required to notify the Company and the Hong Kong Stock Exchange, or incur any conduct in violation of regulations. Having made specific enquiries to all Directors and all Supervisors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

5 Internal Control and Audit

Internal Control

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

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

CORPORATE GOVERNANCE REPORT

The Board's Statement on Its Responsibility for Internal Control

The Board has conducted self-evaluation on the effectiveness of the design and implementation of the internal control of the Company as at 31 December 2012 pursuant to the requirements of fundamental standards, evaluation guidelines and other relevant laws and regulations.

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

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

CORPORATE GOVERNANCE REPORT

Auditors' Remuneration

The Audit Committee reviewed the letter from Ernst & Young Hua Ming to confirm its independence and objectiveness, and held meetings with Ernst & Young Hua Ming to discuss the audit scope and fees by Ernst & Young Hua Ming. The Company engaged Ernst & Young Hua Ming 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 in 2012 is summarised as follows:

Ernst & Young Hua Ming	RMB'000
Annual results auditing services	9,500
Non-audit services	–
Total	9,500

6 Communications with Shareholders

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

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

CORPORATE GOVERNANCE REPORT

7 Shareholders' Rights

Procedure for shareholders to convene an extraordinary general meeting:

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

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

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

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

Proposals at a general meeting shall meet the following requirements:

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

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

CORPORATE GOVERNANCE REPORT

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

Procedure for Shareholders to put forward proposals at a general meeting

Pursuant to Article 67 of the Articles of Association and Rules of Procedure for General Meetings of the Company, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Stock Listing Rules of Shanghai Stock Exchange, the following procedure is 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 listed proposal in the announcement.

Proposals at a general meeting shall meet the following requirements:

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

CORPORATE GOVERNANCE REPORT

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

8 Amendments to the Articles of Association

At the 2011 AGM, amendments to the Articles of Association of the Company were approved by the shareholders of the Company, mainly to bring the Articles of Association of the Company in line with the new guidelines promulgated by the PRC authority on cash dividend requirement, as well as certain cosmetic changes. An updated version of the Articles of Association of the Company is available on the websites of the Company and the Hong Kong Stock Exchange.

On behalf of the Board

Jiang Weiping

Chairman

Beijing, the PRC, 20 March 2013

Audit Report



Ernst & Young Hua Ming (2013) Shen Zi No. 60667053_A01

To the shareholders of BBMG Corporation

(Established in the People's Republic of China with limited liability)

We have audited the accompanying financial statements of BBMG Corporation, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

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

2. Auditor's Responsibility

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

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

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

Audit Report

To the shareholders of **BBMG Corporation**

(Established in the People's Republic of China with limited liability)

3. Opinion

In our opinion, the financial statements present fairly, in all material aspects, the consolidated and company's financial position of BBMG Corporation as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming LLP (Special General Partnership)

Chinese Certified Public Accountant: Meng Dong

Chinese Certified Public Accountant: Li Wen Peng

Beijing, the People's Republic of China

20 March 2013

Consolidated Balance Sheet

As at 31 December 2012

	Note V	31 December 2012 RMB	31 December 2011 RMB
Assets			
Current assets			
Cash and bank balances	1	5,906,094,546.45	7,918,479,363.14
Bills receivable	2	1,028,662,688.14	1,347,905,318.65
Accounts receivable	5	3,991,796,374.16	3,490,937,470.40
Advances to suppliers	7	909,415,140.77	1,397,237,511.97
Interests receivable	3	1,411,125.80	1,858,662.81
Dividends receivable	4	1,215,425.00	–
Other receivables	6	1,899,515,319.31	2,458,939,025.66
Inventories	8	32,286,890,673.48	27,269,465,788.38
Other current assets	9	1,076,877,652.29	841,419,746.89
Total current assets		47,101,878,945.40	44,726,242,887.90
Non-current assets			
Available-for-sale financial assets	10	–	95,138.56
Long-term equity investments	12	419,868,370.59	440,313,672.69
Investment properties	13	12,840,400,000.00	11,599,000,000.00
Fixed assets	14	15,331,150,630.80	14,613,460,813.77
Construction in progress	15	2,146,494,608.43	950,567,721.98
Construction materials	16	14,281,785.80	15,242,793.42
Intangible assets	17	3,600,681,639.16	3,352,071,838.40
Goodwill	18	312,051,745.55	312,051,745.55
Long-term deferred expenditures	19	189,228,562.12	169,908,175.40
Deferred income tax assets	20	1,205,767,342.49	736,017,669.07
Total non-current assets		36,059,924,684.94	32,188,729,568.84
Total assets		83,161,803,630.34	76,914,972,456.74

The notes on pages 117 to 301 form an integral part of these financial statements.

Consolidated Balance Sheet (continued)

As at 31 December 2012

	Note V	31 December 2012 RMB	31 December 2011 RMB
Liabilities and shareholders' equity			
Current Liabilities			
Short-term loans	23	11,388,286,880.00	11,286,861,222.71
Bills payable	24	430,004,020.52	361,817,226.63
Accounts payable	25	6,569,201,907.77	5,124,354,120.51
Receipts in advance	26	14,206,950,304.93	11,621,778,319.64
Wages payable	27	153,463,306.96	143,715,522.38
Tax payable	28	1,308,896,782.25	850,968,870.46
Interest payable	29	155,274,711.13	121,856,589.77
Dividends payable	30	43,048,069.19	55,043,247.30
Other payables	31	2,483,124,813.60	3,578,163,312.56
Short-term financing bonds payable	36	1,000,000,000.00	–
Non-current liabilities due within one year	33	2,576,020,000.00	3,604,124,049.24
Other current liabilities	34	3,148,676,380.69	2,550,516,056.02
Total current liabilities		43,462,947,177.04	39,299,198,537.22
Non-current liabilities			
Long-term loans	35	4,757,051,545.34	7,772,597,451.30
Bonds payable	36	6,692,453,587.34	4,687,098,763.98
Long-term payables	37	517,416,630.00	528,129,048.14
Accrued liabilities	32	100,077,202.17	33,029,889.08
Deferred income tax liabilities	20	1,989,993,217.02	2,234,700,987.92
Other non-current liabilities	38	617,175,147.70	644,601,568.27
Total non-current liabilities		14,674,167,329.57	15,900,157,708.69
Total liabilities		58,137,114,506.61	55,199,356,245.91
Equity			
Share Capital	39	4,283,737,060.00	4,283,737,060.00
Capital reserve	40	5,395,792,993.51	5,311,872,199.72
Specialized reserve	41	9,552,984.58	–
Surplus reserve	42	580,552,232.22	340,879,231.86
Retained earnings	43	12,634,399,124.91	10,217,411,951.85
Exchange differences on foreign currency translation		(130,112.92)	(121,272.28)
Equity attributable to the shareholders of the parent company		22,903,904,282.30	20,153,779,171.15
Minority interests		2,120,784,841.43	1,561,837,039.68
Total equity attributable to shareholders		25,024,689,123.73	21,715,616,210.83
Total liabilities and equity attributable to shareholders		83,161,803,630.34	76,914,972,456.74

The financial statements have been signed by:

Legal representative:

Jiang Weiping

CFO:

Wang Hongjun

Head of the accounting department:

Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2012

	Note V	2012 RMB	2011 RMB
Operating revenue	44	34,054,096,003.32	28,744,793,854.20
Less: Operating costs	44	25,724,691,425.24	20,791,321,334.03
Tax and surcharges	45	1,675,101,274.28	1,168,533,970.17
Selling expenses	46	1,350,600,351.81	1,173,885,729.63
Administrative expenses	47	2,189,075,391.00	2,130,415,464.54
Finance costs	48	902,397,834.88	797,407,584.00
Asset impairment losses	51	47,719,354.20	193,304,303.46
Add: Gains from changes in fair value	49	936,201,275.04	776,747,551.26
Investment income/(losses)	50	(7,142,672.11)	314,894,380.33
Including: Share of profits/(losses) of associates and jointly-controlled entities		(32,989,386.37)	13,379,872.03
Operating profit		3,093,568,974.84	3,581,567,399.96
Add: Non-operating income	52	931,016,234.14	1,164,939,302.75
Less: Non-operating expenses	53	70,607,884.18	76,497,809.89
Including: Loss on disposal of non-current assets		34,088,371.36	19,195,284.86
Total profit		3,953,977,324.80	4,670,008,892.82
Less: Income tax expenses	54	803,746,757.93	1,076,883,633.98
Net profit		3,150,230,566.87	3,593,125,258.84
Including: Net profit of acquirees in business combination under common control prior to the combination		-	79,664,998.68
Net profit attributable to the shareholders of the parent company		2,965,089,241.74	3,428,644,623.62
Minority interests		185,141,325.13	164,480,635.22
Earnings per share	55		
Basic earnings per share (RMB/share)		0.69	0.81
Diluted earnings per share (RMB/share)		0.69	0.81
Other comprehensive income	56	117,016,679.78	(18,574.38)
Total comprehensive income		3,267,247,246.65	3,593,106,684.46
Including:			
Total comprehensive income attributable to the shareholders of the parent company		3,082,105,921.52	3,428,626,049.24
Total comprehensive income attributable to minority interests		185,141,325.13	164,480,635.22

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Equity attributable to the shareholders of the parent company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Specialized reserve	Surplus reserve	Retained earnings	Exchange differences on foreign currency translation	Subtotal		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
1. Balance as at the beginning of the year	4,283,737,060.00	5,311,872,199.72	-	340,879,231.86	10,217,411,951.85	(121,272.28)	20,153,779,171.15	1,561,837,039.68	21,715,616,210.83
2. Movements during the year									
(1) Net profit	-	-	-	-	2,965,089,241.74	-	2,965,089,241.74	185,141,325.13	3,150,230,566.87
(2) Other comprehensive income	-	117,025,520.42	-	-	-	(8,840.64)	117,016,679.78	-	117,016,679.78
Total comprehensive income	-	117,025,520.42	-	-	2,965,089,241.74	(8,840.64)	3,082,105,921.52	185,141,325.13	3,267,247,246.65
(3) Capital contribution and reduction from shareholders									
1. Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	587,876,310.80	587,876,310.80
2. Deemed acquisition of non-controlling interests	-	(33,104,726.63)	-	-	-	-	(33,104,726.63)	33,104,726.63	-
3. Disposal of subsidiaries	-	-	-	-	-	-	-	(5,749,106.45)	(5,749,106.45)
(4) Profit distribution									
1. Appropriation of surplus reserve	-	-	-	239,673,000.36	(239,673,000.36)	-	-	-	-
2. Dividend to shareholders	-	-	-	(308,429,068.32)	(308,429,068.32)	-	(308,429,068.32)	(242,125,666.80)	(550,554,735.12)
(5) Specialized reserve									
1. Appropriated during the year	-	-	57,730,015.85	-	-	-	57,730,015.85	1,188,692.06	58,918,707.91
2. Paid during the year	-	-	48,177,031.27	-	-	-	48,177,031.27	488,479.62	48,665,510.89
3. Balance as at the end of the year	4,283,737,060.00	5,395,792,993.51	9,552,984.58	580,552,232.22	12,634,399,124.91	(130,112.92)	22,903,904,282.30	2,120,784,841.43	25,024,689,123.73

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2012

Equity attributable to the shareholders of the parent company								
	Share capital RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Exchange differences on foreign currency translation RMB	Subtotal RMB	Non-controlling interests RMB	Total equity RMB
1. Balance as at the beginning of the year	3,873,332,500.00	5,762,994,017.86	192,547,417.28	7,236,960,737.01	(119,306.14)	17,065,715,366.01	1,881,765,710.86	18,947,481,076.87
2. Movements during the year								
(1) Net Profit	-	-	-	3,428,644,623.62	-	3,428,644,623.62	164,480,635.22	3,593,125,258.84
(2) Other comprehensive income	(16,608.24)	-	-	(1,966.14)	(18,574.38)	-	-	(18,574.38)
Total comprehensive income	-	(16,608.24)	-	3,428,644,623.62	(1,966.14)	3,428,626,049.24	164,480,635.22	3,593,106,684.46
(3) Capital contribution and reduction from shareholders								
1. Net capital contribution from shareholders	-	(5,042,750.21)	-	-	-	(5,042,750.21)	99,558,640.63	94,515,890.42
2. Net differences from disposal of non-controlling interests of subsidiaries	-	-	-	-	-	-	(9,206,539.47)	(9,206,539.47)
3. Acquisition of non-controlling interests by issue of new shares	410,404,560.00	422,780,118.57	-	-	-	833,184,678.57	(890,484,604.74)	(57,299,926.17)
4. Business combination under common control	-	(856,112,700.00)	-	-	-	(856,112,700.00)	-	(856,112,700.00)
5. Business combination	-	-	-	-	-	-	462,719,799.91	462,719,799.91
6. Others	-	(12,729,878.26)	-	-	-	(12,729,878.26)	11,104,395.86	(1,625,482.40)
(4) Profit distribution								
1. Appropriation of surplus reserve	-	-	148,331,814.58	(148,331,814.58)	-	-	-	-
2. Dividend to shareholders	-	-	-	(299,861,594.20)	-	(299,861,594.20)	(158,100,998.59)	(457,962,592.79)
3. Balance as at the end of the year	4,283,737,060.00	5,311,872,199.72	340,879,231.86	10,217,411,951.85	(121,272.28)	20,153,779,171.15	1,561,837,039.68	21,715,616,210.83

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2012

	Note V	2012 RMB	2011 RMB
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		35,535,974,753.80	26,177,129,088.96
Refunds of taxes		291,914,460.62	370,965,684.17
Cash received from other operating activities	57	542,542,656.14	650,881,064.42
Subtotal of cash inflows from operating activities		36,370,431,870.56	27,198,975,837.55
Cash paid for goods and services		24,788,965,427.11	20,168,091,136.95
Cash paid to and on behalf of employees		2,385,977,077.29	2,072,679,130.93
Cash paid for all types of taxes		3,141,628,616.22	3,021,636,081.35
Cash paid relating to other operating activities	57	1,743,102,001.61	3,072,350,892.26
Subtotal of cash outflows from operating activities		32,059,673,122.23	28,334,757,241.49
Net cash flows from operating activities	58(1)	4,310,758,748.33	(1,135,781,403.94)
II. Cash flows from investing activities			
Cash received from redemption of investments		49,349.57	12,033,328.00
Cash received from return on investments		19,474,059.84	1,334,117.91
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		127,106,077.50	596,722,336.98
Net cash received from disposal of subsidiaries and other business entities	58(2)	7,878,929.34	–
Cash received from other investing activities	57	4,993,601.29	–
Subtotal of cash inflows from investing activities		159,502,017.54	610,089,782.89
Cash paid for acquisition of fixed assets, Intangible assets and other long-term assets		3,528,217,840.81	2,599,557,159.06
Cash paid for acquisition of investments		25,167,600.00	3,550,000.00
Net cash paid for acquisition of subsidiaries and other business entities	58(2)	–	424,681,770.70
Subtotal of cash outflows from investing activities		3,553,385,440.81	3,027,788,929.76
Net cash flows from investing activities		(3,393,883,423.27)	(2,417,699,146.87)

The notes on pages 117 to 301 form an integral part of these financial statements.

Consolidated Statement of Cash Flow (continued)

For the year ended 31 December 2012

	Note V	2012 RMB	2011 RMB
III. Cash flows from financing activities			
Cash received from capital contributions		409,550,000.00	26,750,000.00
Including: Cash received by subsidiaries			
from non-controlling shareholders		409,550,000.00	26,750,000.00
Cash received from borrowings		15,535,244,913.69	17,246,982,050.85
Cash received from issue of bonds		3,000,000,000.00	—
Subtotal of cash inflows from financing activities		18,944,794,913.69	17,273,732,050.85
Cash repayment for borrowings		19,477,469,211.60	11,832,241,473.85
Cash paid for distribution of dividend or profits and for interest expenses		1,951,804,163.02	1,733,097,312.17
Including: Dividends and profits paid by subsidiaries to minority interests		18,211,968.51	52,467,094.21
Cash paid relating to other financing activities	57	—	58,165,082.76
Subtotal of cash outflows from financing activities		21,429,273,374.62	13,623,503,868.78
Net cash flows from financing activities		(2,484,478,460.93)	3,650,228,182.07
IV. Effect of changes in exchange rate on cash and cash equivalents		(1,165,125.32)	(867,799.23)
V. Net increase/(decrease) in cash and cash equivalents		(1,568,768,261.19)	95,879,832.03
Add: Cash and cash equivalents at the beginning of the year		5,126,471,371.39	5,030,591,539.36
VI. Cash and cash equivalents at the end of the year	58(3)	3,557,703,110.20	5,126,471,371.39

The financial statements have been signed by:

Legal representative:
Jiang WeipingCFO:
Wang HongjunHead of the accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2012

	Note XI	31 December 2012 RMB	31 December 2011 RMB
Assets			
Current assets			
Cash and bank balances		998,549,054.78	2,067,665,937.14
Bills receivable		8,100,000.00	194,431,820.00
Accounts receivable		60,332.04	–
Interest receivable		250,729,781.21	244,076,234.45
Dividends receivable		1,134,198,882.17	1,638,384,989.47
Other receivables	1	14,837,697,277.39	12,440,456,343.56
Total current assets		17,229,335,327.59	16,585,015,324.62
Non-current assets			
Long-term equity investments	2	17,033,320,636.41	16,567,433,258.34
Investment properties		7,778,292,087.37	6,853,600,000.00
Fixed assets		1,427,916,220.95	1,446,902,166.94
Construction in progress		157,397,881.58	1,116,000.00
Intangible assets		481,328,244.82	505,996,003.17
Total non-current assets		26,878,255,071.13	25,375,047,428.45
Total assets		44,107,590,398.72	41,960,062,753.07
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		10,222,500,000.00	9,960,500,000.00
Accounts payable		5,620,311.33	–
Receipts in advance		279,335,584.99	91,625,849.71
Wages payable		564,620.38	328,640.47
Tax payable		163,908,577.54	5,975,518.37
Interest payable		149,247,229.17	110,626,337.82
Dividends payable		20,962,235.89	37,204,079.53
Other payables		2,064,413,590.02	5,175,977,057.12
Short-term notes payable		1,000,000,000.00	–
Non-current liabilities due within one year		1,635,000,000.00	1,820,000,000.00
Total current liabilities		15,541,552,149.32	17,202,237,483.02

The notes on pages 117 to 301 form an integral part of these financial statements.

Balance Sheet (continued)

As at 31 December 2012

	Note XI	31 December 2012 RMB	31 December 2011 RMB
Non-current liabilities			
Long-term loans		2,510,000,000.00	3,865,000,000.00
Bonds payable		6,692,453,587.34	4,687,098,763.98
Long-term payables		506,240,834.36	504,999,278.14
Deferred income tax liabilities		<u>1,327,185,517.53</u>	<u>996,643,592.34</u>
Total non-current liabilities		<u>11,035,879,939.23</u>	<u>10,053,741,634.46</u>
Total liabilities		<u>26,577,432,088.55</u>	<u>27,255,979,117.48</u>
Equity			
Share capital		4,283,737,060.00	4,283,737,060.00
Capital reserve		5,679,053,989.85	5,724,155,727.37
Surplus reserve		580,552,232.22	340,879,231.86
Retained earnings		<u>6,986,815,028.10</u>	<u>4,355,311,616.36</u>
Total shareholders' equity		<u>17,530,158,310.17</u>	<u>14,704,083,635.59</u>
Total liabilities and shareholders' equity		<u>44,107,590,398.72</u>	<u>41,960,062,753.07</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Income Statement

For the year ended 31 December 2012

	Note XI	2012 RMB	2011 RMB
Operating revenue	3	2,972,649,963.41	490,181,770.11
Less: Operating costs	3	1,239,631,433.87	98,829,928.01
Business tax and surcharges		143,216,903.19	26,976,735.86
Selling expenses		12,756,689.00	11,135,428.48
Administrative expenses		192,736,107.78	241,101,985.09
Finance costs		396,812,224.04	388,767,296.62
Asset impairment losses/(reversal)		(30,791,765.10)	46,778,135.92
Add: Gains/(losses) from changes in fair value		(100,577,945.25)	458,247,577.10
Investment income	4	1,081,986,241.10	1,492,003,348.92
Including: Share of losses of associates and jointly-controlled entities		(36,677,615.26)	(42,528,782.06)
Operating profit		1,999,696,666.48	1,626,843,186.15
Add: Non-operating income		509,382,939.81	5,440,146.06
Less: Non-operating expenses		648,210.31	695,801.33
Including: Loss on disposal of non-current assets		-	695,801.33
Total profit		2,508,431,395.98	1,631,587,530.88
Less: Income tax expenses		111,701,392.42	148,269,385.04
Net profit		2,396,730,003.56	1,483,318,145.84
Other comprehensive income		(45,068,306.25)	-
Total comprehensive income		2,351,661,697.31	1,483,318,145.84

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. Balance at the beginning of the year	4,283,737,060.00	5,724,155,727.37	340,879,231.86	4,355,311,616.36	14,704,083,635.59
II. Movements during the year					
(1) Net profit	-	-	-	2,396,730,003.56	2,396,730,003.56
(2) Other comprehensive income	-	(45,068,306.25)	-	-	(45,068,306.25)
Total comprehensive income	-	(45,068,306.25)	-	2,396,730,003.56	2,351,661,697.31
(3) Merger of subsidiaries	-	(33,431.27)	-	782,875,476.86	782,842,045.59
(4) Profit distribution					
1. Appropriation of surplus reserves	-	-	239,673,000.36	(239,673,000.36)	-
2. Dividend to shareholders	-	-	-	(308,429,068.32)	(308,429,068.32)
III. Balance at the end of the year	<u>4,283,737,060.00</u>	<u>5,679,053,989.85</u>	<u>580,552,232.22</u>	<u>6,986,815,028.10</u>	<u>17,530,158,310.17</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Statement of Changes in Equity (continued)

For the year ended 31 December 2012

	Share capital RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. Balance at the beginning	3,873,332,500.00	5,568,781,396.31	192,547,417.28	3,320,186,879.30	12,954,848,192.89
II. Movements during the year					
(1) Net profit	-	-	-	1,483,318,145.84	1,483,318,145.84
Total comprehensive income	-	-	-	1,483,318,145.84	1,483,318,145.84
(3) Capital contribution and reduction from shareholders					
1. Acquisition of non-controlling interests by issue of new shares	410,404,560.00	193,035,317.55	-	-	603,439,877.55
2. Acquisition of subsidiaries under common control	-	(37,660,986.49)	-	-	(37,660,986.49)
(4) Profit distribution					
1. Dividend to shareholders	-	-	-	(299,861,594.20)	(299,861,594.20)
2. Appropriation of surplus reserves	-	-	148,331,814.58	(148,331,814.58)	-
III. Balance at the end of the year	<u>4,283,737,060.00</u>	<u>5,724,155,727.37</u>	<u>340,879,231.86</u>	<u>4,355,311,616.36</u>	<u>14,704,083,635.59</u>

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

Statement of Cash Flows

For the year ended 31 December 2012

	Note XI	2012 RMB	2011 RMB
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		556,465,967.05	462,681,168.54
Cash received from other operating activities	5	40,314,471,651.72	39,105,876,386.39
Subtotal of cash inflows from operating activities		40,870,937,618.77	39,568,557,554.93
Cash paid for goods and services		27,835,037.54	23,970,079.66
Cash paid to and on behalf of employees		53,291,580.63	51,586,377.60
Cash paid for all types of taxes		207,546,742.35	101,928,977.68
Cash paid relating to other operating activities	5	42,267,263,285.64	38,403,326,566.62
Subtotal of cash outflows from operating activities		42,555,936,646.16	38,580,812,001.56
Net cash flows from operating activities	6	(1,684,999,027.39)	987,745,553.37
II. Cash flows from investing activities			
Cash received from redemption of investments		20,044,200.00	–
Cash received from return on investments		87,783,670.64	213,943,918.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,578,105,620.48	6,167,980.00
Cash received from other investing activities	5	–	11,229,519.80
Subtotal of cash inflows from investing activities		2,685,933,491.12	231,341,418.60
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		248,886,660.32	265,837,964.79
Cash paid for acquisition of investments		1,345,977,600.00	2,142,872,460.00
Net cash paid for acquisition of subsidiaries and other business entities		623,655,609.36	575,422,037.71
Subtotal of cash outflows from investing activities		2,218,519,869.68	2,984,132,462.50
Net cash flows from investing activities		467,413,621.44	(2,752,791,043.90)

The notes on pages 117 to 301 form an integral part of these financial statements.

Statement of Cash Flows (continued)

For the year ended 31 December 2012

	Note XI	2012 RMB	2011 RMB
III. Cash flows from financing activities			
Cash received from borrowings		13,132,500,000.00	11,580,901,791.69
Cash received from issue of bonds		3,000,000,000.00	—
Subtotal of cash inflows from financing activities		16,132,500,000.00	11,580,901,791.69
Cash repayment for borrowings		14,410,500,000.00	8,458,300,000.00
Cash paid for distribution of dividends or profits and for interest expenses		1,573,548,608.90	1,322,119,886.59
Cash paid relating to other financing activities	5	—	58,165,082.76
Subtotal of cash outflows from financing activities		15,984,048,608.90	9,838,584,969.35
Net cash flows from financing activities		148,451,391.10	1,742,316,822.34
IV. Effect of changes in exchange rate on cash and cash equivalents		17,132.49	(743,067.42)
V. Net decrease in cash and cash equivalents		(1,069,116,882.36)	(23,471,735.61)
Add: Cash and cash equivalents at the beginning of the year		2,067,665,937.14	2,091,137,672.75
VI. Cash and cash equivalents at the end of the year	6	998,549,054.78	2,067,665,937.14

The financial statements have been signed by:

Legal representative:
Jiang Weiping

CFO:
Wang Hongjun

Head of the accounting department:
Hu Juan

The notes on pages 117 to 301 form an integral part of these financial statements.

Notes to Financial Statements

As at 31 December 2012

I. BASIC INFORMATION OF THE GROUP

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

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

Pursuant to the approval by the Ministry of Commerce of the People’s Republic of China (Shang Zi Pi [2008] No. 1001), the Company completed a capital increase in 2008 and increased its registered capital to RMB2,800,000,000, comprising a total of 2,800,000,000 shares in issue, of which 2,279.02 million shares or 81.39% are state-owned legal person shares (held by BBMG Group, Sinoma, China Cinda Asset Management Co., Ltd. (“Cinda Asset”) and Tianjin Building Materials), 182.50 million shares or 6.52% are non state-owned legal person shares (held by Hua Xi Xin Yu Investment Co., Ltd. (“Hua Xi Xin Yu”), Runfeng Investment Group Co., Ltd. (“Runfeng Investment”), and Beijing Taihong Investment (Group) Co., Ltd.), and 338.48 million shares or 12.09% are foreign shares (held by Hopeson Holdings and Tai’an Pinghe Investment Co., Ltd. (“Tai’an Pinghe”). The capital increase was verified by the Capital Verification Reports (Zhong Xing Hua Yan Zi (2008) No. 007, Zhong Xing Hua Yan Zi (2008) No. 016) prepared by Zhongxinghua Certified Public Accountants Company Limited.

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

Notes to Financial Statements

As at 31 December 2012

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

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

As at 31 December 2012, the Company's registered capital is RMB4,283,737,060, comprising a total of 4,283,737,060 shares in issue, details of which are set out in Note V.39.

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

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

These financial statements were approved by a resolution of the board of directors of the Company on 20 March 2013. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

II. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation of the financial statements

The financial statements are prepared in accordance with Accounting Standards for Business Enterprises – Basic Standards and 38 specific accounting standards issued by the Ministry of Finance (the "MOF") in February 2006 and the implementation guidance, interpretations and other relevant provisions issued subsequently (collectively referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.

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

Notes to Financial Statements

As at 31 December 2012

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

2. 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 2012 and their financial performance and cash flows for the year then ended.

3. Accounting period

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

4. Functional currency

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

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

5. Business combinations

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

Business combinations under common control

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

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

Notes to Financial Statements

As at 31 December 2012

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

5. Business combinations *(continued)*

Business combinations not under common control

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

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

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

6. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2012 of the Company and all of its subsidiaries. A subsidiary is an enterprise or entity that is controlled by the Company.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Notes to Financial Statements

As at 31 December 2012

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

6. Consolidated financial statements *(continued)*

Where the amount of losses for the current period attributed to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against non-controlling interests. A change in the non-controlling interests, without a loss of control, is accounted for as an equity transaction.

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

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

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 the financial statements prepared in foreign currencies

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

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

Notes to Financial Statements

As at 31 December 2012

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

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

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

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

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 a financial asset (or part of a financial asset, or part of a group of similar financial assets) when the following conditions are met:

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

Notes to Financial Statements

As at 31 December 2012

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

9. Financial instruments *(continued)*

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

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

Classification and measurement of financial assets

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

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

Financial assets at fair value through profit or loss

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

Notes to Financial Statements

As at 31 December 2012

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

9. Financial instruments *(continued)*

Classification and measurement of financial assets (continued)

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Notes to Financial Statements

As at 31 December 2012

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

9. Financial instruments *(continued)*

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Fair value of financial instruments

The fair value of financial assets and liabilities for which there are active markets is determined by reference to the quoted market prices. For financial instruments where there are no active markets, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis, and option pricing models or other valuation models.

Notes to Financial Statements

As at 31 December 2012

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

9. Financial instruments *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Notes to Financial Statements

As at 31 December 2012

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

9. Financial instruments *(continued)*

Impairment of financial assets (continued)

Available-for-sale financial assets

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

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

Financial assets carried at cost

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

For a long-term equity investment accounted for according to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments and which is not quoted in an active market and for which the fair value cannot be reliably measured, any impairment is accounted for in accordance with the above principles.

Transfers of financial assets

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

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

Notes to Financial Statements

As at 31 December 2012

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

10. Receivables

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

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

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

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

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

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

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

Notes to Financial Statements

As at 31 December 2012

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

11. Inventories

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

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

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

The Group adopts perpetual inventory system.

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

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

Notes to Financial Statements

As at 31 December 2012

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

12. Long-term equity investments

Long-term equity investments include investments in subsidiaries, jointly-controlled entities and associates, as well as investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and the fair values of which cannot be reliably measured.

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination, the initial investment cost of the long-term equity investment is the acquirer's share of the owner's equity of the party being acquired at the combination date for a business combination under common control; the initial investment cost of the long-term equity investment is the cost of acquisition for a business combination not under common control (for a business combination not under common control achieved in stages, the initial investment cost is measured at the carrying amount of the equity investments in the acquiree before the acquisition date plus the additional investment cost incurred on the acquisition date). The cost of combination includes the assets transferred and the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued. For a long-term equity investment acquired otherwise than through a business combination, the initial investment cost is determined as follows: (i) if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; (2) if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; (iii) if contributed by the investors, the initial investment cost is the value stipulated in the investment contract or agreement, except where the value stipulated in the investment contract or agreement is not fair.

For a long-term equity investment where the Group does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value cannot be reliably measured, the Group uses the cost method accounting. For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost method accounting in the Company's financial statements. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

Under the cost method, the long-term equity investment is measured at its initial investment cost. Except for the cash dividend or profit distribution declared but unpaid that is included in the price or consideration paid upon acquisition of a long-term equity investment, the Company recognises its share of cash dividends or profit distributions declared by the investee as investment income in the current period, and considers whether the long-term equity investment is impaired according to the policies related to asset impairment.

Notes to Financial Statements

As at 31 December 2012

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

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

The equity method is adopted when the Group holds joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the significant financial and operational decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in decision making in the financial and operating policies of the investee but is not the power to control or joint control with other parties over those policies.

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

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

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

For long-term equity investments in subsidiaries, jointly-controlled entities or associates, refer to Note II.26 for the test for impairment and recognition of provision for impairment. For other long-term equity investments that have no quoted market prices in active markets and whose fair value cannot be reliably measured, refer to Note II.9 for the test for impairment and recognition of provision for impairment.

Notes to Financial Statements

As at 31 December 2012

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

13. Investment properties

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

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

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

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

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

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

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

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

Notes to Financial Statements

As at 31 December 2012

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

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

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

Besides those utilized in the provision of production safety fees, depreciation is calculated using the straight-line method. The useful lives, estimated net residual value and annual depreciation rates of fixed assets are as follows:

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

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

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

For the test for impairment and recognition of provision for impairment related to fixed assets, refer to Note II.26.

Notes to Financial Statements

As at 31 December 2012

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

15. Construction in progress

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

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

For the test for impairment and recognition of provision for impairment related to construction in progress, refer to Note II.26.

16. Borrowing costs

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

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

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

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

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

Notes to Financial Statements

As at 31 December 2012

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

16. Borrowing costs *(continued)*

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

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

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

17. Intangible assets

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

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

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

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

Notes to Financial Statements

As at 31 December 2012

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

17. Intangible assets *(continued)*

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

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

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

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

For the test for impairment and recognition of provision for impairment related to an intangible asset, refer to Note II. 26.

18. Long-term deferred expenditures

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

Notes to Financial Statements

As at 31 December 2012

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

19. Provisions

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

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

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

20. Revenue

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

Revenue from the sales of goods

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

Notes to Financial Statements

As at 31 December 2012

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

20. Revenue *(continued)*

Revenue from the sales of properties

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

Revenue from the rendering of services

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

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

Interest income

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

Lease income

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

Notes to Financial Statements

As at 31 December 2012

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

21. Government grants

Government grants are recognised when all attaching conditions will be complied with and the grant can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; and (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss for the current period. A government grant related to an asset shall be recognized as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period.

22. Income tax

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

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

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

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

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

Notes to Financial Statements

As at 31 December 2012

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

22. Income tax *(continued)*

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

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

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

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

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

23. Maintenance and quality guarantee funds

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

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

Notes to Financial Statements

As at 31 December 2012

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

24. Lease

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

In the case of being the lessee of an operating lease

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

In the case of being the lessor of an operating lease

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

25. Non-current assets held for sale

Except for financial assets, deferred income tax assets and investment properties measured under the fair value model, non-current assets that meet all of the following conditions are classified as held for sale:

- (1) A resolution on the disposal of the non-current assets has been made by the Group;
- (2) A non-cancellable transfer agreement has been signed with the transferee; and
- (3) The transfer is expected to be completed within one year.

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

Notes to Financial Statements

As at 31 December 2012

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

26. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, investment properties measured under the fair value model, deferred income taxes, financial assets and long-term equity investments which are accounted for using the cost method as there are no quoted market prices in active markets and whose fair value cannot be reliably measured, using the following methods:

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

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

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

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

Notes to Financial Statements

As at 31 December 2012

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

26. Impairment of assets *(continued)*

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

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

27. Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for service rendered by employees. In the accounting period in which an employee has rendered service to the Group, the employee benefits payable are recognized as liabilities. For employee benefits payable due in more than one year after the balance sheet date, if the discounted value is significant, it is presented at the present value.

The employees of the Group participate in social insurance, such as pension insurance, medical insurance, and unemployment insurance, and housing fund scheme, which is managed by the local government, and the relevant expenditure is recognised, when incurred, in the costs of relevant assets or the profit or loss for the current period.

When the Group terminates the employment with an employee before the expiry of the employment contract or offers compensation for acceptance of voluntary redundancy, if the Group has developed a formal plan for termination of employment or has made an offer for voluntary redundancy, which will be implemented immediately, and the Group is not allowed to unilaterally withdraw the termination plan or the redundancy offer, the estimated liability for compensation arising from the termination of employment with employees shall be recognized and charged to the profit or loss for the current period.

Notes to Financial Statements

As at 31 December 2012

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

27. Employee benefits *(continued)*

The same principle is applied to the early retirement plan, as it is for the above-mentioned termination benefits. The Group recognises salaries, social insurance premiums, etc., to be paid for the early retired employees, during the period from the date when the employees stop rendering service to the normal retirement date, as payroll payable through profit or loss for the current period, when the above conditions for the recognition of termination benefit plan are satisfied.

In addition, the Group provides supplementary pension subsidies to certain eligible retirees. Such subsidies are considered as defined benefit plans. An actuarial assessment of the defined benefit obligations is performed by a qualified actuary engaged by the Group using the projected unit credit method. No asset provision is proposed for such defined benefit plans. The liability recognised in the balance sheet in respect of these defined benefit plan is equivalent to the present value of the actuarial defined benefit obligations stated in the balance sheet. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rate of government securities which have maturities approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligations as at the end of the previous year are charged or credited to the income statement over the employees' estimated average remaining working lives.

