



北京金隅股份有限公司
BBMG CORPORATION*

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

Stock Code : 2009

**ANNUAL
REPORT**



BBMG

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FINANCIAL HIGHLIGHTS

	2016	2015	Change	
Operating revenue (RMB'000)	47,738,773	40,925,341	6,813,342	16.6%
Gross profit margin from principal business (%)	23.0	25.3		a decrease of 2.3 percentage points
Net profit attributable to the shareholders of the parent company (RMB'000)	2,686,654	2,017,454	669,200	33.2%
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)	2,239,010	1,565,816	673,194	43.0%
Basic EPS (RMB) (Note)	0.25	0.20	0.05	25.0%
Final dividend per share (RMB) (Note)	0.046	0.015	0.031	206.7%
Cash and bank balances (RMB'000)	28,010,211	18,369,881	9,640,330	52.5%
Total assets (RMB'000)	208,397,117	130,746,704	77,650,413	59.4%
Equity attributable to the shareholders of the parent company (RMB'000)	44,200,489	38,082,973	6,117,516	16.1%
Net profit margin (%)	5.64	4.77		an increase of 0.87 percentage point
Return on total assets (%)	1.29	1.54		a decrease of 0.25 percentage point
Total debt to equity ratio (%)	69.8	67.7		an increase of 2.1 percentage points
Net assets value per share attributable to the shareholders of the parent company (RMB) (Note)	4.140	3.567	0.573	16.1%

Note: The comparative figures of 2015 have been adjusted for the bonus issue in 2016

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 405, Kai Wong Commercial Building, 222 Queen's Road Central, Hong Kong
Website of the Company	www.bbm.com.cn/listco
Legal representative	Jiang Deyi
President of the Company	Zeng Jing
The Board of Directors	
<i>Executive Directors</i>	Jiang Deyi (<i>Chairman</i>) Wu Dong Zang Feng
<i>Independent non-executive Directors</i>	Wang Guangjin Tian Lihui Tang Jun Ngai Wai Fung

* for identification purposes only

CORPORATE INFORMATION

The Supervisory Board

Supervisors

Wang Xiaojun (*Chairman*) (resigned on 22 March 2017)
Li Bichi (resigned on 22 March 2017)
Yu Kaijun
Zhang Dengfeng
Hu Juan
Zhang Yifeng
Wang Xin

Committees

Audit Committee

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

Remuneration and

Nomination Committee

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

Strategic Committee

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

Authorised Representatives

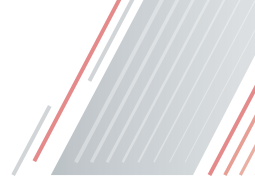
Jiang Deyi
Lau Fai Lawrence

Board Secretary

Zheng Baojin

Company Secretary

Lau Fai Lawrence



CORPORATE INFORMATION

Listing Information*A Shares*

A share registrar

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

Place of listing

Shanghai Stock Exchange

Stock name

BBMG

Board lot

100 shares

Stock code

601992.SH

H Shares

H share registrar

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

Place of listing

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

Stock name

BBMG

Board lot

1,000 shares

Stock code

02009.HK

Principal Bankers

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

Independent Auditor

Ernst & Young Hua Ming LLP
Certified Public Accountants

Legal Advisers

Paul Hastings
As to Hong Kong law

Guantao Law Firm
As to PRC law

CORPORATE PROFILE



BBMG Corporation

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

1. Cement and Ready-mixed Concrete Segment

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

2. Modern Building Materials and Commerce and Logistics Segment

BBMG is one of the largest modern, green and energy saving building materials manufacturers in the PRC and one of the leaders in the 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”.

CORPORATE PROFILE



3. Property Development Segment

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

4. Property Investment and Management Segment

BBMG is the largest investor and manager of investment properties in Beijing holding approximately 722,200 sq.m. of real estates such as high-end office units and managing approximately 12.0 million sq.m. of properties (including residential communities and commercial units at low floors). The Company has been leading the industry in Beijing and even the PRC for years in areas including specialized techniques, brand awareness, occupancy rate and revenue.

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

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

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

Zang Feng, born in November 1956, has been an executive director of the Company since 26 October 2012. He has held various significant governmental positions since May 1974. Zang Feng 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 December 1999 to November 2003, respectively. Zang Feng 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. Zang Feng was appointed as the chairman of the Labor Union of the BBMG Group and the Company in November 2009 and July 2012, respectively. Zang Feng graduated from China University of Political Science and Law in January 2005 with a master’s degree in economic management. Zang Feng is a senior political officer.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Tian Lihui, born in November 1973, has been an independent non-executive director of the Company since 27 November 2015. Tian Lihui holds doctor's degrees in Finance and Economy and is also a post-doctoral majoring in Economy. Tian Lihui is a professor and doctoral tutor in Finance as well as a PRC lawyer. He is the person-in-charge of Financial Development Research Institute of Nankai University and the chief expert on major issues of financial risk of the Ministry of Education of PRC. Tian Lihui was a visiting professor in the University of Michigan and National University of Singapore, he was also a chair professor in Xiamen University. He is a member of The American Academy of Financial Management, an advisor of University Grants Committee of the Hong Kong Special Administrative Region and an independent director of Rongtong Fund Management Co., Ltd.

Tang Jun, born in March 1978, has been an independent non-executive director of the Company since 27 November 2015. Tang Jun is the director of the Crisis Management Research Center of Renmin University of China. He is also the deputy director of the Government Management and Reform Research Center of Renmin University of China. Tang Jun had served in various positions in different social organizations, including, among others, the deputy director of the Urban Safety Research Center of People's Public Security University of China, deputy chairman of the News Supervision Behaviour Research Society of China Behaviour Law Association (中國行為法學會新聞監督行為研究會), deputy chairman of the City Management Volunteers Association of Beijing (北京市城市管理志願者協會), deputy secretary of the Research Society for China Public Sector Reform Management (中國機構編制管理研究會), member of the Experts Committee of State Nuclear Emergency Response Technology Supports Centre (國家核應急響應技術支持中心專家委員會), researcher of the Research Centre of State Commission Office for Public Sector Reform (中央機構編制委員會辦公室研究中心研究員), a researcher of the Public Management Research Center of Chinese Public Administration Society, a visiting professor of the Training Center of National Development and Reform Commission and a consultant of www.cpd.com.cn (中國警察網). Tang Jun holds a Doctor of Management degree.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ngai Wai Fung, born in 1962, has been an independent non-executive director of the Company since 27 November 2015. He currently holds directorships in a number of companies listed on the Hong Kong Stock Exchange and other stock exchanges:

Company name	Securities market	Stock code	Position held	Appointment date
Bosideng International Holdings Limited	Hong Kong Stock Exchange	3998	Independent non-executive director	September 2007
Powerlong Real Estate International Holdings Company Limited	Hong Kong Stock Exchange	1238	Independent non-executive director	June 2008
Bawang International (Group) Holding Limited	Hong Kong Stock Exchange	1338	Independent non-executive director	December 2008
Biostime International Holdings Limited	Hong Kong Stock Exchange	1112	Independent non-executive director	July 2010
SITC International Holdings Company Limited	Hong Kong Stock Exchange	1308	Independent non-executive director	September 2010
China Coal Energy Company Limited	Hong Kong Stock Exchange	1898	Independent non-executive director	December 2010
Juda International Holdings Limited	Hong Kong Stock Exchange	1329	Independent non-executive director	December 2013
China Railway Group Limited	Hong Kong Stock Exchange	390	Independent non-executive director	June 2014

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Company name	Securities market	Stock code	Position held	Appointment date
Yangtze Optical Fibre and Cable Joint Stock Limited Company	Hong Kong Stock Exchange	6869	Independent non-executive director	September 2014
TravelSky Technology Limited	Hong Kong Stock Exchange	696	Independent non-executive director	January 2016
China HKBridge Holdings Limited	Hong Kong Stock Exchange	2323	Independent non-executive director	March 2016

Ngai Wai Fung has over 20 years of experience in accounting and finance as well as in corporate governance. He has been the managing director of MNCOR Consulting Limited and the chief executive officer of SW Corporate Services Group Limited since September 2010 and January 2011, respectively. In addition, he has been the president of The Hong Kong Institute of Chartered Secretaries since December 2014. He has been the Adjunct Professor of Law of Hong Kong Shue Yan University since September 2012. He has also been a member of work group on professional service under the Economic Development Commission appointed by the Chief Executive of The Hong Kong Special Administrative Region since January 2013, a member of qualification and examination board of the Hong Kong Institute of the Certified Public Accountants since January 2013 and a member of the general committee of The Chamber of Hong Kong Listed Companies since June 2014.

Supervisors

Wang Xiaojun, born in October 1964, has been a supervisor of the Company since 7 August 2014. Wang Xiaojun holds a bachelor's degree, and is a certified public accountant in China. Wang Xiaojun started his career in July 1989. He had worked at Xicheng District Government of Beijing since July 1989, and served as a member of the Party's Standing Committee and propaganda minister of Xicheng District of Beijing from December 2000 and November 2003. Wang Xiaojun was a member of the Party's Group and deputy head of Beijing Municipal Audit Bureau from November 2003 to February 2012. Wang Xiaojun has been the chairman of Supervisory Committee of Beijing State-owned Enterprises since February 2013. Wang Xiaojun resigned as the supervisor of the Company on 22 March 2017.

Ms. Li Bichi, born in December 1964, has been a supervisor of the Company since 26 October 2012. Ms. Li Bichi has worked in Beijing State-owned Enterprises Supervisory Committee since August 2001, currently serves as a full-time supervisor. 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 Bichi graduated from the School of Economics and Management of Beijing Union University in July 1987. She is a senior accountant. Ms. Li Bichi resigned as the supervisor of the Company on 22 March 2017.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yu Kaijun, born in April 1963, has been a supervisor of the Company since 27 November 2015. Yu Kaijun was the non-executive director of the Company from 7 August 2014 to 27 November 2015. Yu Kaijun graduated from the Hong Kong Polytechnic University with a major in accounting. Yu Kaijun holds a master degree in accounting and is a senior accountant. Currently, Yu Kaijun is the chief financial officer of China National Materials Company Limited (listed on the Main Board of the Stock Exchange; stock code: 01893). Yu Kaijun worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Yu Kaijun served as chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (and its predecessor, Shenzhen Languang Electronic Industrial Corporation) from November 1990 to October 2001. Yu Kaijun served as chief financial officer of Sinoma International Engineering Co. Ltd. (listed on the Shanghai Stock Exchange; stock code: 600970) from December 2001 to January 2011. Yu Kaijun has been a supervisor of both Ningxia Building Materials Group Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 600449) and Xinjiang Tianshan Cement Co., Ltd. (listed on the Shenzhen Stock Exchange; stock code: 000877) since December 2011.

Zhang Dengfeng, born in September 1971, has been a supervisor of the Company since 26 October 2012. Zhang Dengfeng served as officer and assistant to manager of the Human Resources Department of the Beijing Building Material Group (北京建材集團) from July 1994 to November 2002. Zhang Dengfeng joined BBMG Group in November 2002 and served as deputy head of General Office and director of the research division. Zhang Dengfeng joined the Company as head of the Public Relations Department in March 2008 and has held the position of the head of the Company's General Office since June 2009. Zhang Dengfeng graduated from the School of Public Administration of Renmin University of China with a master's degree in management in July 2008. Zhang Dengfeng is a senior economist.

Ms. Hu Juan, born in February 1970, has been a supervisor of the Company since 27 November 2015. Hu Juan has been the manager of the finance and capital department of the Company since October 2007. Ms. Hu had served in various positions in our Company, including the deputy manager of the finance and capital department from September 2000 to January 2005, the deputy manager of the assets supervision department from January 2005 to March 2006 and the manager of the assets management department from March 2006 to October 2007. Ms. Hu Juan graduated from Anhui Finance and Economics University with a Bachelor of Economics degree in July 1994. She also graduated from Hong Kong Baptist University with a Master of Science degree in September 2012. She is a senior accountant as well as a certified public accountant.

Zhang Yifeng, born in December 1964, has been a supervisor of the Company since 26 October 2012. Zhang Yifeng 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. Zhang Yifeng 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. Zhang Yifeng was appointed as deputy secretary of the Disciplinary Inspection Commission and head of the Discipline Inspection and Supervision Office of BBMG Group and the Company, in December 2011 and July 2012, respectively. Zhang Yifeng 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, has been a supervisor of the Company since 26 October 2012. Wang Xin served as officer and deputy manager of the Finance and Capital Department and corporate financial controller of BBMG Group from July 1994 to March 2008. Wang Xin 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. Wang Xin 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. Wang has served as head of Audit Department of the Company since November 2010. Wang Xin graduated from Nanjing Audit University in July 1993 with a bachelor's degree in audit. Wang Xin is a Certified Public Accountant in China.

Senior Management

Zeng Jing, born in February 1970, has been the president of the Company, deputy secretary of the communist party committee of the Company and BBMG Group, director of BBMG Group since 5 August 2016. Mr. Zeng was an executive director of Beijing North Star Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and Shanghai Stock Exchange) (stock codes: 00588.hk and 601588.sh) from March 2012 to 5 August 2016 and the general manager of Beijing North Star Company Limited from December 2014 to June 2016. From December 2014 to June 2016, Mr. Zeng was the director of Beijing North Star Industrial Group Limited Liabilities Company (the parent company of Beijing North Star Company Limited). Mr. Zeng was appointed as the deputy secretary of the communist party committee and a director of BBMG Group in June 2016. Mr. Zeng graduated from Renmin University of China with a doctor's degree in management. Mr. Zeng joined Beijing North Star Industrial Group Limited Liabilities Company in August 1992 and had served in various positions including but not limited to, the deputy department head of the Property Development Department in Beijing North Star Company Limited, the deputy general manager of Beijing North Star Real Estate Development Co., Limited, the deputy general manager and general manager of Beijing North Star Company Limited, Beijing North Star Property Branch. Mr. Zeng had served as the deputy general manager of Beijing North Star Company Limited from January 2009 to December 2014. Mr. Zeng has extensive experience in real estate development and management.

Guo Yanming, born in January 1962, has been a vice president of the Company since 26 October 2012. 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 BBMG Group. 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.

Wang Zhaojia, born in September 1963, has been a vice president of the Company since 26 October 2012, and 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, since March 2006. Mr. Wang also serves as a deputy chief engineer of the BBMG Group. 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 BBMG Group 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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Liu Wenyan, born in June 1967, has been a vice president of the Company since 26 October 2012, has served as the secretary of the communist party committee and chairman of Jidong Development Group Co., Ltd. ("**Jidong Group**") since October 2016 and has served as a manager and deputy secretary of Luquan Dongfang Dingxin Cement Co., Ltd. since 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., a wholly-owned subsidiary of the Company, from February 2004 to March 2007. He is mainly responsible for the overall business development, planning and management of the cement operations of the Company. He graduated from the Materials Faculty of the Beijing University of Technology majoring in materials engineering. He is a master degree graduate and a senior engineer.

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

Zhang Xiaobing, born in May 1962. Mr. Zhang has served as assistant to the general manager of the Company, manager of BBMG Dacheng Property Development Co., Ltd. and BBMG GEM Real Estate Development Co., Ltd. since October 2015. Mr. Zhang began working in August 1978, and graduated from the Northern Jiaotong University majoring in business administration. He is a master of management and a senior economist. Mr. Zhang was a worker at Guizhou Shuicheng Iron and Steel Factory from September 1978 to September 1981; a student of Chongqing Construction Engineering College majoring in building materials from September 1981 to September 1985; technician and section chief of Beijing Zhuzong Wallboard Factory (北京住總壁板廠) from September 1985 to October 1989; deputy secretary of Youth League committee of Beijing Zhuzong Construction Corporation (北京住總建設總公司) from October 1989 to August 1991; director of manager office of Beijing Dacheng Real Estate Development Corporation (北京市大成房地產開發總公司) from August 1991 to August 1993; deputy manager of Beijing Dacheng Real Estate Development Corporation from August 1991 to August 2000; manager of Beijing Dacheng Development Group Co., Ltd. (北京大成開發集團有限公司) and Beijing BBMG Dacheng Property Development Co., Ltd. from August 2000 to March 2015; and manager of Beijing BBMG Dacheng Property Development Co., Ltd. and BBMG GEM Real Estate Development Co., Ltd. from March 2015 to October 2015.

Zheng Baojin, born in February 1966. Mr. Zheng was appointed the Board Secretary of the Company on 25 January 2016. Mr. Zheng joined the Chinese Communist Party in July 1994 and began working in July 1987. Mr. Zheng graduated from the Tangshan Engineering Technology Institute in July 1987 with industry management engineering profession. Mr. Zheng holds college degree and is a senior economist. Mr. Zheng is also the General Counsel of the Company.

CHAIRMAN'S STATEMENT



Jiang Deyi
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of the Company, I am pleased to present to you the annual results of the Group for the twelve months ended 31 December 2016 (the "**Reporting Period**"), and the operating results of the Group during the said period for your review.

Review

During the Reporting Period, confronted with complicated and challenging external environment, the Company actively adapted to the new economic normal and adhered to the key note of making progress while maintaining stability. Grasping the right market trends and focusing on innovative development, the Company strived to forge ahead in accordance with the trend and closely monitor tasks in relation to production and operation. Meanwhile, more efforts have been made to push forward the transfer of industrial functions of the Beijing capital city, implementation of supply-side structural reform, the synergistic development of Beijing, Tianjin and Hebei Province and the construction of the sub-town centre of Beijing, as well as to fully exert its function of serving the capital city. As such, the economy maintained stable and sound growth during the year. In particular, the strategic restructuring between BBMG and Jidong Group (collectively "**BBMG-Jidong**") was successfully conducted, therefore enhancing the concentration of the clinker and cement industry in Beijing, Tianjin and Hebei Province and regulating the order of the regional cement business market. This also helped establish the third largest cement enterprise in the state and increased the operating

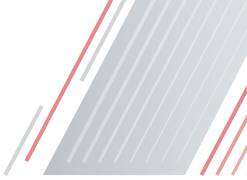
CHAIRMAN'S STATEMENT

efficiency significantly. During the Reporting Period, the Company recorded operating revenue of RMB47,738.8 million, representing a year-on-year increase of 16.6%; net profit attributable to the shareholders of the parent company amounted to RMB2,686.7 million, representing a year-on-year increase of 33.2%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.25, marking a brilliant start for the "13th Five-Year" Plan of the Company.

Prospects

Under the new normal, the national economy is still under huge downside pressure; however, there is no change in the fundamental situation of favorable economic development in the long run. Basic features such as strong economic resilience, great potential and ample room for maneuver also remained unchanged, and there are still sound foundation and conditions favorable for continuous economic growth. China is still at the major development stage of strategic opportunities with forward momentum for economic structural adjustment and optimization. Furthering the implementation of supply-side structural reform will provide strong support to the stability of the economy while the national strategy "One Belt and One Road" and the policies and measures such as the synergistic development of Beijing, Tianjin and Hebei Province as well as the construction of Beijing Subsidiary City Center will boost the market demand for the relevant products. For BBMG, continuous optimisation of industrial layout, significant enhancement of control over core areas and continuous innovation of management systems and mechanisms will provide strong support for industrial development.

After the restructuring of BBMG-Jidong, the Company's cement and ready-mixed concrete segment will bring into play the advantages of its leading position and effects as role model in the cement sector of Beijing, Tianjin and Hebei Province to regulate market orders and promote industry consolidation, thereby forming the market landscape and development trend of BBMG-Jidong that aims at enhancing business strengths in core areas, improving quality in key areas and activating the regional network. The modern building material and commerce and logistics segment will leverage advantages such as capital, technology and synergy of industrial chain to further increase the product concentration and industry concentration of the segment. The property development segment will further optimize the organizational management and control system of business divisions and city companies so as to continuously enhance operational capability and profitability and thus promote the large-scale development of BBMG's unique property operations. The property investment and management sectors will actively explore innovative paths for operation with consideration to the transfer of the industrial functions of the Beijing capital city.



CHAIRMAN'S STATEMENT

Lastly, on behalf of the Board, I would like to express my gratitude to the shareholders and business partners of the Company for their support and assistance. I expect continued trust and support from the shareholders and business partners for the development of the Company.

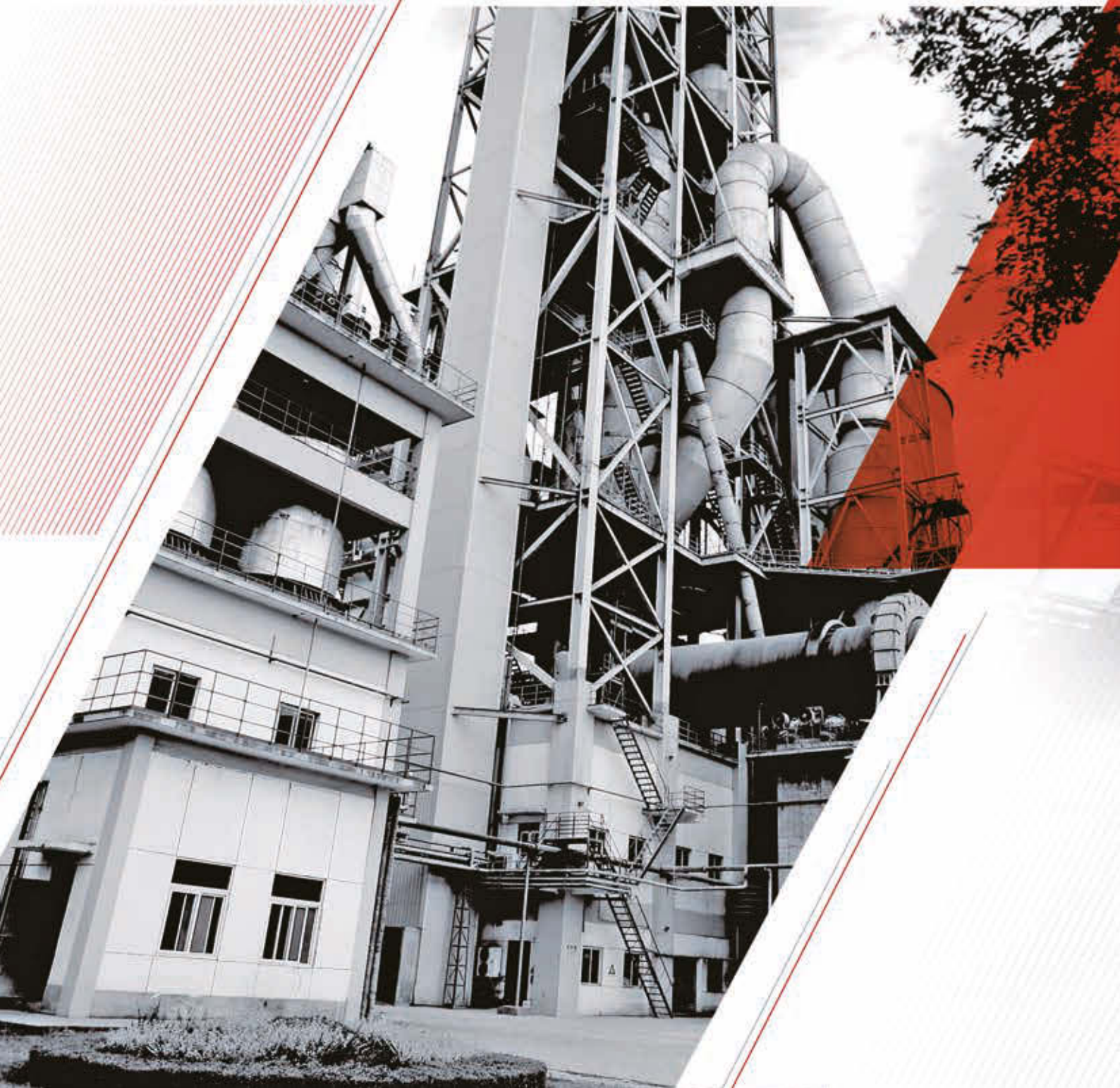
Jiang Deyi

Chairman of the Board

Beijing, the PRC

29 March 2017

MANAGEMENT DISCUSSION & ANALYSIS





BBMG



MANAGEMENT DISCUSSION & ANALYSIS

Summary of Financial Information

	2016 RMB'000	2015 RMB'000	Change
Operating revenue	47,738,773	40,925,341	16.6%
Operating revenue from principal business	46,793,385	40,361,072	15.9%
Gross profit from principal business	10,758,827	10,227,792	5.2%
Gross profit margin from principal business	23.0%	25.3%	a decrease of 2.3 percentage points
Net profit attributable to the shareholders of the parent company	2,686,654	2,017,454	33.2%
Basic earnings per share attributable to the shareholders of the parent company (* adjusted for bonus issue)	RMB0.25	RMB0.20*	25.0%
Cash and banks balances	28,010,211	18,369,881	52.5%
Current assets	119,478,725	89,335,633	33.7%
Current liabilities	94,964,190	65,186,574	45.7%
Net current assets	24,514,536	24,149,059	1.5%
Non-current assets	88,918,391	41,411,072	114.7%
Non-current liabilities	50,523,416	23,378,256	116.1%
Total assets	208,397,117	130,746,704	59.4%
Equity attributable to the shareholders of the parent company	44,200,489	38,082,973	16.1%
Debt ratio (total liabilities to total assets) (%)	69.8	67.7	an increase of 2.1 percentage points

MANAGEMENT DISCUSSION & ANALYSIS

DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY SITUATION DURING THE REPORTING PERIOD**(I) Principal business and business model**

The Company's principal businesses include cement and ready-mixed concrete – modern building materials manufacturing and commerce and logistics – property development – property investment and management.