28. Distribution of profit

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

29. Debt restructuring

A debt restructuring is an event in which a debtor is in financial difficulty and a creditor grants a concession to the debtor in accordance with a mutual agreement or a court judgment.

As a debtor

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognised in profit or loss for the current period. When a debt is satisfied by a transfer of non-cash asset(s) to the creditor in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognised in profit or loss for the current period; the difference between the fair value of the non-cash asset(s) transferred and their carrying amount was recognised in profit or loss for the current period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognised in profit or loss for the current period. When other terms of the debt are modified, the difference between the carrying amount of the debt under restructuring and the sum of the fair value of the debt subsequent to the modification of other terms of the debt and the provisions recognised in respect of amounts payable, shall be included in profit or loss for the current period. When a debt is satisfied by a combination of the methods mentioned above, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash asset(s) transferred and the fair value of the capital issued to the creditor, and then accounted for in accordance with the requirements related to a debt restructuring that involves the modification of other terms of a debt.

Notes to Financial Statements

As at 31 December 2012

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

29. Debt restructuring *(continued)*

As a creditor

When a debt is settled by cash in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the cash received is recognised in profit or loss for the current period. When a debt is satisfied by a transfer of non-cash asset(s) in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognised in profit or loss for the current period. When a debt is converted into capital in a debt restructuring, the difference between the gross carrying amount of the debt and the fair value of the equity interest received is recognised in profit or loss for the current period. When other terms of the debt are modified, the difference between the gross carrying amount of the debt receivable under restructuring and the fair value of the debt receivable subsequent to the modification of other terms of the debt, shall be recognised in profit or loss for the current period. When a debt is satisfied by a combination of the methods mentioned above, the gross carrying amount of the debt is reduced by, and in the sequence of, the cash received, the fair value of the non-cash asset(s) obtained and the fair value of the equity interest received, and then accounted for in accordance with the requirements related to a debt restructuring that involves the modification of other terms of a debt.

If the creditor has provided for impairment loss on the debt receivable, the above difference is used to reduce the impairment provision and any excess is recognised in profit or loss for the current period.

30. Exchange of non-monetary assets

An exchange of non-monetary assets is an exchange between the parties to the transaction of non-monetary assets including but not limited to inventories, fixed assets, intangible assets and long-term equity investments. Such exchange does not involve or only involve a few of monetary assets.

If non-monetary assets transaction is commercial in nature and the fair value of the assets received or the assets surrendered can be reliably measured, the fair value of the assets surrendered (unless there are clear evidences showing the fair value of the assets received is more reliable) and relevant taxes payable are recognised as cost of the assets received. The difference between the fair value and the carrying amount of the assets surrendered is included into the current profit or loss. Where such conditions are not met, the carrying amount and relevant payable taxes of the assets surrendered shall be taken as the cost of the assets received and no profit or loss is recognised.

31. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

Notes to Financial Statements

As at 31 December 2012

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

32. Segment reporting

The Group identifies operating segments based on the internal organisation structure, managerial requirements and internal reporting system, identifies reportable segments based on operating segments and discloses segment information by operating segment.

An operating segment is a component of the Group that meets all the following conditions:

- (1) it engages in business activities from which it may earn revenues and incur expenses;
- (2) its operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and assess its performance; and
- (3) the Group is able to obtain relevant accounting information such as its financial position, operating results and cash flows of such segment.

If two or more segments have similar economic characteristics and meet certain conditions, then they can be aggregated into a single operating segment.

33. Production safety cost

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

34. Significant accounting judgments and estimates

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

Notes to Financial Statements

As at 31 December 2012

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

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

Judgments

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

Operating lease – as lessor

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

Classification between investment properties and inventories

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

Classification between investment properties and fixed assets

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

Uncertainty of estimation

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

Notes to Financial Statements

As at 31 December 2012

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

34. 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. Please refer to Note II.26 for details.

Impairment of goodwill

The Group determines whether the goodwill is impaired at least on annual basis. This requires an estimation of the present value of the expected future cash flows from an asset group or set of asset groups to which the goodwill is allocated. Estimating the present value of the expected future cash flows requires the Group to make an estimation of the expected future cash flows from an asset group or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those future cash flows. Please refer to Note II.26 and Note V.18 for details.

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 realized.

Notes to Financial Statements

As at 31 December 2012

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

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

Uncertainty of estimation (continued)

Corporate income tax

The Company and its subsidiaries spreading across different provinces in the PRC are subject to income taxes in the regions where they operate. As a result of the fact that certain matters relating to corporate income taxes have not been confirmed by the local tax authorities, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expenses and tax provisions in the period 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 were based on certain assumptions, which are subject to uncertainty and might differ from the actual results. In making the relevant estimation, information from current market rentals for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are adopted.

Recognition and allocation of development costs on properties under construction

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

Impairment of accounts receivable and other receivables

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

Notes to Financial Statements

As at 31 December 2012

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

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

Uncertainty of estimation (continued)

Provision of decline in value of inventory

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

Supplementary retirement subsidies and early retirement benefits

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

Useful lives and residual value of fixed assets

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

Notes to Financial Statements

As at 31 December 2012

III. TAXATION

(1) Major categories of taxes and respective tax rates

Value-added tax ("VAT"):	The VAT payable is determined as the output VAT calculated based on the taxable revenue at the tax rate of 17% less the deductible input VAT for the current period. For small-scale taxpayers, VAT is levied based on the sales revenue at the tax rate of 3%. For the concrete industry, VAT is levied based on the sales at a simplified tax rate of 6%.
Business tax:	It is levied at 3%, 5% and 20% of the taxable business turnover.
City maintenance and construction tax:	It is levied at 7%, 5% and 1% of net VAT and business tax paid.
Education surcharge:	It is levied at 3% of net VAT and business tax paid.
Property tax:	It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10%-30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.
Vehicle and vessel tax:	It is levied, by number of passenger in service vehicles and by tonnage of trucks, to the vehicles owned or managed by the Group.
Land use tax:	It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local governments.
Individual income tax:	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group.

Notes to Financial Statements

As at 31 December 2012

III. TAXATION *(continued)*

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

Land appreciation tax:	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the compensatory transfer of ownership by the Group.
Resource tax:	It is levied to the minerals exploited by the Group on a quantity basis under the relevant tax laws of the PRC.
Corporate income tax:	Except the items listed in (2) below, the tax is levied on the Group at the tax rate of 25% based on the taxable profit.

(2) Tax preferential policies and relevant approvals

1. Value-added tax (VAT)

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

- Upon the approval of the tax authorities, some of the Group's subsidiaries engaged in cement production and operation enjoyed the VAT refund upon collection preferential policy in 2012 in respect of their eligible cement products. Such subsidiaries include Beijing Liulihe Cement Co., Ltd., Beijing BBMG Pinggu Cement Co., Ltd., Luquan BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang BBMG Cement Co., Ltd., Beijing Taihang Qianjing Cement Co., Ltd., Baoding Taihang Heyi Cement Co., Ltd., Beijing Qianglian Cement Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Zhanhuang BBMG Cement Co., Ltd., Zhuolu Jinyu Cement Co., Ltd., Siping BBMG Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., Beijing Cement Plant Co., Ltd., Beijing Xingfa Cement Co., Ltd., Beijing BBMG Shunfa Cement Co., Ltd., and Boai BBMG Cement Co., Ltd..

Notes to Financial Statements

As at 31 December 2012

III. TAXATION *(continued)*

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

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

- (2) Some of the Group's subsidiaries engaged in concrete production and operation enjoyed the VAT exemption preferential policy in 2012 in respect of their eligible concrete products. Such subsidiaries include Beijing Jianhua-Bulangni Concrete Co., Ltd., Beijing BBMG Concrete Co., Ltd., Guantao BBMG Taihang Concrete Co., Ltd., Cheng'an Jinghong Concrete Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Tianjin BBMG Concrete Co., Ltd. and Shijiazhuang BBMG Xucheng Concrete Co., Ltd..
- (3) The Group's subsidiaries Beijing Xiliu Building Materials Co., Ltd., Beijing Aerated Concrete Co., Ltd., Beijing BBMG Aerated Concrete Co., Ltd., Beijing Xiang Brand Walling Materials Co., Ltd., and Beijing Building Materials Academy Co., Ltd. enjoyed the VAT exemption preferential policy in respect of their selected building materials in 2012.

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

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

- (1) Handan Taihang Cement Co., Ltd. complies with the policy of VAT refund upon collection (with a cap) for units accommodating disabled persons by tax authorities according to the number of disabled persons actually accommodated by the unit, and enjoys VAT refund upon collection.

Notes to Financial Statements

As at 31 December 2012

III. TAXATION *(continued)*

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

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

- (2) Beijing Bio-Island Science and Technology Co., Ltd. complies with the policy of utilising waste mineral oil for the production of integrated utilisation products and Clause 5 of Article 5 of Cai Shui [2011] No. 115 on Products of Integrated Utilisation of Resources Utilising Waste Lead Acid Batteries, and enjoys refund upon collection of value-added tax.

2. Business tax

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

3. Corporate income tax

Certain subsidiaries of the Group are certified as high-tech enterprises by relevant governmental authorities and enjoyed a preferential corporate income tax rate of 15% for high-tech enterprises in 2012 pursuant to Provisional Regulations on Corporate Income Tax of the People's Republic of China and the Notice of the State Administration of Taxation of the PRC regarding Corporate Income Tax Preferences for High-tech Enterprises (Guo Shui Han [2009] No. 203). Such subsidiaries include BBMG Tiantan Furniture Co., Ltd., Tongda Refractory Technology Corporation, Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd., Beijing Building Materials Academy Co., Ltd., Beijing Tongda Refractory Technology Corporation, Beijing Jiandu Design and Research Institute Co., Ltd., Beijing Alavus Building Energy Saving Components Co., Ltd., Beijing Building Material Test Center Co., Ltd., Beijing BBMG Cement Energy Saving Technology Co., Ltd., and BBMG Mangrove Environmental Protection Technology Co., Ltd..

Notes to Financial Statements

As at 31 December 2012

III. TAXATION *(continued)*

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

3. Corporate income tax *(continued)*

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

- (1) Beijing Jinhuyuan Property Management Co., Ltd. and Beijing Yuandong Jiemei Cleaning Services Company Limited as small low-profit enterprises were levied corporate income tax at a rate of 20% in 2012.
- (2) Beijing BBMG Aerated Concrete Co., Ltd. was levied corporate income tax based on 90% of total revenue from its products that are qualified for the national industrial policies on integrated use of resources in the period from 10 December 2010 to 10 December 2012.
- (3) Dachang BBMG Coating Co., Ltd. enjoys a partial relief (reduction by 40%) on corporate income tax for enterprises in ethnic autonomous locality in the period from 1 January 2011 to 31 December 2014.
- (4) Hebei BBMG Mangrove Environmental Co., Ltd. enjoys the corporate income tax preferential policy of "exemption for three years and 50% reduction for another three years" since March 2010.
- (5) Beijing Bio-Island Science and Technology Co., Ltd. and BBMG Mangrove Environmental Protection Technology Co., Ltd. are energy and water efficient environmental friendly enterprises and enjoy the corporate income tax of "exemption for three years and 50% reduction for another three years" since 2009.
- (6) Hetian Yuhe Sand Stone Company Limited complies with the enterprise policy of supporting certain types of enterprises in Western China, and enjoys a preferential tax rate of 15% for 10 years since 1 January 2010.

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As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Major subsidiaries:

Subsidiaries acquired through establishment, investment or other ways	Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways												
Beijing Lulin Cement Co., Ltd. (北京華聯河水泥有限公司)	Limited liability	Beijing	Zhao Xiangdong	Manufacture of cement, mining and sale of sandstone etc.	60,000.00	1027464807	62,940.51	100.00	-	100.00	Y	-
Beijing Jianhua-Biurami Concrete Co., Ltd. (北京華華希爾尼混凝土有限公司)	Limited liability	Beijing	Hao Zhitao	Manufacture and sale of commercial concrete	1,269.80	6259883609	1,333.62	-	100.00	100.00	Y	-
Beijing BBMG Concrete Co., Ltd. (北京金隅混凝土有限公司)	Limited liability	Beijing	Liu Wenyan	Process of commodity concrete etc.	31,541.04	1011234005	35,923.59	100.00	-	100.00	Y	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限公司)	Limited liability	Beijing	Deng Guangjun	Disposal of hazardous waste etc.	109,059.06	7839567405	86,605.70	79.41	-	79.41	Y	12,013.87
Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅紅樹林環保技術有限公司)	Limited liability	Same	Tian Wei	Treatment and disposal of hazardous waste	1,000.00	694667950X	1,000.00	-	100.00	100.00	Y	332.94
Beijing Jinyu Pinggu Cement Co., Ltd. (北京金隅平谷水泥有限公司)	Limited liability	Beijing	Zhang Jun	Processing and sale of cement etc.	15,000.00	5585606909	15,000.00	100.00	-	100.00	Y	-
Cangzhou Lingang Jinyu Cement Co., Ltd. (滄州金隅金隅水泥有限公司)	Limited liability	Cangzhou	Zhou Chengyao	Manufacture and sale of cement and cement product	15,000.00	674184580X	15,000.00	-	100.00	100.00	Y	-
Cheng'an Jinghong Concrete Co., Ltd. (咸安縣京宏混凝土有限公司)	Limited liability	Cheng'an County	Li Huijiang	Manufacture and sale of commercial concrete	1,000.00	5767807509	1,000.00	-	94.67	94.67	Y	11.08
*Daming BBMG Taihang Concrete Co. Ltd. (大名縣金隅太行混凝土有限公司)	Limited liability	Daming County	Li Huijiang	Sales of concretes and mortar	1,000.00	0599723-8	900.00	-	85.20	85.20	Y	106.22
Zanhuang BBMG Cement Co., Ltd. (贊皇水泥有限公司)	Limited liability	Zanhuang County	Tian Dachun	Manufacture and sale of cement and clinker	45,000.00	672062520X	45,000.00	100.00	-	100.00	Y	-
BBMG Cement Trading Co., Ltd. (北京金隅水泥貿易有限公司)	Limited liability	Beijing	Jiang Changlu	Wholesale of cement and cement product etc.	5,000.00	6787533201	5,000.00	100.00	-	100.00	Y	-

Notes to Financial Statements

As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)											
Sanhe Jining Mining Co., Ltd. (三河市金礦業有限公司)	Sanhe	Chen Changshu	Processing and sale of rock materials for construction	500.00	6920731406	475.00	-	95.00	95.00	Y	4.29
Beijing BBMG Cement Energy Technology Co., Ltd. (北京金隅水泥節能科技有限公司)	Beijing	Zhang Zengshou	Development and transfer of cement and concrete technology	2,500.00	6950455308	2,500.00	100.00	-	100.00	Y	-
Sping BBMG Cement Co., Ltd. (四平金隅水泥有限公司)	Sping	Jiang Changlu	Manufacture and sale of cement and cement product etc.	30,000.00	6961369205	15,600.00	52.00	-	52.00	Y	17,627.10
* Shijiazhuang Jinyu Beiyue Concrete Co. Ltd. (石家莊金隅北礮凝土有限公司)	Shijiazhuang	Li Fuhai	Sales of concretes	10,000.00	03545166-9	7,000.00	-	66.92	66.92	Y	3,002.42
Lanxian BBMG Cement Co., Ltd. (蘭縣金隅水泥有限公司)	Lan county	Liu Wenyan	Manufacture and sale of cement and cement product	20,030.00	5514780403	16,026.00	80.00	-	80.00	Y	3,615.96
Qinyang BBMG Cement Co., Ltd. (沁陽金隅水泥有限公司)	Qinyang	Jiang Changlu	Manufacture and sale of cement and clinker etc.	16,645.00	553167610X	14,464.51	86.90	-	86.90	Y	2,078.87
Lingchuan BBMG Cement Co., Ltd. (陵川金隅水泥有限公司)	Lingchuan County	Zhao Jun	Manufacture and sale of cement and clinker	18,000.00	5613345503	18,000.00	100.00	-	100.00	Y	-
Beijing BBMG Mining Co., Ltd. (北京金礦業有限公司)	Beijing	Lu Yong	Sale of metal and other mining material products	500.00	5603555505	500.00	100.00	-	100.00	Y	-
Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司)	Zuoquan county	Li Qiang	Technical consultation service on cement clinker	21,550.00	575961380X	21,550.00	100.00	-	100.00	Y	-
Xuanhua BBMG Cement Co., Ltd. (宣化金隅水泥有限公司)	Xuanhua County	Jiang Changlu	Manufacture and sale of cement and clinker	500.00	575518290X	325.00	65.00	-	65.00	Y	83.03

Notes to Financial Statements

As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)											
Limited liability	Bo'ai County	Liu Wenyan	Manufacture and sale of cement and clinker	24,182.63	5860453502	14,350.00	59.34	-	59.34	Y	10,123.88
Limited liability	Guangdong Jinyu Cement Co., Ltd. (博罗金耀水泥有限公司)	Wei Weidong	Manufacture and sale of cement clinker	30,000.00	05626630-X	30,000.00	-	73.33	73.33	Y	7,988.08
Limited liability	Beijing	Cai Lihong	Manufacture and sale of dry mix mortar	10,000.00	03136722-4	10,000.00	80.00	20.00	100.00	Y	-
Limited liability	Tianjin	Cai Lihong	Manufacture and sale of mortar	4,900.00	03870889-6	3,430.00	-	70.00	70.00	Y	1,469.99
Limited liability	Beijing	Guo Yanming	Manufacture, processing, and sale of furniture etc	8,709.45	7002402509	11,463.18	93.43	-	93.43	Y	1,270.60
Limited liability	Beijing	He Jianbei	Manufacture of wooden furniture	600.00	6000564003	360.00	-	56.06	56.06	Y	286.83
Limited liability	Foshan	Yang Jincui	Processing and sale of goods; import and export agent	500.00	5536626609	500.00	-	93.43	93.43	Y	35.70
Limited liability	Beijing	Tang Yiming	Manufacture of office cube partition, boards and furniture etc.	4,138.60	7400706405	1,655.44	-	93.43	93.43	Y	(72.86)
Limited liability	Beijing	Diao Naiduo	Building renovation and design consultation	600.00	7235828804	600.00	-	93.43	93.43	Y	44.87
Limited liability	Beijing	Wang Changjiang	Manufacture and sale of wooden furniture materials and wooden floorboards	50.00	1030023309	50.00	-	93.43	93.43	Y	(1.63)

Notes to Financial Statements

As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)												
Beijing Great Wall Furniture Co., Ltd. (北京长城家具有限公司)	Limited liability	Beijing	Tang Yiming	Manufacture and sale of wooden furniture etc.	6,613.58	1011246904	7,657.85	-	100.00	100.00	Y	-
Beijing Great Wall Furniture Decorative Materials Co., Ltd. (北京长城家具装饰材料有限公司)	Limited liability	Beijing	Shi Feng	Manufacture and sale of furniture, decorative materials and wooden floorboards	320.00	6000060305	294.00	-	93.43	93.43	Y	(20.49)
Beijing Qumette Great Wall Seats Co., Ltd. (北京齐耐特长城座椅有限公司)	Limited liability	Beijing	Antoine	Manufacture of seats for opera houses and auditoriums etc.	1,397.04	7532598209	954.75	-	55.85	55.85	Y	291.60
Beijing Woodworking Factory Co., Ltd. (北京市木材厂有限责任公司)	Limited liability	Beijing	Sun Dejang	Manufacture and sale of wood-based panels etc.	5,455.63	1011773007	5,455.63	100.00	-	100.00	Y	-
Beijing Tongda Refractory Engineering Technology Co., Ltd. (北京通達 耐火工程技術有限公司)	Limited liability	Beijing	Feng Yunsheng	Development and manufacture of new refractory materials etc.	200.00	7560077302	200.00	-	81.10	81.10	Y	66.87
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (鞏義通達中原 耐火技術有限公司)	Limited liability	Gongyi	Feng Yunsheng	Manufacture and sale of refractory materials	1,050.00	1705000607	1,620.13	-	81.10	81.10	Y	86.05
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd. (鞏義通達中原 耐火材料檢測中心有限公司)	Limited liability	Gongyi	Li Ping	Testing of refractories of refractory ceramic etc.	30.00	6987001200	30.00	-	81.10	81.10	Y	2.22
Beijing Jinyu Energy-Saving Technology Co., Ltd. (北京金裕節能科技有限公司)	Limited liability	Beijing	Li Huibin	Manufacture and sale of building materials	31,496.77	1011240503	34,245.06	100.00	-	100.00	Y	-

Notes to Financial Statements

As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)											
*Zhangjiakou Star Building Materials Co., Ltd. (张家口市星牌建材有限公司)	Beijing	Li Huibin	Manufacture, processing and sale of rockwool products	500.00	5896693200	500.00	-	100.00	100.00	Y	-
Beijing Jiansong Building, Installation and Engineering Co., Ltd. (北京建颂建筑装饰工程有限公司)	Beijing	Zhang Quan	Construction contracting	2,001.12	1011320307	2,001.12	-	100.00	100.00	Y	-
Beijing Aerated Concrete Co., Ltd. (北京加气混凝土有限责任公司)	Beijing	Jin Yuefeng	Manufacture and sale of aerated concrete panels	8,681.75	1019575703	8,602.77	-	100.00	100.00	Y	-
Beijing Jinyu Aerated Concrete Co., Ltd. (北京金宇加气混凝土有限责任公司)	Beijing	Jin Yuefeng	Manufacture and sale of aerated concrete products etc	4,000.00	1022992609	4,794.64	100.00	-	100.00	Y	-
Beijing Xiang Brand Walling Materials Co., Ltd. (北京香牌牌墙材料有限公司)	Beijing	Wang Youbin	Manufacture and sale of clay bricks and concrete products etc.	4,043.80	1011344003	3,927.76	100.00	-	100.00	Y	-
Beijing Jinghua Glass Fiber Products Co., Ltd. (北京京华玻璃纤维制品有限公司)	Beijing	Yang Chaoying	Manufacture of glass fiber and its products	300.66	1020108607	286.77	-	100.00	100.00	Y	-
Beijing Xiliu Building Materials Co., Ltd. (北京西流建材有限公司)	Beijing	Tang Honggen	Manufacture and sale of bricks and tiles etc.	11,160.39	1011002504	10,069.39	100.00	-	100.00	Y	-
Beijing BBMG Coating Co., Ltd. (北京金隅涂料有限责任公司)	Beijing	Chen Jun	Manufacture of coating; professional contracting	8,900.00	7817340703	9,542.12	100.00	-	100.00	Y	-
Dachang BBMG Coating Co., Ltd. (大诚金隅涂料有限责任公司)	Dachang County	Chen Jun	Manufacture and sale of coating	3,000.00	5648915704	3,000.00	-	100.00	100.00	Y	-
Xinjiang BBMG Coating Co., Ltd. (新疆金隅涂料有限公司)	Urumqi	Qiu Feng	Manufacture of coating; sale of building materials etc.	100.00	6734073704	55.00	-	55.00	55.00	Y	105.40

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As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity	Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)		
Subsidiaries acquired through establishment, investment or other ways (continued)										
Beijing Building Materials Academy Co., Ltd. (北京建筑材料研究總院有限公司)	Beijing	Wang Zhaojia	Development, manufacture and sale of building materials etc.	12,000.00	400709490X	12,246.78	100.00	-	Y	-
Beijing Building Materials Testing Centre Co., Ltd. (北京建築材料檢驗中心有限公司)	Beijing	Wang Zhaojia	Testing for building material quality etc.	1,000.13	7951149204	1,000.13	-	100.00	Y	-
Beijing (Keshi) Hardware Co., Ltd. (北京科實五金有限責任公司)	Beijing	Liu Guosheng	Manufacture of modern products like construction hardware	2,552.13	1011231703	2,482.13	100.00	-	Y	-
Beijing Ceramic Plant Co., Ltd. (北京陶瓷廠有限責任公司)	Beijing	An Zhiqiang	Manufacture of ceramic sanitary wares and ceramic veneer	5,666.08	1011259100	5,873.27	-	100.00	Y	-
Beijing BBMG Dongrun Construction Materials Co., Ltd. (北京金鼎東潤建材有限公司)	Beijing	Liu Guozhi	Wholesale of building materials etc.	2,000.00	6900160009	1,020.00	-	51.00	Y	1,131.46
Beijing BBMT-Xinke Building Materials Co., Ltd. (北京建興新材料建材有限公司)	Beijing	Cao Zhanjing	Sale and purchase of building materials etc.	17,000.00	7002424300	17,348.55	-	100.00	Y	-
Qingdao BBMT-Xinke Building Materials Co., Ltd. (青島建興新材料建材有限公司)	Qingdao	Cao Zhanjing	Wholesale and retail of building materials etc.	100.00	7335537306	60.00	-	60.00	Y	39.01
BBMG Home Furnishing Co., Ltd. (北京金鼎家居有限公司)	Beijing	Kou Yingyue	Purchase and sale of building materials and metals etc.	600.00	6631036706	600.00	-	100.00	Y	-
Beijing BBMG Decoration and Engineering Co., Ltd. (北京金鼎裝飾工程有限公司)	Beijing	Cao Yunhai	Design and construction of building decoration	3,000.00	6000253302	3,000.00	-	100.00	Y	-
Beijing Building Materials Import & Export Co., Ltd. (北京市建築材料進出口有限公司)	Beijing	Zhang Jianping	Commodity operation and agent, import and export of technology	2,000.00	1011370703	2,000.000	-	100.00	Y	-

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IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)												
Beijing Jiandu Design and Research Institute Co., Ltd. (北京建都设计研究院有限责任公司)	Limited liability	Beijing	Zhang Shaoyuan	Design of new building materials etc.	954.12	4008419401	940.53	100.00	-	100.00	Y	-
Beijing Jiantuo Engineering Management Co., Ltd. (北京建拓工程管理有限公司)	Limited liability	Beijing	Zhang Shaoyuan	Agent for construction tendering	300.00	6000370206	300.00	-	100.00	100.00	Y	-
Beijing Sanzhong Mirror Co., Ltd. (北京三重镜业有限公司)	Limited liability	Beijing	Wang Youbin	Manufacture and sale of glass-made spectacle lenses	5,766.00	6000322804	2,566.96	-	100.00	100.00	Y	-
BBMG (Dachang) New Building Materials Co., Ltd. (大顺金隅新建材料有限公司)	Limited liability	Dachang	Jiang Hangjun	Manufacture of various modern building materials etc.	50,000.00	6636835207	50,000.00	100.00	-	100.00	Y	-
Yangquan Tongda BBMG Refractory Materials Co., Ltd. (阳泉金隅建烨高温材料有限公司)	Limited liability	Yangquan	Feng Yunsheng	Manufacture and sale of refractory ceramic etc.	6,000.00	6942918902	6,000.00	100.00	-	100.00	Y	-
Beijing BBMG Business and Trading Co., Ltd. (北京金隅商贸有限公司)	Limited liability	Beijing	Kou Yingyue	Wholesale of building materials and metals etc.	41,000.00	5585089700	41,000.00	100.00	-	100.00	Y	-
Dachang BBMG Jinhayun Glass Wool Co., Ltd. (大顺金隅金海燕玻璃棉有限公司)	Limited liability	Dachang	Zhao Yanjun	Manufacture and sale of glass wool products	8,000.00	678506540X	8,000.00	-	100.00	100.00	Y	-
*BBMG Material Industrial (Shanghai) Co., Ltd. (金隅物產上海有限公司)	Limited liability	Shanghai	Kou Yingyue	Import and export of coke, iron ore and metal materials	8,000.00	59971945-9	4,080.00	51.00	-	51.00	Y	4,034.45
BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	Limited liability	Beijing	Huang Annan	Property development and management etc.	200,000.00	1017180907	166,513.84	100.00	-	100.00	Y	-
*BBMG (Qingdao) Property Development Co., Ltd. (金隅(青島)房地產開發有限公司)	Limited liability	Beijing	Huang Annan	Property development and trading agent	5,000.00	5912837500	5,000.00	-	100.00	100.00	Y	-

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IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Subsidiaries acquired through establishment, investment or other ways (continued)	Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)												
Inner Mongolia BBMG Property Investment Co., Ltd. (内蒙古金盟置地投资有限公司)	Limited liability	Hohhot	Huang Anlian	Property development and management etc.	20,000.00	7901886300	20,000.00	-	100.00	100.00	Y	-
BBMG (Hangzhou) Property Development Co., Ltd. (金盟(杭州)房地产开发有限公司)	Limited liability	Hangzhou	Huang Anlian	Property development and management etc.	60,000.00	6680245102	63,482.70	-	100.00	100.00	Y	-
Hangzhou BBMG Mountain Villa Property Development Co., Ltd. (杭州金盟山墅房地产开发有限公司)	Limited liability	Hangzhou	Huang Anlian	Property development and others	10,000.00	5687961001	10,000.00	-	100.00	100.00	Y	-
BBMG (Tianjin) Property Development Co., Ltd. (金盟(天津)房地产开发有限公司)	Limited liability	Tianjin	Huang Anlian	Property development and sales etc.	80,000.00	5503542804	80,000.00	-	100.00	100.00	Y	-
Tangshan BBMG Julong Property Development Co., Ltd. (唐山金盟巨龍房地產開發有限公司)	Limited liability	Tangshan	Huang Anlian	Property development and management etc.	5,000.00	5533091200	4,000.00	-	80.00	80.00	Y	593.79
Beijing BBMG Property Investment And Development Co., Ltd. (北京金盟置地房地產開發有限公司)	Limited liability	Beijing	Huang Anlian	Property development and sales etc.	5,000.00	5548780304	5,000.00	-	100.00	100.00	Y	-
BBMG Yanke Property Development Co., Ltd. (北京金盟聯科房地產開發有限公司)	Limited liability	Beijing	Huang Anlian	Property development and sales etc.	19,000.00	6656051305	9,690.00	-	51.00	51.00	Y	22,850.30
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. (北京西三旗高新建材經營開發有限公司)	Limited liability	Beijing	Chang Yuanhong	Rental, Property development etc.	6,129.76	1011439607	12,358.04	100.00	-	100.00	Y	-
Chengdu BBMG Dachen Property Development Co., Ltd. (成都金盟大城房地產開發有限公司)	Limited liability	Chengdu	Zhang Xiaobing	Property development etc.	5,000.00	5875634304	4,000.00	-	80.00	80.00	Y	818.49
Chongqing BBMG Dachen Property development Property Development Co., Ltd. (重慶金盟大城房地產開發有限公司)	Limited liability	Chongqing	Zhang Xiaobing	Property development and consultation etc.	20,000.00	554062104	20,000.00	-	100.00	100.00	Y	-

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IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)											
Limited liability	Beijing	Chang Yuanhong	Property development and sale of commodity housing etc.	45,944.06	5636560003	47,350.99	100.00	-	100.00	Y	-
Beijing BBMG Chengyuan Property Development Co., Ltd. (北京金隅程裕房地產開發有限公司)											
Limited liability	Beijing	Zhou Jiayi	Renovation of dilapidated buildings etc.	10,500.00	60001885-3	10,042.53	100.00	-	100.00	Y	-
Beijing Jianhong Property Development Co., Ltd. (北京建宏房地產開發有限公司)											
Limited liability	Beijing	Chen Ming	Dining services	150.00	768455208	150.00	-	100.00	100.00	Y	-
Beijing Dajiangnan International Hotel Management Co., Ltd. (北京大江南國際酒店管理有限公司)											
Limited liability	Beijing	Liu Shucai	Property management	50.00	7609198209	50.00	-	100.00	100.00	Y	-
Beijing Jinyincheng Property Management Co., Ltd. (北京金業新城物業管理有限公司)											
Limited liability	Hohhot	Li Weidong	Property management	200.00	6769102704	200.00	-	100.00	100.00	Y	-
Inner Mongolia BBMG Property Management Co., Ltd. (內蒙古金隅物業服務有限公司)											
Limited liability	Beijing	Li Weidong	Property management	1,000.00	6336869700	8,926.45	100.00	-	100.00	Y	-
BBMG Property Management Co., Ltd. (北京金隅物業管理有限公司)											
Limited liability	Beijing	Li Weidong	Property management	50.00	7001721209	50.00	-	100.00	100.00	Y	-
Beijing Jinyuan Property Management Co., Ltd. (北京錦源物業管理有限公司)											
Limited liability	Beijing	Liuweiyu	Provision of accommodation and dining services etc.	19,998.91	1026918903	20,248.04	100.00	-	100.00	Y	-
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司)											
Limited liability	Ulanqab	Liu Deyong	Provision of accommodation and dining services etc.	3,015.00	7901526006	3,015.00	-	100.00	100.00	Y	-
Inner Mongolia BBMG Danhai Resort Co., Ltd. (內蒙古金隅達海藍庭度假有限公司)											
Limited liability	Beijing	Li Mian	Provision of accommodation and dining services	1,000.53	101129880X	1,000.53	-	100.00	100.00	Y	-
Beijing Jianyuan Hotel Co., Ltd. (北京建苑賓館有限公司)											

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As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)			
Subsidiaries acquired through establishment, investment or other ways (continued)											
Beijing Jianji Assets Management Co., Ltd. (北京建集資產管理有限公司)	Beijing	An Zhiqiang	Self-owned property rental, property management etc.	6,273.39	1016498209	6,248.82	100.00	-	100.00	Y	-
Beijing Jintaiyan Assets Management Co., Ltd. (北京金泰燕資產管理有限公司)	Beijing	An Zhiqiang	Self-owned property rental, property investment and management etc.	8,292.36	101124580X	7,847.98	100.00	-	100.00	Y	-
Beijing Jintaiyan Property Management Co., Ltd. (北京金泰燕物業管理有限公司)	Beijing	Ma Hong	Property management and sale etc.	350.00	101850160X	350.00	100.00	-	100.00	Y	-
BBMG Property Operation Management Co., Ltd. (北京華誠信達物業管理有限公司)	Beijing	Li Weidong	Commercial housing rental, property and hotel management etc.	9,900.00	6691139407	9,900.00	100.00	-	100.00	Y	-
*Beijing BBMG Real Estate Agency Co., Ltd. (北京華誠信達置業代理有限公司)	Beijing	Chang Yuanhong	Commercial housing rental, property and consultation	500.00	589084550X	500.00	-	100.00	100.00	Y	-
Beijing Kaicheng Citida Property Management Co., Ltd. (北京華誠信達物業管理有限公司)	Beijing	Chen Xu	Property management	300.00	78170528-0	318.11	-	100.00	100.00	Y	-
Beijing Wancheng Taisang Property Management Co., Ltd. (北京華成恒泰物業管理有限公司)	Beijing	Chen Xu	Property management	200.00	78861032-1	385.52	-	100.00	100.00	Y	-

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IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB 仟
							Direct (%)	Indirect (%)			
Subsidiaries acquired through business combination under common control											
Zhangjiakou Jinyu Cement Co., Ltd. (张家口金隅水泥有限公司)	Zhangjiakou	Zheng Baojin	Manufacture and sale of cement and cement products	30,000.00	6870473605	27,140.69	90.00	-	90.00	Y	3,607.66
Zhuolu Jinyu Cement Co., Ltd. (涿鹿金隅水泥有限公司)	Zhuolu County	Zhao Qiang	Manufacture and sale of cement and cement products	30,000.00	73142370X	30,000.00	100.00	-	100.00	Y	-
Qiyang Jinyu Cement Co., Ltd. (曲阳金隅水泥有限公司)	Qiyang County	Fan Guoliang	Manufacture and sale of cement and clinker	28,000.00	6827760400	24,933.35	90.00	-	90.00	Y	3,280.85
Beijing Bowsland Science and Technology Co., Ltd. (北京生隆马科技有限责任公司)	Beijing	Liu Xiaoyu	Development of technologies for waste disposal, comprehensive utilization, and environmental protection	5,000.00	7877525309	-	-	79.41	79.41	Y	959.46
Tianjin Zhenxing Cement Co., Ltd. (天津振兴水泥有限公司)	Tianjin	Jiang Changlu	Manufacture of cement	55,811.02	1030713003	40,010.14	60.64	-	60.64	Y	28,312.56
Tongda Refractory Technology Co., Ltd. (通達耐火技術股份有限公司)	Beijing	Feng Yunshen	Research and Develop, and manufacture of new refractory materials etc.	28,517.14	7886140704	23,128.11	81.10	-	81.10	Y	13,101.19
Shanghai Sanning Building Materials Co., Ltd. (上海三聯建材有限公司)	Shanghai	Xu Haiteng	Manufacture and sale of modern building materials	2,700.00	6074059208	2,437.71	-	100.00	100.00	Y	-
Beijing Building Decoration and Design Engineering Co., Ltd. (北京市建築裝飾設計工程有限公司)	Beijing	Zhang Quan	Design of project and home decorations etc.	8,500.00	101123780X	27,504.04	100.00	-	100.00	Y	-
Beijing Building Decoration and Design Institute Co., Ltd. (北京市建築裝飾設計院有限公司)	Beijing	Zhang Quan	Decorative design service	2,000.00	1018876204	2,000.00	-	100.00	100.00	Y	-