1. Cement and ready-mixed concrete business:

After the strategic restructuring with Jidong Group, the Company has become the third largest cement enterprise in the country. The cement business of the Company continued to take Beijing, Tianjin and Hebei as its core strategic region, and continued to expand the coverage of its network, mainly with presence in Beijing, Tianjin and Hebei Province, Shaanxi, Shanxi, Inner Mongolia, Northeastern region, Chongqing, Shandong, Henan and Hunan. The production capacity of clinker amounted to approximately 110 million tonnes; the production capacity of cement amounted to approximately 170 million tonnes; the production capacity of ready-mixed concrete and ready-mixed mortar amounted to approximately 78.0 million cubic meters and approximately 2.25 million tonnes respectively while the production capacity of grinding aids and admixtures amounted to approximately 38.5 million tonnes and approximately 0.34 million tonnes respectively. On this basis, the Company effectively demonstrated the internal synergetic mechanism with cement production and ready-mixed concrete development providing support to each other. The industry layout of ready-mixed cement in key regions and markets will be accelerated, aiming to take a leading position in the north of the country among its industrial peers and become one of the largest professional enterprises engaging in the production of concrete. Meanwhile, the Company will insist to promote market expansion and strategic resources consolidation simultaneously, and has had over 1.7 billion tonnes of strategic resources reserve, such as limestone mine.

MANAGEMENT DISCUSSION & ANALYSIS

2. Modern building materials and commerce and logistics business:

The Company is one of the largest building materials manufacturers in China, the largest building materials manufacturer and one of the leaders in the building materials industry in Pan Bohai Economic Rim. It has major product series, namely furniture and woods, wall body and insulation materials as well as decorative and fitting materials, among which, the production and sales of BBMG's aerated products ranked number three in the industry, BBMG's production capacity of fire retardant paint and comprehensive strength ranked top 3 in the country. Tiantan Furniture is the leading enterprise in the furniture industry in China. Beijing Building Materials Trading Tower was named the "Number One Modern Building Materials Manufacturer in Beijing". The production capacity of the single production line of mineral wool boards of STAR-USG Building Materials ranked number one in the world, which is also the largest production line in Asia and ranked number two in China in terms of sales to mid- to high-end channels. With strenuous efforts made in implementation of structural adjustment and industrial upgrade, the Company invested in the construction of BBMG Modern Industrial Park in Dachang, Hebei, and completed the planned upgrade of Doudian Circular Economic Park in Fangshan, Beijing, thereby basically forming the centralized production model in the industrial parks and gradually achieved industrial synergy. In response to the needs of the construction of a sub-town center in Beijing, the Company took the initiative to be the major supplier for the construction materials required by the construction of the sub-town center project, and stationed in the construction site to organise and coordinate the work on securing the supply of construction materials. This has enhanced the image of the Company's new construction materials products in the market and made improvement to the aspects such as product quality, organisation and securing as well as management level, which has in turn facilitated the construction of BBMG International Logistics Park. As long as risks are under control, the Company can enhance the development of trade and logistics industry and proactively explore developed operating and marketing modes of e-commerce.

3. Property development business:

BBMG is one of the leading property developers in terms of comprehensive strength and the earliest affordable housing developers with the highest number of projects and most comprehensive system in Beijing. Currently, the property development business of the Company has realized a strategic layout covering the three major economic zones of Pan Bohai Rim, Yangtze River Delta and Chengdu-Chongqing region, the four municipalities of Beijing, Shanghai, Tianjin and Chongqing, as well

MANAGEMENT DISCUSSION & ANALYSIS

as 14 provincial cities or regional core cities such as Hangzhou, Nanjing, Hefei and Haikou. The Company was awarded the title of “National Housing Industrialisation Base” by the Ministry of Housing and Urban-Rural Development of the PRC, which is the first property developer receiving such title in Beijing.

4. *Property investment and management business:*

BBMG is the largest investor and manager of investment properties in Beijing holding approximately 1.2 million sq.m. of high-end properties (including 722,000 sq.m. of investment properties) and managing approximately 12.0 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing. The Company has been leading the industry in Beijing and even the PRC for years in areas including specialized techniques, brand awareness, occupancy rate and revenue. Meanwhile, the resort and leisure business, with Fengshan Hot Spring Resort and Badaling Hot Spring Resort as key projects, has built up its scale and gained sound reputation in the society.

(II) Description of major industries

1. *Cement Industry*

In 2016, the real estate market rebound and accelerated infrastructure projects have promoted the recovery of the cement market. The production of cement maintained growth at a low speed. The production of cement nationwide amounted to about 2.41 billion tonnes, representing a year-on-year growth of about 2.3%. In 2016, against the backdrop of accelerated supply-structural reform of the cement industry, the vigorous promotion of staggering cement production by the government, associations and large enterprises, the prices of cement continued to increase. The total profit of the cement industry for the year amounted to RMB51.8 billion, representing a year-on-year increase of approximately 55%. Meanwhile, the merger, acquisitions and market integration in the industry will continue to accelerate and the level of industry concentration will further increase.

MANAGEMENT DISCUSSION & ANALYSIS

2. Property Development Industry

In 2016, the policies on the real estate industry shifted from somewhat easing to continual tightening in hot cities. The housing prices in hot cities surged rapidly due to the accommodative monetary environment, the periodical tight supply and demand as well as the surging land price. The property prices became stable after tightening of the regulations. Market transactions for the whole year maintained at high level with turnover structure moving up obviously, and the land market in first- and second-tier cities remained hot. As evidenced by statistics provided by the National Bureau of Statistics of the PRC, investment in real estate development across the country aggregated RMB10,258.1 billion in 2016, representing a nominal increase of 6.9% over last year (and an actual increase of 7.5% over last year after adjusting for price changes), among which investment in residential properties was RMB6,870.4 billion, increased by 6.4% over the same period of last year, and the growth rate increased by 0.4%. Investment in residential properties accounted for 67.0% of aggregate investment in real estate development. Construction sites for corporate use reached 758.975 million sq.m., representing an increase of 3.2% over last year, among which 521.31 million sq.m. were area of construction sites for residential properties, which increased by 1.9%. Area of newly-started construction of real estate was 166.928 million sq.m., increasing by 8.1%. Of this, 115.911 million sq.m. were area of newly-started construction of residential properties, which increased by 8.7%. Area of completed real estate construction was 106.128 million sq.m., increasing by 6.1%. Of this, area of completed residential property construction was 77.185 million sq.m., up by 4.6%. Purchased land area by real estate development enterprises were 22.025 million sq.m. in 2016, decreasing by 3.4% over last year.

Area of sold commodity housing across the country in 2016 reached 157.349 million sq.m., increasing by 22.5% over last year. Of this, area of sold residential properties jumped 22.4%, area of offices sold 31.4% and area of properties sold for the purpose of commercial operation 16.8%. The sold commodity housing was valued at RMB11,762.7 billion, surging 34.8%, of which sales of residential properties rose 36.1%, sales of offices 45.8% and sales of properties for the purpose of commercial operation 19.5%. As at the end of 2016, area of commodity housing for sales was 69.539 million sq.m., drop by 3.2% as compared with that of the end of last year. Of this, area of residential properties for sale was 40.257 million sq.m., area of offices for sale was 3.631 million sq.m. and area of properties for the purpose of commercial operation for sale was 15.838 million sq.m., representing a decrease of 11.0%, an increase of 10.8% and an increase of 8% as compared to the end of last year respectively.

MANAGEMENT DISCUSSION & ANALYSIS

Summary of Business Information

	2016	2015	Change
1. Cement and Ready-mixed Concrete Segment			
Sales volume:			
Cement (in thousand tonnes)	57,039	39,260	45.3%
Concrete (in thousand cubic meters)	13,209	11,340	16.5%
2. Modern Building Materials and Commerce and Logistics Segment			
Sales volume:			
Stone wool boards (in thousand tonnes)	27.0	20.1	34.2%
3. Property Development Segment			
Booked GFA (in thousand sq.m.)	1,156	1,263	-8.5%
Presales (sales) GFA (in thousand sq.m.)	1,179	992	18.9%
4. Property Investment and Management Segment			
Total GFA of investment properties (in thousand sq.m.)	722	733	-1.5%

2016 was the first year of China's "13th Five-Year Plan". Confronted with profound changes in the international political and economic conditions and the downward pressure of China's economy, the Board took the initiative to adapt to the "new normal" status by adhering to the main theme of maintaining stability while making progress and accurately capturing the market trend with a focus on innovative development and with determination in making progress. Apart from the focus on production and operation targets, the Company also made efforts in the transferring of the industrial functions of the Beijing capital city and putting the structural reform of the supply front and the synergistic development of Beijing, Tianjin and Hebei Province into real practice. Besides, the Company has integrated itself into the construction of sub-town centre in Beijing, leveraging its function of serving the capital city in full. All these measures enabled the Company to maintain stable and sound growth throughout the year. The Company has achieved all its targets for the year and a brilliant start for the "13th Five-Year" Plan.

During the Reporting Period, the Company recorded operating revenue of RMB47,783.8 million, of which operating revenue from its principal business amounted to RMB46,793.4 million, representing a year-on-year increase of 15.9%; total profit amounted to RMB3,676.5 million, representing a year-on-year increase of 15.5%; net profit amounted to RMB2,690.3 million, representing a year-on-year increase of 37.9%; and net profit attributable to the shareholders of the parent company amounted to RMB2,686.7 million, representing a year-on-year increase of 33.2%.

MANAGEMENT DISCUSSION & ANALYSIS

1. Cement and Ready-mixed Concrete Segment

In line with the synergistic development strategies of Beijing, Tianjin and Hebei Provinces, as well as the policy-oriented structural reform of the supply front, the implementation of the strategic restructuring of BBMG-Jidong and thereby effectively enhancing the concentration of clinker and cement in Beijing, Tianjin and Hebei Provinces, standardizing and regulating an orderly cement business market within the districts and developing into the top three cement enterprises respectively at national level. To concentrate on improving profitability, the Company has implemented in-depth integrated management by actively following the cardinal principle of exploring potentials and cutting costs, launching innovation in operating mode, controlling and cutting accounts receivable and procurement costs, highlighting environmental protection, strengthening scientific and technological innovation, operating control and benchmark management. Meanwhile, the Company has benefited from the BBMG-Jidong strategic restructuring synergy, as evidenced by the significant year-on-year improvement of its principal operation indicators.

The segment accelerated transformation and pressed ahead with green, cyclic and low-carbon development. As a result, 25 major energy-consuming units under the Company passed the annual examinations at the grass-roots and national levels. Furthermore, all cement enterprises in Beijing transformed into high-technology and environmentally-friendly service providers, with an annual disposal of over 0.3 million pollutants of various types, of which hazardous wastes, sludges and fly ashes amounted to 0.094 million tonnes, 0.16 million tonnes and 0.03 million tonnes respectively. The synergetic use of cement kiln for the disposal of hazardous waste increased 3.1% year-on-year while the disposal of fly ashes increased 34%. Tianjin Zhenxing Cement Co., Ltd. completed and commenced its waste disposal project which actively participated in the formulation of on-site clearing and restoration solutions for “8.12 Tianjin Explosion Incidents” and undertook waste disposal including construction wastes and polluted soil. Lingchuan BBMG Cement Co., Ltd., Guangling Jinyu Cement Co., Ltd., Xuanhua BBMG Cement Co., Ltd. and Quyang Jinyu Cement Co., Ltd. have coordinated with the Company in participation in the hazardous wastes project, helped obtained the temporary business permit on hazardous wastes disposal and underwent pilot operational process. The Company carried out hazardous wastes transformation project in coordination with Chengde BBMG Cement Co., Ltd. while the household garbage disposal project of Handan BBMG Taihang Cement Co., Ltd. was under construction. Lanxian BBMG Cement Co., Ltd. has completed all procedures for its hazardous wastes project. Bo'ai BBMG Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Zhanhuang BBMG Cement Co., Ltd. and Zuoquan BBMG Cement Co., Ltd. commenced their environmental evaluation and related work for their hazardous wastes projects.

MANAGEMENT DISCUSSION & ANALYSIS

The cement and ready-mixed concrete segment recorded operating revenue from its principal business of RMB15,365.0 million during the Reporting Period, a year-on-year increase of 41.9%. Gross profit from its principal business amounted to RMB3,158.5 million, a year-on-year increase of 118.8%. The consolidated sales volume of cement and clinker reached 57.0 million tonnes, a year-on-year increase of 45.3%, among which cement sales volume amounted to 49.3 million tonnes and clinker sales volume amounted to 7.7 million tonnes, and the aggregated gross profit margin for cement and clinker was 22.6%, a year-on-year increase of 12.5 percentage points. Sales volume of concrete totaled 13.2 million cubic meters, a year-on-year increase of 16.5%, while the gross profit margin for concrete was 10.1%, a year-on-year decrease of 2.9 percentage points.

2. Modern Building Materials and Commerce and Logistics Segment

The Company strived to make the best use of the stock resources, accelerate the transformation and upgrade of the enterprise, facilitate the transfer of production capacity of Beijing, accelerate the implementation of key projects, enhance management standard and profitability of enterprise, innovate the operation model of bulk commodity trade, reinforce risk prevention and control, with a view to achieving stable operation. The ceramic sanitary products agency business of Beijing BBMG Business and Trading Co., Ltd. continued to grow steadily and the bulk commodity trade maintained stable operation. Beijing BBMG Tiantan Furniture Co., Ltd. has completed the relocation and adjustment of Xisanqi production base and achieved a seamless connection of production. By accelerating the construction of market layout and sales channels, Beijing BBMG Coating Co., Ltd. steadily expanded the sales of products to every part of the country. Beijing BBMG Energy-Saving Technology Co., Ltd. recorded a significant decrease in cost and increase in production and sales volume.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB11,121.4 million, a year-on-year increase of 7.2%, while the gross profit from its principal business amounted to RMB865.8 million, a year-on-year decrease of 14.1%.

MANAGEMENT DISCUSSION & ANALYSIS

3. Property Development Segment

The Company implemented reform of mechanisms and systems, and streamlined the management through reform of management and control over the organization. A clearly-defined system for authority and responsibility has been established, the evaluation and incentive mechanism was optimized, resulting in significant enhancement of project operation ability with all major economic indicators performing better than expectation.

During the Reporting Period, projects including Jinyu Huixingyuan, Huijingyuan, Hangzhou Jinyu Tianyuanwai, Tianjin Yuecheng, Chongqing Shidaiduhui, Haikou Xixili were smoothly completed and delivered; the sales plan of Nanjing Jinyu Zijingfu project was completed one year ahead of schedule, realizing fast turnaround of funds; projects such as Hefei Nanqili, Jinyu Tang+, Qingdao Jinyu Hefu and townhouse of Shanghai Dachengjun were launched for sale and recorded robust sales; Jincheng Yayuan project completed the matching of housing during the year; the establishment of Phase 1 of Xisanqi BBMG Technology Park, a project that change the use of industrial land, was approved.

During the Reporting Period, the Company closely monitored the land market and acquired new land reserves of approximately 1,186,000 sq.m. in five cities (Nanjing, Haikou, Tianjin, Hefei and Hangzhou), which will provide strong support for the sustainable development of the real estate industry.

MANAGEMENT DISCUSSION & ANALYSIS

Major Land Reserve Acquired by the Group in 2016

No.	Name of projects (parcel of land)	Location	Use of the land	Land area	Planning	Land price	Ways of acquisition	Date of acquisition	Percentage of interest
				of the project (sq.m.)	plot ratio area (sq.m.)				
1	Dairy Farm Plot No. 1, Jiangpu Street, Pukou District, Nanjing (No. 2016G07)	Jiangpu Old Town, Pukou District, Nanjing	R2 residential land 2	139,361.39	222,978.224	426.0	Listing	15 April 2016	100%
2	Tianjin Airport Economic Area (Jin Bin Bao (Gua) 2016- No. 3)	Tianjin Airport Economic Area	R2 residential land 2	44,935.1	58,415.63	184.0	Listing	26 October 2016	100%
3	Tianjin Airport Economic Area (Jin Bin Bao (Gua) 2016- No. 4)	Tianjin Airport Economic Area	R2 residential land 2	56,821.4	61,894.7	195.0	Listing	26 October 2016	100%
4	Tianjin Airport Economic Area (Jin Bin Bao (Gua) 2016- No. 5)	Tianjin Airport Economic Area	R2 residential land 2	40,170.7	60,256.05	196.0	Listing	26 October 2016	100%
5	Plots B7203, B7205 and B7301 in New District, Nanpian District, West Coast New District, Haikou	South side of West Coast, Xiuying District, Haikou	R2 residential land 2	117,230.23	234,460.46	92.1	Auction	27 October 2016	100%
6	Plot JC1201-17, Jingfangsanbao Unit, Jianggan District, Hangzhou (Hang Zheng Chu Chu [2016] No. 34)	East Wing of Hangzhou CBD, Jianggan District, Hangzhou	Residential land (with ancillary construction for public use)	64,781	168,431	729.1	Listing	26 December 2016	51%
7	Plot S1606 at the intersection between East Second Ring Road and Feihe Road in Baohe District, Hefei	Southeastern corner of the intersection between East Second Ring Road and Feihe Road in Hebei	Residential land	151,797.44	379,493.61	450.0	Auction	29 December 2016	100%
Total				615,097.26	1,185,929.674	2,272.2			

MANAGEMENT DISCUSSION & ANALYSIS

Land Reserve of the Group as at 31 December 2016

No.	Project Name	Address	Date and Method of Land Acquisition		Estimated Project Completion Date	Area (thousand sq.m.)	Percentage of the Group's interest
			Date	Method			
1	Chongqing – Xinduhui	Nan'an Chayuan New District, Chongqing	30 June 2015	Listing	December 2026	2,144.1	100%
2	Hefei- Plot at Forklift Factory	Daoxiang Street, No. 9 Wangjiang West Road, Shushan District, Hefei, Anhui	24 September 2015	Auction	April 2020	521.3	100%
3	Chongqing-Nanshanjun	No. 2 (Nanshanjun Phase 1) and 668 (Nanshanjun Phase 2) Xianghuang Road, Nanshan Street, Nan'an District, Chongqing	4 March 2010	Auction	May 2022	496.7	100%
4	Hefei- Plot of Baohe	South of Feihe Road, East of Dong Second Ring Road, Baohe District, Hefei, Anhui	29 December 2016	Auction	April 2021	455.3	100%
5	Haikou- Xi Hai'an	17 Street, Xi Hai'an Chang Bin, Xiuying District, Haikou, Hainan	27 October 2016	Listing	September 2022	313.9	100%
6	Chengdu – Wuhou Longxijun	No. 999 Julong Road, Wuhou District, Chengdu, Sichuan	27 February 2014	Listing	December 2020	292.4	80%
7	Shanghai – Jiading Juyuan	No. 259 Wuxiang South Road, Jiading District, Shanghai	4 July 2014	Listing	September 2018	277.8	100%
8	Nanjing – Plot at a dairy cattle farm	North of Pukou Police Station, Huangshanling Road, Jiangpu Street, Pukou District, Nanjing, Jiangsu	15 April 2016	Listing	November 2020	265.8	100%
9	Chongqing – Shidaiduhui	Nan'an Chayuan New District, Chongqing	15 June 2010	Auction	September 2018	245.1	100%
10	Hangzhou – Guanlian Times	Intersection (along the river) between No. 24 and No.29 Baiyang Street, Xiasha Economic Development Zone, Hangzhou, Zhejiang	May 2007 and December 2009	Listing	June 2020	239.3	100%
11	Tianjin-Plot at the Airport	East of Zhonghuandong Road and South of Huanbi Road, Airport Economic Zone, Tianjin	26 October 2016	Listing	June 2020	213.0	100%
12	Hangzhou- Plot at Sanbao	North of the intersection (Xintang Jiayuan East District) between Genshan West Road and extended road of Qianchao Road, Jianggan District, Hangzhou, Zhejiang	26 October 2016	Listing	December 2019	202.1	51%
13	Tangshan- Jin'anhongbao	West of Xueyuan Road, Lubei District, Tangshan, Hebei	1 July 2011	Auction	December 2018	198.1	100%
14	Qingdao- Plot at Zhengjiang Road	No. 12 Zhengjiang Road, Shilbei District, Qingdao, Shandong	26 December 2014	Listing	May 2019	180.5	100%
15	Inner Mongolia – Global Financial Center	No. 51 Tengfei South Road, Sai'an District, Hohhot, Inner Mongolia Autonomous Region	29 May 2007	Listing	June 2018	156.4	100%
16	Haikou- Haidianxi	No. 22 Haidianyi East Road, Meilan District, Haikou, Hainan	5 December 2012	Listing	November 2018	140.0	100%

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Land Reserve of the Group as at 31 December 2016 (continued)

No.	Project Name	Address	Date and Method of Land Acquisition		Estimated Project Completion Date	Area (thousand sq.m.)	Percentage of the Group's interest
			Date	Method			
17	Beijing- Zhanquozhuang Commodity Housing	Changshunyi Road, Changxindian Town, Fengtai District, Beijing	28 October 2014	Listing	October 2018	126.0	70%
18	Tangshan- Jinyu Lefu	Intersection between Beixin East Road and Dacheng Road, Lubei District, Tangshan, Hebei	23 August 2010	Listing	June 2020	106.1	80%
19	Hangzhou- Baishan Tianyuwai	Intersection between Banshan East Road and Yishan Road, Gongshu District, Hangzhou, Zhejiang	30 November 2010	Listing	June 2016	84.5	100%
20	Tangshan- Qixin 1889	No. 15 Xinhua East Road, Lubei District, Tangshan, Hebei	26 January 2016	Auction	June 2018	81.7	100%
21	Nanjing- Jinyu Zijingfu	No. 9 Bailu East Road, Jianye District, Nanjing, Jiangsu	31 October 2013	Listing	March 2018	67.0	100%
22	Beijing – Plot at Western Xijiao Gravel Plant	Tiancunshan South Road, Haidian District, Beijing	9 December 2013	Tender	June 2018	64.4	100%
23	Ningbo- Yao River lock	Wenjiao Street, Jiangbei District, Ningbo, Zhejiang	9 September 2014	Listing	December 2018	59.9	100%
24	Tianjin – Jinyu Yuecheng	East of Yuejin Road, Dongli District, Tianjin	January 2010 and March 2010	Listing	December 2019	55.9	100%
25	Beijing- Changyang Commodity Housing	No.6 Yard, Fusheng West Street, Changyang Town, Fangshan District, Beijing	27 August 2013	Listing	June 2018	25.7	51%
26	Hangzhou- Qiangjiang Xuefu	Intersection between Qiutao Road and Houchao Road, Shangcheng District, Hangzhou, Zhejiang	26 June 2013	Listing	June 2017	25.4	100%
27	Beijing – Dachengjun	No. 69 Xingyue Road, Xihang Port, Shuangliu County, Tianfu New District, Chengdu, Sichuan	12 December 2011	Auction	June 2015	25.0	80%
28	Beijing – Jinyu Feili	Jiancaicheng Middle Road, Haidian District, Beijing	December 2009 and July 2011	Listing	June 2017	18.5	100%
29	Beijing- Plot at Bei'ao	No. A1 Jiujiangzhuang, Dahongmen, Fengtai District, Beijing	1 March 2013	Transfer	December 2019	245.9	100%
30	Beijing- Houshayu Affordable Housing	North of Street No. 19, Shunyi New Town District, Beijing	23 October 2015	Listing	September 2018	165.7	100%
31	Beijing- Chaoyang Xincheng D Group	Zone 4, Dongli District, Chaoxinjiayuan, Chaoyang District, Beijing	1 July 2012	Transfer	December 2016	98.8	100%
32	Others	-	-	-	-	188.4	-
Total						7,780.7	

MANAGEMENT DISCUSSION & ANALYSIS

During the Reporting Period, the property development segment recorded revenue from its principal business of RMB18,448.5 million, a year-on-year increase of 9.0%, and the gross profit from its principal business was RMB5,069.1 million, a year-on-year decrease of 18.3%. The booked GFA was 1,156,280 sq.m. for the year, a year-on-year decrease of 8.5%, among which booked GFA of commodity housing amounted to 1,045,282 sq.m., a year-on-year decrease of 2.3%, while booked GFA of affordable housing amounted to 110,997 sq.m., a year-on-year decrease of 42.6%. The aggregated contracted sales area of the Company was 1,178,744 sq.m., a year-on-year increase of 18.9%, among which contracted sales area of commodity housing amounted to 1,105,427 sq.m., a year-on-year increase of 22.9%, and contracted sales area of affordable housing amounted to 73,317 sq.m., a year-on-year decrease of 20.2%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 7,781,000 sq.m.