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IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Subsidiaries acquired through business combination under common control (continued)	Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
Beijing Longshuncheng Chinese Style Furniture Co., Ltd. (北京尚龍順中式家具有限公司)	Limited liability	Beijing	Wang Zhijun	Manufacture of furniture etc.	1,292.40	1011231801	6,377.59	-	93.43	93.43	Y	140.04
Crane (Beijing) Building Material Co., Ltd. (阿恩(北京)建材有限公司)	Limited liability	Beijing	Kou Yingyue	Wholesale of building materials etc.	500.00	6699036606	256.34	-	67.50	67.50	Y	114.92
Beijing BBMG Doudian Technology Corporate Management Co., Ltd. (北京金鷹點店科技企業管理有限公司)	Limited liability	Beijing	Tang Jianping	Manufacture of insulate and energy-saving building materials etc.	5,037.66	1012091307	11,193.66	100.00	-	100.00	Y	-
Beijing BBMG Dancheng Property Development Co., Ltd. (北京金鷹大城開發有限公司)	Limited liability	Beijing	Zhang Xiaobing	Property development etc.	150,000.00	7226160402	226,277.12	100.00	-	100.00	Y	-
Haikou Daicheng Property Investment Co., Ltd. (海口大成置業有限公司)	Limited liability	Haikou	Zhang Xiaobing	Property development etc.	1,600.00	2012958307	1,142.21	-	100.00	100.00	Y	-
BBMG Badaling Hot-Spring Resort Co., Ltd. (北京金鷹八達嶺溫泉度假村有限公司)	Limited liability	Beijing	Liu Weiyu	Provision of travelling service and accommodation etc.	28,600.00	600657005	12,256.23	-	100.00	100.00	Y	-
Beijing Xisanqi Heating Co., Ltd. (北京亞三旗熱力有限公司)	Limited liability	Beijing	Wang Haitao	Manufacture of low to medium pressure steam and distilled water etc.	7,560.00	6330695402	6,691.07	-	100.00	100.00	Y	-
BBMG Hongye Ecological Science and Technology Co., Ltd. (北京金鷹宏業生態科技有限公司)	Limited liability	Beijing	Xu Chuanhui	Property rental and management	200.00	6675186902	85,299.24	100.00	-	100.00	Y	-
Beijing Hengying Land Real Estate Co., Ltd. (北京金鷹豐地房地產有限公司)	Limited liability	Beijing	Zhang Xiaobing	Property development etc.	4,635.00	7533002000	11,542.01	-	100.00	100.00	Y	-

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IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Subsidiaries acquired through business combination under common control (continued)	Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
								Direct (%)	Indirect (%)			
BBMG Hong Kong Limited. (金隅香港有限公司)	Limited liability	Hong Kong	Ma Hong	Self-owned property rental	(HKD) 100.00	N/A	598.49	100.00	-	100.00	Y	-
Beijing Ludastanke Science and Technology Co., Ltd. (北京绿都尚科技有限公司)	Limited liability	Beijing	Fu Qitao	Sale of building materials and provide technical services etc.	2,784.85	1026464109	4,574.17	100.00	-	100.00	Y	-
Beijing Hengye Qunying Business and Trading Co., Ltd. (北京恒业群盈商贸有限公司)	Limited liability	Beijing	Jiang He	Manufacture, purchase and sale of furniture	3,600.00	1013050006	9,826.00	-	100.00	100.00	Y	-
Beijing Zhongweisenai Property Management Co., Ltd. (北京中威森海物业管理有限公司)	Limited liability	Beijing	An Zhiqiang	Property management	2,548.50	1014787106	50,449.23	-	100.00	100.00	Y	-
Beijing Yanshan Cement Co., Ltd. (北京燕山水泥有限公司)	Limited liability	Beijing	Ding Zhongjin	Manufacture of cement	6,266.85	1011004006	27,504.04	100.00	-	100.00	Y	-
Beijing Oakland Building Waterproofing Materials Co., Ltd. (北京威灵建筑防水材料有限公司)	Limited liability	Beijing	Sun Yan'an	Processing and sale of waterproof materials	500.00	6000054003	-	-	100.00	100.00	Y	-
BBMG Human Resources Management Co., Ltd. (北京金隅人力资源管理有限公司)	Limited liability	Beijing	Liu Shengli	Dispatch of labour	50.00	690001270X	49.45	-	100.00	100.00	Y	-
BBMG Dacheng Property Management Co., Ltd. (北京金隅大成物业管理有限公司)	Limited liability	Beijing	Xue Guomin	Property management	500.00	1018504500	1,186.08	100.00	-	100.00	Y	-

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IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Organization code	Actual contribution at end of the year RMB ten thousand	Percentage of equity	Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
							Direct (%)	Indirect (%)		
Subsidiaries acquired through business combination not under common control										
Heizan Yühe Sand Stone Company Limited (阿合玉河砂石有限公司)	Hetian	Jiang Changlu	Manufacture and sale of concrete	2,040.80	6792864809	1,428.19	-	51.00	Y	1,369.99
Luquan Jinyu Dingyin Cement Co., Ltd. (鹿泉金昱鼎鑫水泥有限公司)	Luquan	Zhou Chengyao	Manufacture and sale of cement and clinker	130,000.00	7434157902	145,440.00	100.00	-	Y	-
***Hebei Taihang Huaxin Building Materials Co., Ltd. (河北太行華信建材有限公司)	Handan	Wang Nan	Mining of limestone and sale of cement products	22,800.00	7373777500	6,007.04	33.33	-	Y	10,352.33
Beijing Taihang Qianjing Cement Co., Ltd. (北京太行前景水泥有限公司)	Beijing	Zheng Baojin	Manufacture and sale of cement and cement products etc.	10,000.00	6009945006	6,760.00	67.00	-	Y	8,189.93
Baoding Taihang Xingsheng Cement Co., Ltd. (保定太行興盛水泥有限公司)	Baoding	Zheng Baojin	Manufacture and sale of cement and cement products etc.	2,000.00	7634494102	1,640.00	-	61.50	Y	(804.24)
Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司)	Yi county	Jiang Changlu	Manufacture and sale of cement and cement products etc.	16,000.00	745431402	12,000.00	75.00	-	Y	8,197.84
Yixian Tengqiu Mineral Building Materials Company Limited (易縣騰球礦建材料有限公司)	Yi county	Wang Chao	Sale of lime and rock materials etc.	2,100.00	7965723002	2,500.00	-	75.00	Y	600.14
Handan Taihang Cement Co., Ltd. (邯鄲市太行水泥有限公司)	Handan	Li Huijiang	Manufacture of cement	500.00	730279550X	703.80	-	51.00	Y	776.01
Beijing Qianjiang Cement Co., Ltd. (北京強勁水泥有限公司)	Beijing	Zhang Wanbo	Manufacture of cement	2,000.00	7461002806	2,442.59	-	60.00	Y	1,992.22
Handan BBMG Taihang Cement Co., Ltd. (邯鄲靈壽太行水泥有限公司)	Handan	Li Huijiang	Manufacture of cement	65,000.00	5560754101	71,998.66	94.67	-	Y	5,105.82
Cheng'an BBMG Taihang Cement Co., Ltd. (咸安靈壽太行水泥有限公司)	Cheng'an	Li Huijiang	Manufacture of cement	6,000.00	5544806008	4,500.00	-	71.00	Y	1,690.05
Guantao BBMG Taihang Concrete Co., Ltd. (館陶靈壽太行混凝土有限公司)	Guantao	Li Huijiang	Manufacture and sale of cement	1,000.00	5738955402	1,000.00	-	94.67	Y	26.25

Notes to Financial Statements

As at 31 December 2012

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Major subsidiaries: (continued)

Type of subsidiaries	Place of registration	Legal representative	Principal activities	Registered capital RMB ten thousand	Actual contribution at end of the year RMB ten thousand	Percentage of equity		Voting Right percentage (%)	Consolidated or not	Non-controlling interests RMB ten thousand
						Direct (%)	Indirect (%)			
Subsidiaries acquired through business combination not under common control (continued)										
Hancan Shixian BBMG Cement Co., Ltd. (邯鄲學縣金隅水泥有限公司)	Site county	Li Huijiang	Manufacture and sale of cement	10,000.00	18,167.87	91.00	-	91.00	Y	1,790.36
**Tianjin BBMG Concrete Co., Ltd. (天津金隅混凝土有限公司)	Tianjin	Jiang Changlu	Concrete construction and manufacturing	23,733.78	24,697.20	85.00	-	100.00	Y	4,831.01
Shijiazhuang BBMG Xucheng Concrete Co., Ltd. (石家莊金隅旭成混凝土有限公司)	Shijiazhuang	Liu Wenyan	Manufacture and sale of concrete	10,000.00	10,204.70	95.60	-	95.60	Y	632.22
Beijing Cement Plant Co., Ltd. (北京水泥廠有限責任公司)	Beijing	Liu Wenyan	Manufacture of cement and mining of limestone etc.	96,346.28	94,321.78	-	79.41	79.41	Y	20,097.11
Beijing Chimeifarge Cement Co., Ltd. (北京冀發水泥有限公司)	Beijing	Jiang Changlu	Manufacture of cement and clinker etc.	31,500.00	46,474.09	95.70	-	95.70	Y	2,146.48
BBMG Shuma Lafarge Cement Co., Ltd. (北京金隅聯發水泥有限公司)	Beijing	Jiang Changlu	Manufacture of cement and clinker etc.	15,000.00	11,068.11	70.00	-	70.00	Y	4,875.70
Beijing Alaurus Energy Saving Components Co., Ltd. (北京奧萊斯建築節能部品有限公司)	Beijing	Sai Bao	Manufacture, sale and repair of energy efficient doors and windows	(EUR)400.00	2,998.07	82.72	-	82.72	Y	672.19
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd. (重慶金隅大成山水置業有限公司)	Chongqing	Zhang Xiaobing	Property development and sale etc.	38,000.00	38,000.00	-	100.00	100.00	Y	-

* : Newly-founded subsidiaries during the year.

** : In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted the shareholder's rights (within the meaning of the Company Law and the Articles of Association) as represented by the 15% equity interests held in Tianjin BBMG Concrete Co., Ltd. (Tianjin BBMG Concrete Co., Ltd.) to the Company with a term of 8 years. As at 31 December 2012, the Company held 85% equity interests in Tianjin BBMG Concrete Co., Ltd. with 100% voting rights.

*** : Please refer to Note VI.5(2) for details.

Notes to Financial Statements

As at 31 December 2012

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

2. Operating entity with special interest, operated through entrustment or through controlling rights formed by rental

	Major business transactions	Recognized major assets as at the end of the Year in the consolidated statement RMB	Recognized major liabilities as at the end of the Year in the consolidated statement RMB
Hebei Taihang Huaxin Building Materials Co., Ltd. ("Taihang Huaxin")	Nil	185,585,377.88	30,308,212.16

Note: Please refer to Note VI.5(2) for details.

3. Investee that the Company holds half or more of its shareholdings but fails to control it

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

4. Change in scope of consolidation

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

Notes to Financial Statements

As at 31 December 2012

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

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

Besides the newly established subsidiaries, no other new subsidiary were included into the scope of consolidation for this year

In 2012, subsidiaries no longer included into the scope of consolidation are as follows:

	Place of incorporation	Business nature	Proportion of shareholding (%)	Proportion of voting rights	Reasons for not being the subsidiary	Date of disposal	Notes
Harbin Taihang Xinglong Cement Co. Ltd.	Bayan County	Production and sales of cement and cement products	43%	43%	Disposal	12 March 2012	Note 1
Beijing Yuandong Jiemei Services Company (北京遠東潔美保潔服務有限公司)	Beijing	Cleaning services, etc.	100%	100%	Disposal	30 November 2012	Note 2

Note 1: The Group's subsidiary BBMG Corporation and Heilongjiang Bayan Cement Manufacturing Co. Ltd. executed an equity transfer agreement on 10 March 2012 to dispose its 43% equity in Harbin Taihang Xinglong Cement Co., Ltd. to the latter at a consideration of RMB8,194,200.00 in cash plus arrangement of related debt restructuring. Date of disposal was 12 March 2012. Since 12 March 2012, the Group has not consolidated Harbin Taihang Xinglong Cement Co. Ltd into the scope of consolidation.

Related financial information of Harbin Taihang Xinglong Cement Co. Ltd. are as follows:

Notes to Financial Statements

As at 31 December 2012

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

5. Entities newly included into or excluded from the scope of consolidation during the Year *(continued)*

Note 1: *(continued)*

	12 March 2012 Carrying amount	31 December 2011 Carrying amount
Current assets	20,210,673.56	32,695,497.18
Non-current assets	86,083,954.27	87,331,699.07
Current liabilities	96,208,476.16	100,625,543.48
Net assets/(liability)	10,086,151.67	19,401,652.77
Non-controlling interests	5,749,106.45	11,058,942.08
Gains from disposal	21,816,155.37	
Consideration for disposal	26,153,200.59	
	For the period from 1 January 2012 to 12 March 2012	
Operating revenue	3,159,104.34	
Operating costs	5,789,924.80	
Net profit	(9,315,501.10)	

Notes to Financial Statements

As at 31 December 2012

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

5. Entities newly included into or excluded from the scope of consolidation during the Year *(continued)*

Note 2: The Group's subsidiary BBMG Property Management Co. Ltd. and Yan Lijun executed an equity transfer agreement on 13 November 2012 to dispose its 100% equity in Beijing Yuandong Jiemei Services Company to the latter at a consideration of RMB201,238.00. Date of disposal was 30 November 2012. Since 30 November 2012, the Group has not consolidated Beijing Yuandong Jiemei Services Company (北京遠東潔美保潔服務有限公司) into the scope of consolidation.

Related financial information of Beijing Yuandong Jiemei Services Company (北京遠東潔美保潔服務有限公司) are as follows:

	30 November 2012 Carrying amount	31 December 2011 Carrying amount
Current assets	747,957.22	717,003.72
Non-current assets	77,579.73	105,410.85
Current liabilities	191,050.71	190,122.56
Net assets/(liability)	634,486.24	632,292.01
Loss from disposal	(433,248.24)	
Consideration for disposal	201,238.00	
	For the period from 1 January 2012 to 30 November 2012	
Operating revenue	10,908,422.58	
Operating costs	8,564,269.41	
Net profit	2,194.23	

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

	Average exchange rate		Exchange rate at the year end	
	2012	2011	31 December 2012	2011
HKD	0.8134	0.8302	0.8109	0.8107

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31 December 2012			31 December 2011		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash on hand						
RMB	3,459,018.74	1.0000	3,459,018.74	4,145,557.63	1.0000	4,145,557.63
EUR	-	8.3176	-	5.04	8.1625	41.14
CZK	-	0.3280	-	3,284.13	0.3164	1,039.10
SGD	-	5.1191	-	0.82	4.8679	3.99
IDR	1,820,000.00	0.0006	1,092.00	1,820,000.00	0.0007	1,274.00
			<u>3,460,110.74</u>			<u>4,147,915.86</u>
Cash at banks						
RMB	5,822,702,449.51	1.0000	5,822,702,449.51	7,868,136,259.26	1.0000	7,868,136,259.26
USD	715,751.81	6.2855	4,498,858.00	346,068.60	6.3009	2,180,543.64
EUR	85,023.83	8.3176	707,194.21	468,564.43	8.1625	3,824,657.16
HKD	13,032,786.73	0.8109	10,568,286.76	17,190,589.89	0.8107	13,936,411.22
JPY	24,276,089.04	0.0730	1,772,154.50	24,259,781.00	0.0811	1,967,468.24
			<u>5,840,248,942.98</u>			<u>7,890,045,339.52</u>
Others						
RMB	62,385,492.73	1.0000	62,385,492.73	24,284,391.68	1.0000	24,284,391.68
USD	-	6.2855	-	106.11	6.3009	668.59
EUR	-	8.3176	-	39.49	8.1625	322.34
AUD	-	6.5363	-	113.14	6.4093	725.15
			<u>62,385,492.73</u>			<u>24,286,107.76</u>
			<u>5,906,094,546.45</u>			<u>7,918,479,363.14</u>

Notes to Financial Statements

As at 31 December 2012

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

1. Cash and bank balances *(continued)*

	31 December 2012	31 December 2011
Cash and bank balances with restrictions:		
Deposits for letter of credit	39,206,299.85	12,177,894.00
Quality/performance deposits	51,951,332.14	63,173,591.35
Deposits for acceptance bills	156,133,605.34	70,871,916.10
Restricted part of property pre-sale funds	2,052,501,646.63	2,541,681,564.29
Others	48,598,552.29	104,103,026.01
	<u>2,348,391,436.25</u>	<u>2,792,007,991.75</u>

As at 31 December 2012, the Group's cash and bank balances of which ownership were restricted are RMB2,348,391,436.25 (31 December 2011: RMB2,792,007,991.75).

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 of cash, interest income is generated according to the respective interest rates.

2. Bill receivable

	31 December 2012	31 December 2011
Commercial acceptance bills	3,060,000.00	2,000,000.00
Bank acceptance bills	<u>1,025,602,688.14</u>	<u>1,345,905,318.65</u>
	<u>1,028,662,688.14</u>	<u>1,347,905,318.65</u>

As at 31 December 2012, there was no bills receivable pledged.

As at 31 December 2012, there was no transfer of bills receivable into accounts receivable due to default on the part of the drawer (31 December 2011: Nil).

As at 31 December 2012, there were no outstanding bills receivable endorsed to other parties

Notes to Financial Statements

As at 31 December 2012

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

3. Interests receivable

	Balance at beginning of the year	Increase in the year	Decrease in the year	Balance at end of the year
STAR-USG Building Materials Co., Ltd.	<u>1,858,662.81</u>	<u>4,546,064.28</u>	<u>4,993,601.29</u>	<u>1,411,125.80</u>

As at 31 December 2012, there was no outstanding interest receivable (31 December 2011: Nil).

4. Dividends receivable

	Balance at beginning of the year	Increase in the year	Decrease in the year	Balance at end of the year
Dividends receivable	<u>–</u>	<u>4,643,515.74</u>	<u>3,428,090.74</u>	<u>1,215,425.00</u>

5. Accounts receivable

The credit periods of accounts receivable are generally 1 to 3 months. Accounts receivable are non-interest bearing.

An aging analysis of the accounts receivable is as follows:

	31 December 2012	31 December 2011
Within 1 year	3,622,522,577.51	3,232,389,198.26
1 to 2 years	435,084,218.32	343,961,433.84
2 to 3 years	81,854,995.55	66,724,887.30
3 to 4 years	32,669,200.80	48,068,654.92
4 to 5 years	20,172,495.57	71,508,300.35
Over 5 years	<u>90,736,588.11</u>	<u>87,831,645.69</u>
	4,283,040,075.86	3,850,484,120.36
Provision for bad debts	<u>(291,243,701.70)</u>	<u>(359,546,649.96)</u>
	<u>3,991,796,374.16</u>	<u>3,490,937,470.40</u>

Notes to Financial Statements

As at 31 December 2012

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

5. Accounts receivable *(continued)*

The movements in provision for bad debt are as follows:

	2012	2011
At the beginning of the year	359,546,649.96	365,311,918.39
Provision for the year	46,003,705.19	44,653,953.10
Transfer in from acquisition of subsidiaries	–	4,727,731.80
Reversal for the year	(22,008,917.38)	(27,344,392.17)
Write-off for the year	(90,328,285.46)	(27,802,561.16)
Transfer out on disposal of subsidiaries	(1,969,450.61)	–
At the end of the year	291,243,701.70	359,546,649.96

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

Notes to Financial Statements

As at 31 December 2012

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

5. Accounts receivable *(continued)*

	31 December 2011			
	Gross carrying Amount	Proportion (%)	Amount	Provision for bad debts Percentage (%)
Individually significant and subject to separate provision for bad debts	–	–	–	–
Subject to provision on groups by aging				
Within 1 year				
(inclusive of 1 year)	3,225,232,852.12	83.76	–	–
1 to 2 years				
(inclusive of 2 years)	311,488,990.48	8.09	93,446,697.15	30.00
2 to 3 years				
(inclusive of 3 years)	55,111,515.14	1.43	33,066,909.08	60.00
3 to 4 years				
(inclusive of 4 years)	20,686,320.88	0.54	17,583,372.75	85.00
4 to 5 years				
(inclusive of 5 years)	57,505,148.79	1.49	57,505,148.79	100.00
Over 5 years	<u>85,464,505.46</u>	<u>2.22</u>	<u>85,464,505.46</u>	<u>100.00</u>
	3,755,489,332.87	97.53	287,066,633.23	
Special credit characteristics group	17,262,950.53	0.45	–	–
Individually not significant but subject to separate provision for bad debts	<u>77,731,836.96</u>	<u>2.02</u>	<u>72,480,016.73</u>	<u>93.24</u>
	<u>3,850,484,120.36</u>	<u>100.00</u>	<u>359,546,649.96</u>	

Notes to Financial Statements

As at 31 December 2012

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

5. Accounts receivable *(continued)*

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

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

During 2012, there was no significant reversal of provision for bad debts of accounts receivable or significant cash settlement for impaired receivables (2011: Nil).

Notes to Financial Statements

As at 31 December 2012

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

5. Accounts receivable *(continued)*

The accounts receivable that have been written off in 2012 are as follows:

	Nature	Amount written off	Reason	Related party transactions
First	accounts receivable from cement	22,034,378.43	Disposed	No
Second	accounts receivable from cement	20,349,922.03	Disposed	No
Third	accounts receivable from cement	14,469,592.92	Disposed	No
Fourth	accounts receivable from cement	12,361,503.62	Disposed	No
Fifth	accounts receivable	8,100,916.97	Disposed	No
	Others	<u>13,011,971.49</u>	Disposed	No
		<u>90,328,285.46</u>		

As at 31 December 2012, there was no accounts receivable due from shareholders of the Group that held 5% or more of the Company's voting rights (31 December 2011: Nil).

As at 31 December 2012, the accounts receivable of RMB30,808,880.00 were pledged as guarantee for the Group's bank loans (31 December 2011: Nil) (Note V. 22).

Accounts receivable from related parties as at 31 December 2012 and 31 December 2011 are set out in Note VI. Relationships and Transactions with Related Parties.

As at 31 December 2012, the top 5 accounts receivable were as follows:

	Relationship with the Group	Amount	Aging	Proportion in total accounts receivables (%)
Customer 1	Third party	78,547,384.50	Within 1 year	1.83
Customer 2	Third party	73,856,015.93	Within 1 year	1.72
Customer 3	Third party	63,110,237.57	Within 1 year	1.47
Customer 4	Third party	41,240,983.09	Within 1 year	0.96
Customer 5	Third party	<u>36,231,809.77</u>	Within 1 year	<u>0.85</u>
		<u>292,986,430.86</u>		<u>6.83</u>

Notes to Financial Statements

As at 31 December 2012

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

6. Other receivables

An aging analysis of other receivables is as follows:

	31 December 2012	31 December 2011
Within 1 year	999,222,808.24	1,947,758,963.63
1 to 2 years	572,179,974.17	293,433,187.03
2 to 3 years	253,405,448.61	53,571,485.07
3 to 4 years	9,365,651.27	121,991,011.67
4 to 5 years	105,161,899.77	108,217,630.81
Over 5 years	71,276,760.38	60,598,764.92
	2,010,612,542.44	2,585,571,043.13
Provision for bad debts	(111,097,223.13)	(126,632,017.47)
	1,899,515,319.31	2,458,939,025.66

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

	2012	2011
At the beginning of the year	126,632,017.47	83,778,249.37
Provision for the year	32,906,268.11	53,036,837.82
Transfer in from acquisition of subsidiaries	–	43,057.24
Reversal for the year	(35,073,970.02)	(10,153,477.48)
Write-off for the year	(9,212,379.78)	(72,649.48)
Transfer out from disposal of subsidiaries	(4,154,712.65)	–
At the end of the year	111,097,223.13	126,632,017.47

Notes to Financial Statements

As at 31 December 2012

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

6. Other receivables *(continued)*

	31 December 2012			
	Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debt	54,231,183.06	2.70	40,297,783.06	74.31
Subject to provision on groups by aging				
Within 1 year				
(inclusive of 1 year)	978,760,081.60	48.68	-	-
1 to 2 years				
(inclusive of 2 years)	15,319,315.73	0.76	4,595,794.72	30.00
2 to 3 years				
(inclusive of 3 years)	2,358,467.83	0.12	1,415,080.70	60.00
3 to 4 years				
(inclusive of 4 years)	2,122,955.14	0.11	1,804,511.87	85.00
4 to 5 years				
(inclusive of 5 years)	2,538,341.02	0.11	2,538,341.02	100.00
Over 5 years	44,574,259.40	2.22	44,574,259.40	100.00
	1,045,673,420.72	52.00	54,927,987.71	
Special credit characteristics group	872,996,654.08	43.42	-	-
Individually not significant but subject to separate provision for bad debts	37,711,284.58	1.88	15,871,452.36	42.09
	2,010,612,542.44	100.00	111,097,223.13	

Notes to Financial Statements

As at 31 December 2012

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

6. Other receivables *(continued)*

	31 December 2011		Provision for bad debts	
	Gross carrying amount Amount	Proportion (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debt	92,115,954.99	3.56	50,839,355.71	55.19
Subject to provision by groups				
Within 1 year				
(inclusive of 1 year)	849,539,618.38	32.86	–	–
1 to 2 years				
(inclusive of 2 years)	4,639,187.70	0.18	1,391,756.29	30.00
2 to 3 years				
(inclusive of 3 years)	3,018,219.76	0.12	1,810,931.86	60.00
3 to 4 years				
(inclusive of 4 years)	3,568,220.67	0.14	3,032,987.57	85.00
4 to 5 years				
(inclusive of 5 years)	4,885,739.17	0.19	4,885,739.17	100.00
Over 5 years	<u>44,076,289.50</u>	<u>1.70</u>	<u>44,076,289.50</u>	<u>100.00</u>
	909,727,275.18	35.19	55,197,704.39	
Special credit characteristics group	1,554,680,307.33	60.13	–	–
Individually not significant but subject to separate provision for bad debt	<u>29,047,505.63</u>	<u>1.12</u>	<u>20,594,957.37</u>	<u>70.90</u>
	<u>2,585,571,043.13</u>	<u>100.00</u>	<u>126,632,017.47</u>	

Notes to Financial Statements

As at 31 December 2012

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

6. Other receivables *(continued)*

As at 31 December 2012, other receivables which were individually significant and separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	34,180,183.06	20,246,783.06	59.24	Partly uncollectible
Second	20,051,000.00	20,051,000.00	100.00	Uncollectible
	54,231,183.06	40,297,783.06		

As at 31 December 2012, other receivables which were not individually significant and separately provided for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	2,695,880.51	2,695,880.51	100.00	Uncollectible
Second	2,596,881.90	438,174.13	16.87	Partly uncollectible
Third	2,179,835.26	2,179,835.26	100.00	Uncollectible
Fourth	1,600,000.00	1,600,000.00	100.00	Uncollectible
Fifth	1,563,990.61	1,563,990.61	100.00	Uncollectible
Others	27,074,696.30	7,393,571.85	27.31	Partly uncollectible
Total	37,711,284.58	15,871,452.36		

Notes to Financial Statements

As at 31 December 2012

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

6. Other receivables *(continued)*

The reversal or recovery of provision for bad debts of significant other receivables during 2012 is as follows:

	Reason for reversal or recovery	The basis of original provision for bad debts	Accumulated provision for bad debt made before the reversal	Amount reversed
JinJian (Tianjin) Property Investment Limited	Cash settlement	Uncollected for long term	30,788,355.71	29,224,365.10

In 2011, there was no reversal or recovery of provision for bad debts of significant other receivables.

As at 31 December 2012, no individually significant other receivables have been written off (31 December 2011: nil)

As at 31 December 2012, the top 5 other receivables were as follows:

	Relationship with the Group	Amount	Aging	As a percentage of total other receivables (%)
Entity 1	Third party	358,440,024.69	1 to 2 years	17.83
Entity 2	Third party	241,434,963.00	Within 1 year, 4 to 5 years	12.01
Entity 3	Third party	108,880,000.00	Within 1 year	5.42
Entity 4	Third party	106,273,100.00	Within 1 year	5.29
Entity 5	Joint Venture	81,688,940.00	Within 1 year, 1 to 2 years, 2 to 3 years	4.06
		<u>896,717,027.69</u>		<u>44.61</u>

As at 31 December 2012, there were no receivables due from shareholders of the Group that held 5% or more of the Company's voting rights (31 December 2011: RMB20,806,364.37) (Note VI.6).

Other receivables from related parties as at 31 December 2012 and 31 December 2011 are set out in Note VI. Relationships and Transactions with Related Parties.

Notes to Financial Statements

As at 31 December 2012

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

7. Advances to suppliers

An aging analysis of advances to suppliers is as follows:

	31 December 2012		31 December 2011	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	862,567,703.50	94.85	1,366,175,051.39	97.78
1 to 2 years	30,358,878.72	3.34	20,072,491.30	1.44
2 to 3 years	8,936,306.02	0.98	2,707,354.37	0.19
Over 3 years	7,552,252.53	0.83	8,282,614.91	0.59
	<u>909,415,140.77</u>	<u>100.00</u>	<u>1,397,237,511.97</u>	<u>100.00</u>

As at 31 December 2012, the top 5 of advances to suppliers were as follows:

	Relationship with the Group	Amount	Aging	Reasons for being not yet settled
Supplier 1	Third party	80,000,000.00	Within 1 year	Settlement date undue
Supplier 2	Third Party	32,266,590.35	Within 1 year	Settlement date undue
Supplier 3	Third Party	31,010,986.20	Within 1 year	Settlement date undue
Supplier 4	Third Party	27,967,217.68	Within 1 year	Settlement date undue
Supplier 5	Third Party	23,601,283.56	Within 1 year	Settlement date undue
		<u>194,846,077.79</u>		

As at 31 December 2012, there was no advances to suppliers paid to shareholders that held 5% or more of the Company's voting rights (31 December 2011: Nil). As at 31 December 2012, there was no individually significant advance to suppliers aging more than one year (31 December 2011: Nil).

The balances of advances to suppliers to related parties as at 31 December 2012 and 31 December 2011 are set out in Note VI. Relationships and Transactions with Related Parties.

Notes to Financial Statements

As at 31 December 2012

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

8. INVENTORIES

	31 December 2012		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	938,248,850.81	3,228,859.52	935,019,991.29
Work in progress	722,327,550.36	4,287,515.14	718,040,035.22
Finished goods	595,951,402.58	10,640,251.43	585,311,151.15
Turnover materials	70,211,394.23	256,144.54	69,955,249.69
Trading goods	408,048,203.24	202,618.35	407,845,584.89
Properties under development	25,243,954,002.00	7,169,850.12	25,236,784,151.88
Completed properties held for sale	<u>4,333,934,509.36</u>	–	<u>4,333,934,509.36</u>
	<u>32,312,675,912.58</u>	<u>25,785,239.10</u>	<u>32,286,890,673.48</u>

	31 December 2011		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	1,080,492,284.20	7,269,979.64	1,073,222,304.56
Work in progress	601,532,805.21	12,876,977.60	588,655,827.61
Finished goods	547,495,778.45	41,360,453.54	506,135,324.91
Turnover materials	49,016,471.85	297,073.37	48,719,398.48
Trading goods	333,082,919.38	602,470.53	332,480,448.85
Properties under development	21,107,351,389.02	7,169,850.12	21,100,181,538.90
Completed properties held for sale	<u>3,620,070,945.07</u>	–	<u>3,620,070,945.07</u>
	<u>27,339,042,593.18</u>	<u>69,576,804.80</u>	<u>27,269,465,788.38</u>

Notes to Financial Statements

As at 31 December 2012

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

8. INVENTORIES *(continued)*

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

2012

	Opening balance	Provision for the year	Decrease in the year			Closing balance
			Disposal of subsidiaries	Reversal/ transfer out	Write-off	
Raw materials	7,269,979.64	1,274,397.87	-	-	5,315,517.99	3,228,859.52
Work in progress	12,876,977.60	3,628,782.19	1,281,605.67	-	10,936,638.98	4,287,515.14
Finished goods	41,360,453.54	1,135,250.24	800,691.78	-	31,054,760.57	10,640,251.43
Turnover materials	297,073.37	-	-	-	40,928.83	256,144.54
Trading goods	602,470.53	-	-	-	399,852.18	202,618.35
Properties under development	7,169,850.12	-	-	-	-	7,169,850.12
	69,576,804.80	6,038,430.30	2,082,297.45	-	47,747,698.55	25,785,239.10

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVENTORIES (continued)

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

Project name	Commencement time	Estimated completion time	Aggregate investment	31 December 2012	31 December 2011
Chongqing-Chayuan	December 2011	December 2015	3,946,847,900.00	1,358,593,107.98	1,104,827,261.41
Chongqing-Huangjueya	December 2011	December 2015	4,171,004,500.00	1,642,045,464.40	1,336,813,699.33
Chengdu-Shuangliu	December 2012	October 2014	1,450,000,000.00	547,265,466.21	406,515,159.00
Hangzhou-Banshan Project	November 2012	July 2014	2,216,520,000.00	1,425,013,511.67	1,305,417,664.93
Inner Mongolia-Jinyu Times City	October 2007	June 2016	669,634,340.00	397,120,548.38	423,775,168.16
Hangzhou-Guanlan Times	March 2010	December 2013	4,873,945,342.00	1,896,847,820.49	2,570,339,744.82
Haikou-Meilinghu	August 2011	October 2013	460,000,000.00	263,322,074.56	71,910,687.17
Haikou-Haidianxi	-	-	-	536,000,000.00	-
Tangshan-Lefu	June 2011	September 2013	2,478,239,600.00	1,354,029,808.75	827,414,286.47
Beijing-Feili Huating	September 2010	October 2012	800,000,000.00	-	411,891,203.01
Beijing-Xisanqi Commercial Residential Project	October 2012	October 2014	1,717,830,000.00	904,637,288.94	1,002,257,785.63
Tianjin-Jinyu Yuecheng	September 2010	December 2015	5,208,000,000.00	2,229,077,731.87	2,251,641,167.67
Beijing-Jinyu Vanke City	March 2008	November 2014	4,011,000,000.00	1,440,096,211.88	1,488,184,323.38
Beijing-Dawayao	-	-	-	210,838,293.41	213,038,293.41
Beijing-Dachengjun and facilities	September 2007	October 2013	2,044,000,000.00	191,949,430.63	1,228,214,909.33
Beijing-Liyuan Jincheng	November 2011	October 2013	1,918,200,000.00	2,303,294,812.46	1,701,292,047.21
Beijing-Linglong Tiandi	June 2010	June 2012	502,595,000.00	-	464,144,909.11
Beijing-Guogongzhuang	March 2013	December 2014	1,519,890,000.00	1,048,771,419.76	-
Beijing-Chaoyang New City	September 2009	July 2014	2,004,600,000.00	538,105,615.47	443,583,393.40
Beijing-Jinyu Town-House	February 2009	November 2013	593,280,000.00	57,586,738.26	53,549,739.24
Beijing-Dongliu Kanghuiyuan	February 2009	December 2013	1,893,020,000.00	135,168,334.65	117,428,728.26
Beijing-Jinyu Jiaheyuan	March 2012	June 2014	520,000,000.00	276,216,629.20	264,971,647.13
Beijing-Guanlan Times	October 2010	June 2013	1,219,720,000.00	1,148,224,453.15	924,808,754.36
Beijing Xi Hai'an	August 2012	December 2013	1,140,000,000.00	425,744,431.18	355,033,511.22
Beijing-Yueheyuan	September 2011	September 2013	1,550,000,000.00	674,467,635.70	307,980,441.76
Beijing-Tuqiao Project	October 2009	June 2014	7,608,722,200.00	1,614,395,747.89	1,014,740,850.83
Beijing-Yanshan Affordable Housing	September 2011	May 2014	3,384,510,000.00	1,278,832,363.89	460,598,019.05
Beijing-Daxing Cube	November 2011	October 2013	880,000,000.00	278,717,835.12	172,787,019.56
Beijing-Taiheyuan	January 2012	December 2013	1,660,000,000.00	709,548,267.28	121,267,820.93
Beijing-Ruiheyuan	December 2012	December 2014	831,700,000.00	163,191,699.21	-
Qingdao-Site in Jinggangshan Rd.	May 2013	November 2014	220,000,000.00	107,434,691.08	-
Others	-	-	-	80,246,718.41	55,753,303.12
Total				25,236,784,151.88	21,100,181,538.90

As at 31 December 2012, the balance of properties under development included the capitalized interest of RMB1,214,794,424.47 (31 December 2011: RMB1,401,023,257.18), in which RMB654,616,858.14 was capitalized during the current year (2011: RMB699,984,179.84), and the rate of interest capitalization was 6.26% (2011: 6.32%).