4. Property Investment and Management Segment

Thanks to continuous improvement of service and project quality and optimization of operating mode, the segment underwent a stable and orderly development.

During the Reporting Period, by optimizing customer structure and enhancing operating characters, BBMG Property Operation Management Co., Ltd. (北京金隅地產經營管理有限公司) reached a new high in occupancy rate and achieved a year-on-year increase of 13.9% in rental cash revenue while BBMG Sheraton Hotel (金隅喜來登酒店) obtained an average occupancy rate of 77%, reaching a historical new high. By targeting high-end clients and forming brand cluster effects, GTC Residence Beijing (環貿國際公寓) obtained an average occupancy rate of 94% that ranked the top among counterparts in Beijing. BBMG Property Management Co., Ltd. was committed to building a high-end and specialized brand and maintaining a leading position among its peers in term of customer satisfaction. Moreover, BBMG Dacheng Property Management Co., Ltd. and Beijing Jinhaiyan Property Management Co., Ltd. strived to obtain various capitals from communities amounting approximately RMB33 million, with an aim to optimizing community environment and relieving operational stress and thereby enhancing owner satisfaction.

MANAGEMENT DISCUSSION & ANALYSIS

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB3,260.3 million, a year-on-year increase of 21.1%, and gross profit from its principal business was RMB1,690.0 million, a year-on-year increase of 4.3%. As at the end of the Reporting Period, the Company held investment properties totaling 722,200 sq.m. in the core districts of Beijing. The consolidated average occupancy rate was 92% and the consolidated average rental unit price was RMB7.9/sq.m./day.

The accomplishment of main targets in 2016 represented an initial success of “13th Five-Year Plan” achieved by the Company. Throughout the year, the Company took the initiative to overcome various difficulties and challenges. With a focus on the overall strategic layout and long-term development, the Company constantly tackled the obstacles and restraints appeared during its development process. A tremendous and brand-new result was thus achieved in terms of reform and development and various works were promoted to a new stage. In 2016, the Company was rewarded with different honors, including Top 500 Chinese Building Materials Enterprises (中國建材企業500強), Top 10 Chinese Enterprises in terms of Production Capacity in Cement Clinker (中國水泥熟料產能十強), China Top 100 Real Estate Developers (中國房地產百強企業), China Real Estate Enterprises with Sense of Social Responsibility (中國房地產年度社會責任感企業), Top 10 Listed Real Estate Companies in terms of Overall Strength in Shanghai and Shenzhen (滬深上市房地產公司綜合實力TOP10), Top 10 Listed Real Estate Companies in terms of Investment Value in Shanghai and Shenzhen (滬深上市房地產公司投資價值TOP10), Top 10 Listed Real Estate Companies in terms of Financial Health in Shanghai and Shenzhen (滬深上市房地產公司財務穩健性TOP10) and Trustworthy Enterprises in Building Materials Industry in the Pan Bohai Area (AAA class).

MANAGEMENT DISCUSSION & ANALYSIS

Investment Properties Held by the Group as at 31 December 2016

	Location	Usage	Property gross area (thousand sq.m.)	Fair value (RMB million)	Rental unit price (RMB/ sq.m./day)	Average occupancy rate (Note)	Unit fair value (RMB/ sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	Commercial	120.5	3,143.9	11.1	96%	26,080
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	Commercial	172.1	3,147.3	8.0	98%	18,289
Phase 3 of Global Trade Center (Ground Floor Commercial)	North Third Ring Road, Beijing	Retail	71.7	1,111.9	7.3	97%	15,514
Tengda Plaza	West Second Ring Road, Beijing	Commercial	84.3	1,615.8	9.2	96%	19,176
Jin Yu Building	West Second Ring Road, Beijing	Commercial	44.8	1,042.0	8.9	90%	23,240
Jianda Building/Jiancai Jingmao Building	East Second Ring Road, Beijing	Commercial	59.4	1,268.3	5.3	97%	21,369
Dacheng Building	West Second Ring Road, Beijing	Commercial	42.8	996.7	9.8	93%	23,312
		Sub-total	595.6	12,325.9			
Other properties	Beijing Municipality	Commercial and retail	126.6	2,650.7			
		Total	722.2	14,976.6	7.9	92%	20,737

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

MANAGEMENT DISCUSSION & ANALYSIS

Analysis of Assets and Liabilities

Unit: RMB'000

	As at 31 December 2016	As at 31 December 2015	Change
Cash and bank balances	28,010,211.15	18,369,880.69	52.5%
Inventories	64,111,234.89	54,007,187.19	18.7%
Available for sale financial assets	2,498,348.40	604,367.25	313.4%
Construction in progress	3,963,622.13	1,249,188.81	217.3%
Short-term financing bonds payable	3,000,000.00	6,000,000.00	-50.0%
Bonds payable	21,279,396.54	12,000,000.00	77.3%

Cash and bank balances increased by approximately RMB9,640.3 million as compared with that of the beginning of the Reporting Period, mainly attributable to the restructuring between the Company and Jidong Group and increase in fund-raising scale during the Reporting Period.

Inventories increased by approximately RMB10,104.0 million as compared with that of the beginning of the Reporting Period, mainly attributable to the increase in land reserve and investment in projects in progress under the property development segment of the Company.

Available for sale financial assets increased by approximately RMB1,894.0 million as compared with that of the beginning of the Reporting Period, mainly attributable to the restructuring between the Company and Jidong Group.

Construction in progress increased by approximately RMB2,714.4 million as compared with that of the beginning of the Reporting Period, mainly attributable to the increase in the investment in engineering project of BBMG International Logistics Park and Tiantan Dachang project by the Company during the Reporting Period.

Short-term financing bonds payable decreased by RMB3,000.0 million as compared with that of the beginning of the Reporting Period, mainly attributable to the maturity of some short-term financing bonds during the Reporting Period.

Bonds payable increased by approximately RMB9,279.4 million as compared with that of the beginning of the Reporting Period, mainly attributable to the issuance of corporate bonds and perpetual bonds during the Reporting Period.

MANAGEMENT DISCUSSION & ANALYSIS

Analysis of Business and Financial Position for the Reporting Period**1. Principal business operations**

Unit: RMB million

	Revenue from principal business	Cost of sales from principal business	Gross profit margin from principal business (%)	Increase or decrease in revenue from principal business compared with last year (%)	Increase or decrease in cost of sales from principal business compared with last year (%)	Increase or decrease in gross profit margin from principal business compared with last year
Cement and Ready-mixed Concrete	15,365.0	12,206.6	20.6%	41.9	30.1	Increase of 7.2 percentage points
Modern Building Materials and Commerce and Logistics	11,121.4	10,255.6	7.8%	7.2	9.5	Decrease of 1.9 percentage points
Property Development	18,448.5	13,379.4	27.5%	9.0	24.8	Decrease of 9.2 percentage points
Property Investment and Management	3,260.3	1,570.3	51.8%	21.1	46.5	Decrease of 8.3 percentage points
Eliminations	<u>(1,401.8)</u>	<u>(1,377.3)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>46,793.4</u>	<u>36,034.6</u>	<u>23.0%</u>	<u>15.9</u>	<u>19.6</u>	<u>Decrease of 2.3 percentage points</u>

MANAGEMENT DISCUSSION & ANALYSIS

2. Investment properties measured at fair value

The Company conducted a subsequent measurement of investment properties at fair value at the end of the Reporting Period. Changes in fair value are recognized as “gains from changes in fair value” in the consolidated income statement. The fair value is assessed by an independent professional qualified valuer using future earnings method and market-based approach on an open market and existing use basis.

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

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group were RMB596.9 million, accounting for 16.2% of the profits before tax. The fair value gains on investment properties during the Reporting Period were mainly due to an upward revision to the fair value of the investment properties of the Group by the valuer given the overall surge in rental of commercial properties in the open market in Beijing during the Reporting Period.

3. Expenses during the Reporting Period

- (1) Selling expenses were RMB1,854.2 million, an increase of RMB308.1 million or 19.9% year-on-year. Such increase was mainly due to the increase in employee remuneration and transportation and travelling expenses.
- (2) Administrative expenses were RMB3,807.9 million, an increase of RMB834.1 million or 28.0% year-on-year. Such increase was mainly due to the increase in employee remuneration and losses from suspension of production.
- (3) Finance costs were RMB1,603.5 million, an increase of RMB268.0 million or 20.1% year-on-year. Such increase was mainly due to the increase in interest expenses from bonds payable.

MANAGEMENT DISCUSSION & ANALYSIS

4. Cash flows

During the Reporting Period, a net increase of RMB6,897.2 million in cash and cash equivalents was recognized in consolidated financial statements of the Company. Such increase was the net result of (i) the net cash inflow generated from operating activities of RMB3,503.8 million, representing an increase in inflow of RMB4,156.4 million year-on-year, which was mainly attributable to the year-on-year decrease in the supervised funds from pre-sales under restricted cash and bank balances of the property development segment and the net cash inflows from operating activities in the fourth quarter of 2016 of Jidong Group have been consolidated into the Group due to the restructuring of Jidong Group; (ii) the net cash outflow generated from investment activities of RMB4,025.0 million, an increase in outflow of RMB2,618.0 million year-on-year, which was attributable to the year-on-year increase in the investment in acquisition of fixed assets and construction projects; (iii) the net cash inflow generated from financing activities of RMB7,373.0 million, an increase in inflow of RMB577.5 million year-on-year, which was attributable to the increase in the scale of borrowings and issuance of bonds and (iv) the exchange realignment of RMB45.4 million.

Core Competence Analysis

The Company is a leading cement enterprise which is devoted to low-carbon, environmental protection, energy-saving and emission reduction initiatives, as well as development of circular economy. Following the orientation of the policies in relation to synergetic development of Beijing, Tianjin and Hebei Province and the structural reform of the supply front, the Company conducted the strategic restructuring with Jidong Group successfully in 2016 and became the third largest cement enterprise in the country. This has further increased its market control in Beijing, Tianjin and Hebei Province. Being one of the top 10 real estate enterprises in Beijing and the earliest affordable housing developers which has the largest number of projects and most comprehensive system in Beijing, the Company owns low-cost land reserve for development and abundant industrial land reserve in first-tier cities. Also, the Company is a leading supplier of green, eco-friendly and energy-saving building materials in the Pan Bohai Rim and is one of the largest holders and managers of investment properties in Beijing. The four major business segments of the Company have witnessed strong growth and synergetic development by extending their principal businesses to more than 20 provinces, cities and regions in the PRC.

MANAGEMENT DISCUSSION & ANALYSIS

The core competitiveness of the Company is detailed as follows:

- 1. Competitive Edge in the Industrial Chain:** The Company has developed a unique vertically integrated core industrial chain. This core industrial chain is in the form of “cement and ready-mixed concrete – modern building materials manufacturing and commerce and logistics – property development – property investment and management”, resulting in a unique industrial chain development model with all four major business segments incorporated. With acceleration of industrial transformation and upgrading, the cement industry has turned from a grey industry to a green one, while the industry’s development layout has shifted from the development of single product to the development of comprehensive industrial chain. By leveraging the advantages accumulated in the manufacture of green building materials, the Company extends its industrial chain upward and downward and expands toward property development. While focusing on business collaboration and high-end development, the Company has developed toward the modern service sectors, including modern property management services and financial services. Taking advantage of the characteristics of the real estate development industry of large amount of funds and great demand for products, the Company, through market behaviors, drove the application of modern building materials, cement, concrete and other products as well as the development of relevant businesses such as design, fitting-out and property services. By enhancing the product quality and service capacity, modern building materials and property management services sector has enhanced its competitiveness and further promoted the quality of real estate projects. By continuously capitalizing on its competitive edges in property operation and high-end property management services in terms of brand, operation, management and techniques, the Company has succeeded in the promotions of values of real estate for both commercial and residential purposes and cutting inventories. Meanwhile, the real estate development industry has pioneered market of the target regions backed by various resources and advantages accumulated in the implementation of the “go global” strategy of the cement and building material industries. Different business segments support and promote the development of each other with significant synergistic effect and overwhelming advantages as a whole. Competitive edges in scale centralizing on the industrial chain, coordination among and integration of different segments have been cumulating.

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

With an investment of approximately RMB800 million in technology R&D in 2016, the Company recorded revenue from sales of new products of approximately RMB1.8 billion, undertook 5 state-level science and technology projects, received 10 provincial and ministry-level (including industry) technology awards, obtained 117 national patents, and played a leading role in formulating 65 national, industrial and local standards. The Company has launched 23 major R&D projects. Leveraging on the Internet+ and informationisation, the Company has facilitated the integration and development of the Company’s business and Internet technology, therefore obtaining practical, strategic and forward-looking R&D results. Qinyang BBMG Cement Co., Ltd., a subsidiary of the Company, was recognized as National Technology Centre for Circular Economy (全國循環經濟技術中心), while Beijing BBMG Liushui Eco-friendly Co., Ltd. (北京金隅琉水環保有限公司) participated in the project of “Research on Development and Application of Common Technologies of Circular Economy Development in Cities (《城市循環經濟發展共性技術開發與應用研究》)” and was awarded the Second Class Award of the State Scientific Technology (國家科學技術獎二等獎) in 2016. The project demonstrating the transformation and upgrade of synergetic use of cement kiln for the disposal of waste by Beijing BBMG Beishui Eco-friendly Co., Ltd. (北京金隅北水環保有限公司) was awarded the “Fourth Session of China Industry Award (第四屆中國工業大獎表彰獎)”. Handan BBMG Taihang Cement Co., Ltd. and Dachang BBMG Coating Co., Ltd. were approved as high-tech enterprises in Hebei. Beijing Bio-Island Science and Technology

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Co., Ltd. and Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅紅樹林環保有限責任公司) were successfully elected to be part of the Top 100 Enterprises for 3iPET (環保技術匯智平台百強企業). Jidong Jicheng Housing Co., Ltd. (冀東集成房屋有限公司) was approved as provincial technology centre in Hebei and recognised as Assembled Construction Production Base (裝配式建築生產基地) in Hebei.

- 3. Competitive Edge in Sustainable Development of Green Operations:** Implementing the strategic arrangements of the synergistic development of Beijing, Tianjin and Hebei Provinces and adapting to the capital's positioning of functions in an all-round way while upholding the objective of building Beijing an international city which is harmonious and livable, the Company has stepped up its efforts in developing circular economy and low-carbon economy, establishing a sound system for environmental protection management, accelerating its pace towards transformation and upgrading and embarking on a sustainable path for green development. As one of the first pilot enterprises in China to develop circular economy, the Company cooperates with the government to build a garbage pollution-free city by promoting the circular economy model with "resources-products-wastes-renewable resources" as its core procedure.

The Company has accumulated a wealth of experience in the synergetic use of cement kiln for the disposal of waste and has developed a comprehensive scientific research system that focuses on hazard-free disposal of urban waste. In addition, the Company independently developed, built and operated a number of environmental protection facilities, including the first demonstration line of utilizing cement kiln for hazard-free disposal of industrial solid waste in China, the first production line applying the synergetic use of cement kiln for the disposal of fly ashes from garbage incineration in China, and an integrated treatment center for hazardous waste which is equipped with the nation's most advanced technology and facilities under the most comprehensive system. With the qualification and capacity to dispose of more than 200,000 tonnes of sludge, 30,000 tonnes of fly ashes and over 40 types of hazardous waste per year, the Company is in charge of disposal of around 90% of hazardous waste in Beijing. The Company continues to launch modern building material products, including ready-mixed mortar, modern unshaped refractories, heat-preservation materials in external walls such as glass wool and rock wool, and high-grade wooden doors and windows, which are environmentally-friendly, energy-saving and low-carbon with heat-insulation, heat preservation and fireproof features. The Company successfully formulated quality and quantity standards for the transformation and upgrading of manufacturing enterprises, efficiently promoted the standardization of environmental protection, the environmental self-supervision and examination as well as the rectification and implementation mechanism for the enterprise, which maximize the Company's economic and resource usage efficiencies.

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As a result, the Company has made significant contributions to urban development, environmental safety and social harmony, and became the first cement enterprise which received the “China’s Environment Award”, a distinctive honor in the environmental protection field. The Company was the only enterprise to win the “Green Ecology Media Award” under the Beijing Influence Award. Nine subsidiaries of the Company, including Chengde BBMG Co., Ltd. (承德金隅有限責任公司), Lingchuan BBMG Cement Co., Ltd., Zuoquan BBMG Cement Co., Ltd., Bo’ai BBMG Cement Co., Ltd. and BBMG Mortar Co., Ltd., were among the third batch of enterprises recognized as “One Hundred Energy-Saving Model Enterprises (百家節能減排示範企業)”, while BBMG Property Management Co., Ltd. was recognised as Model Unit Leading in Efficiency (能效領跑者示範單位) in Beijing.

In 2016, the Company invested nearly RMB60.00 million in commencing environmental protection measures and transformation, and obtained the incentive fund of RMB10.25 million from the government. The Company has successfully completed the annual energy conservation targets of both national and local governmental assessment for 25 key energy consumption units. It has also completed the reports on CO₂ emissions and the relevant examination, testing and performance of work as scheduled for key units in Beijing in terms of CO₂ emissions with a performance rate of 100%. In 2016, the Company achieved reduction in consumption of standard coal by approximately 48,900 tonnes and water saving by approximately 117,400 cubic meters, representing a year-on-year decrease of 3.94% in comprehensive energy consumption per RMB10,000. All cement conglomerates in Beijing have transformed into technological companies providing environmental protection services. The annual amount of pollutants disposed of amounted to over 300,000 tonnes, including 94,000 tonnes of hazardous wastes, 160,000 tonnes of sludge and 30,000 tonnes of fly ash, representing a year-on-year increase of 3.1% and 34% in hazardous wastes disposed of by cement kiln and fly ashes, respectively. The construction of the waste disposal project of Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司), a subsidiary of the Company, has been completed and put into operation, which has played an active role in the formulation of on-site clearing and restoration solutions for “8.12 Tianjin Port Explosion Incident” and undertook the waste disposal including construction waste and polluted soil, etc. The Company carried out the disposal of hazardous waste project in respective coordination with Xuanhua BBMG Cement Co., Ltd., Guangling Jinyu Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., Quyang Jinyu Cement Co., Ltd., and obtained the temporary business permit on hazardous wastes disposal. The projects are now in trial run.

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- 4. Competitive Edge in Industry-Finance Integration:** BBMG Finance Co., Ltd. and BBMG Finance Lease Co., Ltd. offer a new platform for the Company to enhance its overall capital operational efficiency, diversify financing channels and prevent capital risks, thereby facilitating the organic integration between industry capital and financial capital. By broadly cooperating with various banks and financial institutions, the Company has explored and adopted a wide variety of financing methods, including non-public offering, corporate bonds and convertible bonds. The multi-level and multi-channel financing approach effectively improves capital operational capacity and management efficiency, and further reduces financing costs. In 2016, the Company issued new corporate bonds of RMB5 billion, new super short-term financing bonds of RMB5 billion and the net increase of bank loans was RMB5.061 billion. Based on the assurance of the security of capital chain of the Company, the structure of liabilities was optimized and adjusted. In 2016, the Company's credit facilities granted by banks totaled over RMB60 billion. This has laid a solid foundation in terms of finance and credit for the healthy and sustainable development of the Company.
- 5. Competitive Edge in Corporate Culture and Branding:** The core value and philosophy of BBMG's corporate culture is composed of corporate spirits of "three emphasis and one endeavor", the development philosophy of "integration, communion, mutual benefit and prosperity", the core values of "faith, respect and responsibility", the human spirits of "eight specials" and the pragmatic working culture of "work with aspiration, competence, efficiency, success and prudence". Following historical accumulation and innovation over more than half a century, the corporate culture is the philosophical summary of the entire BBMG employees' tremendous efforts and implementation of reform and development. The excellent BBMG culture understands, respects, accomplishes and nurtures people. Under the philosophy and system of BBMG's culture, the career goal and humanity spirit shared by all our staff are highly synchronized, which has become a strong spiritual driver to encourage our staff at all levels to accomplish goals and make dedication in their own positions. "BBMG" has been consecutively honored as a well-known trademark in Beijing and ranked 71th on the list of the 2016 (13th) China's 500 Most Valuable Brands. The superior brand awareness and prestige has created a sound cultural atmosphere and intelligence support for BBMG to achieve a new round of leap-forward development in full force.

MANAGEMENT DISCUSSION & ANALYSIS

Discussion and Analysis on Future Development**(1) Industry Pattern and Trend****1. *Economic environment remains complex and overwhelms with opportunities and challenges.***

Under the “new normal”, China’s economic growth has slowed down and still encountered greater downturn pressure with potential risk factors existing while structure adjustment, changes in approach and innovation promotion remained challenging. However, new technology and industry reform is now developing globally which provides continuous strategic opportunities for Chinese economic development. With the gradual implementation of comprehensive and in-depth reform and development, bonus granted progressively by reform, the economy exhibits a continuous optimization in industrial structure while the development momentum experienced a faster transition and maintained a stable development tendency. Acceleration of the structural reform of the supply front achieved double objectives and built dual driving forces which are beneficial for continuous implementation of a series of national significant strategies and measures in regulating structure and stabilizing growth. The Company sustainably improved marketization mechanisms in deepening the comprehensive promotion for the reform of state-owned enterprises, facilitating entrepreneurship and innovation among the public that will bring new impetus to upgrade the quality and efficiency of China’s economy, and will offer new historical opportunities for the Company to achieve new leaps in development by virtue of innovation during the course of reform.

2. *Correct understanding of the actual situation faced by the industry.*

Overall, the economic operation of building materials industry fluctuated between the middle and low ranges in 2016 and exhibited an operational dynamic of “initial decline and gradual stabilization” throughout the year and maintained a stable and sound development trend starting from the second half of the year. However, due to sluggish external operational environment, the industry, with a vulnerable basis for “stable growth”, still experienced great pressure.

MANAGEMENT DISCUSSION & ANALYSIS

In 2016, the building materials industry realized a recovering growth in general. The gross annual profit of the cement industry amounted to RMB51.8 billion, achieving a year-on-year growth of 55.6% and the revenues from principal operation amounted to RMB876.4 billion, accounting for a year-on-year increase of 1.2%. For internal industry, traditional industries such as cement industry will continue the serious excess production capacity while the demand and supply relationship of the market will be still vulnerable and therefore solving excess production capacity has become the mutual responsibility and core task of government, industry and enterprises which will drive enterprises to devote more efforts in further mergers, acquisition and restructuring, industry structural adjustment and enhancement of industry self-discipline.

Apart from increasing pressure in “downsizing capacity”, “de-stocking” and environmental protection measures, strategies including synergistic development of Beijing, Tianjin and Hebei Provinces and “One Belt and One Road” implied potential development opportunities for the cement industry while infrastructure construction such as railway and road, as well as key construction projects like Beijing Winter Olympic, new airport in the capital has provided actual market needs to the cement industry in Beijing, Tianjin and Hebei Provinces.

Real estate market has resumed to its housing residential natures and provided stabilization for steady industry development. Position of “housing properties for accommodation, not speculative trading” stipulated the policy objectives aiming at combating speculative activities, avoiding overheated speculation and curbing real estate bubbles. For this reason, the Central Economic Work Conference 2016 suggested that the acceleration of research and establishment of fundamental institutions and long-term mechanisms that suit national conditions and adapt to market demands through finance, land, taxation, investment and legislation measures. Meanwhile, the market differentiation among cities continued to exist and the sales in some of the bulk-stocked cities remained blue. All these will increase the yield risks of future property projects.