As at 31 December 2012, the properties with carrying amount of RMB4,994,957,123.22 were pledged as guarantee for the Group's bank loans (31 December 2011: RMB7,376,599,492.50) (Note V.22).

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVENTORIES (continued)

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

Project name	Completion Date	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing-Jinyu Town-House	September 2010	117,100,661.61	–	76,536,823.97	40,563,837.64
Beijing-Chaoyang New City	June 2012	276,491,253.19	171,148,201.94	375,645,804.90	71,993,650.23
Beijing-Miaopu Housing Renovation Project	December 2008	14,671,824.56	–	–	14,671,824.56
Beijing-Lijingyuan	December 2009	13,794,051.22	–	3,227,915.66	10,566,135.56
Beijing-Meiheyuan	December 2009	11,956,065.26	–	4,311,543.20	7,644,522.06
Beijing-Kanghuiyuan	March 2011	785,965,697.63	15,118,487.52	431,388,480.95	369,695,704.20
Beijing-Jiaheyuan	June 2011	4,136,765.09	–	–	4,136,765.09
Beijing-Tuqiao Project	December 2011	637,687,392.49	534,182,300.57	699,055,742.03	472,813,951.03
Beijing-Jinheyuan	October 2011	36,025,652.04	6,124,180.48	42,149,832.52	–
Beijing-Jinyu Vanke City	June 2012	18,184,112.16	645,766,703.88	656,674,428.40	7,276,387.64
Inner Mongolia-Jinyu Times City	September 2009	22,889,416.88	326,627,767.69	310,774,656.43	38,742,528.14
Hangzhou-Guanlan Times	November 2010	466,973,825.66	1,576,557,675.72	960,889,924.69	1,082,641,576.69
Beijing-Dacheng International	December 2011	67,547,623.31	–	67,547,623.31	–
Beijing-Chang'an New City	December 2007	108,849,710.93	–	–	108,849,710.93
Beijing-Dachengjun	June 2012	305,486,427.30	1,500,307,594.76	996,030,451.51	809,763,570.55
Beijing-Dacheng Times Center	September 2010	196,652,714.28	–	30,786,709.06	165,866,005.22
Beijing-Linglong Tiandi	June 2012	–	1,001,481,314.39	976,097,779.82	25,383,534.57
Hainan-Dacheng Business Apartments and Jinpan Kindergarten	September 2007	40,712,088.47	–	–	40,712,088.47
Tianjin-Jinyu Yuecheng	December 2011	300,451,546.27	414,559,707.17	510,952,492.77	204,058,760.67
Beijing-Jianxinyuan Garden Economical Affordable Housing	December 2008	101,641,499.18	–	4,293,593.60	97,347,905.58
Beijing-Tiantan Kungkuan	June 2008	22,295,794.60	2,135,697.81	308,270.88	24,123,221.53
Tangshan-Jinyu Lefu	October 2014	–	178,712,989.21	95,654,669.23	83,058,319.98
Beijing-Jinyu Feili	July 2012	–	1,163,410,256.13	556,034,066.09	607,376,190.04
Others	–	70,556,822.94	4,776,349.80	28,684,853.76	46,648,318.98
Total		3,620,070,945.07	7,540,909,227.07	6,827,045,662.78	4,333,934,509.36

Notes to Financial Statements

As at 31 December 2012

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

9. Other current assets

	31 December 2012	31 December 2011
Prepaid income tax	183,210,502.54	120,256,258.39
Land appreciation tax paid	111,117,402.18	31,730,619.66
Other prepaid tax	684,761,106.74	576,029,847.50
Prepaid expenses	19,404,785.19	11,118,139.36
Amortisation of long-term prepaid expenses within one year	25,801,700.07	14,728,764.93
Others	52,582,155.57	87,556,117.05
	<u>1,076,877,652.29</u>	<u>841,419,746.89</u>

10. Available-for-sale financial assets

	31 December 2012	31 December 2011
Available-for-sale equity instruments	<u>—</u>	<u>95,138.56</u>

The above available-for-sale equity instruments represent the shares of Bank of Beijing Co., Ltd. (listed on the Shanghai Stock Exchange) held by the Group in 2011, which have been disposed of during the period.

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investments in jointly-controlled entities and associates

2012

	Type of enterprise	Place of registration	Authorized representative	Business nature /scope of operation	Registered capital RMB thousand	Code of organization
Joint ventures						
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Limited liability	Dachang county	Deng Guangjun	Production of mineral wool acoustic boards	USD54,520	66774000-7
BBMG Zhaode Property Development Co., Ltd. (北京金隅昭德置業有限公司)	Limited liability	Beijing	Huang Annan	Property development	20,000	68196579-8
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	Limited liability	Beijing	An Zhiqiang	Commodities retail	6,000	79674055-6
Associates						
Beijing Gaoqiang Concrete Co., Ltd. (北京高強混凝土有限責任公司)	Limited liability	Beijing	Li Jie	Production of various concretes, pumping	55,000	70022904-1
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	Limited liability	Beijing	Deng Guangjun	Production of fiberboards and artificial boards	USD57,380	60004211-6
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)	Limited liability	Beijing	Deng Guangjun	Production of wear-resisting composite floors	USD23,500	80114605-0
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	Limited liability	Beijing	Guo Yanming	Production of radiators	USD27,500	60005569-7
Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工有限公司)	Limited liability	Beijing	Sun Deyang	Production of glass fibers	276,003	70000742-2
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科複合材料(北京)有限公司)	Limited liability	Beijing	Wang Zhaojia	Production of various concretes, pumping	55,000	60004302-0
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	Limited liability	Beijing	Liu Guosheng	Design and production of complete non-standard control equipments	10,000	67573374-7

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investments in jointly-controlled entities and associates (continued)

2012 (continued)

	Total assets at end of the year	Total liabilities at end of the year	Total net assets amount at end of the year	Operating revenue amount for the year	Net profit/(loss) for the year
Joint ventures					
STAR-USG (星牌優時吉建築材料有限公司)	457,370,269.52	267,880,005.37	189,490,264.15	193,866,302.89	(66,951,456.70)
BBMG Zhaode Property Development Co., Ltd. (北京金隅昭德置業有限公司)	20,000,000.00	–	20,000,000.00	–	–
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	25,490,451.35	16,117,289.23	9,102,756.16	130,066,467.72	2,704,059.86
Associates					
Beijing Gaoqiang Concrete Co., Ltd. (北京高強混凝土有限責任公司)	602,404,408.24	503,773,873.61	98,630,534.63	661,247,250.49	24,957,925.66
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	453,263,362.85	85,948,904.61	367,314,458.24	332,440,299.99	(55,692,426.63)
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板有限公司)	–	–	–	–	–
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	624,024,009.70	274,996,177.88	349,027,831.82	187,383,043.25	29,256,097.24
Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工有限公司)	30,098,257.23	3,990,042.46	26,108,214.77	61,786,226.20	1,252,571.19
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科複合材料(北京)有限公司)	330,638,324.30	68,974,098.71	261,664,225.59	176,187,436.08	(5,543,376.63)
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	49,696,089.59	28,001,399.70	21,739,833.96	65,819,431.91	8,238,006.48

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

	31 December 2012	31 December 2011
Long-term equity investment income under equity method	413,411,839.00	425,877,141.10
Income from long-term equity investments measured at cost method	17,939,084.80	25,919,084.80
	431,350,923.80	451,796,225.90
Less: Provisions for impairment	(11,482,553.21)	(11,482,553.21)
	419,868,370.59	440,313,672.69

2012

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Provision for impairment	Cash dividends for the year
Equity method:								
Joint ventures								
STAR-USG (星牌優時吉建築材料有限公司)	184,628,800.88	103,053,260.43	(8,308,128.34)	94,745,132.09	50.00	50.00	-	-
BBMG Landao Commercial Operation Management Co., Ltd. Building Materials Co., Ltd. (北京藍島金隅商業運營管理有限公司)	3,758,666.48	4,435,475.88	115,902.20	4,551,378.08	50.00	50.00	-	1,100,924.74
BBMG Zhaode Property Development Co., Ltd. (北京金隅昭德置業有限公司)	10,000,000.00	10,000,000.00	-	10,000,000.00	50.00	50.00	-	-
Subtotal	198,387,467.36	117,488,736.31	(8,192,226.14)	109,296,510.17			-	1,100,924.74

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As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

2012 (continued)

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Provision for impairment	Cash dividends for the year
Equity method:								
Associates								
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土 有限責任公司)	15,723,518.14	19,633,577.24	5,024,056.41	24,657,633.65	25.00	25.00	-	-
Krono (Beijing) Flooring Co., Ltd. (柯諾(北京)地板 有限公司)	36,736,395.34	5,469,434.67	-	5,469,434.67	30.00	30.00	5,469,434.67	-
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業 有限公司)	152,304,154.86	126,902,065.46	(16,707,727.99)	110,194,337.47	30.00	30.00	-	-
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備 有限公司)	78,150,006.67	85,379,053.13	7,811,377.96	93,190,431.09	26.70	26.70	-	-
Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工 有限公司)	9,921,366.40	12,612,205.61	(863,508.96)	11,748,696.65	45.00	45.00	-	-
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科複合材料 (北京)有限公司)	27,557,054.00	53,441,520.44	(1,108,675.33)	52,332,845.11	20.00	20.00	-	1,427,166.00
Beijing Sinobaide Technology Co., Ltd. (北京金時倍德 技術有限公司)	4,950,548.24	4,950,548.24	1,571,401.95	6,521,950.19	30.00	30.00	-	900,000.00
Subtotal	325,343,043.65	308,388,404.79	(4,273,075.96)	304,115,328.83			5,469,434.67	2,327,166.00
Total under equity method	523,730,511.01	425,877,141.10	(12,465,302.10)	413,411,839.00			5,469,434.67	3,428,090.74

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

2012 (continued)

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Provision for impairment	Cash dividends for the year
Cost method:								
Tianjia (Tianjin) Building Materials Company Limited (天津天建建材有限公司)	1,000,000.00	1,000,000.00	-	1,000,000.00	10.00	10.00	-	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京房山區城關農村信用合作社)	101,000.00	101,000.00	-	101,000.00	0.00	0.00	-	-
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油銷售有限公司)	3,000,000.00	3,000,000.00	-	3,000,000.00	10.00	10.00	-	-
Beijing Lisifang Logistics Information Technology Service Co., Ltd. (北京利四方物流信息技術服務有限公司)	900,000.00	900,000.00	(900,000.00)	-	-	-	-	-
*Beijing Beizhuan Gas Station (北京北疇加油站)	648,297.22	648,297.22	-	648,297.22	62.50	-	-	-
*Beijing Xinqianxinyuan Farmer's Market Co., Ltd. (北京鑫建欣乾農貿市場有限公司)	380,000.00	380,000.00	-	380,000.00	95.00	-	-	-
Beijing Xinchen Ceramic Fiber Products Corp. (北京新辰陶瓷纖維製品公司)	193,219.03	193,219.03	-	193,219.03	5.56	5.56	-	-
Beijing Tianyun Industrial Co., Ltd. (北京天雲實業)	75,000.00	75,000.00	-	75,000.00	-	-	-	-
Beijing Municipal Engineering Group Co., Ltd. (北京政建集團 有限責任公司)	7,080,000.00	7,080,000.00	(7,080,000.00)	-	-	-	-	-
Chengde BBMG Cement Co., Ltd. (承德金隅水泥 有限責任公司)	6,328,450.01	6,328,450.01	-	6,328,450.01	12.52	12.52	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技 股份有限公司)	200,000.00	200,000.00	-	200,000.00	0.20	0.20	-	-
*Hainan Dihao Furniture Co., Ltd. (海南帝豪家具公司)	2,645,418.54	2,645,418.54	-	2,645,418.54	55.00	-	2,645,418.54	-
Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清華紫光方大高技術陶瓷有限公司)	3,267,700.00	3,267,700.00	-	3,267,700.00	27.14	-	-	3,267,700.00
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	100,000.00	-	100,000.00	0.34	-	0.34	100,000.00
Total under cost method	25,919,084.80	25,919,084.80	(7,980,000.00)	17,939,084.80			6,013,118.54	-
	549,649,595.81	451,796,225.90	(20,445,302.10)	431,350,923.80			11,482,553.21	3,428,090.74

The long-term equity investments of the Group as at 31 December 2012 and 31 December 2011 are unlisted investments.

* The reasons for the above companies which the Group has more than 50% interest but do not have control are set out in Note IV.3.

Notes to Financial Statements

As at 31 December 2012

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

13. Investment properties

2012

	Opening balance	Increase in the year		Decrease in the year		Closing balance
		Addition	Transferred from inventories or self-occupied properties (Note)	Gains from changes in fair value	Disposed	
Cost						
Buildings	6,185,802,403.50	1,564,975.38	147,501,447.36	-	-	- 6,334,868,826.24
Changes in fair value						
Buildings	5,413,197,596.50	-	156,132,302.22	936,201,275.04	-	- 6,505,531,173.76
Carrying amount						
Buildings	11,599,000,000.00	1,564,975.38	303,633,749.58	936,201,275.04	-	- 12,840,400,000.00

In light of the new leasing contracts and leasing areas, certain properties transferred from fixed assets or inventories to investment properties during the year. The difference between the appraised value at the time of transfer and the carrying amount was recognized as capital reserves. Please refer to Note V.56.

All the above investment properties are located in the PRC, and their land use rights by remaining maturity are less than 50 years.

The Group's investment properties were valued by Savills Valuation and Professional Services Limited, an independent professionally qualified valuer on an open market existing use basis, the fair value of which as at 31 December 2012 was RMB12,840,400,000.00 (31 December 2011: RMB11,599,000,000.00).

As at 31 December 2012, the investment properties mentioned above were leased out under operating leases and were held for long-term leasing purposes.

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Investment properties (continued)

As at 31 December 2012, procedures for the title certificates for the investment properties with carrying amount of approximately RMB299,500,000.00 were yet to be duly completed. These investment properties were acquired through the business combination under common control in 2011, and the Group is in the process of handling the procedures for changing of relevant titles. The management of the Company is of the view that the Group has the rights to occupy and use the above property legally and effectively. The management of the Company also believe that the above matter does not have any significant adverse impact on the overall financial position of the Group as at 31 December 2012.

As at 31 December 2012, the investment properties with carrying amount of RMB821,900,000.00 were pledged as securities for the borrowings of the parent company (31 December 2011: RMB621,500,000.00) (Note V.22 and Note VI.5(4)) and the investment properties with carrying amount of RMB537,100,000.00 (31 December 2011: RMB2,705,900,000.00) were pledged as securities for the bank borrowings of the Company (Note V.22).

14. Fixed assets

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Cost				
Buildings	9,613,393,227.05	1,074,474,304.81	322,481,772.31	10,365,385,759.55
Machinery equipment	9,407,785,697.87	713,615,668.82	282,705,365.63	9,838,696,001.06
Transporting equipment	787,310,052.49	175,537,518.82	43,595,474.46	919,252,096.85
Electronic equipment	211,533,350.79	20,372,039.60	5,322,214.56	226,583,175.83
Office equipment	284,273,854.86	27,144,466.90	85,546,733.40	225,871,588.36
	<u>20,304,296,183.06</u>	<u>1,976,656,013.73</u>	<u>705,163,575.14</u>	<u>21,575,788,621.65</u>
Accumulated depreciation				
Buildings	1,919,972,162.38	322,520,985.70	154,905,455.37	2,087,587,692.71
Machinery equipment	2,987,848,095.49	544,092,743.21	213,428,897.91	3,318,511,940.79
Transporting equipment	338,263,834.56	79,433,861.21	18,764,780.27	398,932,915.50
Electronic equipment	125,548,943.19	33,170,155.30	4,893,869.68	153,825,228.81
Office equipment	127,589,042.25	22,580,117.27	7,877,443.56	142,291,715.96
	<u>5,499,222,077.87</u>	<u>1,001,797,862.69</u>	<u>399,870,446.79</u>	<u>6,101,149,493.77</u>
Net book value				
Buildings	7,693,421,064.67			8,277,798,066.84
Machinery equipment	6,419,937,602.38			6,520,184,060.27
Transporting equipment	449,046,217.93			520,319,181.35
Electronic equipment	85,984,407.60			72,757,947.02
Office equipment	156,684,812.61			83,579,872.40
	<u>14,805,074,105.19</u>			<u>15,474,639,127.88</u>

Notes to Financial Statements

As at 31 December 2012

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

14. Fixed assets *(continued)*

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Provision for impairment				
Buildings	45,879,616.42	4,323,016.34	9,288,139.91	40,914,492.85
Machinery equipment	136,752,139.68	3,805,946.51	47,214,951.83	93,343,134.36
Transporting equipment	6,918,771.75	3,125.48	72,591.21	6,849,306.02
Electronic equipment	985,603.96	–	61,908.10	923,695.86
Office equipment	1,077,159.61	381,350.56	642.18	1,457,867.99
	<u>191,613,291.42</u>	<u>8,513,438.89</u>	<u>56,638,233.23</u>	<u>143,488,497.08</u>
Carrying amount				
Buildings	7,647,541,448.25			8,236,883,573.99
Machinery equipment	6,283,185,462.70			6,426,840,925.91
Transporting equipment	442,127,446.18			513,469,875.33
Electronic equipment	84,998,803.64			71,834,251.16
Office equipment	155,607,653.00			82,122,004.41
	<u>14,613,460,813.77</u>			<u>15,331,150,630.80</u>

The amount of depreciation provided for 2012 was RMB1,001,797,862.69 (2011: RMB966,182,590.57). The amount transferred to the cost of fixed assets from construction in progress for the year was RMB1,460,153,518.91 (2011: RMB2,743,840,553.88).

Notes to Financial Statements

As at 31 December 2012

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

14. Fixed assets *(continued)*

As at 31 December 2012, the buildings with carrying amount of RMB8,527,994.62 were pledged as securities for bank borrowings of the Group (31 December 2011: RMB87,783,961.47) (Note V.22).

As at 31 December 2012, the Group had no temporarily idle fixed assets, and no fixed assets acquired under finance leases (31 December 2011: Nil).

The fixed assets leased out under operating leases are as follows:

	31 December 2012	31 December 2011
	Carrying amount	Carrying amount
Buildings	725,464,921.56	498,432,240.31
Machinery equipment	437,166,233.76	174,262,758.43
Total	<u>1,162,631,155.32</u>	<u>672,694,998.74</u>

As at 31 December 2012, there was no incomplete procedure for the title certificates of certain fixed assets. (31 December 2011: RMB8,044,685.77).

As at 31 December 2012, the carrying amount of the buildings held for sale was approximately RMB173,754,339.96. Pursuant to the agreements signed, these buildings will be transferred to a third party in 2013, and a net revenue of approximately RMB235,070,000.00 is expected (31 December 2011: Nil).

Notes to Financial Statements

As at 31 December 2012

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

15. Construction in progress

	31 December 2012			31 December 2011		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Beijing Liulih Cement – Project concerning comprehensive utilization of fly ash	51,930,432.60	-	51,930,432.60	4,931,848.85	-	4,931,848.85
Beijing Liulih Cement – Southern desulfuration gypsum repository project	12,387,367.22	-	12,387,367.22	7,499,264.81	-	7,499,264.81
Luquan BBMG Dingxin Cement – Stripping of 1st/2nd sub orebody	34,716,831.62	-	34,716,831.62	-	-	-
Cangzhou Lingang BBMG Cement – Mixing Plant	13,929,104.06	-	13,929,104.06	-	-	-
Cangzhou Lingang BBMG Cement – Storage tank of fly ash	12,955,854.09	-	12,955,854.09	-	-	-
Baoding Taihang Heyi Cement – Limestone project	119,179,342.02	-	119,179,342.02	27,894,955.41	-	27,894,955.41
Handan BBMG Taihang Cement – production line with capacity of 1.2 million tons aggregate concrete	10,255,892.09	-	10,255,892.09	-	-	-
Handan BBMG Taihang Cement – technical transformation in energy – saving and consumption reduction of cement mill	25,635,084.70	-	25,635,084.70	-	-	-
Zhangjiakou BBMG Cement – Works for cement grinding station with capacity of 1 million tons	68,097,901.80	-	68,097,901.80	999,635.33	-	999,635.33
Tianjin Zhenxing Cement – Energy-saving technical innovation of one line of cement mill	38,246,556.57	-	38,246,556.57	50,000.00	-	50,000.00
Qinyang BBMG Cement – Clinker production line	11,297,540.06	-	11,297,540.06	-	-	-
BBMG Mineral Industry – Integration project for non-coal mine mountains in Fangshan District	42,377,141.36	-	42,377,141.36	560,000.00	-	560,000.00
Beijing Cement Plant – Demonstration project for brickmaking by stone crusher	20,217,391.06	-	20,217,391.06	-	-	-
Zuoquan BBMG Cement – Clinker cement production line with capacity of 2500 tones per day	464,119,740.91	-	464,119,740.91	9,677,085.47	-	9,677,085.47

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

	31 December 2012			31 December 2011		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Xuanhua BBMG Cement						
– 2500 tons cement production line by utilization of carbide slag	424,949,649.94	-	424,949,649.94	85,185,320.11	-	85,185,320.11
Guangling Jinyu Cement						
– Clinker cement production line	107,867,495.19	-	107,867,495.19	-	-	-
Jinyu Energy-Saving Technology						
– Mineral wool project	100,906,598.64	-	100,906,598.64	400,757.37	-	400,757.37
Beijing BBMG Coating						
– Dachang base project	27,357,384.93	-	27,357,384.93	30,322,356.13	-	30,322,356.13
BBMG (Dachang) New Building Materials						
– Mineral wool project, Alavus project	42,247,587.93	-	42,247,587.93	40,130,175.88	-	40,130,175.88
Beijing Alavus – Alavus project	23,089,647.23	-	23,089,647.23	-	-	-
BBMG – Huanmao decoration project	104,753,257.68	-	104,753,257.68	1,116,000.00	-	1,116,000.00
BBMG – Decoration improvements project in Xiaohuangzhuang	47,664,623.90	-	47,664,623.90	-	-	-
Beijing Liulihe Cement						
– Phase II Project of cement grinding mill	220.88	-	220.88	51,646,188.61	-	51,646,188.61
BBMG Concrete						
– Project in Tiancun station	-	-	-	19,301,021.04	-	19,301,021.04
Tianjin BBMG Concrete						
– Station construction works for brickyard	-	-	-	13,196,971.48	-	13,196,971.48
Siping BBMG Cement						
– Cogeneration project	-	-	-	40,521,555.97	-	40,521,555.97
Qinyang BBMG Cement						
– Project concerning comprehensive utilization of carbide slag	48,253.02	-	48,253.02	142,518,460.88	-	142,518,460.88
Lingchuan BBMG Cement						
– Cogeneration project	4,952,468.96	-	4,952,468.96	24,802,249.08	-	24,802,249.08
Beijing Cement Plant						
–Renovation of raw mill and coal mill	-	-	-	16,963,465.92	-	16,963,465.92
Doudian – Air-entrapping plant project	8,061,042.39	-	8,061,042.39	17,767,787.46	-	17,767,787.46
Building Materials Academy						
Technologies upgrading for gypsum plaster production line in Doudian	152,850.00	-	152,850.00	13,803,693.89	-	13,803,693.89
Others	337,814,728.43	8,717,380.85	329,097,347.58	409,996,309.14	8,717,380.85	401,278,928.29
	2,155,211,989.28	8,717,380.85	2,146,494,608.43	959,285,102.83	8,717,380.85	950,567,721.98

As at 31 December 2012, none of the construction in progress of the Group had restrictions in its ownership.

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

Projects	Budget	Opening balance	Increase in the year	Transferred to fixed assets for the year	Closing balance	Source of funding	Percentage of project in budget (%)
Beijing Liulhe Cement							
- Project concerning comprehensive utilization of fly ash	61,290	4,931,848.85	46,998,383.75	-	51,930,432.60	self-financing /borrowing	84.73
- Southern desulfuration gypsum repository project	14,400	7,499,264.81	4,888,102.41	-	12,387,367.22	self-financing	86.02
- Phase II Project of cement grinding mill	65,000	51,646,188.61	16,718,975.25	68,364,942.98	220.88	self-financing	100.00
Luquan BBMG Dingxin Cement							
- Stripping of 1st/2nd sub orebody	100,000	-	34,716,831.62	-	34,716,831.62	self-financing	34.72
Cangzhou Lingang BBMG Cemen							
- Mixing Plant	24,121	-	13,929,104.06	-	13,929,104.06	self-financing	57.75
- Storage tank of fly ash	19,910	-	12,955,854.09	-	12,955,854.09	self-financing	65.07
Baoding Taihang Heyi Cement Co., Ltd.							
- Limestone project	110,184	27,894,955.41	91,284,386.61	-	119,179,342.02	self-financing /borrowing	100.00
Handan BBMG Taihang Cement Co., Ltd.							
- production line with capacity of 1.2 million tons aggregate concrete	16,500	-	10,255,892.09	-	10,255,892.09	self-financing	62.16
- technical transformation in energy - saving and consumption reduction of cement mill	57,910	-	25,635,084.70	-	25,635,084.70	self-financing	44.27
Zhangjiakou BBMG Cement							
- Works for cement grinding station with capacity of 1 million tons	85,759	999,635.33	67,098,266.47	-	68,097,901.80	self-financing	79.41
Tianjin Zhenxing Cement							
- Energy-saving technical innovation of one line of cement mill	39,950	50,000.00	38,196,556.57	-	38,246,556.57	self-financing	95.74
Qinyang BBMG Cement							
- Clinker production line	44,580	-	20,241,179.38	8,943,639.32	11,297,540.06	self-financing	25.34
BBMG Mineral Industry							
- Integration project for non-coal mine mountains in Fangshan District	157,920	560,000.00	41,817,141.36	-	42,377,141.36	self-financing /borrowing	26.83
Beijing Cement Plant							
- Demonstration project for brickmaking by stone crusher	25,000	-	20,217,391.06	-	20,217,391.06	self-financing	80.87

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress (continued)

Projects	Budget	Opening balance	Increase in the year	Transferred to fixed assets for the year	Closing balance	Source of funding	Percentage of project in budget (%)
Zuoquan BBMG Cement							
– Clinker cement production line with capacity of 2500 tones per day	545,420	9,677,085.47	454,442,655.44	–	464,119,740.91	self-financing	85.09
Xuanhua BBMG Cement							
– 2500 tons cement production line by utilization of carbide slag	419,000	85,185,320.11	339,764,329.83	–	424,949,649.94	borrowing	100.00
Guangling Jinyu Cement							
– Clinker cement production line	189,479	–	107,867,495.19	–	107,867,495.19	self-financing	56.93
Jinyu Energy-Saving Technology							
– Mineral wool project	170,000	400,757.37	100,505,841.27	–	100,906,598.64	self-financing	59.36
Beijing BBMG Coating							
– Dachang base project	36,080	30,322,356.13	1,186,505.93	4,151,477.13	27,357,384.93	self-financing	75.82
BBMG (Dachang) New Building Materials							
– Mineral wool project, Alavus project	100,500	40,130,175.88	46,454,350.03	44,336,937.98	42,247,587.93	self-financing	42.04
Beijing Alavus – Alavus project	31,500	–	23,089,647.23	–	23,089,647.23	self-financing	73.30
BBMG Concrete – Project in							
Tiancun station	–	19,301,021.04	1,662,822.07	20,963,843.11	–	self-financing	–
Tianjin BBMG Concrete							
– Station construction works for brickyard	53,000	13,196,971.48	840,572.54	14,037,544.02	–	self-financing	–
Siping BBMG Cement							
– Cogeneration project	53,000	40,521,555.97	7,709,031.14	48,230,587.11	–	self-financing	–
Qinyang BBMG Cement							
– Project concerning comprehensive utilization of carbide slag	50,000	142,518,460.88	–	142,470,207.86	48,253.02	self-financing	0.10
Lingchuan BBMG Cement							
– Cogeneration project	50,000	24,802,249.08	29,519,084.24	49,368,864.36	4,952,468.96	self-financing /borrowing	9.90
Beijing Cement Plant							
– Renovation of raw mill and coal mill	57,600	16,963,465.92	43,189,172.29	60,152,638.21	–	self-financing	–
Doudian – Air-entrapping plant project	19,621	17,767,787.46	10,257,744.76	19,964,489.83	8,061,042.39	borrowing	41.08
Building Materials Academy							
– Technologies upgrading for gypsum plaster production line in Doudian	19,820	13,803,693.89	3,990,260.85	17,641,104.74	152,850.00	self-financing	0.77
Huanmao Decoration Project	130,000	1,116,000.00	103,637,257.68	–	104,753,257.68	self-financing	80.58
Decoration Improvement Project in Xiaohuangzhuang	50,000	–	47,664,623.90	–	47,664,623.90	self-financing	95.33
Other		409,996,309.14	889,345,661.56	961,527,242.26	337,814,728.44		
		<u>959,285,102.83</u>	<u>2,656,080,405.37</u>	<u>1,460,153,518.91</u>	<u>2,155,211,989.29</u>		

Notes to Financial Statements

As at 31 December 2012

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

15. Construction in progress *(continued)*

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

2012

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalized rate for the year (%)
Beijing Liulihe Cement – Project concerning comprehensive utilization of fly ash	84.73	1,823,255.53	1,823,255.53	6.27
Baoding Taihang Heyi Cement Co., Ltd.– Limestone project	100.00	3,028,510.00	2,953,890.00	6.27
BBMG Mineral Industry – Integration project for non-coal mine mountains in Fangshan District	26.83	18,413,397.96	18,413,397.96	6.27
Xuanhua BBMG Cement – 2500 tons cement production line by utilization of carbide slag	100.00	<u>25,196,710.49</u>	<u>21,854,923.51</u>	6.27
Total		<u>48,461,873.98</u>	<u>45,045,467.00</u>	

Notes to Financial Statements

As at 31 December 2012

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

15. Construction in progress *(continued)*

Provision for impairment of construction in progress for 2012:

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Reason for making provisions
Luquan BBMG Dingxin Cement Co., Ltd. – A sub project	1,299,924.00	–	–	1,299,924.00	Recoverable amount after testing is lower than the carrying amount
Handan BBMG Taihang Cement Co., Ltd. – Technological upgrading projects of the old lines	6,009,693.38	–	–	6,009,693.38	Shut down for years due to problems occurred in technological upgrading
Beijing BBMG Cement Trading Co., Ltd. (北京金隅水泥 經貿有限公司) – New countryside bulk cement logistics distribution	751,763.47	–	–	751,763.47	It is expected it can not generate assets due to suspension of construction in progress
Luquan BBMG Dingxin Cement Co., Ltd. – Assets in Zhuozhou	656,000.00	–	–	656,000.00	Recoverable amount after testing is lower than the carrying amount
	8,717,380.85	–	–	8,717,380.85	

Notes to Financial Statements

As at 31 December 2012

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

16 Construction materials

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Special-purpose materials	1,699,734.20	55,606,638.15	52,296,628.28	5,009,744.07
Special-purpose equipment	24,085,214.34	59,781,770.55	65,240,053.87	18,626,931.02
Equipment and instruments	2,163,762.59	12,589,136.76	11,401,870.93	3,351,028.42
Provision for impairment	(12,705,917.71)	–	–	(12,705,917.71)
	<u>15,242,793.42</u>	<u>127,977,545.46</u>	<u>128,938,553.08</u>	<u>14,281,785.80</u>

17. Intangible assets

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Cost				
Land use rights	3,188,637,038.51	53,106,162.81	77,768,514.67	3,163,974,686.65
Computer software licenses	33,922,831.34	734,065.85	3,974,473.90	30,682,423.29
Mining rights	583,847,142.81	294,495,016.99	–	878,342,159.80
Trademark rights	16,670,000.00	–	–	16,670,000.00
Others	55,740,949.10	44,599,217.76	–	100,340,166.86
	<u>3,878,817,961.76</u>	<u>392,934,463.41</u>	<u>81,742,988.57</u>	<u>4,190,009,436.60</u>
Accumulated amortization				
Land use rights	368,041,061.36	51,044,136.33	13,878,206.48	405,206,991.21
Computer software licenses	17,866,649.25	636,811.10	3,927,773.90	14,575,686.45
Mining rights	60,495,308.52	14,699,141.71	–	75,194,450.23
Trademark rights	–	–	–	–
Others	37,989,262.52	2,667,166.21	–	40,656,428.73
	<u>484,392,281.65</u>	<u>69,047,255.35</u>	<u>17,805,980.38</u>	<u>535,633,556.62</u>
Net book value				
Land use rights	2,820,595,977.15			2,758,767,695.44
Computer software licenses	16,056,182.09			16,106,736.84
Mining rights	523,351,834.29			803,147,709.57
Trademark rights	16,670,000.00			16,670,000.00
Others	17,751,686.58			59,683,738.13
	<u>3,394,425,680.11</u>			<u>3,654,375,879.98</u>

Notes to Financial Statements

As at 31 December 2012

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

17. Intangible assets *(continued)*

2012 *(continued)*

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Provision for impairment				
Land use rights	-	6,340,399.11	-	6,340,399.11
Computer software licenses	-	-	-	-
Mining rights	40,043,841.71	-	-	40,043,841.71
Trademark rights	-	5,000,000.00	-	5,000,000.00
Others	2,310,000.00	-	-	2,310,000.00
	<u>42,353,841.71</u>	<u>11,340,399.11</u>	<u>-</u>	<u>53,694,240.82</u>
Carrying amount				
Land use rights	2,820,595,977.15			2,752,427,296.33
Computer software licences	16,056,182.09			16,106,736.84
Mining rights	483,307,992.58			763,103,867.86
Trademark rights	16,670,000.00			11,670,000.00
Others	15,441,686.58			57,373,738.13
	<u>3,352,071,838.40</u>			<u>3,600,681,639.16</u>

Notes to Financial Statements

As at 31 December 2012

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

17. Intangible assets *(continued)*

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

	31 December 2012	31 December 2011
Less than 50 years	2,743,675,422.15	2,743,118,836.16
Longer than 50 years (inclusive)	8,751,874.18	77,477,140.99
Total	<u>2,752,427,296.33</u>	<u>2,820,595,977.15</u>

For the year 2012, the amortisation amount of intangible assets was RMB69,047,255.35.

As at 31 December 2012, the useful life of trademark rights with a carrying amount of RMB11,670,000.00 was indefinite (31 December 2011: RMB16,670,000.00). The Group can apply for extension at the end of the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during indefinite periods.

As at 31 December 2012, the Group has no intangible asset of which ownership is subject to restrictions (31 December 2011: RMB2,042,851.93).

Notes to Financial Statements

As at 31 December 2012

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

18. GOODWILL

2012

Asset group	Opening balance	Increase in the year	Transfer-out in the year	Closing balance
Luquan BBMG Dingxin Cement Co., Ltd.	189,815,999.91	-	-	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd.	3,967,009.95	-	-	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	-	-	26,884,752.28
Beijing Taihang Qianjing Cement Co., Ltd.	9,482,871.64	-	-	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	-	-	11,428,946.82
Handan Taihang Cement Co., Ltd.	522,323.32	-	-	522,323.32
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	-	-	2,742,710.29
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	-	-	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	56,276,121.38	-	-	56,276,121.38
Harbin Taihang Xinglong Cement Co., Ltd.	1,507,000.00	-	1,507,000.00	-
	313,558,745.55	-	1,507,000.00	312,051,745.55
Provision for impairment	(1,507,000.00)	-	(1,507,000.00)	-
	<u>312,051,745.55</u>	<u>-</u>	<u>-</u>	<u>312,051,745.55</u>

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

The recoverable amounts of the above assets groups are recognised according to their current value of estimated future cash flows, which are based on the five-year financial budget approved by the management at a discount rate of 13%-15% (2011: 13%). The estimated cash flows of these assets groups in five years are measured at a fixed growth rate of 1% per annum (2011: 2%). Other key assumptions adopted during the evaluation include the estimated cash inflows and outflows relevant to the estimated income and estimated gross profit, and the above assumptions are based on the previous performance of these assets groups and the management's expectations for the market development.

Notes to Financial Statements

As at 31 December 2012

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

19. Long-term deferred expenditures

2012

	Opening balance	Increase in the year	Amortisations for the year	Closing balance
Decoration	68,271,387.54	24,030,692.26	11,744,091.77	80,557,988.03
Leasehold improvement for fixed assets rent	7,012,238.52	4,007,821.17	1,400,972.10	9,619,087.59
Land lease prepayments	21,612,912.43	5,776,000.00	13,139,720.04	14,249,192.39
Cost of stripping mines	40,406,780.45	9,026,495.67	3,534,842.75	45,898,433.37
Others	47,333,621.39	23,260,630.61	5,888,691.20	64,705,560.80
	<u>184,636,940.33</u>	<u>66,101,639.71</u>	<u>35,708,317.86</u>	<u>215,030,262.18</u>
Less: amount categorized as amortisations of current assets within one year	<u>14,728,764.93</u>			<u>25,801,700.06</u>
	<u>169,908,175.40</u>			<u>189,228,562.12</u>

Notes to Financial Statements

As at 31 December 2012

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

20. Deferred income tax assets/liabilities

Deferred income tax assets and deferred income tax liabilities are as follows:

Recognised deferred income tax assets and liabilities:

	31 December 2012	31 December 2011
	RMB	RMB
Deferred income tax assets		
Provision for LAT	341,382,820.54	236,820,719.12
Deductible tax losses	44,001,525.14	36,482,663.52
Provisions for impairment of assets	98,891,379.22	110,785,900.79
Accrual of property development cost	215,015,749.31	231,889,854.78
Unrealised profits and losses of internal transactions	482,470,310.49	110,294,119.05
Others	24,005,557.79	9,744,411.81
	<u>1,205,767,342.49</u>	<u>736,017,669.07</u>
Deferred income tax liabilities		
Revaluation of investment properties	1,392,353,493.43	1,479,503,116.84
Differences arising from deductible depreciation expenses	313,733,206.95	305,523,919.88
Fair value adjustment arising from business combination	242,290,809.00	284,362,876.98
Changes of fair value of available-for-sale financial assets	–	21,221.64
Unrealised income of internal transactions	–	142,059,328.58
Others	41,615,707.64	23,230,524.00
	<u>1,989,993,217.02</u>	<u>2,234,700,987.92</u>

Notes to Financial Statements

As at 31 December 2012

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

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

Temporary differences corresponding to assets and liabilities that lead to such differences are as follows:

Amount of temporary differences

	31 December 2012 RMB	31 December 2011 RMB
Deductible differences:		
Provision for LAT	1,365,531,282.16	947,282,876.48
Deductible tax losses	176,006,100.56	145,930,654.08
Provision for impairment of assets	395,565,516.88	443,143,603.16
Accrual of property development cost	860,062,997.24	927,559,419.12
Unrealised profits and losses of internal transactions	1,929,881,241.96	441,176,476.20
Others	96,022,231.16	38,977,647.24
	<u>4,823,069,369.96</u>	<u>2,944,070,676.28</u>
Taxable differences:		
Revaluation of investment properties	5,569,413,973.72	5,918,012,467.36
Differences arising from deductible depreciation expenses	1,254,932,827.80	1,222,095,679.52
Fair value adjustment arising from business combination	969,163,236.00	1,137,451,507.92
Changes of fair value of available-for-sale financial assets	–	84,886.56
Unrealised income of internal transactions	–	568,237,314.32
Others	166,462,830.56	92,922,096.00
	<u>7,959,972,868.08</u>	<u>8,938,803,951.68</u>

Notes to Financial Statements

As at 31 December 2012

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

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

Unrecognised income deferred tax assets are as follows:

	31 December 2012	31 December 2011
	RMB	RMB
Deductible tax losses	393,259,968.04	1,010,521,754.52
Deductible temporary differences	250,808,757.91	249,301,290.61
	644,068,725.95	1,259,823,045.13

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

	31 December 2012	31 December 2011
	RMB	RMB
2012	–	22,481,739.15
2013	13,627,201.55	66,279,766.76
2014	33,833,624.49	49,628,351.13
2015	43,515,892.45	342,279,637.72
2016	123,304,990.50	529,852,259.76
2017	178,978,259.05	–
	393,259,968.04	1,010,521,754.52

Notes to Financial Statements

As at 31 December 2012

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

21. Provisions for assets impairment

2012

	Opening balance RMB	Disposal of Provision for the year RMB	Subsidiaries RMB	Reversal RMB	Write-off RMB	Closing balance RMB
Provision of bad debts:	486,178,667.43	78,909,973.30	(6,124,163.26)	(57,082,887.40)	(99,540,665.24)	402,340,924.83
Of which: Accounts receivable	359,546,649.96	60,670,504.03	(1,969,450.61)	(36,675,716.22)	(90,328,285.46)	291,243,701.70
Other receivables	126,632,017.47	32,906,268.11	(4,154,712.65)	(35,073,970.02)	(9,212,379.78)	111,097,223.13
Provision for decline in value of inventories	69,576,804.80	6,038,430.30	(2,082,297.45)	-	(47,747,698.55)	25,785,239.10
Provision for impairment of long-term equity investments	11,482,553.21	-	-	-	-	11,482,553.21
Provision for impairment of fixed assets	191,613,291.42	8,513,438.89	(23,007,628.56)	-	(33,630,604.67)	143,488,497.08
Provision for impairment of construction materials	12,705,917.71	-	-	-	-	12,705,917.71
Provision for impairment of construction in progress	8,717,380.85	-	-	-	-	8,717,380.85
Provision for impairment of intangible assets	42,353,841.71	11,340,399.11	-	-	-	53,694,240.82
Provision for impairment of goodwill	1,507,000.00	-	-	-	(1,507,000.00)	-
	<u>824,135,457.13</u>	<u>104,802,241.60</u>	<u>(31,214,089.27)</u>	<u>(57,082,887.40)</u>	<u>(182,425,968.46)</u>	<u>658,214,753.60</u>

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Assets with title restrictions

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance	Notes
	RMB	RMB	RMB	RMB	
Pledged assets:					
Accounts Receivable	-	30,808,880.00	-	30,808,880.00	(1)
Bills Receivable	9,850,000.00	-	9,850,000.00	-	
Inventories	7,376,599,492.50	-	2,381,642,369.28	4,994,957,123.22	(1)
Fixed assets	87,783,961.47	-	79,255,966.85	8,527,994.62	(1)
Land use right	2,042,851.93	-	2,042,851.93	-	
Investment properties	3,327,400,000.00	-	1,968,400,000.00	1,359,000,000.00	(1)
Assets whose titles are restricted for other reasons-cash and bank balances					
Guarantee deposit for L/C Quality/performance deposits	12,177,894.00	27,028,405.85	-	39,206,299.85	
Guarantee deposits for acceptance bills	63,173,591.35	-	11,222,259.21	51,951,332.14	
Restricted cash arising from pre-sales of properties	70,871,916.10	85,261,689.24	-	156,133,605.34	
Other restricted cash	2,541,681,564.29	-	489,179,917.66	2,052,501,646.63	(2)
	104,103,026.01	-	55,504,473.72	48,598,552.29	
	<u>13,595,684,297.65</u>	<u>143,098,975.09</u>	<u>4,997,097,838.65</u>	<u>8,741,685,434.09</u>	

Note:

- As at 31 December 2012, the Group obtained bank borrowings of RMB3,208,120,425.34 secured by accounts receivable with a carrying amount of 30,808,880.00, inventories with a carrying amount of RMB4,994,957,123.22, fixed assets with a carrying amount of RMB8,527,994.62 and investment properties with a carrying amount of RMB537,100,000.00 (Note V.5, 8, 13 and 14). As at 31 December 2012, investment properties with carrying amount of RMB821,900,000 were pledged as securities for a guarantee in the benefit of the parent company (Note VI.5(4)).
- In accordance with relevant rules, property developers shall place all the pre-sales of commodity houses in specially designated bank accounts for supervision. The deposits can only be used for construction projects. Written application shall be made to the supervisory bank before the use of the deposits.
- As at 31 December 2012, the carrying amount of restricted cash and bank balances of the Group was RMB2,348,391,436.25 (Note V.1).

Notes to Financial Statements

As at 31 December 2012

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

23. Short-term loans

	31 December 2012	31 December 2011
	RMB	RMB
Pledged loans (Note 1)	30,808,880.00	9,850,000.00
Mortgaged loans (Note 1)	250,000,000.00	480,000,000.00
Guaranteed loans (Note 2)	799,978,000.00	637,470,000.00
Credit loans	<u>10,307,500,000.00</u>	<u>10,159,541,222.71</u>
	<u>11,388,286,880.00</u>	<u>11,286,861,222.71</u>

Note 1: Collaterals and their values for mortgaged loans of the Group as at 31 December 2012 are detailed in note V.22.

Note 2: As at 31 December 2012, included in the guaranteed loans, balances of RMB60,000,000.00 were guaranteed by BBMG Group, while the remaining were guaranteed by the Company and its subsidiaries.

As at 31 December 2012, the above loans bore an interest rate of 5%-6.30% per annum.

As at 31 December 2012, the Group had no outstanding short-term loans that were due.

As at 31 December 2012, short-term credit loans with balances of RMB2,850,000,000.00 were entrusted loans from the Parent.

24. Bills payable

	31 December 2012	31 December 2011
	RMB	RMB
Bank acceptance bills	<u>430,004,020.52</u>	<u>361,817,226.63</u>

As at 31 December 2012, balances due in the next accounting period were RMB430,004,020.52.

Notes to Financial Statements

As at 31 December 2012

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

25. Accounts payable

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

An aging analysis of accounts payable is as follows:

	31 December 2012	31 December 2011
	RMB	RMB
Within 1 year	4,868,812,557.66	4,170,179,825.53
1-2 years	1,317,545,708.47	562,097,531.33
2-3 years	228,144,901.50	276,770,222.96
Over 3 years	154,698,740.14	115,306,540.69
	<u>6,569,201,907.77</u>	<u>5,124,354,120.51</u>

As at 31 December 2012, other than the accounts payable of RMB82,582,881.98 due to the BBMG Group (31 December 2011: Nil), there were no accounts payable to shareholders holding more than 5%(5% included) of the Company's voting rights (31 December 2011: Nil).

Please refer to note VI "Relationships and Transactions with Related Parties" for accounts payable to related parties as at 31 December 2012.

As at 31 December 2012, significant accounts payable aging over 1 year were as follows:

	Relationship with the Group	Amount RMB	Percentage of total accounts payable (%)	Reasons for non-payment
Supplier 1	Third party	142,424,163.57	2.17	Undue
Supplier 2	Third party	89,944,102.08	1.37	Undue
Supplier 3	Third party	71,194,531.00	1.08	Undue
Supplier 4	Third party	64,925,988.83	0.99	Undue
Supplier 5	Third party	47,500,000.00	0.72	Undue

For the above accounts payable with significant amounts of which aging are more than one year, the repaid amounts subsequent to the balance date are RMB37,700,000.00.

Notes to Financial Statements

As at 31 December 2012

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

26. Receipts in advance

An aging analysis on receipts in advance is as follows:

	31 December 2012	31 December 2011
	RMB	RMB
Within 1 year	12,996,525,315.78	7,306,937,261.64
1 to 2 years	341,001,234.59	4,279,400,153.00
2 to 3 years	848,080,717.60	4,316,491.00
Over 3 years	21,343,036.96	31,124,414.00
	<u>14,206,950,304.93</u>	<u>11,621,778,319.64</u>

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

	31 December 2012	31 December 2011
Advances on sale of goods	1,190,368,520.87	1,032,060,234.00
Advances on pre-sale of properties	12,514,947,954.70	10,289,139,188.15
Advances on construction costs	113,638,759.71	132,669,016.99
Advances on rents and property fees	387,995,069.65	167,909,880.50
	<u>14,206,950,304.93</u>	<u>11,621,778,319.64</u>

As at 31 December 2012, there were no receipts in advance due to shareholders holding more than 5%(5% included) of the Company's voting rights (31 December 2011: nil).

Please refer to Note VI "Relationships and Transactions with Related Parties" for receipts in advance from related parties as at 31 December 2012.

As at 31 December 2012, significant receipts in advance aging over 1 year were as follows:

	Relationship with the Group	Amount	Reasons for being outstanding
Customer 1	Third Party	75,070,000.00	Undue
Customer 2	Third Party	1,062,685,870.94	Properties have not been delivered after housing prepayment

Within the abovementioned significant receipts in advance aging over 1 year, amounts of RMB2,765,402.00 were settled subsequent to balance sheet date.

Notes to Financial Statements

As at 31 December 2012

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

26. Receipts in advance *(continued)*

Details of advances on pre-sale of properties are as follows:

Projects	Expected settlement date of the first batch	Proportion of the pre-sales	31 December 2012	31 December 2011
Beijing – Chaoyang New City	December 2012	97%	24,083,204.50	384,028,609.45
Beijing – Jinyu Town-House	December 2012	95%	15,501,770.05	4,250,000.00
Beijing – Tuqiao Huashijiang	December 2012	54%	176,433,732.62	162,315,728.27
Beijing – Tuqiao Tongheyuan	December 2012	100%	21,520,089.15	496,647,686.28
Beijing – Kanghuiyuan	December 2012	94%	89,763,265.40	479,662,743.20
Beijing – Guanlan Times	December 2013	99%	1,189,963,259.33	298,837,354.38
Beijing – Yanshan Affordable Housing	June 2014	94%	1,668,087,526.18	483,179,300.35
Beijing – Yueheyuan	December 2013	99%	1,777,482,531.30	872,288,103.80
Beijing – Jinheyuan	December 2012	100%	2,421,945.96	45,937,954.85
Beijing – Taiheyuan	December 2013	100%	1,140,160,363.90	–
Beijing – Ziyouzhu	June 2013	96%	320,765,233.73	–
Beijing – Binheyuan	March 2014	100%	72,329,200.00	–
Beijing – Ruiheyuan	September 2014	94%	400,000,000.00	–
Hangzhou-Guanlan Times	December 2013	53%	415,880,807.00	772,236,425.00
Beijing – Chang'an New City	July 2013	99%	62,287,887.02	48,415,312.78
Beijing – Dacheng Times Center	December 2013	99%	10,564,548.00	56,515,928.00
Beijing-Linglong Tiandi	December 2013	100%	22,745,862.00	1,375,822,126.00
Beijing-Dachengjun	December 2013	94%	1,521,044,402.23	2,550,322,576.00
Beijing – Xigongguan	October 2013	91%	473,115,023.00	121,430,386.00
Beijing – Jingcheng Center	December 2013	98%	401,570,782.00	–
Tianjin-Jinyu Yuecheng	December 2012	85%	119,197,162.00	34,838,492.00
Inner Mongolia Jinyu Times City	June 2014	94%	142,832,999.47	382,908,121.14
Jinyu Lefu (Tangshan)	September 2013	13%	180,064,942.44	44,585,099.42
Beijing-Feili Huating	July 2012	87%	195,638,813.00	1,344,164.00
Beijing-Jinyu Vanke City	December 2013	99%	843,561,281.00	1,627,113,233.00
Haikou – Meilinghu	October 2013	39%	209,845,265.00	–
Chongqing-Shidaiduhui	December 2013	66%	236,121,492.00	–
Chongqing – Nanshanjun	September 2013	2%	9,859,299.69	–
Beijing – I Cube	June 2013	46%	392,592,395.56	–
Others			379,512,871.17	46,459,844.23
			12,514,947,954.70	10,289,139,188.15

Notes to Financial Statements

As at 31 December 2012

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

27. Wages payable

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	70,127,048.00	1,662,211,327.62	1,659,435,104.62	72,903,271.00
Staff welfare	6,260,366.00	109,815,330.74	109,232,099.17	6,843,597.57
Social insurance	27,484,451.27	462,518,598.66	451,122,766.03	38,880,283.90
Including: Medical insurance	11,503,821.27	119,285,597.29	111,419,864.34	19,369,554.22
Basic pension	11,198,686.00	256,614,694.14	253,783,718.98	14,029,661.16
Annuity payment	993,040.00	50,358,466.00	50,919,212.00	432,294.00
Unemployment insurance	1,816,493.00	15,943,674.20	15,398,981.68	2,361,185.52
Work injury insurance	1,228,444.00	11,507,017.19	11,090,794.19	1,644,667.00
Maternity insurance	743,967.00	8,809,149.84	8,510,194.84	1,042,922.00
Housing funds	9,806,512.00	123,245,248.52	123,049,910.52	10,001,850.00
Union fund and employee education fund	17,270,515.99	37,377,778.70	36,759,021.68	17,889,273.01
Non-monetary benefits	477,878.16	–	477,878.16	–
Compensation for termination	698,457.92	–	698,457.92	–
Others	11,590,293.04	14,377,867.44	19,023,129.00	6,945,031.48
	<u>143,715,522.38</u>	<u>2,409,546,151.68</u>	<u>2,399,798,367.10</u>	<u>153,463,306.96</u>

As at 31 December 2012, there was no wages payable in arrears, and all balances are expected to be paid within one year.

Notes to Financial Statements

As at 31 December 2012

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

28. Tax payable

	31 December 2012	31 December 2011
VAT	(301,222,838.85)	(159,887,491.77)
Business tax	115,247,418.34	130,134,586.92
Corporate income tax	1,275,368,527.26	818,414,142.96
Individual income tax	10,923,795.01	9,428,818.48
City maintenance and construction tax	11,526,989.92	12,882,611.01
Education surcharges	5,705,567.32	9,035,120.71
Resource tax	21,362,210.66	18,019,819.53
Land appreciation tax	150,690,157.39	-
Urban and rural land use tax	3,676,168.80	2,805,825.68
Real estate tax	2,459,358.34	1,785,388.41
Others	13,159,428.06	8,350,048.53
	<u>1,308,896,782.25</u>	<u>850,968,870.46</u>

29. Interest payable

	31 December 2012	31 December 2011
Interests on borrowings	30,938,044.46	41,986,589.77
Including: Interests on long-term borrowings	6,837,983.85	18,573,094.14
Interests on short-term borrowings	24,100,060.61	23,413,495.63
Interests of corporate bonds (Note V.36)	124,336,666.67	79,870,000.00
	<u>155,274,711.13</u>	<u>121,856,589.77</u>

30. Dividends payable

	31 December 2012	31 December 2011
Holders of tradable H shares	-	1,398,730.15
Sinoma	16,770,600.00	16,770,600.00
Tianjin Building Materials	-	16,425,011.68
Dividends payable to other non-controlling shareholders	26,277,469.19	20,448,905.47
	<u>43,048,069.19</u>	<u>55,043,247.30</u>

Notes to Financial Statements

As at 31 December 2012

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

31. Other payables

An aging analysis of other payables is as follows:

	31 December 2012	31 December 2011
Within 1 year	1,661,709,604.32	1,992,285,614.42
1 to 2 years	496,793,758.73	1,137,145,406.34
2 to 3 years	107,126,930.08	112,333,069.02
Over 3 years	217,494,520.47	336,399,222.78
	<u>2,483,124,813.60</u>	<u>3,578,163,312.56</u>

An analysis on other payables by nature is as follows:

	31 December 2012	31 December 2011
Payables to related parties (Note VI.7)	197,820,944.21	129,200.00
Construction costs payable	458,060,901.87	505,679,529.70
Payables for acquisition of equity investments	63,966,551.14	763,503,457.58
Payables for relocation compensation	156,173,300.83	286,569,022.15
Payables for land use right	87,041,567.01	176,364,172.28
Deposits	489,503,370.68	433,513,598.69
Amounts collected on behalf and temporary receipts	449,346,124.28	446,108,318.43
Current portion of provision for supplementary pension subsidies and early retirement benefits	42,559,432.00	43,456,070.00
Others	538,652,621.58	922,839,943.73
	<u>2,483,124,813.60</u>	<u>3,578,163,312.56</u>

As at 31 December 2012, other than the amounts due to the BBMG Group of RMB197,051,945.35 (31 December 2011: Nil), there were no balances payable to other shareholders holding 5% or more of the Company's voting rights.

Please refer to Note VI "Relationships and Transactions with Related Parties" for other payables to related parties as at 31 December 2012.

Notes to Financial Statements

As at 31 December 2012

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

31. Other payables *(continued)*

As at 31 December 2012, significant other payables aging more than one year are as follows:

	Relationship with the Group	Amount	Percentage of total other payable (%)	Reasons for non-payment
Entity 1*	Third party	72,265,646.00	2.91	Not yet settled
Entity 2**	The Parent	70,000,000.00	2.82	Not yet settled
Entity 3	Third party	24,503,705.03	0.99	Not yet settled
Entity 4	Third party	15,989,575.53	0.64	Not yet settled
Entity 5	Third party	13,013,061.76	0.52	Not yet settled

For the above other payable with significant amounts of which aging are more than one year, no payment has been made subsequent to the balance date.

* Land premium payable to Ministry of Land and Resources

** Special handling charges for ashes emitted from boiler of the Company's subsidiary.

32. Accrued liabilities

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Estimated concrete loss	33,029,889.08	6,880,809.09	-	39,910,698.17 ^{Note 1}
Expense on recovery of mines	-	60,166,504.00	-	60,166,504.00 ^{Note 2}
	33,029,889.08	67,047,313.09	-	100,077,202.17

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

Note 2: The estimated cost on recovery was recognized based on the expense on recovery of mines required to be incurred in subsequent years by the Group's subsidiaries engaged in the production of cement.

Notes to Financial Statements

As at 31 December 2012

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

33. Non-current liabilities due within one year

	31 December 2012	31 December 2011
Long-term loans due within one year	<u>2,576,020,000.00</u>	<u>3,604,124,049.24</u>

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

	31 December 2012	31 December 2011
Mortgaged loans (Note 1)	<u>934,600,000.00</u>	397,704,049.24
Guaranteed loans (Note 2)	<u>441,420,000.00</u>	1,506,420,000.00
Credit loans	<u>1,200,000,000.00</u>	<u>1,700,000,000.00</u>
	<u>2,576,020,000.00</u>	<u>3,604,124,049.24</u>

Note 1: Collaterals and their value for mortgaged loans of the Group as at 31 December 2012 are detailed in note V.22.

Note 2: As at 31 December 2012, included in the guaranteed loans, balances of RMB142,500,000.00 were guaranteed by BBMG Group, while the remaining were guaranteed by the Company and its subsidiaries.

As at 31 December 2012, no extension was made to long-term loans due within one year upon expiry.

As at 31 December 2012, the five highest amounts of long-term loans due within one year were as follows:

Loan unit	Commencement date	Expiry date	Currency	Interest rate (%)	Balance as at the year end
Agricultural Bank of China, Xuanwu Branch	28 May 2010	27 May 2013	RMB	6.06	500,000,000.00
Construction Bank of China, Beijing Urban Construction Development Professional Branch	29 June 2011	28 June 2013	RMB	6.41	420,000,000.00
Agricultural Bank of China, Xuanwu Branch	12 August 2010	11 August 2013	RMB	6.65	400,000,000.00
Agricultural Bank of China, Xuanwu Branch	18 June 2010	17 June 2013	RMB	6.65	300,000,000.00
Construction Bank of China, Beijing Urban Construction Development Professional Branch	25 November 2011	24 February 2013	RMB	7.54	106,000,000.00

As at 31 December 2012, there was no long-term loans due with one year defaulted by the Group.

Notes to Financial Statements

As at 31 December 2012

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

34. Other current liabilities

	31 December 2012	31 December 2011
Deferred income	47,347,882.81	53,264,436.01
Accrued expenses	3,101,328,497.88	2,491,760,652.95
Accrued development cost	1,741,522,514.98	1,566,065,339.18
Accrued LAT	1,329,324,617.97	891,452,445.68
Accrued costs for treatment of solid waste	16,565,669.60	16,318,059.97
Other accrued expenses	13,915,695.33	17,924,808.12
Others	—	5,490,967.06
	<u>3,148,676,380.69</u>	<u>2,550,516,056.02</u>

Of which, the details of deferred income are as follows:

	31 December 2012	31 December 2011
Government grants related to assets		
Environmental protection projects	21,706,094.93	22,069,317.01
Waste-heat generation project	2,398,275.76	3,730,608.96
Relocation compensation	11,215,743.64	13,217,316.32
Others	2,157,039.09	796,958.72
Government grants related to income		
Research and development funds	<u>9,870,729.39</u>	<u>13,450,235.00</u>
	<u>47,347,882.81</u>	<u>53,264,436.01</u>

Notes to Financial Statements

As at 31 December 2012

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

35. Long-term loans

	31 December 2012	31 December 2011
Mortgaged loans (Note 1)	1,992,711,545.34	1,956,837,451.30
Guaranteed loans (Note 2)	1,764,340,000.00	2,121,760,000.00
Credit loans	<u>1,000,000,000.00</u>	<u>3,694,000,000.00</u>
	<u>4,757,051,545.34</u>	<u>7,772,597,451.30</u>

Note 1: As at 31 December 2012, the details and value of collaterals corresponding to our mortgaged loans were set out in note V. 22.

Note 2: As at 31 December 2012, included in the guaranteed loans, balances of RMB434,100,000.00 were guaranteed by BBMG Group, while the remaining were guaranteed by the Company and its subsidiaries.

As at 31 December 2012, there was no outstanding long-term loans that were due (31 December 2011: nil).

As at 31 December 2012, long-term loans with balances of nil were entrusted loans from the BBMG Group (31 December 2011: RMB1,994,000,000.00).

As at 31 December 2012, the five highest long-term loans were as follows:

Loan unit	Commencement date	Expiry date	Currency	Interest rate (%)	Balances as at 31 December 2012
Agricultural Bank of China, Xuanwu Branch	13 December 2010	13 December 2015	RMB	6.56	1,100,000,000.00
Construction Bank of China, Beijing Urban Construction Development Professional Branch	23 October 2012	22 April 2015	RMB	6.15	1,000,000,000.00
Bank of Communication Co. Ltd, Fuwai Branch	17 October 2012	17 October 2015	RMB	5.54	500,000,000.00
Bank of Communication Co., Ltd, Fuwai Branch	11 December 2012	11 December 2015	RMB	5.54	500,000,000.00
Bank of Communication Co. Ltd., Guanyuan Branch	31 October 2012	28 July 2014	RMB	6.77	<u>429,311,545.34</u>
					<u>3,529,311,545.34</u>

Notes to Financial Statements

As at 31 December 2012

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

36. Bonds payable

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Non-current:				
Corporate bonds	1,887,098,763.98	8,154,823.36	-	1,895,253,587.34
Medium-term notes	2,800,000,000.00	2,000,000,000.00	2,800,000.00	4,797,200,000.00
	<u>4,687,098,763.98</u>	<u>2,008,154,823.36</u>	<u>2,800,000.00</u>	<u>6,692,453,587.34</u>
Current:				
Short-term financing bonds	-	1,000,000,000.00	-	1,000,000,000.00
	<u>4,687,098,763.98</u>	<u>3,008,154,823.36</u>	<u>2,800,000.00</u>	<u>7,692,453,587.34</u>

Pursuant to the approval document (Fa Gai Cai Jin [2009] No.1009) issued by National Development and Reform Commission on 27 April 2009, the Company issued the 2009 corporate bonds of BBMG Corporation ("BBMG Bond") in open market, totaling RMB1,900,000,000 at a nominal interest rate of 4.32%.

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

Notes to Financial Statements

As at 31 December 2012

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

36. Bonds payable *(continued)*

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

The bonds interests of the above corporate bonds, medium-term notes and short-term financing bonds for the period were charged to interests payable.

As at 31 December 2012, bonds payable were as follows:

	Par value	Issuance date	Term	Issuance amount	Balance as at end of the year
Non-current					
2009 BBMG Bond	1,900,000,000.00	27 April 2009	5 years	1,900,000,000.00	1,895,253,587.34
RMB2 billion medium-term notes	2,000,000,000.00	29 September 2010	5 years	2,000,000,000.00	1,995,500,000.00
RMB800 million medium-term notes	800,000,000.00	7 December 2010	5 years	800,000,000.00	801,700,000.00
RMB2 billion medium-term notes	2,000,000,000.00	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00
	<u>6,700,000,000.00</u>			<u>6,700,000,000.00</u>	<u>6,692,453,587.34</u>
Current					
RMB1 billion short-term notes	1,000,000,000.00	18 September 2012	1 year	1,000,000,000.00	1,000,000,000.00
	<u>7,700,000,000.00</u>			<u>7,700,000,000.00</u>	<u>7,692,453,587.34</u>

Notes to Financial Statements

As at 31 December 2012

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

36. Bonds payable *(continued)*

	Interest at beginning of the year	Accrued interest for the year	Interest paid for the year	Interest payable at end of the year <small>(Note V.29)</small>
Non-current				
2009 BBMG Bond	54,720,000.00	82,080,000.00	82,080,000.00	54,720,000.00
RMB2 billion medium-term notes	21,900,000.00	87,600,000.00	87,600,000.00	21,900,000.00
RMB800 million medium-term notes	3,250,000.00	46,800,000.00	46,800,000.00	3,250,000.00
RMB2 billion medium-term notes	—	31,000,000.00	—	31,000,000.00
	<u>79,870,000.00</u>	<u>247,480,000.00</u>	<u>216,480,000.00</u>	<u>110,870,000.00</u>
Current				
RMB1 billion short-term notes	—	13,466,666.67	—	13,466,666.67
	<u>79,870,000.00</u>	<u>260,946,666.67</u>	<u>216,480,000.00</u>	<u>124,336,666.67</u>

37. Long-term payables

	31 December 2012	31 December 2011
Provision for supplementary pension subsidies and early retirement benefits for former and retired employees	<u>517,416,630.00</u>	<u>528,129,048.14</u>
Changes in provision for supplementary pension subsidies early retirement benefits and are as follows:		
Retirement benefits as at 1 January 2012		571,585,118.00
Cost of retirement benefits for the year		25,000,753.00
Retirement benefits paid for the year		36,609,809.00
Retirement benefits as at 31 December 2012		<u>559,976,062.00</u>
Amount categorized as current portion of other payables		<u>(42,559,432.00)</u>
Non-current portion		<u>517,416,630.00</u>

Notes to Financial Statements

As at 31 December 2012

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

37. Long-term payables *(continued)*

The details of provision for supplementary pension subsidies and early retirement benefits are set out in Note II.27, Employee benefits under defined benefit obligations.

The provision for supplementary pension subsidies early retirement benefits payable within one year is accounted for as other payables.

38. Other non-current liabilities

	31 December 2012	31 December 2011
Deferred income	<u>617,175,147.70</u>	<u>644,601,568.27</u>

Of which, the details of deferred income are as follows:

	31 December 2012	31 December 2011
Government grants related to assets		
Environmental protection projects	314,098,044.71	351,570,403.05
Waste-heat generation project	18,507,235.89	21,793,511.65
Relocation compensation	303,692,803.22	305,326,541.48
Others	18,354,217.30	4,383,866.07
Government grants related to income		
Research and development funds	<u>9,870,729.39</u>	<u>14,791,682.03</u>
	<u>664,523,030.51</u>	<u>697,866,004.28</u>
Less: Current portion included in current liabilities	<u>47,347,882.81</u>	<u>53,264,436.01</u>
	<u>617,175,147.70</u>	<u>644,601,568.27</u>

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Other non-current liabilities (continued)

As at 31 December 2012 and 31 December 2011, details and amounts of material government grants were as follows:

	31 December 2012	31 December 2011
Subsidy for Zanhuang – 2,500 tonnes new dry method clinker production line project	10,899,111.11	–
Subsidy for environmental equipment for Bio-Island project	233,981,575.14	249,357,492.78
Appropriation for mud project of Beijing Cement Plant	42,783,055.55	45,759,722.22
Subsidy for Relocation Fee of Tiantan	244,735,227.46	246,126,541.48
Relocation compensation for Hengxing Qunying	<u>58,957,575.76</u>	<u>60,800,000.00</u>

39. Share capital

2012

	Opening balance	Increase/(decrease) in the year			Closing balance
		shares released			
		Issue of new shares	from lock-up period	subtotal	
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	2,274,174,625.00	–	(429,322,199.00)	(429,322,199.00)	1,844,852,426.00
2. Other domestic shareholdings	185,572,000.00	–	(182,620,000.00)	(182,620,000.00)	2,952,000.00
3. Foreign shareholdings	<u>338,480,000.00</u>	–	<u>(338,480,000.00)</u>	<u>(338,480,000.00)</u>	–
Total shares subject to lock-up restriction	<u>2,798,226,625.00</u>	–	<u>(950,422,199.00)</u>	<u>(950,422,199.00)</u>	<u>1,847,804,426.00</u>
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	316,128,000.00	–	950,422,199.00	950,422,199.00	1,266,550,199.00
2. Foreign listed shares	<u>1,169,382,435.00</u>	–	–	–	<u>1,169,382,435.00</u>
Total shares not subject to lock-up restriction	<u>1,485,510,435.00</u>	–	<u>950,422,199.00</u>	<u>950,422,199.00</u>	<u>2,435,932,634.00</u>
Total share capital	<u>4,283,737,060.00</u>	–	–	–	<u>4,283,737,060.00</u>

Notes to Financial Statements

As at 31 December 2012

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

39. Share capital *(continued)*

Prior to the initial public offering and listing of A-share, the shareholders of the Company being Sinoma, Hopeson Holdings, Tai'an Pinghe, Tianjin Building Materials Group, Cinda Asset, Huaxi Xinyu, Winfirst, Beijing Great Ocean Investment (Group) Co., Ltd. (renamed Tibet Great Ocean Investment Co., Ltd) had made the following commitments: neither of them shall transfer or entrust other parties to manage the shares in issue, directly and indirectly, held by them before the initial public offering of the Company, nor the Company shall repurchase such part of shares within twelve months from the date on A-share of the Company listing on Shanghai Stock Exchange.

During the Reporting Period, the commitments have been performed and the restricted shares held by the above shareholders were released from the lock-up period on 1 March 2012

40. Capital reserve

2012

	Opening balance	Increase in ther year	Decrease in the year	Closing balance
Share premium	4,931,624,856.00	-	-	4,931,624,856.00
Other capital reserves	380,247,343.72	117,025,520.42	33,104,726.63	464,168,137.51
	<u>5,311,872,199.72</u>	<u>117,025,520.42</u>	<u>33,104,726.63</u>	<u>5,395,792,993.51</u>

See the table of Change in the Ownership Interest and Note V.55 for the reasons of fluctuation in capital reserve.

41. Specialized reserve

2012

	Opening balance	Amount provided for the year	Amount paid for the year	Closing balance
Production safety cost	-	57,730,015.85	48,177,031.27	9,552,984.58

Pursuant to the regulations of "the Provision and Usage Measures of Production Safety Expenses of the Enterprises" (Caiqi [2012] No.16), issued by the PRC Ministry of Finance and the State Administration of Work Safety, the enterprises of specific industries should provide production safety cost subject to a fixed proportion. The details of which are set out in Note II.33. Production safety cost.

Notes to Financial Statements

As at 31 December 2012

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

42. Surplus reserve

2012

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>340,879,231.86</u>	<u>239,673,000.36</u>	<u>-</u>	<u>580,552,232.22</u>

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall allocate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has reached 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. Upon approval, discretionary reserves fund can be used to make up for accumulated losses or to increase the share capital.