MANAGEMENT DISCUSSION & ANALYSIS

3. *During the “13th Five-year Plan” period, the Company will be positioned at a new starting point in pursuing new leap-forward development.*

Regarding the economic scale and efficiency, industrial structure and innovation, strategic planning and capital, systems and mechanisms as well as personnel and talents, the Company possessed better internal environment basis in dealing with external complex environment, meeting new industrial reform and changes, seizing the historical strategic opportunities and realizing leap-forward development.

- (1) Equipped with guarantee of sound economic benefits. Under such severe competition in the same industry, the Company has always maintained better economic benefits than other counterparts which experienced general decline, while at the same time achieved the synergic improvement of quality and efficiency and enhanced its market competitiveness and thus ranking the top in the integrated ranking of the national industry and among municipal state-owned enterprises.
- (2) Equipped with continuously-optimizing industry development basis. Active adjustment and continuous optimization of industrial structure promoted the coordination and balance between the business segments. The more prominent the ability to respond to changes in external environment and resist market risks, the more obvious industrial chain advantages will be. In addition, continuous optimization of the strategic layout allowed the core industrial chain exhibit a strong competitive tenacity and thus laying a strong industrial base for overall leap-forward development.
- (3) Equipped with continuously-improving strategic planning capability. Strengthening the strategic guidance and top-level design allowed the Company to achieve hurtling plans and control towards a comprehensive strategy and equip with ever-changing strategic responding abilities in adapting external environments.
- (4) Equipped with constantly-strengthening innovation-driven layout. Support on technology innovation continuously enhanced while the complete integration with Zhongguancun provided a new platform for innovation and development. Accelerated formation of innovation-driven layout unleashed the development potentials, stimulated the internal dynamic for development and enhanced the core competitiveness and sustainable development capacities of the Company. New segment formats and models gradually emerged which drove the new impetus for overall innovation and development.

MANAGEMENT DISCUSSION & ANALYSIS

- (5) Equipped with continuously-innovative industry-finance support. Internal financial service system and financing means featuring multiple levels and channels provided financial security for the rapid development of entire industrial scale. Innovation and development of the capital platform has established basic conditions for the new business pillars with industry and finance as the core in realizing the industry-finance integration.
- (6) Equipped with continuously-deepening guarantee of systems and mechanisms. Comprehensive internal control and management system offered a strong risk barrier for the overall high-efficiency and high-quality operation system. In deepening enterprise reform and innovating new systems and mechanisms, the state-owned enterprises continued to strengthen their predominance while their scientific control and efficient operation were equipped with strong supporting conditions.

(2) The Company's Development Strategy

During the "13th Five-Year Plan" period, the Company will develop major businesses including "manufacturing, trading and services of new green and environmental friendly building materials, and real estate development and property management" in accordance with the positioning of an "internationally renowned and nationally leading building material industry group". The overall situation is guided by the state's strategic layout of "Four Comprehensives" and the development philosophy of "innovation, coordination, green, open and sharing". The Company seizes the significant opportunity of the transferring of the industrial functions of the Beijing capital city, the synergistic development of Beijing, Tianjin and Hebei provinces and "One Belt and One Road", coordinates industrial strategy layout and accelerates transformation and upgrading based on significant national strategies such as the Internet+ and "Made in China 2025".

The Company establishes the development concept centering on "transformation and upgrading, innovation and development, open and integration, and sharing results", and stimulates innovation through reform and promotes development through innovation in an effort to comprehensively and continuously encourage BBMG to achieve a new leap in history.

The Company adheres to be driven by both innovation and capital and industry-finance integration, to basing itself in China and expanding internationally, to green, smart and low-carbon eco, to optimization and transformation by transforming and upgrading traditional industries via the Internet+ Integration, to equal emphasis on quality and efficiency, to making the core basic industries stronger, better and larger and to accelerating the development of new industries.

MANAGEMENT DISCUSSION & ANALYSIS

Additionally, the Company builds an enterprise featured by value seeking, services and creation as well as brand and efficiency, becomes the creator of a better urban life based on industries and guided by services, attains the established objectives of “one core, two leaps, three breakthroughs, sharing of innovation and development results”. In other words, value creation is the core; the leap from a building material manufacturer to an urban life service provider and that from localization strategy to international strategy are achieved; substantial breakthroughs in the Company’s market value, operating revenues and profits are made; all employees and stakeholders share the innovation and development results. The Company’s core competitiveness, brand influence and value creation are remarkably enhanced. Besides, the Company develops into an internationally renowned and nationally leading building material industry group and speeds up its inclusion into the Global 500.

Development Strategy for the Company’s Segments in 2017:

1. Cement and ready-mixed concrete segment upholds the strategic positioning of “building a world-class cement listed company which is modern, professional and large in scale” while places emphasis on the improvement of management, integration of cultures, consolidation of operation as well enhancement of quality and efficiency. It is based on depth integration of information technology and manufacturing technology and guided by green and low-carbon development, concentrates on improving profitability, optimizes production, supply, sales and management pattern, stimulates and taps the potential for efficient allocation of various factors of production, perfects and strengthens segment stock assets, maximizes the economies of scale and synergies, creates cost advantage and comparative advantage, and nurtures the Company’s core competitiveness and capacity of sustainable development.
2. Modern building materials and commerce and logistics segment further enhances the level of integration of products and the level of industrial concentration by adhering to its major target of “making the industry more solid, management stronger and products better” and relying on the Company’s edges on capital, technology and industrial chain synergy; it also needs to make the best use of the stock resources, explores new approaches to increment and development, comprehensively carries out benchmark management, implements enterprise diagnosis and enhances corporate core competitiveness and profitability. The commerce and logistics segment needs to break into both the domestic and international market, and builds an international trade industry primarily engaging in home services and bulk commodity trade and owning operating entities, e-business services and many other operating channels.

MANAGEMENT DISCUSSION & ANALYSIS

3. Property development segment adheres to the guideline of “accelerating cash flow” and the “adjustment to two structures” and keeps enhancing its operating capability and profitability with a view to improving its competitiveness and influence in the market; leveraging the edges of the Company’s industrial chain, it explores the resources along the industrial chain so as to maximize the value of the industrial chain as a whole; it continuously reinforces its awareness towards effective and efficient operation with an aim to commencing its work and sales as soon as possible for quick return of proceeds, while places emphasis on the balanced development of business scale and operation efficiency; it also maintains resources reserve to enhance the boosters for development while at the same time innovates and optimizes control business model, boosts operation efficiency of projects, strictly controls project operating costs, enhances product competitiveness and encourages steady growth in the size and profit of the real estate segment.
4. Property investment and management segment actively promotes management innovation, vigorously presses ahead with the transformation and upgrading of enterprises and maintains the continued economic growth of the segment by adhering to the theme of innovative development and the principle of “changing concept, adjusting structure, strengthening management, and promoting growth” as well as taking into consideration of the work on the transfer of the industrial functions of the Beijing capital city.

(3) Business Plan

2017 will be an important year for the Company in comprehensive implementation of “13th Five-Year Plan”. In general, the global economy tends to maintain a sound growth in the long run, so 2017 is still a period of important strategic opportunities for making great achievement. The Board will adhere to the key note of making progress while maintaining stability, firmly foster and consistently implement new development philosophy, take active initiative to adapt to the “new normal” of economic development, focus on optimization of quality and efficiency, seize the opportunities and overcome the difficulties, guarantee smooth completion of each annual task, strive to make the core basic industries stronger, better and larger, facilitate an overall stable and healthy development of the Company in an orderly manner in accelerating the attainment of the Company’s leap-forward development.

MANAGEMENT DISCUSSION & ANALYSIS

(4) Possible risks**1. Risks in Policies**

The development of cement and property sectors is directly subject to macroeconomic development and macroeconomic control policies. Transformation and upgrade for sustainable development in accordance with supply-side structural reform requirements will become the main theme for cement companies, given the continuous excessive production capacity across the cement industry and the heightened control of governments over overcapacity and environmental pollution. Before the long-term mechanisms conducive to healthy development of the real estate industry become mature, regulatory policies for the real estate industry, especially at regional levels, will be further differentiated and diversified.

Solution: Leveraging fully on the advantages in scale, region and brand, the Company will sharpen its core competence and minimize the risks brought by macroeconomic policies through enhancing the interpretation, analysis and judgment of the national macroeconomic policies, actively adapting to the “new normal” in response to national policies, making use of market trends, further raising the awareness in opportunity identification, synergy among industry segments and development and incrementally enhancing the abilities in institutional innovation, system innovation, technology innovation and management innovation.

2. Risks in Capital Operation

In 2017, the central bank will maintain a prudent monetary policy. The interest rate marketization revolution will be further accelerated. Since it is in the stage of rapid development, the Company will face certain level of financial pressures to maintain daily operations and meet the needs of future development.

Solution: The Company will enhance its management on finance and capital and improve the efficiency of the use of capital. It will also innovate our financing channels with a view to ensuring the safety and stability of the capital chain of the Company. Leveraging the advantages of BBMG Finance Co., Ltd. and BBMG Finance Lease Co., Ltd., cash flow of the Company will be secured as a whole.

MANAGEMENT DISCUSSION & ANALYSIS

3. Risks in Market Competition

In 2016, the Company conducted a strategic reconstructing with Jidong Group successfully, which has further improved the order of the regional market where the cement segment of the Company operates. However, as there is an excess of capacity in the region as a whole, the current demand and supply is still facing with imbalance and fierce price competition exists among enterprises, with concentration in need of further improvement, which constrains and impedes the profitability of the cement segment of the Company.

Solution: Adhering to the principal business of cement, the Company will improve the regional market integration to expand its regional market share. Meanwhile, the Company will intensify internal management and boost its market competitiveness by accelerating transformation and upgrading, enhancing technology research and development and innovation, tweaking equipment and technologies, saving energy and reducing consumption and lowering production costs.

Liquidity and Financial Resources

As at 31 December 2016, the Group's total assets amounted to RMB208,397.1 million, an increase of 59.4% from the beginning of the Reporting Period, of which liabilities amounted to RMB145,487.6 million, minority interests amounted to RMB18,709.0 million and total equity attributable to the shareholders of the parent company amounted to RMB44,200.5 million. Total equity attributable to shareholders amounted to RMB62,909.5 million, an increase of 49.1% from the beginning of the Reporting Period. As at 31 December 2016, the Group's net current assets were RMB24,514.5 million, an increase of RMB365.5 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2016 was 69.8%, an increase of 2.1 percentage points from the beginning of the Reporting Period.

As at 31 December 2016, the Group's cash and bank balances amounted to RMB28,010.2 million, an increase of RMB9,640.3 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, short-term financing bonds, corporate bonds, medium-term notes, private bonds and banking facilities provided by its principal bankers in the PRC. As at 31 December 2016, the Group's interest-bearing bank borrowings amounted to RMB51,672.3 million (as at 31 December 2015: RMB25,504.6 million) and bore fixed interest rates. Of these borrowings, approximately RMB33,584.6 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB14,968.6 million from the beginning of the Reporting Period. Approximately RMB18,087.7 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB11,199.1 million from the beginning of the Reporting Period. The Group's interest-bearing bank borrowings were all denominated in RMB.

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During the Reporting Period, the Company entered into cooperation agreements with various banks to obtain credit facilities. As at the end of the Reporting Period, the Company was granted total bank credit facilities of RMB66,430 million and drew down borrowings of RMB32,541 million. The balance of credit facilities was RMB33,889 million. As at the date of this announcement, no bonds interests of the Company for the current period had not been paid as scheduled, not been fully paid and was payable but yet to be paid. During the Reporting Period, the interests of other bonds and debt financing instrument of the Company had been fully settled as scheduled in accordance with the contract or relevant agreement and there were no event of default having occurred. The Company has sufficient capital for its operations. As at 31 December 2016, the Group had no future plans for material investments or capital assets.