43. Retained earnings

2012

Retained earnings at the beginning of the year	10,217,411,951.85
Net profit attributable to the owners of the Company (Note 1)	2,965,089,241.74
Less: Appropriation of statutory surplus reserve	(239,673,000.36)
Cash dividends declared for ordinary shares (Note 2)	(308,429,068.32)
Retained earnings at the end of the year	<u>12,634,399,124.91</u>

Notes: 1. The appropriation of surplus reserve attributable to the shareholders of the parent company by the subsidiaries of the Group amounted to RMB342,235,618.23 during the year.

2. Upon the consideration and approval at the 2011 annual general meeting of BBMG Corporation convened on 24 May 2012, profit distribution for the year 2011 was calculated based on 4,283,737,060 ordinary shares in issue, with the distribution of a final dividend of RMB0.72 per 10 shares (tax included) in an aggregate amount of cash dividends of RMB308,429,068.32.

Notes to Financial Statements

As at 31 December 2012

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

44. Operating revenue and operating costs

Operating revenue is as follows:

	2012	2011
Revenue from principal operations	33,549,169,796.66	28,234,382,964.40
Revenue from other operations	504,926,206.66	510,410,889.80
	<u>34,054,096,003.32</u>	<u>28,744,793,854.20</u>

Operating costs is as follows:

	2012	2011
Cost of principal operations	25,494,913,969.49	20,490,359,459.18
Cost of other operations	229,777,455.75	300,961,874.85
	<u>25,724,691,425.24</u>	<u>20,791,321,334.03</u>

Operating revenue and operating costs of principal operations by segment:

	2012		2011	
	Revenue	Operating costs	Revenue	Operating costs
Cement	11,461,142,954.17	9,616,815,840.11	12,972,767,751.29	10,157,074,512.24
New building materials	9,479,831,592.31	8,446,204,922.92	5,074,967,649.12	4,050,536,073.69
Real estate development	10,934,922,941.64	6,798,927,674.61	8,779,335,254.15	5,769,857,661.39
Property investment and management	1,673,272,308.54	632,965,531.85	1,407,312,309.84	512,891,211.86
	<u>33,549,169,796.66</u>	<u>25,494,913,969.49</u>	<u>28,234,382,964.40</u>	<u>20,490,359,459.18</u>

Notes to Financial Statements

As at 31 December 2012

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Operating revenue and operating costs (continued)

Operating revenue and operating costs of principal operations by product:

	2012		2011	
	Revenue	Operating costs	Revenue	Operating costs
Sale of products	14,534,817,931.46	12,108,467,697.14	16,146,997,285.98	12,435,889,889.76
Bulk commodity trade	4,593,720,631.68	4,568,062,932.75	477,967,956.00	470,301,728.26
Sale of properties and land	10,915,924,393.00	6,787,638,016.59	8,778,229,257.49	5,828,076,989.19
Including: Sales of affordable properties	1,507,563,688.64	1,278,581,906.09	2,732,966,135.00	2,257,673,654.99
Rental income from investment properties	820,222,199.72	63,593,538.60	665,944,455.45	74,202,806.03
Property management	498,491,826.03	307,122,178.88	443,577,843.88	270,782,096.44
Hotel management	403,465,966.60	220,094,781.06	287,082,414.45	148,911,519.00
Income from decoration work	1,232,317,624.86	1,085,219,695.60	965,170,888.87	908,639,576.52
Treatment of solid waste	366,110,514.33	204,704,592.19	273,631,131.00	209,701,042.02
Others	184,098,708.98	150,010,536.68	195,781,731.28	143,853,811.96
	33,549,169,796.66	25,494,913,969.49	28,234,382,964.40	20,490,359,459.18

Operating revenue and operating costs of principal operations by region:

	2012		2011	
	Revenue	Operating costs	Revenue	Operating costs
North China	28,316,601,308.00	20,946,700,926.64	26,590,052,990.48	19,174,446,103.11
Central China	1,532,977,176.07	1,077,842,564.59	185,219,526.90	138,915,324.19
East China	2,902,902,907.90	2,841,958,572.14	770,982,862.80	567,797,332.02
South China	136,253,637.61	96,948,893.07	72,515,644.35	65,489,925.77
Northwest China	84,706,447.38	71,514,089.05	5,260,717.25	3,274,993.29
Southwest China	46,023,284.94	34,304,405.34	55,745,147.51	53,147,968.43
Northeast China	529,705,034.76	425,644,518.66	554,606,075.11	487,287,812.37
	33,549,169,796.66	25,494,913,969.49	28,234,382,964.40	20,490,359,459.18

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As at 31 December 2012

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

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

Operating revenue from the top 5 customers for the year 2012 is as follows:

	Amount	Percentage to the total operating revenue (%)
Customer 1	646,960,339.00	1.90
Customer 2	628,239,753.00	1.84
Customer 3	311,936,777.27	0.92
Customer 4	311,734,661.00	0.92
Customer 5	<u>285,410,400.00</u>	<u>0.84</u>
	<u>2,184,281,930.27</u>	<u>6.42</u>

Operating revenue from the top 5 customers for the year 2011 is as follows:

	Amount	Percentage to the total operating revenue (%)
Customer 1	694,172,350.00	2.41
Customer 2	357,010,066.22	1.24
Customer 3	209,630,317.65	0.73
Customer 4	157,691,607.32	0.55
Customer 5	<u>152,006,193.98</u>	<u>0.53</u>
	<u>1,570,510,535.17</u>	<u>5.46</u>

Notes to Financial Statements

As at 31 December 2012

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

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

Operating revenue is as follows:

	2012	2011
Sale of products	14,534,817,931.46	16,146,997,285.98
Bulk commodity trading	4,593,720,631.68	477,967,956.00
Sale of properties and land	10,915,924,393.00	8,778,229,257.49
Rental income	969,035,173.07	831,876,191.99
Including: rental income from investment properties	820,222,198.59	665,944,455.45
other rental income	148,812,974.48	165,931,736.54
Property management	498,491,826.03	443,577,843.88
Hotel management	403,465,966.60	287,082,414.45
Income from construction work	1,232,317,624.86	965,170,888.87
Treatment of solid waste	366,110,514.33	273,631,131.00
Others	540,211,942.29	540,260,884.54
	<u>34,054,096,003.32</u>	<u>28,744,793,854.20</u>

45. Business Tax and surcharges

	2012	2011
Business tax	821,149,103.02	597,456,298.17
City maintenance and construction tax	89,664,743.86	74,019,179.16
Education surcharge	64,196,837.76	43,210,202.97
LAT	689,295,109.27	449,835,811.21
Others	10,795,480.37	4,012,478.66
	<u>1,675,101,274.28</u>	<u>1,168,533,970.17</u>

See Note III. Taxes for tax base

Notes to Financial Statements

As at 31 December 2012

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

46. Selling expenses

	2012	2011
Remuneration of employees	335,424,324.83	253,673,252.67
Office expenses	193,001,146.18	195,325,056.35
Lease fee	77,117,082.53	68,310,526.79
Agency fee	135,096,795.72	126,227,161.93
Advertisement fee	204,110,229.22	158,644,473.55
Transportation and travelling expenses	388,746,980.62	288,679,050.53
Others	17,103,792.71	83,026,207.81
	<u>1,350,600,351.81</u>	<u>1,173,885,729.63</u>

47. Administrative expenses

	2012	2011
Remuneration of employees	1,097,810,938.43	985,919,923.18
Office expenses	501,557,310.99	523,751,948.14
Reception expenses	102,496,049.35	88,110,777.50
R&D expenses	63,170,191.15	68,904,425.73
Professional fees	83,150,005.88	158,135,712.28
Lease and utilities	73,697,214.84	72,709,173.15
Tax	154,971,310.13	121,452,997.03
Sewage and afforestation fees	28,290,853.74	32,009,783.50
Others	83,931,516.49	79,420,724.03
	<u>2,189,075,391.00</u>	<u>2,130,415,464.54</u>

The abovementioned administrative expenses included the auditor's remuneration for the audit of the Company's annual report and interim report and the audit of its subsidiaries' annual reports of RMB11,000,000 (2011: RMB13,950,000)

Notes to Financial Statements

As at 31 December 2012

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

48. Finance costs

	2012	2011
Interest expenses	1,666,934,439.53	1,344,991,550.12
Including: Interests on bank loans, overdrafts and other loans which require to be fully repaid within 5 years	1,637,299,518.07	1,344,991,550.12
Other interest expenses	29,634,921.46	–
Less: Interest income (note 1)	70,507,159.39	26,443,677.00
Less: capitalized interest (note 2)	723,672,304.44	538,670,453.32
Exchange gains and losses	1,165,125.32	(539,533.96)
Bank charges	24,466,462.39	16,681,844.96
Others	4,011,271.47	1,387,853.20
	<u>902,397,834.88</u>	<u>797,407,584.00</u>

Note 1: Interest income included the interests accrued on the loan to STAR-USG Building Materials Co., Ltd of RMB4,546,064.28. Please refer to note VI, V.(5).

Note 2: The amount of capitalized interest has been included in the balances of construction in progress (Note V.15) and properties under development (Note V.8).

49. Gains from changes in fair value

	2012	2011
Investment properties measured at fair value	<u>936,201,275.04</u>	<u>776,747,551.26</u>

Notes to Financial Statements

As at 31 December 2012

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

50. Investments income/(losses)

	2012	2011
Income from long-term equity investments measured at cost method:	–	166,592.46
Long-term equity investment income/(losses) under equity method:	(32,989,386.38)	13,739,872.03
Including: Investment loss from associates	(730,484.97)	(7,926,317.66)
Investment income/(losses) from joint venture	(32,258,901.41)	21,666,189.69
Gain from step-acquisition of BBMG Vanke	–	288,477,779.20
Investment income/(losses) from disposal of available-for-sale financial assets	27,917.26	(9,516.41)
Investment income from disposal of long-term equity investments	4,435,889.88	12,519,653.05
Investment income from disposal of subsidiaries	21,382,907.13	–
	<u>(7,142,672.11)</u>	<u>314,894,380.33</u>

Income from long-term equity investments measured at cost method:

Investees	2012	2011	Reasons for increase/decrease
Luquan Rural Cooperative Society of Credit	–	130,082.69	Dividend distributions
Beijing Rural Commercial Bank Co., Ltd.	–	2,525.00	Dividend distributions
Beijing Xinchen Ceramic Fiber Products Corp.	–	33,984.77	Dividend distributions
	<u>–</u>	<u>166,592.46</u>	

Notes to Financial Statements

As at 31 December 2012

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

50. Investments income/(losses) *(continued)*

In respect of the income/(losses) from long-term equity investments measured at equity method, the top 5 investees in terms of the proportion of their investment income to the Group's total profits are as follows:

Investees	2012	2011	Reasons for increase/ decrease
STAR-USG Building Materials Co., Ltd	(33,475,728.35)	(33,010,516.15)	Fluctuations of results
Beijing Gaoqiang Concrete Co., Ltd.	6,239,481.41	(3,226,181.01)	Fluctuations of results
Krono (Beijing) Woods Co., Ltd.	(16,707,727.99)	(12,895,212.61)	Fluctuations of results
Zehnder (China) Indoor Climate Co., Ltd.	7,811,377.96	2,579,322.79	Fluctuations of results
Beijing Sinobaide Technology Co., Ltd	2,471,401.94	1,724,948.30	Fluctuations

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2012. In 2012, the Group's investment income was the investment income from listing securities at RMB27,917.26 (2011: investment loss at RMB9,516.41)

51. Asset impairment losses

	2012	2011
Losses on bad debts	21,827,085.90	60,192,921.27
Losses on decline in value of inventory	6,038,430.30	41,400,074.49
Losses on impairment of fixed assets	8,513,438.89	84,358,799.45
Losses on impairment of intangible assets	11,340,399.11	-
Losses on impairment of goodwill	-	6,600,744.78
Losses on impairment of construction in process	-	751,763.47
	<u>47,719,354.20</u>	<u>193,304,303.46</u>

Notes to Financial Statements

As at 31 December 2012

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

52. Non-operating income

	2012	2011
Gains from disposal of non-current assets	96,353,883.74	462,730,381.87
Including: Gains from disposal of fixed assets	96,353,883.74	60,494,794.98
Gains from disposal of intangible assets	–	309,570,729.89
Gains from disposal of investment properties	–	92,664,857.00
Gains from debt restructuring	30,115,945.05	55,629,780.84
Gains on compensation, penalties and fines	9,503,304.50	4,732,200.33
Government grants	678,513,991.95	534,725,764.13
Unpayable amounts	94,447,128.88	25,514,899.13
Others	22,081,980.02	81,606,276.45
	<u>931,016,234.14</u>	<u>1,164,939,302.75</u>

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

	2012	2011
Refunds of VAT	419,218,625.54	396,361,757.06
Subsidy	131,045,976.01	104,190,067.13
Revenue from relocation compensation	128,249,390.40	34,173,939.94
	<u>678,513,991.95</u>	<u>534,725,764.13</u>

53. Non-operating expenses

	2012	2011
Loss from disposal of non-current assets	34,088,371.36	19,195,284.86
Including: Loss from disposal of fixed assets	34,088,371.36	19,195,284.86
Loss from natural disasters	3,971,183.92	218,699.36
Donation	861,934.77	1,380,850.00
Losses on compensation, penalties and fines	10,189,658.90	24,816,545.46
Others	21,496,735.23	30,886,430.21
	<u>70,607,884.18</u>	<u>76,497,809.89</u>

Notes to Financial Statements

As at 31 December 2012

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

54. Income tax expenses

	2012	2011
Current income tax expenses	1,615,032,589.40	1,118,013,009.10
Deferred income tax expenses	(811,285,831.47)	(41,129,375.12)
	<u>803,746,757.93</u>	<u>1,076,883,633.98</u>

A Reconciliation of income tax expenses and total profit is listed as follows:

	2012	2011
Total profit	3,953,977,324.80	4,670,008,892.82
Income tax expenses calculated at statutory tax rate of 25% (Note 1)	988,494,331.20	1,167,502,223.20
Effect of different tax rates applicable to certain subsidiaries	(26,708,179.09)	(40,817,051.03)
Tax effect of share of profits and losses of jointly-controlled entities and associates	8,247,346.59	11,693,180.77
Income not subject to tax	(68,157,666.51)	(204,679,829.48)
Expenses not deductible for tax	37,625,225.59	31,680,349.91
Tax losses utilized from previous years	(200,694,648.15)	(11,382,238.85)
Adjustments in respect of current income tax of previous periods	2,659,087.80	(3,524,997.74)
Effect of deductible temporary difference and tax losses not recognised	<u>62,281,260.50</u>	<u>126,411,997.20</u>
Income tax expense calculated at the Group's effective tax rate	<u>803,746,757.93</u>	<u>1,076,883,633.98</u>

Note 1: Income tax of the Group shall be calculated based on the applicable tax rate and the estimated taxable income from Mainland China. Taxes of taxable income arising from other regions shall be calculated based on the applicable tax rate pursuant to the existing laws, interpretations, announcements and practices in the jurisdiction where the Group operates.

Note 2: The share of taxes attributable to jointly-controlled entities and associates for the year 2012 were RMB453,911.92 and RMB2,488,820.07 respectively (for the year 2011: RMB413,912.37 and RMB3,330,513.95 respectively).

Notes to Financial Statements

As at 31 December 2012

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

55. Earnings per share

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

The calculation of basic earnings per share is as follows:

	2012	2011
Earnings		
Net profit for the period attributable to ordinary shareholders of the parent company	<u>2,965,089,241.74</u>	<u>3,428,644,623.62</u>
Shares		
Weighted average number of ordinary shares in issue of the Company (note 1)	<u>4,283,737,060</u>	<u>4,224,144,069</u>

The Company did not have potentially dilutive ordinary shares.

Note 1: In February 2011, the Company issued 410,404,560 new shares for the merger with Taihang Cement, after which there were 4,283,737,060 ordinary shares in issue of the Company. Consequently, earnings per share for the 2011 are calculated based on the adjusted number of shares.

56. Other comprehensive income

	2012	2011
Transferred out from disposal of available-for-sale financial assets	(98,275.00)	(22,144.32)
Less: Income tax effect transferred out from available-for-sale financial assets	24,568.75	5,536.08
Other comprehensive income generated from investment properties transferred from fixed assets/inventory	156,132,302.22	–
Less: Income tax effect arising from investment properties transferred from fixed assets/inventory	(39,033,075.55)	–
Exchange differences on translation of foreign operations	<u>(8,840.64)</u>	<u>(1,966.14)</u>
	<u>117,016,679.78</u>	<u>(18,574.38)</u>

Notes to Financial Statements

As at 31 December 2012

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

57. Notes to items of statement of cash flows

	2012	2011
Cash received from other operating activities		
Deposits and relevant amounts received	471,131,260.53	557,324,995.93
Others	<u>71,411,395.61</u>	<u>93,556,068.49</u>
	<u>542,542,656.14</u>	<u>650,881,064.42</u>

	2012	2011
Cash paid relating to other operating activities		
Bidding deposits of land items and related expenses	71,000,000.00	1,213,216,886.08
Selling and administrative expenses paid	<u>1,672,102,001.61</u>	<u>1,859,134,006.18</u>
	<u>1,743,102,001.61</u>	<u>3,072,350,892.26</u>

	2012	2011
Cash received from other investing activities		
Interests received from the joint venture STAR-USG	<u>4,993,601.29</u>	<u>—</u>

	2012	2011
Cash paid relating to other financing activities		
Issuance expenses for merger of Taihang Cement	<u>—</u>	<u>58,165,082.76</u>

Notes to Financial Statements

As at 31 December 2012

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

58. Supplemental information to statement of cash flows

(1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from/(used in) operating activities:

	2012	2011
Net profit	3,150,230,566.87	3,593,125,258.84
Add: Provisions for assets impairment	47,719,354.20	193,304,303.46
Depreciation of fixed assets	1,001,797,862.69	966,182,590.57
Amortisation of intangible assets	69,047,255.35	87,445,405.39
Amortisation of long term deferred expenses	35,708,317.86	67,140,775.16
Gains from disposal of fixed assets, intangible assets and other long-term assets	(62,265,512.38)	(443,535,097.01)
Losses from retirement of fixed assets	-	828,737.00
Gains from changes in fair value	(936,201,275.04)	(776,747,551.26)
Finance expenses	939,881,196.13	806,321,096.80
Investment losses/(gains)	7,142,672.11	(314,894,380.33)
Increase in deferred income tax assets	(526,799,716.58)	(275,204,307.23)
Increase/(decrease) in deferred income tax liabilities	(284,486,114.94)	189,435,825.11
Increase in inventories	(4,103,975,564.53)	(4,266,534,613.71)
Increase in operating receivables	(4,476,919,191.76)	(2,709,930,599.36)
Increase in operating payables	9,449,878,898.35	1,747,281,152.63
 Net cash flows from operating activities	<u>4,310,758,748.33</u>	<u>(1,135,781,403.94)</u>
 Material financing activities not involving cash:		
Non-monetary capital injection of non-controlling shareholders (Note 1)	178,326,310.80	-
Non-monetary dividends to non-controlling shareholders (Note 2)	209,272,323.56	-
	<u>387,598,634.36</u>	<u>-</u>
 Net movements in cash and cash equivalents:		
Balances of cash at end of the year	3,557,703,110.20	5,126,471,371.39
Less: Balances of cash at beginning of the year	5,126,471,371.39	5,030,591,539.36
 Net increase/(decrease) in cash and cash equivalents	<u>(1,568,768,261.19)</u>	<u>95,879,832.03</u>

Notes to Financial Statements

As at 31 December 2012

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

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

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

Note 1: Refer to capital contribution made by non-controlling shareholders in form of non-cash assets.

Note 2: No cash payment due to offset of dividends payable and other amount due from non-controlling shareholders.

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

Information on acquisition of subsidiaries and other operating units

	2012	2011
Price of acquisition of subsidiaries and other operating units	-	1,470,816,637.71
Cash and cash equivalents paid for acquisition of subsidiaries and other operating units	-	615,260,837.71
Less: Cash and cash equivalents held by acquirees:	-	190,579,067.01
Net cash paid for acquisition of subsidiaries and other operating units	-	424,681,770.70
Net assets of acquirees	-	2,306,378,773.71
Current assets	-	3,798,239,404.46
Non-current assets	-	1,690,813,563.43
Current liabilities	-	2,433,806,770.20
Non-current liabilities	-	748,867,423.98

Notes to Financial Statements

As at 31 December 2012

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

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

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

Information on disposal of subsidiaries and other operating units

	2012	2011
Price of disposal of subsidiaries and other operating units	26,354,438.59	–
Cash and cash equivalents received from disposal of subsidiaries and other operating units	8,194,200.00	–
Less: Cash and cash equivalents held by disposed subsidiaries and other operating units	315,270.66	–
Net cash received from disposal of subsidiaries and other business entities	7,878,929.34	–
Net assets of disposed subsidiaries	10,720,637.91	–
Current assets	20,958,630.78	–
Non-current assets	86,161,534.00	–
Current liabilities	96,399,526.87	–
Non-Current liabilities	–	–

(3) *Cash and equivalents*

	31 December 2012	31 December 2011
Cash	3,557,703,110.20	5,126,471,371.39
Including: Cash on hand	3,460,110.74	4,147,915.86
Bank deposits on demand	3,491,857,506.73	5,098,037,347.77
Other demand monetary fund	62,385,492.73	24,286,107.76
Balance of cash and cash equivalents at end of the year	3,557,703,110.20	5,126,471,371.39

Notes to Financial Statements

As at 31 December 2012

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

Type of company	Place of registration	Legal representative	Nature of Business	Registered			Organization code	
				capital RMB ten	Proportion of shareholding (%)	Proportion of votes (%)		
BBMG Group	limited liability	Beijing	Jiang Weiping	Operation and management of state-owned assets within the authorised scope; manufacture and sale of building materials, non-metallic minerals, furniture, construction hardware, etc.; comprehensive property development, etc.	91,076	43.07	43.07	10113006-6

The parent and ultimate holding company of the Company is BBMG Group.

2. Subsidiaries

For details on the subsidiaries, please refer to Note IV. Scope of Consolidated Financial Statements.

3. Jointly-controlled entities and associates

For details on the Jointly-controlled entities and associates, please refer to Note V.12.

4. Other related parties

Names of other related parties	Relationship with related parties	Code of organization
Beijing Building Materials Sales Center	Under common control of the parent company	10116478-4
BBMG Assets Operation and Management Co., Ltd.	Under common control of the parent company	66840416-0
BBMG Jianmao Property Management Center	Under common control of the parent company	10161139-6
Zhuhai Jinyu Yale Property Management Co., Ltd.	Under common control of the parent company	19252930-3
Beijing Fumin House Co., Ltd.	Under common control of the parent company	10219626-X
Beijing Jiaye Xincheng Labor Force-dispatching Co., Ltd.	Under common control of the parent company	68289927-8
Beijing Xisha Assets Management Co., Ltd.	Under common control of the parent company	10189622-1
Beijing Building Materials Group Corporation	Under common control of the parent company	10121880-X
Industrial & Commerce Development Co., Ltd		
Beijing Guanghua Woodworking Factory	Under common control of the parent company	10110042-2
Beijing Doors and Windows Co., Ltd.	Under common control of the parent company	10110161-X
Beijing Chaoyang New City Property Management Co., Ltd.	Under common control of the parent company	75330262-8
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Under common control of the parent company	40071127-4
Beijing Quality Inspection & Supervision Station of Wood Furniture	Under common control of the parent company	E0005230-4

Notes to Financial Statements

As at 31 December 2012

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

4. Other related parties *(continued)*

Names of other related parties	Relationship with related parties	Code of organization
Beijing Longfengshan Sands and Stone Factory	Under common control of the parent company	10262614-3
Beijing Hazardous Waste Materials Treatment Centre	Under common control of the parent company	70012505-8
Beijing Building Materials Industry Metrological Supervision Institute	Under common control of the parent company	40071032-7
Beijing Building Materials Boiler Installation Co., Ltd.	Under common control of the parent company	10113474-5
Beijing Building Materials Boiler and Pressure Vessel Supervision and Inspection Institution	Under common control of the parent company	40070985-2
Beijing No. 54 Occupational Skill Testing Institution	Under common control of the parent company	40071158-1
Handan Hanni Building Materials Co., Ltd	Under common control of the parent company	67469504-8
BBMG Properties Limited	Under common control of the parent company	67425108-4
BBMG Sports Culture Co., Ltd.	Under common control of the parent company	67962969-9
Beijing Jinyu Scien-tech School	Under common control of the parent company	40070953-7
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Under common control of the parent company	40070955-3
Beijing Dacheng Real Estate Development Co., Ltd.	Under common control of the parent company	10139366-7
Beijing Dacheng Anjia Property Management Center	Under common control of the parent company	79671299-3
Beijing Chengrong Real Estate Development Co., Ltd.	Under common control of the parent company	60001883-7
Beijing Cement Quality Supervision & Test Station	Under common control of the parent company	40071024-7
Beijing Research Institute of Wood Industry	Under common control of the parent company	40070951-0

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties

(1) Transactions concerning goods and services with related parties

	Type of goods or services	2012		2011	
		Amount	Percentage (%)	Amount	Percentage (%)
Purchase of goods and receipt of services from related parties					
Transactions with jointly-controlled entities and associates					
Beijing Dynea Chemical Industry Co., Ltd.	Purchase of raw materials	51,100.00	0.00	90,256.41	0.00
STAR-USG Building Materials Co., Ltd	Purchase of raw materials	124,543.86	0.00	278,868.57	0.00
Krono (Beijing) Woods Co., Ltd.	Purchase of raw materials	5,395,136.20	0.02	1,210,194.87	0.01
Krono (Beijing) Flooring Co., Ltd.	Purchase of fixed assets	-	-	100,000.00	-
Zehnder (China) Indoor Climate Co., Ltd.	Purchase of raw materials	197,150.20	0.00	180,000.00	0.00
Beijing Sinobaide Technology Co., Ltd.	Purchase of goods	2,431,638.00	0.01	-	-
		8,199,568.26	0.03	1,859,319.85	0.01

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2012		2011	
		Amount	Percentage (%)	Amount	Percentage (%)
Transactions with other related parties					
Beijing Pinggu No. 2 Cement Plant Co., Ltd.	Purchase of goods	-	-	12,189,044.86	0.06
Beijing Building Materials Sales Center	Purchase of raw materials	601,418.28	0.00	2,077,083.28	0.01
Beijing Doors and Windows Co., Ltd.	Relocation fee	127,822,400.00	0.50	-	-
Beijing Doors and Windows Co., Ltd.	Receipt of services	713,681.50	0.00	931,783.93	0.00
Beijing Doors and Windows Co., Ltd.	Purchase of raw materials	54,361.80	0.00	-	-
Beijing Jinhaiyan Glass Wool Co., Ltd.	Purchase of raw materials	-	-	978,246.90	0.00
Beijing Jinyu Scien-tech School	Receipt of services	3,400.00	0.00	112,179.00	0.00
BBMG Assets Management Co., Ltd.	Purchase of raw materials	520,030.35	0.00	3,910,766.87	0.02
Beijing Building Materials Boiler and Pressure Vessel Supervision and Inspection Institution	Receipt of services	228,841.00	0.00	955,258.00	0.00
Beijing Building Materials Industry Metrological Supervision Institute	Receipt of services	35,177.00	0.00	273,369.00	0.00
Beijing Longfengshan Sands and Stone Factory	Purchase of raw materials	-	-	85,317.40	0.00
Beijing Longfengshan Sands and Stone Factory	Receipt of services	325,000.00	0.00	1,574,817.04	0.01
Beijing Jiaye Xincheng Labor Force-dispatching Co., Ltd.	Receipt of services	614,028.10	0.00	175,800.00	0.00
Beijing Building Materials Boiler Installation Co., Ltd.	Receipt of services	100,000.00	0.00	380,000.00	0.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Receipt of services	11,990.00	0.00	420,460.00	0.00
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Receipt of services	-	-	71,804.00	0.00
Beijing Dongjiao Woodworking Factory	Receipt of services	87,772.14	0.00	-	-
Beijing Building Materials Group Corporation Industrial & Commerce Development Co., Ltd.	Receipt of services	57,949.85	0.00	-	-
Beijing Xisha Assets Management Co., Ltd.	Relocation fee	80,494,900.00	0.31	-	-
Beijing Xisha Assets Management Co., Ltd.	Receipt of services	390,621.24	0.00	-	-
		212,061,571.26	0.81	24,135,930.28	0.10
		220,261,139.52	0.84	25,995,250.13	0.11

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

Type of goods or services	2012		2011		
	Amount	Percentage(%)	Amount	Percentage(%)	
Sale of goods and render of services to related parties					
Transactions with the parent company					
BBMG Group Company Limited	Render of services	4,238,656.00	0.01	8,048,000.00	0.03
BBMG Group Company Limited (note)	Primary land development	43,945,044.13	0.13	-	-
BBMG Group Company Limited	Sale of goods	7,264.96	0.00	43,128.21	0.00
		<u>48,190,965.09</u>	<u>0.14</u>	<u>8,091,128.21</u>	<u>0.03</u>

Note: During the year, BBMG Group continued to entrust BBMG Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. ("Xisanqi Building Material") to carry out primary land development for its owned land and paid 12% of the development cost of primary land development as entrustment service fees to the Group upon completion of settlement on completion of primary land developments entrustment service fees.

Type of goods or services	2012		2011		
	Amount	Percentage(%)	Amount	Percentage(%)	
Transactions with jointly-controlled entities and associates					
Krono (Beijing) Woods Co., Ltd.	Sale of goods	5,067,721.30	0.01	35,975,087.30	0.13
Beijing Dynea Chemical Industry Co., Ltd.	Render of services	737,459.47	0.00	1,170,729.64	0.00
Zehnder (China) Indoor Climate Co., Ltd.	Render of services	-	-	2,871,971.22	0.01
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	220,099.10	0.00	167,318.30	0.00
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	106,211,817.87	0.31	73,580,149.15	0.26
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	14,721,417.18	0.04	-	-
		<u>126,958,514.92</u>	<u>0.36</u>	<u>113,765,255.61</u>	<u>0.40</u>

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2012		2011	
		Amount	Percentage(%)	Amount	Percentage(%)
Transactions with other related parties					
Beijing Pinggu No. 2 Cement Plant Co., Ltd.	Sale of goods	-	-	6,615,801.62	0.02
Handan Hanni Building Materials Co., Ltd.	Sale of goods	353,859.43	0.00	724,477.29	0.00
BBMG Properties Limited	Render of services	846,965.00	0.00	658,870.00	0.00
Beijing Building Materials Sales Center	Render of services	-	-	-	-
BBMG Sports Culture Co., Ltd.	Render of services	1,650,000.00	0.00	350,000.00	0.00
BBMG Assets Operation and Management Co., Ltd.	Render of services	19,839.00	0.00	111,986.00	0.00
BBMG Assets Operation and Management Co., Ltd.	Sale of goods	786,286.61	0.00	1,824,478.64	0.01
BBMG Assets Operation and Management Co., Ltd. Zhaikou branch	Render of services	27,008.00	0.00	-	-
BBMG Jianmao Property Management Center	Render of services	-	-	23,420.00	0.00
Beijing Pinggu No. 2 Cement Plant Co., Ltd.	Render of services	-	-	290,000.00	0.00
Beijing Hazardous Waste Materials Treatment Centre	Render of services	36,997.00	0.00	-	-
Beijing Quality Inspection & Supervision Station of Wood Furniture	Render of services	150,000.00	0.00	1,500,000.00	0.01
Beijing Chengrong Real Estate Development Co., Ltd.	Render of services	233,964.00	0.00	-	-
Beijing Jinyu Scien-tech School	Render of services	50,000.00	0.00	700,000.00	0.00
Beijing Dacheng Real Estate Development Co., Ltd.	Render of services	-	-	2,557,265.18	0.01
Beijing Chaoyang New City Property Management Co., Ltd.	Render of services	-	-	50,000.00	0.00

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

	Type of goods or services	2012		2011	
		Amount	Percentage(%)	Amount	Percentage(%)
Transactions with other related parties (continued)					
Beijing Building Materials Boiler and Pressure Vessel Supervision and Inspection Institution	Render of services	-	-	505,622.00	0.00
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Render of services	-	-	4,123,761.56	0.01
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Render of services	296,508.00	0.00	441,062.07	0.00
Party School of Corporation Committee	Sale of goods	11,435.90	0.00	-	-
Beijing Guanghua Woodworking Factory	Render of services	160,000.00	0.00	-	-
Beijing Xisha Assets Management Co., Ltd.	Render of services	36,000.00	0.00	-	-
Beijing Xisha Assets Management Co., Ltd.	Sale of properties	90,383,700.00	0.27	-	-
Beijing Dacheng Real Estate Development Co., Ltd.	Render of services	636,717.32	0.00	-	-
		95,679,280.26	0.27	20,476,744.36	0.06
		270,828,760.27	0.77	142,333,128.18	0.49

Purchase or sale of goods and receipt or render of services from/to related parties by the Group are carried out according to the terms of the agreements entered into between the Group and related parties. The agreed price is market price.

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(2) *Entrustment of assets of related parties*

Management of entrusted assets

2012

	Note	Type of assets entrusted	Starting Date	Termination date	Entrustment income recognized during the year
BBMG Group	(2)a	66.67% equity interest of Taihang Huaxin	July 2008	See note	Nil

Note (2)a: BBMG Group held 66.67% equity interest in Hebei Taihang Huaxin Building Materials Co., Ltd ("Taihang Huaxin"), while the Company held 33.33% equity interest in Hebei Taihang Huaxin. By virtue of an entrustment agreement on the equity interest and the related supplementary agreement in relation to Taihang Huaxin dated 26 July 2008 and 24 May 2010 respectively entered into between the Company and BBMG Group, BBMG Group entrusted its holding of all the equity interests in Taihang Huaxin to the Company. Thus, the Company has obtained the control over the financial and operational decision-making of Taihang Huaxin. As such, Taihang Huaxin was treated as a subsidiary of the Company from July 2008.

The termination date of entrustment shall be the date falling on the third anniversary from the effective date of the entrustment agreement or upon all or part of target equity interests being obtained by the Company. Subject to fulfillment of relevant laws and regulations and requirements imposed by securities regulatory institutions, unless otherwise notified in writing to the entrusting party by the entrusted Party, the validity of the entrustment agreement will be automatically extended for three years or to the completion date of transfer of target equity interests or such other date as agreed by both parties, whichever is earlier.

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(3) Leases with related parties

Lease out assets to related parties

Name of the lessee	Category of leased assets	Starting date	Termination date	Rental income in 2012	Rental income in 2011
STAR-USG Building Materials Co., Ltd	Building	1 August 2009	30 September 2030	15,477,296.65	14,716,708.88
STAR-USG Building Materials Co., Ltd	Building	1 July 2010	31 December 2014	1,287,592.00	1,287,591.00
STAR-USG Building Materials Co., Ltd	Building	20 July 2009	19 July 2012	-	624,965.88
Krono (Beijing) Woods Co., Ltd.	Building	1 January 2011	31 December 2012	6,536,481.63	6,395,536.07
Krono (Beijing) Flooring Co., Ltd.	Building	1 January 2011	31 December 2012	-	20,234.22
Beijing Dynea Chemical Industry Co., Ltd.	Building	1 January 2012	31 December 2012	73,851.49	167,419.77
OCV Reinforcements (Beijing) Co., Ltd.	Plant	1 May 2009	19 July 2012	587,030.02	293,000.04
OCV Reinforcements (Beijing) Co., Ltd.	Plant	1 January 2012	31 December 2013	969,221.00	969,221.00
Beijing Sinobaide Technology Co., Ltd.	Building	1 March 2011	29 February 2012	651,182.80	618,004.88
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Building	1 January 2012	31 December 2012	108,554.00	-
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	Building	1 January 2012	31 December 2012	2,794,302.75	-
Beijing Dacheng Real Estate Development Co., Ltd.	Building	1 July 2012	30 September 2013	2,865,228.12	-
				31,350,740.46	25,092,681.74

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(3) Leases with related parties *(continued)*

Lease of assets from related parties

Name of the lessor	Category of leased assets	Starting date	Termination date	Rental income in 2012	Rental income in 2011
Beijing Longfengshan Sands and Stone Factory	Plant	1 January 2011	31 December 2012	324,576.00	600,000.00
Beijing Xisha Assets Management Co., Ltd.	Building	1 January 2009	31 December 2012	2,931,500.00	1,500,000.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Building	15 October 2008	14 October 2011	-	970,400.00
BBMG Assets Operation and Management Co., Ltd.	Land	1 January 2010	31 December 2029	400,000.00	400,000.00
				<u>3,656,076.00</u>	<u>3,470,400.00</u>

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

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(4) Guarantees received from/provided to related parties

Guarantees received from related parties

2012

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of
					performance of guarantee or not
BBMG Group	Tianjin BBMG Concrete Co., Ltd.	30,000,000.00	2 November 2012	1 November 2013	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	10,800,000.00	22 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	16,200,000.00	29 December 2009	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	27,000,000.00	1 February 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	86,400,000.00	16 August 2010	22 December 2012	Yes
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	17,100,000.00	20 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	28,800,000.00	13 October 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	11,700,000.00	2 March 2011	22 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	350,000,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	40,000,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	10,000,000.00	2 March 2011	25 December 2015	No
BBMG Group	Beijing BBMG Business and Trading Co., Ltd	20,000,000.00	15 March 2012	14 March 2013	No
BBMG Group	BBMG Jiaye Real Estate Development Co., Ltd.	150,000,000.00	21 May 2012	21 May 2014	No
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	4,890,000.00	28 March 2011	27 March 2012	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	7,580,000.00	27 May 2011	26 May 2012	Yes
		<u>810,470,000.00</u>			

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(4) Guarantees received from/provided to related parties *(continued)*

Guarantees received from related parties (continued)

2011

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
BBMG Group	BBMG Corporation	53,000,000.00	29 July 2010	28 July 2011	Yes
BBMG Group	BBMG Corporation	36,000,000.00	29 July 2010	28 July 2011	Yes
BBMG Group	BBMG Corporation	50,000,000.00	20 August 2010	19 August 2011	Yes
BBMG Group	BBMG Corporation	19,000,000.00	25 August 2010	24 August 2011	Yes
BBMG Group	BBMG Corporation	100,000,000.00	30 April 2010	30 April 2011	Yes
BBMG Group	BBMG Corporation	30,000,000.00	6 January 2010	5 January 2012	Yes
BBMG Group	BBMG Corporation	237,400,000.00	27 July 2010	25 December 2015	Yes
BBMG Group	BBMG Corporation	47,500,000.00	28 September 2010	26 December 2015	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	30,000,000.00	29 October 2010	29 October 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	40,000,000.00	27 May 2010	27 May 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	30,000,000.00	22 November 2010	22 November 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	30,000,000.00	9 December 2010	9 December 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	4,800,000.00	25 June 2010	24 June 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	4,896,000.00	24 June 2010	23 June 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	7,574,812.17	28 June 2010	27 June 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	23,729,187.83	20 July 2010	19 July 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	7,412,024.01	29 July 2010	28 July 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	1,580,000.00	27 August 2010	26 August 2011	Yes
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	4,890,000.00	28 March 2011	27 March 2012	No
BBMG Group	Tianjin Zhenxing Cement Co., Ltd.	7,580,000.00	27 May 2011	26 May 2012	No
BBMG Group	Beijing Building Decoration and Design Engineering Co., Ltd.	8,300,000.00	1 September 2010	1 September 2011	Yes
BBMG Group	Beijing BBMG Dacheng Property Development Co., Ltd.	150,000,000.00	4 March 2009	3 March 2011	Yes
BBMG Group	Beijing BBMG Dacheng Property Development Co., Ltd.	200,000,000.00	29 November 2010	28 November 2012	No
BBMG Group	Beijing BBMG Dacheng Property Development Co., Ltd.	220,000,000.00	30 November 2010	29 November 2012	No
BBMG Group	Beijing BBMG Dacheng Property Development Co., Ltd.	100,000,000.00	30 November 2010	29 November 2012	No

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(4) Guarantees received from/provided to related parties *(continued)*

Guarantees received from related parties (continued)

2011 *(continued)*

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	192,000,000.00	16 August 2010	22 December 2015	No
BBMG Group	Zhuolu Jinyu Cement Co., Ltd.	72,000,000.00	22 December 2009	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	30,400,000.00	24 November 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	267,100,000.00	2 September 2010	25 December 2015	No
BBMG Group	Quyong Jinyu Cement Co., Ltd.	7,600,000.00	2 March 2011	25 December 2015	No
BBMG Group	Baoding Taihang Heyi Cement Co., Ltd.	80,000,000.00	2 March 2010	1 March 2012	Yes
BBMG Group	Beijing BBMG Business and Trading Co., Ltd.	10,000,000.00	29 September 2011	28 September 2012	Yes
		<u>2,102,762,024.00</u>			

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

Guarantees provided for related parties

On 31 December 2012, BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Group, provided a guarantee of RMB800,000,000.00 (2011: RMB800,000,000.00) for BBMG Group in respect of its borrowings with nil consideration. The starting date of the guarantee is 8 May 2009 and the maturity date of the guarantee is 23 May 2017.

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(5) *Borrowing from/lending to related parties*

Lending to related parties

2012

	Note	Amount	Commencement date	Maturity date
STAR-USG Building Materials Co., Ltd	(5)a	25,158,400.00	April 2012	No fixed date

2011

	Note	Amount	Commencement date	Maturity date
STAR-USG Building Materials Co., Ltd	(5)a	26,150,590.00	March 2011	No fixed date

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(5) Borrowing from/lending to related parties *(continued)*

Borrowings from related parties

2012

	Note	Amount	Commencement date	Maturity date
BBMG Group	(5)b	2,850,000,000.00	November 2012	November 2013

2011

	Note	Amount	Commencement date	Maturity date
BBMG Group	(5)b	3,350,000,000.00	April 2011	November 2012
BBMG Group	(5)b	1,994,000,000.00	November 2011	November 2012
BBMG Vanke Property Development Co., Ltd.	(5)c	722,894,566.78	April 2010	No fixed date

Note (5)a: During the term of borrowing, with respect to the short-term borrowings provided by the Company to STAR-USG Building Materials Co., Ltd. by installment, the rate was in line with the benchmark 1-year lending rate issued by People's Bank of China in the corresponding period. The interest income recognized in the year was RMB4,546,064.28 (2011: RMB3,154,032.32)

Note (5)b: Through financial institutions, the Group obtained entrusted loans of RMB3,350,000,000.00 and RMB1,994,000,000.00 from BBMG Group, which were used for liquidity purposes and construction of affordable housing projects respectively. As at 31 December 2012, the balance was RMB2,850,000,000.00 (31 December 2011: RMB5,344,000,000.00). The rates of aforesaid loans were in line with the benchmark rates issued by People's Bank of China on the drawdown date for such loan and its credit period for the corresponding ranking and period. For the year 2012, the total interest expenses recognised for the loans were RMB323,734,666.66 (2011: RMB215,100,372.33).

Note (5)c: During the term of borrowing, with respect to the short-term borrowings provided by BBMG Vanke Property Development Co., Ltd. to BBMG GEM Property Development Co., Ltd. by installment, the rate was in line with the benchmark 1-year lending rate issued by People's Bank of China in the corresponding period. Prior to July 2011, BBMG Vanke Property Development Co., Ltd. was a jointly-controlled entity of the Group, and it became a subsidiary of the Group since July 2011 and was included in the scope of consolidation.

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(5) *Borrowing from/lending to related parties (continued)*

Lending to related parties

Interest income from lending:

	2012	2011
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	4,546,064.28	3,154,032.32

Interest expenses from borrowing:

	2012	2011
BBMG Vanke Property Development Co., Ltd.	-	16,290,585.46
BBMG Group	323,734,666.66	215,100,372.22

(6) *Transfer of assets of related parties*

Acquisitions of equity interest

Project		2012	2011
BBMG Group	100% equity interest in BBMG Hongye Ecological Science and Technology Co., Ltd.	-	852,992,400.00
BBMG Group	100% equity interest in Beijing Yuandong Jiemei Services Company	-	556,900.00
Beijing Building Materials Sales Center	67.5% equity interest in Crane (Beijing) Building Materials Co., Ltd.,	-	2,563,400.00

The above acquisition prices for acquisitions of equity interests are determined based on the assessed value of the subject of acquisition on the benchmark acquisition date.

Notes to Financial Statements

As at 31 December 2012

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

5. Major transactions between the Group and related parties *(continued)*

(7) Remuneration for key management personnel

	2012	2011
Remuneration for key management personnel	4,461,000.00	4,266,528.16

Note: Apart from transactions with jointly-controlled entities and associates, other major transactions between the Group and its related parties constitute connected transactions and continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

6. Balances of receivables due from related parties

	31 December 2012	31 December 2011
Trade receivables		
Due from associates		
Zehnder (China) Indoor Climate Co., Ltd.	64,000.00	68,000.00
Beijing Gaoqiang Concrete Co., Ltd.	73,856,015.93	24,092,509.41
	73,920,015.93	24,160,509.41
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd	5,539,099.16	7,495,769.05
Due from other related parties		
Beijing Dacheng Real Estate Development Co., Ltd	8,394,514.74	9,514,369.38
Beijing Building Materials Sales Center	-	372,283.82
	8,394,514.74	9,886,653.20
	87,853,629.83	41,542,931.66

Notes to Financial Statements

As at 31 December 2012

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

6. Balances of receivables due from related parties *(continued)*

	31 December 2012	31 December 2011
Advances to suppliers		
Prepayments to associates		
Zehnder (China) Indoor Climate Co., Ltd.	603,181.39	98,442.39
Krono (Beijing) Woods Co., Ltd.	<u>10,500,000.00</u>	–
	11,103,181.39	98,442.39
Advances to other related parties		
BBMG Assets Operation and Management Co., Ltd.		
Zhaikou branch	<u>3,385.72</u>	<u>3,385.72</u>
	11,106,567.11	101,828.11
Other receivables due from		
parent company		
BBMG Group	<u>–</u>	<u>20,806,364.37</u>
Due from associates		
OCV Reinforcements (Beijing) Co., Ltd.	–	76,253.01
Zehnder (China) Indoor Climate Co., Ltd.	2,881,471.22	2,871,971.22
Beijing Dynea Chemical Industry Co., Ltd.	272,502.28	319,946.22
Krono (Beijing) Woods Co., Ltd.	2,415,674.32	3,764,125.38
Krono (Beijing) Flooring Co., Ltd.	200,000.00	–
Beijing Sinobaide Technology Co., Ltd.	<u>9,062.00</u>	–
	5,778,709.82	<u>7,032,295.83</u>
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<u>84,974,879.61</u>	<u>58,252,047.37</u>
	90,753,589.43	86,090,707.57

Notes to Financial Statements

As at 31 December 2012

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

6. Balances of receivables due from related parties *(continued)*

	31 December 2012	31 December 2011
Interest receivable		
Due from a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd	<u>1,411,125.80</u>	<u>1,858,662.81</u>
Dividend receivable		
Due from an associate		
Beijing Gaoqiang Concrete Co., Ltd.	<u>1,215,425.00</u>	<u>–</u>

7. Balances of payables to related parties

	31 December 2012	31 December 2011
Accounts payable		
Due to the parent company		
BBMG Group (Note 1)	<u>82,582,881.98</u>	<u>–</u>
Due to associates		
Beijing Dynea Chemical Industry Co., Ltd.	1,275,125.22	946,033.51
Zehnder (China) Indoor Climate Co., Ltd.	221,500.00	1,056,012.00
Krono (Beijing) Woods Co., Ltd.	<u>12,538,110.92</u>	<u>56.00</u>
	<u>14,034,736.14</u>	<u>2,002,101.51</u>
Due to a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.(星牌優時吉建築材料有限公司)	3,889,760.55	3,811,126.63
BBMG Landao Commercial Operation Management Co., Ltd.	<u>7,500</u>	<u>–</u>
	<u>3,897,260.55</u>	<u>3,811,126.63</u>

Notes to Financial Statements

As at 31 December 2012

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

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

	31 December 2012	31 December 2011
Due to other related parties		
Beijing Building Materials Group Corporation Industrial & Commerce Development Co., Ltd.	410,595.11	392,271.41
BBMG Assets Operation and Management Co., Ltd.	-	67,741.7
Beijing Building Materials Industry Metrological Supervision Institute	-	11,194.00
Beijing Building Materials Boiler Installation Co., Ltd.	-	75,000.00
Beijing Building Materials Sales Center	95,839.14	2,253,947.83
	506,434.25	2,800,155.03
	101,021,312.92	8,613,383.17
Advances from customers		
Advance received from other related parties		
Beijing Longfengshan Sands and Stone Factory	149,098.29	150,919.89
Beijing Xisha Assets Management Co., Ltd	225,443,500.00	-
Beijing Doors and Windows Co., Ltd.	174,137,400.00	-
BBMG Assets Operation and Management Co., Ltd.	238,567.00	238,567.00
Beijing Quality Inspection & Supervision Station of Plumbing Hardware	-	3,000.00
Beijing Building Materials Sales Center	420.00	70,971.21
	399,968,985.29	463,458.10
Advance received from a jointly-controlled entity		
BBMG Zhaode Property Development Co., Ltd.	70,880,444.53	70,880,444.53
	470,849,429.82	71,343,902.63

Notes to Financial Statements

As at 31 December 2012

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

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

	31 December 2012	31 December 2011
Other payables		
Due to the parent company		
BBMG Group	<u>197,051,945.35</u>	—
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	<u>380,500.00</u>	—
OCV Reinforcements (Beijing) Co., Ltd.	<u>159,200.00</u>	<u>129,200.00</u>
	539,700.00	129,200.00
Due to a jointly-controlled entity		
STAR-USG Building Materials Co., Ltd.	<u>229,298.86</u>	—
	197,820,944.21	<u>129,200.00</u>
BBMG Group		
Short-term borrowings	<u>2,850,000,000.00</u>	3,350,000,000.00
Long-term borrowings	<u>—</u>	<u>1,994,000,000.00</u>
	2,850,000,000.00	<u>5,344,000,000.00</u>

Except for the balances due from STAR-USG Building Materials Co., Ltd. (STAR-USG Building Materials Co., Ltd) included in other receivables, which are interest-bearing, other amounts due from/to related parties are interest-free, unsecured and have no fixed terms of repayment.

Note 1: BBMG Chengyuan obtained the land use rights of a specific land through open tender, auction and listing. According to the related land compensation agreement, the Group should pay the original owner of the land use right, BBMG Group, a relocation compensation fee of approximately RMB450 million, including the municipal construction fee, relocation settlement fee and construction expenses paid to the third parties by the Group on its behalf. The Group will pay the net amount of balance of about RMB82,582,881.98 to BBMG Group after deducting such primary land development costs.

Notes to Financial Statements

As at 31 December 2012

VII. CONTINGENCIES

	Note	31 December 2012	31 December 2011
Providing guarantee for related parties	Note 1	800,000,000.00	800,000,000.00
Providing guarantee for third parties	Note 2	<u>3,885,136,892.77</u>	<u>3,120,640,376.71</u>
		<u>4,685,136,892.77</u>	<u>3,920,640,376.71</u>

Note 1: BBMG Hongye Ecological Science and Technology Co., Ltd., a subsidiary of the Group, provided a guarantee for BBMG Group. See Note VI.5.(4).

Note 2: Some of the Group's customers purchased the commodity houses developed by the Group by way of mortgages (mortgage loan) provided by the banks. According to the requirements of personal housing mortgage loan, the Group provide joint-liability guarantee by phases for the mortgage loans provided by the banks to the purchasers. These guarantees will be released upon obtaining building ownership certificates and completion of formalities of mortgage by the home buyers. The directors are of the view that, should there be any default in repayment, the net realisable value of the said properties is still able to repay the unsettled mortgage principal and the interests and penalties accrued. Therefore, no provision has been made.

VIII. COMMITMENTS

	31 December 2012	31 December 2011
Acquisition or construction of fixed assets which are contracted but not completed	600,880,577.76	649,549,808.22
Property construction contracts which are contracted and being executed or will be executed	<u>5,386,341,877.26</u>	<u>6,857,714,585.64</u>
Equity investment contract which is contracted and being executed	<u>216,500,000.00</u>	<u>195,000,000.00</u>
	<u>6,203,722,455.02</u>	<u>7,702,264,393.86</u>

The significant commitments made by the Group as at 31 December 2011 have been duly performed as previously undertaken.

IX. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 20 March 2013, the Board of Directors of the Company has considered and approved the 2012 annual profit distribution resolution, which proposed to declare a cash dividend of RMB0.71 (tax included) for every 10 shares, with total dividend distribution amounting to RMB304,145,300.00. The above resolution is subject to approval of the Company's shareholders at the forthcoming annual general meeting.

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS

1. Lease

As lessor

Significant operating leases: According to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable operating leases are as follows:

	31 December 2012	31 December 2011
Within 1 year (inclusive of 1 year)	640,098,815.99	687,907,366.06
1 to 2 years (inclusive of 2 years)	435,162,423.70	514,161,562.82
2 to 3 years (inclusive of 3 years)	242,725,998.55	277,710,435.96
Over 3 years	643,497,777.35	1,419,037,200.73
	<u>1,961,485,015.59</u>	<u>2,898,816,565.57</u>

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

As lessee

Significant operating leases: According to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2012	31 December 2011
Within 1 year (inclusive of 1 year)	39,921,183.61	32,683,950.81
1 to 2 years (inclusive of 2 years)	25,508,664.68	20,414,971.75
2 to 3 years (inclusive of 3 years)	18,944,129.36	12,971,808.63
Over 3 years	87,012,067.66	82,471,457.12
	<u>171,386,045.31</u>	<u>148,542,188.31</u>

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

2. Assets and liabilities measured at fair value

2012

	Amount at beginning of the year	Profit or loss on changes of fair value for the current year	Accumulated fair values included in equity	Provision of impairment for the current period	Amount at end of the year
Available-for-sale financial assets	95,138.56	-	-	-	-
Investment properties	11,599,000,000.00	936,201,275.04	252,048,052.56	-	12,840,400,000.00
	<u>11,599,095,138.56</u>	<u>936,201,275.04</u>	<u>252,048,052.56</u>	<u>-</u>	<u>12,840,400,000.00</u>

3. Segment reporting

Operating segments

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commercial logistics segment engages in the manufacture, sale and commercial logistics of building materials and furniture;
- (3) the property development segment engages in real estate development and sales; and
- (4) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and except for excluding overheads attributable to the head office, it is consistent with the Group's total profit.

Segment assets and liabilities exclude unallocated assets and liabilities of the head office, because all such assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed by both parties to transactions with reference to the fair price adopted in the transaction with third parties.

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

3. Segment reporting *(continued)*

Operating segments (continued)

2012

			Property			Elimination on consolidation	Total
	Cement Segment	Building Materials and Commercial Logistics Segment	Property Development Segment	Investment and Management Segment	Unallocated corporate assets/ liabilities/expenses		
Revenues from external transactions	11,662,344,179.50	9,557,119,100.30	11,006,341,023.75	1,828,291,699.77	-	-	34,054,096,003.32
Revenues from inter-segment transactions	9,230,558.34	488,293,436.84	-	97,087,019.87	-	(594,611,015.05)	-
	<u>11,671,574,737.84</u>	<u>10,045,412,537.14</u>	<u>11,006,341,023.75</u>	<u>1,925,378,719.64</u>	<u>-</u>	<u>(594,611,015.05)</u>	<u>34,054,096,003.32</u>
Gains/(losses) on investments in associates and joint ventures	6,239,481.41	(40,445,694.72)	-	1,216,826.94	-	-	(32,989,386.37)
Impairment losses from assets	52,814,341.54	5,487,164.33	(2,858,555.44)	(7,723,596.23)	-	-	47,719,354.20
Depreciation and amortization charges	861,290,813.61	102,152,427.39	7,916,287.70	77,025,881.04	58,168,026.16	-	1,106,553,435.90
Total profits	625,321,451.97	93,929,499.65	2,258,767,289.19	1,535,385,634.48	(562,962,176.46)	3,535,625.97	3,953,977,324.80
Income tax expense	187,535,597.01	48,887,646.80	586,960,733.43	(19,637,219.31)	-	-	803,746,757.93
Total assets	24,774,017,463.16	7,006,066,922.77	36,784,183,248.14	17,160,666,478.54	2,222,167,932.03	(4,785,298,414.30)	83,161,803,630.34
Total liabilities	12,805,332,632.87	3,566,863,982.34	32,205,497,477.73	7,847,581,691.93	6,675,698,867.92	(4,963,860,146.18)	58,137,114,506.61
Other disclosure							
Long-term equity investment in associates and joint ventures	24,657,633.65	368,733,392.60	10,000,000.00	4,551,378.08	-	-	407,942,404.33
Increase in other non-current assets (excluding long-term equity investments)	3,145,940,490.53	322,706,361.15	13,847,937.40	228,209,626.46	-	-	3,710,704,415.54

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

3. Segment reporting *(continued)*

Operating segments (continued)

2011

	Cement Segment	Building Materials and Commercial Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated corporate assets/ liabilities/expenses	Elimination on consolidation	Total
Revenues from external transactions	13,118,235,794.37	5,181,248,253.45	9,015,403,150.92	1,429,906,655.46	-	-	28,744,793,854.20
Revenues from inter-segment transactions	34,206,952.75	378,600,394.22	7,661,118.55	224,683,017.99	-	(645,151,483.51)	-
	<u>13,152,442,747.12</u>	<u>5,559,848,647.67</u>	<u>9,023,064,269.47</u>	<u>1,654,589,673.45</u>	-	<u>(645,151,483.51)</u>	<u>28,744,793,854.20</u>
Gains/(losses) on investment in associate and joint ventures	(3,226,181.01)	(38,079,351.36)	53,453,456.13	1,591,948.27	-	-	13,739,872.03
Impairment losses from assets	36,091,109.50	16,862,884.70	11,773,829.77	128,576,479.49	-	-	193,304,303.46
Depreciation and amortization charges	845,853,061.42	103,457,148.74	8,106,842.05	110,453,146.35	26,964,802.86	-	1,094,834,801.42
Total profits	1,794,623,715.75	214,287,874.85	2,151,656,465.71	1,642,935,597.23	(641,117,025.56)	(492,377,735.16)	4,670,008,892.82
Income tax expense	423,637,204.43	55,948,883.77	381,930,757.63	215,366,788.15	-	-	1,076,883,633.98
Total assets	21,821,987,718.47	7,108,975,443.85	34,365,942,452.78	18,439,266,954.05	2,243,623,730.83	(7,064,823,843.24)	76,914,972,456.74
Total liabilities	11,096,394,242.39	4,381,743,663.80	30,866,217,607.31	9,967,619,938.96	7,932,266,220.11	(9,044,885,426.66)	55,199,356,245.91
Other disclosure:							
Long-term equity investment in associates and joint ventures	19,633,577.24	390,774,128.87	10,000,000.00	-	-	-	420,407,706.11
Increase in other non-current assets (excluding long-term equity investments)	1,948,233,215.38	313,199,929.12	22,306,541.87	741,746,299.55	-	-	3,025,485,985.92

Other information

Information on products and services

Revenue by product/service type is set out in Note V.44.

Geographic information

The major businesses and customers of the Group are located in PRC. The Group's segment revenues from external transactions and major non-current assets are mainly located in PRC.

Information on our major customers

During the year 2012, none of sales income arising from any single customer of the Group exceeds 10% of the Group's total revenues (2011: Nil).

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

4. Financial instruments and their risks

The Group's principal financial instruments comprise bank borrowings, other interest-bearing borrowings, bonds payable and cash and banks. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	31 December 2012		31 December 2011	
	Loans and receivables	Available-for-sale financial assets	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	5,906,094,546.45	-	7,918,479,363.14	-
Bills receivable	1,028,662,688.14	-	1,347,905,318.65	-
Accounts receivable	3,991,796,374.16	-	3,490,937,470.40	-
Interests receivable	1,411,125.80	-	1,858,662.81	-
Dividends receivable	1,215,425.00	-	-	-
Other receivables	1,899,515,319.31	-	2,458,939,025.66	-
Available-for-sale financial assets	-	-	-	95,138.56
	12,828,695,478.86	-	15,218,119,840.66	95,138.56

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

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

Financial instruments by category (continued)

financial liabilities	Other financial liabilities as at 31 December 2012	Other financial liabilities as at 31 December 2012
Short-term loans	11,388,286,880.00	11,286,861,222.71
Bills payable	430,004,020.52	361,817,226.63
Accounts payable	6,569,201,907.77	5,124,354,120.51
Interests payable	155,274,711.13	121,856,589.77
Dividends payable	43,048,069.19	55,043,247.30
Other payables	2,440,181,102.76	3,475,902,488.80
Non-current liabilities due within one year	2,576,020,000.00	3,604,124,049.24
Long-term loans	4,757,051,545.34	7,772,597,451.30
Bonds payable	7,692,453,587.34	4,687,098,763.98
	<u>36,051,521,824.05</u>	<u>36,489,655,160.24</u>

Credit risk is the risk of financial loss on one party of a financial instrument due to the failure of another party to meet its obligations.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale financial assets and other payables, 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 Notes VI.5 and VII.

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

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

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

Financial instruments by category (continued)

Quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in Note V.5 and 6.

As at 31 December 2012 and 31 December 2011, the aging analysis of financial assets which are not considered to be impaired is as follows:

31 December 2012

	Neither past due		Past due		Over 6 months
	Total	nor impaired	Within 3 months	3 to 6 months	
Accounts receivable	3,698,332,200.10	1,779,459,575.18	850,473,265.61	434,217,175.82	634,182,183.49
Other receivables	1,851,756,735.66	1,851,756,735.66	-	-	-
Bills receivable	1,028,662,688.14	1,028,662,688.14	-	-	-
Interests receivable	1,411,125.80	1,411,125.80	-	-	-
Dividends receivable	1,215,425.00	1,215,425.00	-	-	-

31 December 2011

	Neither past due		Past due		Over 6 months
	Total	nor impaired	Within 3 months	3 to 6 months	
Accounts receivable	3,242,495,802.65	1,131,221,231.47	1,345,073,685.34	364,015,065.97	402,185,819.87
Other receivables	2,404,219,925.71	2,404,219,925.71	-	-	-
Bills receivable	1,347,905,318.65	1,347,905,318.65	-	-	-
Interests receivable	1,858,662.81	1,858,662.81	-	-	-

As at 31 December 2012, the accounts receivable that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2012, the accounts receivable that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

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

Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities.

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group' objective is to maintain a balance between continuity and flexibility of funding through the use of bank borrowings, bonds payable and other interest-bearing borrowings.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With respect to future capital commitment and other funding requirements, the Group's credit facilities granted by domestic banks amounted to RMB40,500,000,000.00 as at 31 December 2012, of which RMB21,693,500,000.00 billion remained unutilised.

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

31 December 2012

	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts payable	4,868,812,557.66	1,317,545,708.47	228,144,901.50	154,698,740.14	6,569,201,907.77
Interests payable	155,274,711.13	-	-	-	155,274,711.13
Dividends payable	26,277,469.19	16,770,600.00	-	-	43,048,069.19
Other payables	1,618,765,893.48	496,793,758.73	107,126,930.08	217,494,520.47	2,440,181,102.76
Bills payable	430,004,020.52	-	-	-	430,004,020.52
Bank borrowings	14,641,545,845.81	1,518,796,189.99	3,467,927,863.04	270,208,273.97	19,898,478,172.81
Bonds payable	1,381,480,000.00	2,233,480,000.00	3,051,400,000.00	2,234,000,000.00	8,900,360,000.00
	<u>23,122,160,497.79</u>	<u>5,583,386,257.19</u>	<u>6,854,599,694.62</u>	<u>2,876,401,534.58</u>	<u>38,436,547,984.18</u>

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

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

Liquidity risk (continued)

31 December 2011

	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts payable	4,170,179,825.53	562,097,531.33	276,770,222.96	115,306,540.69	5,124,354,120.51
Interests payable	121,856,589.77	-	-	-	121,856,589.77
Dividends payable	55,043,247.30	-	-	-	55,043,247.30
Other payables	1,890,024,790.66	1,137,145,406.34	112,333,069.02	336,399,222.78	3,475,902,488.80
Bills payable	361,817,226.63	-	-	-	361,817,226.63
Bank borrowings	14,890,985,271.95	5,000,500,000.00	816,337,451.30	2,329,341,452.16	23,037,164,175.41
Bonds payable	216,480,000.00	216,480,000.00	2,116,480,000.00	2,934,400,000.00	5,483,840,000.00
	<u>21,706,386,951.84</u>	<u>6,916,222,937.67</u>	<u>3,321,920,743.28</u>	<u>5,715,447,215.63</u>	<u>37,659,977,848.42</u>

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. It mainly includes interest rate risk, currency risk and other price risk, such as equity investment price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The table below demonstrates the sensitivity analysis of interest rate risk to a reasonably possible change in interest rates, with all other variables held constant, with respect to the effects on net profit (through the impact on floating rate borrowings) and equity.

If interest rate had been increased or decreased by 1 percentage point and all other variables remained unchanged, the Group's total profit for the year 2012 and 2011 would decrease or increase by approximately RMB54,937,852.00 and RMB63,134,015.75 respectively, and except for retained earnings, it would have no impact on other constituents of the Group's consolidated equity.

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to currency risk mainly arises from certain financial assets and liabilities held by the Group that are principally denominated in United States dollars and Hong Kong dollars.

The table below demonstrates the sensitivity analysis of currency risk to a possible change in exchange rates of Renminbi against United States dollars or Hong Kong dollars, with all other variables held constant, with respect to the effects on total profit and equity for the current period.

		Total profit	Equity (Note)
	Percentage of	Increase/	Increase/
	appreciation	(decrease)	(decrease)
2012	USD\$ appreciation 1%	(44,988.58)	–
2012	HK\$ appreciation 1%	(105,682.87)	–
2011	USD\$ appreciation 1%	(21,812.12)	–
2011	HK\$ appreciation 1%	(139,364.11)	–

Note: Retained earnings excluded in equity.

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

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

Fair value

Set out below are carrying amount and fair value of each category of financial instruments of the Group:

	Carrying amount		Fair value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Cash and bank balances	5,906,094,546.45	7,918,479,363.14	5,906,094,546.45	7,918,479,363.14
Bill receivable	1,028,662,688.14	1,347,905,318.65	1,028,662,688.14	1,347,905,318.65
Accounts receivable	3,991,796,374.16	3,490,937,470.40	3,991,796,374.16	3,490,937,470.40
Interests receivable	1,411,125.80	1,858,662.81	1,411,125.80	1,858,662.81
Dividends receivable	1,215,425.00	-	1,215,425.00	-
Other receivables	1,899,515,319.31	2,458,939,025.66	1,899,515,319.31	2,458,939,025.66
Available-for-sale financial assets	-	95,138.56	-	95,138.56
	12,828,695,478.86	15,218,214,979.22	12,828,695,478.86	15,218,214,979.22
Financial liabilities				
Short-term loans	11,388,286,880.00	11,286,861,222.71	11,388,286,880.00	11,286,861,222.71
Bill payable	430,004,020.52	361,817,226.63	430,004,020.52	361,817,226.63
Accounts payable	6,569,201,907.77	5,124,354,120.51	6,569,201,907.77	5,124,354,120.51
Interests payable	155,274,711.13	121,856,589.77	155,274,711.13	121,856,589.77
Dividends payable	43,048,069.19	55,043,247.30	43,048,069.19	55,043,247.30
Other payables	2,440,181,102.76	3,475,902,488.80	2,440,181,102.76	3,475,902,488.80
Non-current liabilities due within one year	2,576,020,000.00	3,604,124,049.24	2,576,020,000.00	3,604,124,049.24
Long-term loans	4,757,051,545.34	7,772,597,451.30	4,757,051,545.34	7,772,597,451.30
Bonds payable	7,692,453,587.34	4,687,098,763.98	7,692,453,587.34	4,687,098,763.98
	36,051,521,824.05	36,489,655,160.24	36,051,521,824.05	36,489,655,160.24

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

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

Fair value (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions are used to estimate the fair values.

The fair values of cash and bank balances, bills receivable, accounts receivable, interests receivable, other receivables, bill payable, accounts payable, interests payable, other payables and similar instruments approximate their carrying amounts due to the short term maturities of these instruments.

The fair values of long and short-term loans, bonds payable and similar instruments are calculated by discounting the estimated future cash flows using rates currently available for other instruments with substantially equivalent terms and characteristics.

The fair values of listed financial instruments are determined based on the quoted market prices.

The Group uses the following hierarchy for fair value measurement:

The Group uses the following hierarchy for fair value measurement: Level 1: fair values are measured using quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date; Level 2: fair values are measured by adjusting quoted prices of similar assets or liabilities from active markets or quoted prices of identical or similar assets or liabilities from non-active markets available on the measurement date; Level 3: fair values are measured based on inputs used by market participants in the valuation of assets or liabilities when there is no available comparable market prices of identical or similar assets.

Financial instruments measured at fair value:

31 December 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	—	—	—	—

31 December 2011

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	95,138.56	—	—	95,138.56

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

5. Comparative amounts

Some comparative amounts have been restated to conform with the current year's presentation.

6. Supplementary information to the statement of financial position

Net current assets (consolidated)	31 December 2012	31 December 2011
Current assets	47,101,878,945.40	44,726,242,887.90
Less: Current liabilities	<u>43,462,947,177.04</u>	<u>39,299,198,537.22</u>
Net current assets	<u>3,638,931,768.36</u>	<u>5,427,044,350.68</u>
Total assets less current liabilities (consolidated)	31 December 2012	31 December 2011
Total assets	83,161,803,630.34	76,914,972,456.74
Less: current liabilities	<u>43,462,947,177.04</u>	<u>39,299,198,537.22</u>
Total assets less current liabilities	<u>39,698,856,453.30</u>	<u>37,615,773,919.52</u>
Net current assets (Company)	31 December 2012	31 December 2011
Current assets	17,229,335,327.59	16,585,015,324.62
Less: Current liabilities	<u>15,541,552,149.32</u>	<u>17,202,237,483.02</u>
Net current assets/(liabilities)	<u>1,687,783,178.27</u>	<u>(617,222,158.40)</u>
Total assets less current liabilities (Company)	31 December 2012	31 December 2011
Total assets	44,107,590,398.72	41,960,062,753.07
Less: Current liabilities	<u>15,541,552,149.32</u>	<u>17,202,237,483.02</u>
Total assets less current liabilities	<u>28,566,038,249.40</u>	<u>24,757,825,270.05</u>

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

7. Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2012	2011
Fees	471,763.00	581,488.00
Other emoluments:		
Salaries, allowances and benefits in kind	1,275,974.00	1,298,924.15
Performance related bonuses	2,607,966.00	2,284,821.16
Pension scheme contributions	105,297.00	101,294.85
	4,461,000.00	4,266,528.16

(1) *Independent non-executive directors*

The fees paid to independent non-executive directors for the year are as follows:

	2012	2011
Mr. Hu Zhaoguang	101,274.00	125,372.00
Mr. Zhang Chengfu	101,274.00	125,372.00
Mr. Xu Yongmo	101,274.00	125,372.00
Mr. Yip Wai Ming	101,274.00	125,372.00
	405,096.00	501,488.00

No other remuneration was payable to non-executive directors for the year (2011: Nil).

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

7. Directors' and Supervisors' Remuneration *(continued)*

(2) Executive directors, non-executive directors and supervisors:

2012

	Fee	Salaries, allowances and non-cash benefits	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Weiping	-	-	-	-	-
Mr. Jiang Deyi*	-	235,946.00	609,392.00	21,314.00	866,652.00
Mr. Shi Xijun	-	62,312.00	144,667.00	7,288.00	214,267.00
Mr. Zang Feng	-	35,289.00	86,900.00	5,466.00	127,655.00
Mr. Wang Hongjun	-	148,826.00	482,927.00	21,314.00	653,067.00
Mr. Wang Shizhong	-	148,386.00	507,154.00	21,314.00	676,854.00
Mr. Deng Guangjun	-	84,632.00	278,121.00	12,203.00	374,956.00
	-	715,391.00	2,109,161.00	88,899.00	2,913,451.00
Non-executive directors					
Mr. Li Xinhua	66,667.00	-	-	-	66,667.00
	66,667.00	-	-	-	66,667.00
Supervisors					
Mr. Wang Xiaoqun	-	128,500.00	75,000.00	-	203,500.00
Mr. Sheng Guihua	-	49,500.00	16,700.00	-	66,200.00
Mr. Ma Weixin	-	41,667.00	-	-	41,667.00
Mr. Hu Jingshan	-	41,667.00	-	-	41,667.00
Mr. Zhangjie	-	41,667.00	-	-	41,667.00
Mr. Wang Youbin	-	150,000.00	215,405.00	-	365,405.00
Mr. Zhang Dengfeng	-	37,954.00	71,950.00	5,466.00	115,370.00
Mr. Zhang Yifeng	-	33,944.00	60,850.00	5,466.00	100,260.00
Mr. Wang Xin	-	35,684.00	58,900.00	5,466.00	100,050.00
	-	560,583.00	498,805.00	16,398.00	1,075,786.00
	66,667.00	1,275,974.00	2,607,966.00	105,297.00	4,055,904.00

* Mr. Jiang Deyi is the President of the Company.

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

7. Directors' and Supervisors' Remuneration *(continued)*

(2) Executive directors, non-executive directors and supervisors *(continued)*

2011

	Fee	Salaries, allowances and non-cash benefits	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Weiping	-	106,977.85	60,000.00	7,872.15	174,850.00
Mr. Li Changli	-	95,477.85	60,000.00	7,872.15	163,350.00
Mr. Shi Xijun	-	72,502.85	138,000.00	7,872.15	218,375.00
Mr. Jiang Deyi	-	237,620.40	522,717.00	19,419.60	779,757.00
Mr. Wang Hongjun	-	150,800.40	506,659.00	19,419.60	676,879.00
Mr. Deng Guangjun	-	151,520.40	505,917.00	19,419.60	676,857.00
	-	814,899.75	1,793,293.00	81,875.25	2,690,068.00
Non-executive director					
Mr. Zhou Yuxian	40,000.00	-	-	-	40,000.00
Mr. Li Xinhua	40,000.00	-	-	-	40,000.00
	80,000.00	-	-	-	80,000.00
Supervisors					
Mr. Wang Xiaoqun	-	153,600.00	90,000.00	-	243,600.00
Mr. Sheng Guihua	-	32,250.00	92,600.00	-	124,850.00
Mr. Ma Weixin	-	50,000.00	-	-	50,000.00
Mr. Hu Jingshan	-	50,000.00	-	-	50,000.00
Mr. Zhang Jie	-	50,000.00	-	-	50,000.00
Ms. Fan Xiaolan	-	32,594.00	10,000.00	-	42,594.00
Mr. Wang Youbin	-	115,580.40	298,928.16	19,419.60	433,928.16
	-	484,024.40	491,528.16	19,419.60	994,972.16
	80,000.00	1,298,924.15	2,284,821.16	101,294.85	3,765,040.16

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements

As at 31 December 2012

X. OTHER SIGNIFICANT MATTERS *(continued)*

8. 5 highest paid employees

During the reporting year, 5 highest paid employees include one (2011: nil) director, the remuneration details of whom are shown in Appendix X.7. The remuneration details of the other four (2011: five) non-director employees are as follows:

	2012	2011
Labour, subsidies and non-cash interests value	1,651,858.41	2,052,321.60
Merit bonus	1,918,592.00	3,088,238.02
Pension scheme contributions	59,041.59	77,678.40
	<u>3,629,492.00</u>	<u>5,218,238.02</u>

The remuneration distribution of the non-director employees is as follows:

Number of employees

	2012	2011
RMB0-1,000,000	3	4
RMB1,000,001-1,500,000	1	1
	<u>4</u>	<u>5</u>

Notes to Financial Statements

As at 31 December 2012

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

1. Other receivables

An aging analysis of other receivables is as follows:

	31 December 2012	31 December 2011
Within 1 year	14,827,697,064.41	12,432,453,348.23
1 to 2 years	-	35,331,603.88
2 to 3 years	30,380,000.00	30,788,355.71
4 to 5 years	1,563,990.61	-
Over 5 years	9,754,425.49	4,240,000.00
	14,869,395,480.51	12,502,813,307.82
Provision for bad debt of other receivables	(31,698,203.12)	(62,356,964.26)
	14,837,697,277.39	12,440,456,343.56

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

	2012	2011
Amount at beginning of the year	62,356,964.26	4,240,000.00
Provision/(reversal) for the year	(30,658,761.14)	58,116,964.26
Amount at end of the year	31,698,203.12	62,356,964.26

Notes to Financial Statements

As at 31 December 2012

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

(continued)

1. Other receivables (continued)

	31 December 2012				31 December 2011			
	Gross carrying amount	Proportion (%)	Provision for bad debts amount	Provision proportion (%)	Gross carrying amount	Proportion (%)	Provision for bad debts amount	Provision proportion (%)
Individually significant and subject to separate provision	34,180,183.06	0.23	20,246,783.06	59.24	72,064,954.99	0.58	52,602,538.77	72.99
Subject to provision by groups:								
Within 1 year (inclusive of 1 year)	44,189,296.61	0.30	-	-	396,568,279.44	3.17	-	-
Over 5 years	9,754,425.49	0.06	9,754,425.49	100.00	4,240,000.00	0.03	4,240,000.00	100.00
	53,943,722.10	0.36	9,754,425.49		400,808,279.44	3.20	4,240,000.00	
Special credit characteristics group	14,779,510,415.40	99.40	-	-	12,024,425,647.90	96.18	-	-
Individually not significant but subject to separate provision for bad debt	1,761,159.95	0.01	1,696,994.57	96.36	5,514,425.49	0.04	5,514,425.49	100.00
	<u>14,869,395,480.51</u>	<u>100.00</u>	<u>31,698,203.12</u>		<u>12,502,813,307.82</u>	<u>100.00</u>	<u>62,356,964.26</u>	

Notes to Financial Statements

As at 31 December 2012

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

(continued)

1. Other receivables (continued)

As at 31 December 2012, the top five other receivables were as follows:

	Relationship with the Company	Amount	Age	Proportion in total other receivables (%)
BBMG (Tianjin) Property Development Limited	Subsidiary	1,613,994,192.70	Within 1 year	10.88
BBMG (Hangzhou) Property Development Limited	Subsidiary	1,513,217,520.64	Within 1 year	10.20
Beijing Jinyu Jiaye Real Estate Development Co., Ltd.	Subsidiary	1,276,158,175.65	Within 1 year	8.60
Beijing BBMG Dacheng Property Development Co., Ltd.	Subsidiary	1,002,167,210.47	Within 1 year	6.75
Tangshan BBMG Julong Property Development Co., Ltd.	Subsidiary	697,425,064.60	Within 1 year	4.70
		<u>6,102,962,164.06</u>		<u>41.13</u>

Other receivables included the amounts due from subsidiaries, jointly-controlled entities, associates as follows:

	31 December 2012	31 December 2011
Amounts due from subsidiaries	14,722,979,875.40	11,989,869,402.54
Amounts due from a jointly-controlled entity	81,688,940.00	56,530,540.00
Amounts due from associates	62,936.72	2,871,971.22
	<u>14,804,731,752.12</u>	<u>12,049,271,913.76</u>

The above other receivables due from related parties are unsecured and repayable on demand.

There were no other receivables due from shareholders holding 5% or more of the Company's voting rights (31 December 2011: nil).

Notes to Financial Statements

As at 31 December 2012

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

(continued)

2. Long-term equity investments

2012

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Cost method:							
Beijing Liulihe Cement Co., Ltd.	629,405,052.96	629,405,052.96	-	629,405,052.96	100.00	100.00	-
Beijing BBMG Concrete Co., Ltd.	359,235,910.27	359,235,910.27	-	359,235,910.27	100.00	100.00	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.							
	2,036,662,200.00	150,226,600.00	943,217,800.00	1,093,444,400.00	79.41	79.41	-
Yangquan Tongda BBMG Refractory Materials Co., Ltd.							
	60,000,000.00	60,000,000.00	-	60,000,000.00	100.00	100.00	-
Luquan BBMG Dingxin Cement Co., Ltd.	1,454,400,000.00	1,454,400,000.00	-	1,454,400,000.00	100.00	100.00	22,000,000.00
Hebei Taihang Huaxin Building Materials Co., Ltd.							
	60,070,428.44	60,070,428.44	-	60,070,428.44	33.33	33.33	-
Zanhuang BBMG Cement Co., Ltd.	450,000,000.00	450,000,000.00	-	450,000,000.00	100.00	100.00	-
BBMG Cement Trading Co., Ltd.	50,000,000.00	50,000,000.00	-	50,000,000.00	100.00	100.00	-
Beijing BBMG Cement Energy Saving Technology Co., Ltd.							
	25,000,000.00	25,000,000.00	-	25,000,000.00	100.00	100.00	-
Zhangjiakou Jinyu Cement Co., Ltd.	286,161,805.81	286,161,805.81	-	286,161,805.81	90.00	90.00	-
Tianjin Zhenxing Cement Co., Ltd.	392,950,236.38	392,950,236.38	-	392,950,236.38	60.64	60.64	-
Quyuan Jinyu Cement Co., Ltd.	245,747,261.65	245,747,261.65	-	245,747,261.65	90.00	90.00	-
Siping BBMG Cement Co., Ltd.	156,000,000.00	156,000,000.00	-	156,000,000.00	52.00	52.00	-
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.							
	102,047,000.00	102,047,000.00	-	102,047,000.00	95.60	95.60	-
Nanxian BBMG Cement Co., Ltd.	160,240,000.00	160,240,000.00	-	160,240,000.00	80.00	80.00	-
Qinyang BBMG Cement Co., Ltd.	144,145,100.00	144,145,100.00	-	144,145,100.00	86.60	86.60	-
Zhuolu Jinyu Cement Co., Ltd.	286,677,498.05	286,677,498.05	-	286,677,498.05	100.00	100.00	-
Beijing BBMG Tiantan Furniture Co., Ltd.	114,305,960.36	114,305,960.36	-	114,305,960.36	93.05	93.05	-
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.	412,160,000.00	35,650,000.00	376,510,000.00	412,160,000.00	81.10	81.10	-
Beijing Jinyu Energy-Saving Technology Co., Ltd.							
	342,450,576.31	342,450,576.31	-	342,450,576.31	100.00	100.00	-
Beijing Jinyu Aerated Concrete Co., Ltd.	47,946,419.68	47,946,419.68	-	47,946,419.68	100.00	100.00	-
Beijing Xiang Brand Walling Materials Co., Ltd.							
	39,277,559.44	39,277,559.44	-	39,277,559.44	100.00	100.00	-
Beijing Xiliu Building Materials Co., Ltd.	100,693,940.92	100,693,940.92	-	100,693,940.92	100.00	100.00	-

Notes to Financial Statements

As at 31 December 2012

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

(continued)

2. Long-term equity investments (continued)

2012 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Cost method: (continued)							
Beijing Architectural Coating Co., Ltd.	-	24,202,164.45	(24,202,164.45)	-	-	-	-
Beijing Building Materials Academy Co., Ltd.	122,467,784.68	122,467,784.68	-	122,467,784.68	100.00	100.00	-
Beijing Keshi Hardware Co., Ltd.	24,821,267.11	24,821,267.11	-	24,821,267.11	100.00	100.00	-
Beijing Building Materials Trading Group Co., Ltd.	-	353,808,000.00	(353,808,000.00)	-	-	-	-
Beijing Jiandu Design and Research Institute Co., Ltd.	9,405,299.48	9,405,299.48	-	9,405,299.48	100.00	100.00	-
BBMG (Dachang) New Building Materials Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100.00	100.00	-
Beijing Alavus Energy Saving Components Co., Ltd.	29,980,669.86	29,980,669.86	-	29,980,669.86	82.00	82.00	-
BBMG GEM Real Estate Development Co., Ltd.	1,665,138,411.45	1,665,138,411.45	-	1,665,138,411.45	100.00	100.00	46,320,504.64
BBMG Century City Property Development Co., Ltd.	-	176,913,769.63	(176,913,769.63)	-	100.00	100.00	-
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	-
Beijing Gaoling Property Development Co., Ltd.	-	270,350,138.35	(270,350,138.35)	-	-	-	-
BBMG Property Management Co., Ltd.	89,264,530.92	89,264,530.92	-	89,264,530.92	100.00	100.00	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	202,480,361.57	202,480,361.57	-	202,480,361.57	100.00	100.00	-
Beijing Jianji Assets Management Co., Ltd.	62,488,240.83	62,488,240.83	-	62,488,240.83	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	-
BBMG Property Operation Management Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100.00	100.00	-
Beijing BBMG Dacheng Property Development Co., Ltd.	1,594,735,641.87	1,594,735,641.87	-	1,594,735,641.87	100.00	100.00	-
Tianjin BBMG Concrete Co., Ltd.	247,454,707.80	247,454,707.80	-	247,454,707.80	85.00	85.00	18,000,000.00
Beijing Jinyu Pinggu Cement Co., Ltd.	150,000,000.00	150,000,000.00	-	150,000,000.00	100.00	100.00	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00	100.00	-
Lingchuan BBMG Cement Co., Ltd.	180,000,000.00	180,000,000.00	-	180,000,000.00	100.00	100.00	-

Notes to Financial Statements

As at 31 December 2012

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

(continued)

2. Long-term equity investments (continued)

2012 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Cost method: (continued)							
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100.00	100.00	-
Beijing BBMG Business and Trading Co., Ltd.	410,000,000.00	160,000,000.00	250,000,000.00	410,000,000.00	100.00	100.00	-
Beijing Jinhaiyan Property Management Co., Ltd.	4,133,292.75	4,133,292.75	-	4,133,292.75	100.00	100.00	-
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	449,307,693.09	24,202,164.44	473,509,857.53	100.00	100.00	-
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100.00	100.00	-
Beijing Cement Plant Co., Ltd.	-	943,217,800.00	(943,217,800.00)	-	-	-	-
Beijing Lvduhangke Science and Technology Co., Ltd.	43,615,552.98	43,615,552.98	-	43,615,552.98	100.00	100.00	36,000.00
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	52,788,777.09	52,788,777.09	-	52,788,777.09	100.00	100.00	-
Beijing Yanshan Cement Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100.00	100.00	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	-	815,331,413.51	100.00	100.00	-
BBMG Hong Kong Limited.	37,137.91	37,137.91	-	37,137.91	100.00	100.00	-
Beijing Dacheng Property Management Co., Ltd.	11,198,711.92	11,198,711.92	-	11,198,711.92	100.00	100.00	-
Beijing Taihang Qianjing Cement Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67.00	67.00	-
Harbin Taihang Xinglong Cement Co., Ltd.	-	8,192,227.69	(8,192,227.69)	-	-	-	-
Baoding BBMG Taihang Heyi Cement Co., Ltd.	120,000,000.00	120,000,000.00	-	120,000,000.00	75.00	75.00	-
Beijing Qianglian Cement Co., Ltd.	-	24,425,880.00	(24,425,880.00)	-	-	-	-
Handan BBMG Taihang Cement Co., Ltd.	719,986,626.30	419,986,626.30	300,000,000.00	719,986,626.30	94.67	94.67	-
Shexian BBMG Cement Co., Ltd.	181,678,700.00	181,678,700.00	-	181,678,700.00	91.00	91.00	-
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95.70	95.70	-
BBMG Shunfa Lafarge Cement Co., Ltd.	110,681,119.42	110,681,119.42	-	110,681,119.42	70.00	70.00	-
Zuoquan BBMG Cement Co., Ltd.	215,300,000.00	215,300,000.00	-	215,300,000.00	100.00	100.00	-
Xuanhua BBMG Cement Co., Ltd.	3,250,000.00	3,250,000.00	-	3,250,000.00	65.00	65.00	-

Notes to Financial Statements

As at 31 December 2012

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

(continued)

2. Long-term equity investments (continued)

2012 (continued)

	Investment cost	Opening balance	Increase/ (decrease) in the year	Closing balance	Shareholding (%)	Percentage of voting rights (%)	Cash dividends for the year
Cost method: (continued)							
BBMG Material Industrial							
(Shanghai) Co., Ltd.	40,800,000.00	-	40,800,000.00	40,800,000.00	51.00	51.00	-
BBMG Mortar Co., Ltd.	80,000,000.00	-	80,000,000.00	80,000,000.00	80.00	80.00	-
Guangling Jinyu Cement Co., Ltd.	350,000,000.00	-	220,000,000.00	220,000,000.00	100.00	100.00	-
Bo'ai BBMG Cement Co., Ltd.	197,000,000.00	90,000,000.00	53,500,000.00	143,500,000.00	59.34	59.34	-
Beijing Municipal Engineering Group Co., Ltd	-	7,080,000.00	(7,080,000.00)	-	-	-	-
Beijing Yadu Science & Technology Co., Ltd.	200,000.00	200,000.00	-	200,000.00	0.20	0.20	-
Chengde BBMG Cement Co., Ltd.	6,328,450.01	6,328,450.01	-	6,328,450.01	12.52	12.52	-
Total under cost method	17,773,169,360.35	16,166,411,576.03	480,039,984.32	16,646,451,560.35			86,356,504.64
Equity method:							
Joint ventures							
STAR-USG Building Materials Co., Ltd	184,628,800.88	103,053,260.43	(8,308,128.34)	94,745,132.09	50.00	50.00	-
Associates							
Krono (Beijing) Flooring Co., Ltd.	36,736,395.34	-	-	-	30.00	30.00	-
Krono (Beijing) Woods Co., Ltd.	152,304,154.86	126,902,065.46	(16,707,727.99)	110,194,337.47	30.00	30.00	-
Beijing Zehnder Radiators Co., Ltd	78,150,006.67	85,379,053.13	7,811,377.96	93,190,431.09	26.70	26.70	-
Beijing Dynea Chemical Industry Co., Ltd.	9,921,366.40	12,612,205.61	(863,508.96)	11,748,696.65	45.00	45.00	1,427,166.00
OCV Reinforcements (Beijing) Co., Ltd.	27,557,054.00	53,441,520.44	(1,108,675.33)	52,332,845.11	20.00	20.00	-
Beijing Gaoqiang Concrete Co., Ltd	15,723,518.14	19,633,577.24	5,024,056.41	24,657,633.65	25.00	25.00	-
Total of associates	320,392,495.41	297,968,421.88	(5,844,477.91)	292,123,943.97			1,427,166.00
Total under equity method	505,021,296.29	401,021,682.31	(14,152,606.25)	386,869,076.06			1,427,166.00
	18,278,190,656.64	16,567,433,258.34	465,887,378.07	17,033,320,636.41			87,783,670.64

As at 31 December 2012, there was no listing investment in long-term share investment

Notes to Financial Statements

As at 31 December 2012

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

(continued)

3. Revenue and cost of sales

Revenue is as follows:

	2012	2011
Revenue from principal operations	510,759,769.85	369,127,568.29
Revenue from other operations	2,461,890,193.56	121,054,201.82
	<u>2,972,649,963.41</u>	<u>490,181,770.11</u>

Cost of sales is as follows:

	2012	2011
Cost of principal operations	75,341,507.58	39,040,690.66
Cost of other operations	1,164,289,926.29	59,789,237.35
	<u>1,239,631,433.87</u>	<u>98,829,928.01</u>

Revenue by type is as follows:

	2012		2011	
	Revenue	Cost	Revenue	Cost
Rental income	510,759,769.85	75,341,507.58	369,127,568.29	39,040,690.66
Sales of investment properties	2,418,625,604.00	1,164,075,356.41	81,754,339.96	59,410,067.54
Others	43,264,589.56	214,569.88	39,299,861.86	379,169.81
	<u>2,972,649,963.41</u>	<u>1,239,631,433.87</u>	<u>490,181,770.11</u>	<u>98,829,928.01</u>

All operating incomes are from North China Region.

Notes to Financial Statements

As at 31 December 2012

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

(continued)

3. Revenue and cost of sales (continued)

Revenue from the five largest customers for 2012 is as follows:

	Amount	Percentage of revenue (%)
Customer 1	1,324,194,450.00	44.55
Customer 2	505,359,720.00	17.00
Customer 3	263,477,104.00	8.86
Customer 4	240,709,130.00	8.10
Customer 5	84,885,200.00	2.86
	<u>2,418,625,604.00</u>	<u>81.37</u>

Revenue from the five largest customers for 2011 is as follows:

	Amount	Percentage of revenue (%)
Customer 1	13,910,588.45	2.84
Customer 2	12,213,938.12	2.49
Customer 3	9,876,710.06	2.01
Customer 4	7,922,479.07	1.62
Customer 5	6,809,915.82	1.39
	<u>50,733,631.52</u>	<u>10.35</u>

	2012	2011
Income from long-term equity investments measured at cost method:	1,118,663,856.36	1,534,532,130.98
Long-term equity investment income under equity method:	(36,677,615.26)	(42,528,782.06)
Including: Income from investments in jointly-controlled entities	(33,475,728.35)	(33,010,516.15)
Income from investments in associates	(3,201,886.91)	(9,518,265.91)
	<u>1,081,986,241.10</u>	<u>1,492,003,348.92</u>

Notes to Financial Statements

As at 31 December 2012

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

(continued)

4. Investment income/(loss)

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

Investee name	2012	2011	Reason for the change
BBMG GEM Real Estate Development Co., Ltd.	286,500,000.00	297,094,398.47	Change in business results
Beijing BBMG Dacheng Property Development Co., Ltd.	265,691,000.00	324,752,995.17	Change in business results
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	191,684,707.62	23,272,119.04	Change in business results
	<u>743,875,707.62</u>	<u>645,119,512.68</u>	

Long-term equity investment income under equity method:

Investee name	2012	2011	Reason for the change
Beijing Gaoqiang Concrete Co., Ltd.	6,239,481.41	(3,226,181.01)	Change in business results
Beijing Dynea Chemical Industry Co., Ltd.	563,657.04	859,682.12	Change in business results
Krono (Beijing) Woods Co., Ltd.	(16,707,727.99)	(12,895,212.61)	Change in business results
OCV Reinforcements (Beijing) Co., Ltd.	(1,108,675.33)	3,164,122.79	Change in business results
Zehnder (China) Indoor Climate Co., Ltd.	7,811,377.96	2,579,322.80	Change in business results
STAR-USG Building Materials Co., Ltd	(33,475,728.35)	(33,010,516.15)	Change in business results
	<u>(36,677,615.26)</u>	<u>(42,528,782.06)</u>	

Notes to Financial Statements

As at 31 December 2012

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

(continued)

5. Notes to items of statement of cash flows

	2012	2011
Cash received from other operating activities		
Cash received from funding	38,179,879,279.00	37,816,381,124.57
Cash received from repayment of internal borrowings and interests from subsidiaries	1,339,182,627.77	732,905,347.14
Interests income	74,235,842.08	52,283,467.57
Current accounts	721,173,902.87	504,306,447.11
	<u>40,314,471,651.72</u>	<u>39,105,876,386.39</u>
	2012	2011
Cash paid relating to other operating activities		
Cash expensed for subsidiaries	5,126,351,344.89	4,922,202,945.43
Cash paid to subordinate units	34,682,004,230.80	32,415,495,235.41
Inter-group current accounts	2,230,474,696.36	815,569,624.27
Expenses and costs of the headquarters	228,433,013.59	250,058,761.51
	<u>42,267,263,285.64</u>	<u>38,403,326,566.62</u>
	2012	2011
Cash received from other investment activities		
Cash received from the acquisition of Taihang Celment Co., Ltd	-	11,229,519.80
Cash paid relating to other investment activities		
Issuance expenses on merger of Taihang Cement	-	58,165,082.76

Notes to Financial Statements

As at 31 December 2012

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

(continued)

6. Supplemental information to statement of cash flows

(1) Reconciliation of net profit to cash flow from operating activities:

	2012	2011
Net profit	2,396,730,003.56	1,483,318,145.84
Add: Provisions for assets impairment	(30,791,765.10)	46,778,135.92
Depreciation of fixed assets	58,168,026.16	26,964,802.86
Amortisation of intangible assets	18,007,281.18	15,110,067.26
Amortisation of long-term prepaid expenses	-	48,196,943.78
Loss/gain from disposal of fixed assets, intangible assets and other long-term assets	(473,057,920.89)	695,801.33
Gain from fair value change	(680,443,378.91)	(458,247,577.10)
Finance costs	1,034,307,851.91	1,097,578,161.99
Investment income	(1,081,986,241.10)	(1,492,003,348.92)
Increase in deferred income tax liabilities	(45,599,405.80)	148,269,385.04
Increase in operating receivables	(3,561,241,130.11)	(1,493,183,752.23)
Increase in operating payables	680,907,651.71	1,564,268,787.60
Net cash flow generated from operating activities	<u>(1,684,999,027.39)</u>	<u>987,745,553.37</u>

(2) Cash and equivalents

	31 December 2012	31 December 2011
Cash	998,549,054.78	2,067,665,937.14
Including: Cash on hand	1,014.54	689.12
Bank deposits on demand	998,548,040.24	2,067,665,248.02
Balance of cash and cash equivalents at end of the year	<u>998,549,054.78</u>	<u>2,067,665,937.14</u>

Supplementary Information to Financial Statements

I. NON-RECURRING PROFIT AND LOSS ITEMS

1. Summary of non-recurring profit or loss items

	2012
Gains/(losses) from disposal of non-current assets	88,084,309.39
Government grants recognised through profit and loss (excluding those closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or quantity)	236,828,108.58
Capital occupancy fee from non-financial enterprises recognised through profit or loss (Note V.48, Note 1)	4,546,064.28
Profit or loss from debt restructuring	30,115,945.05
Income from disposal of available-for-sale financial assets	27,917.26
Reversal of impairment for accounts receivable for which impairment was tested individually	30,791,765.10
Gains from fair value change of investment properties measured subsequently at fair value	936,201,275.04
Other non-operating income and expenses other than the above items	<u>89,512,900.58</u>
Total non-recurring profit or loss	1,416,108,285.28
Impact on income tax	(346,428,876.68)
Impact on non-controlling interests	<u>(22,658,868.02)</u>
	<u>1,047,020,540.58</u>

The Group recognised non-recurring profit or loss items in accordance with the Interpretive Pronouncement on Information Disclosure of Publicly Traded Companies No. 1 – Non-recurring Profit or Loss (CSRC Announcement [2008] No. 43).

Supplementary Information to Financial Statements

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

2. Supplemental information to non-recurring profit or loss

2012

Non-recurring profit or loss in non-operating income:	
Gains from disposal of non-current assets	96,353,883.74
Including: Gains from disposal of fixed assets	96,353,883.74
Gains from debt restructuring	30,115,945.05
Government grants	236,828,108.58
Others	126,032,413.40
	<u>489,330,350.77</u>
Non-recurring profit or loss in non-operating expenses	
Loss from disposal of non-current assets	34,088,371.36
Including: Loss from disposal of fixed assets	34,088,371.36
Donations	861,934.77
Losses on compensation, penalties and fines	10,189,658.90
Others	25,467,919.15
	<u>70,607,884.18</u>

II. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2012

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the company	13.82	0.69	0.69
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	8.94	0.45	0.45

Supplementary Information to Financial Statements

II. RETURN ON NET ASSETS AND EARNINGS PER SHARE *(continued)*

2011

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the company	18.16	0.81	0.81
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit or loss	10.64	0.48	0.48

The Company did not have potentially dilutive ordinary shares.

III. Analysis of changes in the data of financial statement items

The analysis of financial statement items with percentage of change exceed 30% or accounted for 5% of the total assets as at the balance sheet date or with profit for the Reporting Period accounted for 10% or above are as follows:

- (1) As of 31 December 2012, the balance of cash and bank balance stood at RMB5,906,094,546.45, representing a 25.41% decrease on a YOY basis. The decrease was mainly due to the purchase of long-term assets and the repayment of interest-bearing liabilities.
- (2) As of 31 December 2012, the balance of prepayment stood at RMB909,415,140.77, representing a 34.91% decrease on a YOY basis. The decrease was mainly due to the decrease in prepayment of material.
- (3) As of 31 December 2012, the balance of inventories stood at RMB32,286,890,673.48, representing a 18.40% increase on a YOY basis. The increase was mainly due to the increase in investment in development projects.
- (4) As of 31 December 2012, the balance of available-for-sale financial assets stood at RMB0, representing a 100.00% decrease on a YOY basis. The decrease was mainly due to the disposal of shares in Bank of Beijing Co., Ltd.
- (5) As of 31 December 2012, the balance of investment properties stood at RMB12,840,400,000.00, representing a 10.70% increase on a YOY basis. The increase was mainly due to the turbulence of the fair value of investment properties.

Supplementary Information to Financial Statements

III. Analysis of changes in the data of financial statement items

(continued)

- (6) As of 31 December 2012, the balance of fixed assets stood at RMB15,331,150,630.80, representing a 4.91% increase on a YOY basis. The increase was mainly due to the purchase and construction of this year, as well as the constructions in progress converting to fixed assets.
- (7) As of 31 December 2012, the balance of construction in progress stood at RMB2,146,494,608.43, representing an 125.81% increase on a YOY basis. The increase was mainly due to increase in the investment in the construction programs.
- (8) As of 31 December 2012, the balance of deferred income tax assets stood at RMB1,205,767,342.49, representing a 63.82% increase on a YOY basis. The increase was mainly due to that no profits or losses has accrued in the internal transactions and that the book value of withholding land value-added tax overwhelms the deferred income tax recognized by the tax basis.
- (9) As of 31 December 2012, the balance of short-term borrowings stood at RMB11,388,286,880.00, representing a 0.90% increase on a YOY basis. The increase was mainly due to the expansion of the business scope of the Company which leads to a higher demand of liquid fund and financing by the bank.
- (10) As of 31 December 2012, the balance of accounts payable stood at RMB6,569,201,907.77, representing a 28.20% increase on a YOY basis. The increase was mainly due to the increase of payable material purchasing fees.
- (11) As of 31 December 2012, the balance of receipts in advance stood at RMB14,206,950,340.93, representing a 22.24% increase on a YOY basis. The increase was mainly due to the pre-sale process of the properties.
- (12) As of 31 December 2012, the balance of tax payable stood at RMB1,308,896,782.25, representing a 53.81% increase on a YOY basis. The increase was mainly due to the increase in the relevant taxes according to the regulations.
- (13) As of 31 December 2012, the balance of other payables stood at RMB2,483,124,813.60, representing a 30.60% decrease on a YOY basis. The increase was mainly due to the share purchasing fee paid to Cinda Asset Management Corporation.
- (14) As at 31 December 2012, the balance of short-term financing bonds payable stood at RMB1,000,000,000.00, representing a 100.00% increase on a YOY basis. The increase was mainly due to the issuance of short-term financing bonds during the year.

Supplementary Information to Financial Statements

III. Analysis of changes in the data of financial statement items

(continued)

- (15) As of 31 December 2012, the balance of long-term borrowings stood at RMB4,757,051,545.34, representing a 38.80% decrease on a YOY basis. The increase was mainly due to that part of the long-term borrowings has turned into current liabilities for they had to be paid off in one year.
- (16) As of 31 December 2012, the balance of bonds payable stood at RMB6,692,453,587.34, representing a 42.78% increase on a YOY basis. The increase was mainly due to the issue of short-term bonds and mid-term bills of this year.
- (17) As of 31 December 2012, the balance of accrued liabilities stood at RMB100,077,202.17, representing a 202.99% increase on a YOY basis. The increase was mainly due to the mine recovery fees counted and drew by the cement company.
- (18) As of 31 December 2012, the balance of capital reserve stood at RMB5,395,792,993.51, representing an 1.58% increase on a YOY basis. The increase was mainly due to that part of the fixed assets and inventories has turned into investment properties because of lending.
- (19) As of 31 December 2012, the balance of surplus reserve stood at RMB580,552,232.22, representing a 70.31% increase on a YOY basis. The increase was mainly due to the statutory surplus reserves counted and drew by the Company according to the legislations.
- (20) As of 31 December 2012, the balance of specialized reserve stood at RMB9,552,984.58, representing an 100.00% increase on a YOY basis. The increase mainly due to the safe production fees counted and drew by the Company according to the legislations.
- (21) As of 31 December 2012, the balance of minority interests stood at RMB2,120,784,841.43, representing a 35.79% increase on a YOY basis. The increase was mainly due to the minority shareholders' investment absorbed by the Company and the increase in the profits and losses of the minority shareholders.
- (22) As of 31 December 2012, the operating revenue stood at RMB34,054,096,003.32, representing an 18.47% increase on a YOY basis. The increase was mainly due to the growth in the business of construction materials and real estate.
- (23) As of 31 December 2012, the operating costs stood at RMB25,724,691,425.24, representing a 23.73% increase on a YOY basis. The increase was mainly due to the growth in the business of construction materials and properties.
- (24) As of 31 December 2012, the tax and surcharges stood at RMB1,675,101,274.28, representing a 43.35% increase on a YOY basis. The increase was mainly due to the increase in the income of the Group.

Supplementary Information to Financial Statements

III. Analysis of changes in the data of financial statement items

(continued)

- (25) As of 31 December 2012, the selling expenses stood at RMB1,350,600,351.81, representing a 15.05% increase on a YOY basis. The increase was mainly due to the increase in the cost of human resources and transportations.
- (26) As of 31 December 2012, the administrative expenses stood at RMB2,189,075,391.00, representing a 2.75% increase on a YOY basis. The increase was mainly due to the increase in the cost of human resources.
- (27) As of 31 December 2012, the finance costs stood at RMB902,397,834.88, representing a 13.17% increase on a YOY basis. The increase was mainly due to the increase in the average loans and average interest rate of this year.
- (28) As of 31 December 2012, the assets impairment losses stood at RMB47,719,354.20, representing a 75.31% decrease on a YOY basis. The decrease was mainly due to the decrease in the provisions for bad debts and asset impairment losses for fixed assets during the year.
- (29) As of 31 December 2012, the gains from changes in fair value stood at RMB936,201,275.04, representing a 20.53% increase on a YOY basis. The increase was mainly due to the change of the fair value of investment properties.
- (30) As of 31 December 2012, the investment income stood at RMB-7,142,672.11, representing a 102.27% decrease on a YOY basis. The decrease was mainly due to that the figure of 2011 included the investment income recognized in the step-by-step integration with the jointly-controlled entity, BBMG Vanke, of the Company.
- (31) As of 31 December 2012, the non-operating income stood at RMB931,016,234.14, representing a 20.08% decrease on a YOY basis. The decrease was mainly due to that in 2011 the Company has disposed of certain non-current assets while there was no such item this year.
- (32) As of 31 December 2012, the income tax expenses stood at RMB803,746,757.93, representing a 25.36% decrease on a YOY basis. The decrease was mainly due to the decrease in the taxable income of the Company this year.

Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out below:

RESULTS

	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING REVENUE	34,054,096	28,744,794	23,189,597	12,767,014	8,884,560
NET PROFIT	3,150,231	3,593,125	2,990,750	1,972,679	1,372,784
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	2,965,089	3,428,645	2,755,658	1,887,165	1,307,589
DIVIDEND	304,145	308,429	299,862	271,133	112,000
DIVIDEND PER SHARE	RMB0.071	RMB0.072	RMB0.070	RMB0.070	RMB0.040
EARNINGS PER SHARE (BASIC)	RMB0.69	RMB0.81	RMB0.71	RMB0.58	RMB0.54

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS	36,059,925	32,188,730	28,858,404	19,833,232	14,714,153
CURRENT ASSETS	47,101,879	44,726,243	33,132,460	21,978,920	11,070,152
TOTAL ASSETS	83,161,804	76,914,972	61,990,865	41,812,151	25,784,305
CURRENT LIABILITIES	43,462,947	39,299,199	27,750,136	14,323,372	13,365,962
NON-CURRENT LIABILITIES	14,674,167	15,900,158	15,293,248	9,296,961	3,930,797
TOTAL LIABILITIES	58,137,115	55,199,356	43,043,384	23,620,333	17,296,759
MINORITY INTERESTS	2,120,785	1,561,837	1,883,269	1,862,624	851,811
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	22,903,904	20,153,779	61,990,864	16,329,194	7,635,735
NET ASSETS PER SHARE	RMB5.35	RMB4.70	RMB4.41	RMB4.22	RMB2.73



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