Proposed Issue of Bonus Shares and Change in Board Lot Size

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

Material Acquisition or Disposal of Subsidiaries

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

Connected Transaction

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

Use of Proceeds from the 2013 Proposed Placing and the 2015 Proposed Placing

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

MANAGEMENT DISCUSSION & ANALYSIS

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

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

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

As at 31 December 2016, the Company had utilized the proceeds from the 2013 Proposed Placing and the 2015 Proposed Placing of RMB7,179,765,142.11 (including the use of idle proceeds of RMB9,750,000,000.00 as temporary replenishment of working capital, repayment of RMB7,381,800,000.00 to the designated account for proceeds with working capital, change in use of the proceeds of RMB895,205,900.00, the actual use of RMB3,311,802,423.26 of the proceeds for projects, intermediary fee paid of RMB4,504,100.00 and bank charges paid of RMB52,718.85), and obtained interest earned from depositing of RMB7,578,334.62. The balance of the proceeds was RMB248,553,182.27, including the intermediary fee unpaid of RMB3,624,960.00.

MANAGEMENT DISCUSSION & ANALYSIS

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

According to the Management Measures of Proceeds, regarding the 2013 Proposed Placing and the 2015 Proposed Placing, the Company and Beijing Aerated Concrete Co., Ltd., BBMG (Dachang) Modern Industrial Park Management Co., Ltd., Beijing BBMG Tiantan Furniture Co., Ltd., BBMG GEM Real Estate Development Co., Ltd., Jinyu Ligang (Tianjin) Property Development Co., Ltd. and BBMG Nanjing Real Estate Development Co., Ltd., all being wholly-owned subsidiaries of the Company, have established designated saving accounts for the proceeds raised from the 2013 Proposed Placing and the 2015 Proposed Placing respectively. Upon the receipt of the proceeds raised from the 2013 Proposed Placing and the 2015 Proposed Placing, the Company entered into a Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (《募集資金專戶存儲三方監管協議》) with the bank and the sponsor for the joint supervision over the use of proceeds. The principal terms of the agreement are in line with the Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (Template) (《募集資金專戶存儲三方監管協議(範本)》) issued by the Shanghai Stock Exchange with no significant discrepancy. As of 31 December 2016, the parties to the agreement had exercised their rights and performed their obligations in accordance with the requirements of the Tri-Party Supervisory Agreement for Designated Saving Accounts of Proceeds Raised.

MANAGEMENT DISCUSSION & ANALYSIS

As of 31 December 2016, the deposit of the designated account for proceeds from 2013 Proposed Placing and 2015 Proposed Placing of the Company was as follows:

				Unit: RMB
				Deposit as of
No.	Name of bank	Bank account	Account holder	31 December 2016
1	Bank of Communications Co., Ltd., Beijing Municipal Branch	110060149018170182242	The Company	2,026,817.98
2	Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch	0200203319020196563	The Company	167,803,313.14
3	Industrial and Commercial Bank of China Limited, Shijingshan Branch	0200013419200040504	Beijing Aerated Concrete Co., Ltd. (北京市加氣混凝土有限責任公司)	17,770,917.62
4	China Construction Bank Corporation, Dachang Sub-branch	13001707748050506500	BBMG (Dachang) Modern Industrial Park Management Co., Ltd. (大廠金隅現代工業園管理有限公司)	807,195.94
5	Industrial and Commercial Bank of China Limited, Beijing Anzhen Branch	0200064819024649727	Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天壇傢俱股份有限公司)	-
6	China Construction Bank Corporation, Beijing Urban Construction Development Professional Branch	11050138360000000048	BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	4,739,994.87
7	China Construction Bank Corporation, Beijing Urban Construction Development Professional Branch	11050138360000000047	BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	30,224,940.75
8	Agricultural Bank of China Limited, Tianjin Yong'an Road Branch	02280101040015072	Jinyu Ligang (Tianjin) Property Development Co., Ltd. (金隅麗港(天津)房地產開發有限公司)	20,013,724.07
9	Agricultural Bank of China Limited, Nanjing Xinglong Street Branch	10109201040009981	BBMG Nanjing Real Estate Development Co., Ltd. (金隅南京房地產開發有限公司)	5,166,277.90
Total				248,553,182.27

Note: The savings balance in the designated account for proceeds from the aforementioned 2013 Proposed Placing and the 2015 Proposed Placing are current savings, which includes savings interest income of RMB7,578,334.62.

The Company strictly followed the Management Measures of Proceeds when using the proceeds from the 2013 Proposed Placing and 2015 Proposed Placing. The details of the actual use of proceeds as of 31 December 2016 were as follows:

MANAGEMENT DISCUSSION & ANALYSIS

- Note 1: Engineering project of BBMG international logistics park has been basically completed. As at 31 December 2016, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB600,000,000.
- Note 2: Production line project with an annual production capacity of 0.8 million pieces of furniture has been basically completed. As of 31 December 2016, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB135,420,000. The difference between committed investment before and after fund raising of the project was due to the deduction of issuance expense of RMB20.3041 million, as well as the deduction of the change in proceed-financed project. As of the date of this announcement, the committed investment proceeds for the production line project with an annual production capacity of 0.8 million pieces of furniture changed to RMB900 million. Such change was considered and announced at the 2014 annual general meeting of BBMG Corporation.
- Note 3: The difference between committed investment before and after fund raising of Chaoyang District Chaoyang North Road (Former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project was due to the deduction of issuance expense of RMB62.1250 million.
- Note 4: BBMG Zhongbei Town residential project has been basically completed. As at 31 December 2016, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB170,080,000.
- Note 5: Replenishment of working capital is for the pre-use plan of the allocation of proceeds from issuance in accordance with the disclosures of "I. Plan of Use of Proceeds from Private Issuance" under section 4 "Analysis on the Feasibility of the Use of Proceeds by the Board" in "Proposal of Private Issuance of A Shares of BBMG Corporation" published on 27 March 2015.

Prepayment for investment projects and replacement in relation to the proceeds

In order to ensure the smooth progress of the proceeds-financed projects, the Company has utilised its self-financing funds for the proceeds-financed projects before the proceeds are in place. RMB1,176,444,800 of the self-financing funds have been used.

(I) 2013 Proposed Placing

In accordance with Regulations in Relation to the Management of Proceeds of Listed Companies by Shanghai Stock Exchange, the Company considered and passed the "resolution for replacing self-financing funds invested in the proceeds-financed projects in advance by proceeds" at the ninth meeting of the third session of the Board, agreeing the replacement of the self-financing funds invested by the Company in the proceeds-financed projects in advance in sum of RMB148,371,400 by the proceeds from the 2013 Proposed Placing.

MANAGEMENT DISCUSSION & ANALYSIS

(II) 2015 Proposed Placing

In accordance with Regulations in Relation to the Management of Proceeds of Listed Companies by Shanghai Stock Exchange, the Company considered and passed the “resolution for replacing self-financing funds invested in the proceeds-financed projects in advance by proceeds” at the second meeting of the fourth session of the Board, agreeing the replacement of the self-financing funds invested by the Company in the proceeds-financed projects in advance in sum of RMB1,028,073,400 by the proceeds from the 2015 Proposed Placing.

Use of Idle Proceeds for Temporary Replenishment of Working Capital During the Reporting Period**(I) 2013 Proposed Placing****1 *Return of partial idle proceeds used for replenishment of working capital upon expiry***

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the ninth meeting of the third session of the Board, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent directors and supervisory board have expressed their consent opinions towards this proposal and made an announcement accordingly.

As at 9 April 2015, the Company had returned in full the proceeds of RMB2,200 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds and made an announcement accordingly.

2 *Use of idle proceeds for temporary replenishment of working capital*

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the eighteenth meeting of the third session of the Board, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent director and supervisory board have expressed their consent opinions towards this proposal and made an announcement accordingly.

MANAGEMENT DISCUSSION & ANALYSIS

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

3 *Certain idle proceeds for replenishment of working capital*

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the fourth meeting of the fourth session of the Board, the Company agreed to use RMB900 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent director and supervisory board have expressed their consent opinions towards this proposal and made an announcement accordingly.

As at 21 March 2017, the Company announced that it would return in full the proceeds of RMB900 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds.

(II) 2015 Proposed Placing

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

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the second meeting of the fourth session of the Board, the Company agreed to use RMB2,650 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date of consideration and approval by the Board, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent directors and supervisory board have expressed their consent opinions towards this proposal and made an announcement accordingly.

As at 30 September 2016, the Company had returned in full the proceeds of RMB2,650 million, which were used for the temporary replenishment of working capital, to the designated account for proceeds and made an announcement accordingly.

MANAGEMENT DISCUSSION & ANALYSIS

2 Certain idle proceeds for replenishment of working capital

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the fifteen meeting of the fourth session of the Board, the Company agreed to use not more than RMB1,800 million from the idle proceeds as temporary replenishment of working capital, for a term not more than 12 months from the date the Board considered and approved the use, upon expiry of which the monies shall be returned to the designated account for proceeds. The sponsor, independent director and supervisory board have expressed their consent opinions towards this proposal and made an announcement accordingly.

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

Change of proceeds-financed projects

In order to ensure the proceeds-financed projects can be implemented in a more efficient manner, consolidate the internal furniture industrial structure of the Group and further leverage the professional edge of Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天坛傢俱股份有限公司), the Company established Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天坛傢俱股份有限公司) as the major company to implement the production line project with an annual production capacity of 0.8 million pieces of furniture. The Company convened the sixteenth meeting of the third session of the Board via telecommunication means on 29 January 2015, and convened 2014 annual general meeting on 27 May 2015 for consideration. At the meeting, the proposals regarding the change of the investment amount of the production line project with an annual production capacity of 0.8 million pieces of furniture from RMB2,538,075,100 to RMB1,294,112,800 and the change of the amount of proceeds intended to be used from RMB1,795,205,900 to RMB900,000,000 were approved. The amount of change in use of the proceeds was RMB895,205,900. The sponsor, independent director and supervisory board have expressed their consent opinions towards this proposal and made an announcement accordingly.

MANAGEMENT DISCUSSION & ANALYSIS

Major Transaction and Proposed Spin-off

On 15 April 2016, the Company entered into a framework agreement (the “**Framework Agreement**”) with State-owned Assets Supervision and Administration Commission of Tangshan* (唐山市人民政府國有資產監督管理委員會) (“**Tangshan SASAC**”) and Jidong Group in relation to: (i) the possible acquisition of not less than 51% equity interests in Jidong Group by the Company (the “**Equity Restructuring**”); and (ii) the possible injection of cement and concrete businesses into Jidong Cement by the Company and/or Jidong Group (the “**Asset Restructuring**”). For further details of the Framework Agreement, please refer to the announcement of the Company dated 17 April 2016.

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

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

MANAGEMENT DISCUSSION & ANALYSIS

As the minority shareholders of certain subsidiaries engaging in the manufacturing and sale of cement and ready-mixed concrete (the “**Entrustment Companies**”) have not consented to the transfer of the equity interests in the Entrustment Companies by the Company to Jidong Cement and giving up of their right of first refusal, these Entrustment Companies will not be subject to transfer under the Asset Restructuring. The Company undertakes that the equity interests in the Entrustment Companies will be transferred to Jidong Cement for cash consideration in the event minority shareholders’ consent is obtained in the future. To prevent business competition with Jidong Cement, on 29 June 2016, the Company entered into the entrustment agreement (the “**Entrustment Agreement**”) with Jidong Cement, pursuant to which the Company shall entrust Jidong Cement to manage all rights other than ownership and income right of the Entrustment Companies, including but not limited to shareholders’ voting right of the Entrustment Companies, and right of appointment or choice of the managers. Except where the Company has consented in writing, Jidong Cement shall not dispose of the Entrustment Companies, including creating pledges or third-party interests in other forms. Pursuant to the Entrustment Agreement, the Company shall pay Jidong Cement a fixed entrustment fee of RMB1,000,000 per annum and floating entrustment fees equivalent to the 10% of the net profit of the relevant Entrustment Companies for the year, multiplied by the percentage of the relevant equity interests held by the Company. For further details of the Share Issuance and Asset Purchase Agreement and the Entrustment Agreement, please refer to the announcement of the Company dated 29 June 2016.

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

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

MANAGEMENT DISCUSSION & ANALYSIS

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

On 11 October 2016, Jidong Group went through the formalities for the change of the registration in respect to additional registered capital and equity transfer, and has received the business license, after which, the implementation of the Equity Restructuring was completed and the registered capital and shareholding structure of Jidong Group as registered with registration office are as follows:

Name of shareholders	Capital injected (RMB in ten thousands)	Percentage of capital injected (%)
The Company	136,372.7244	55
Tangshan SASAC	111,577.6836	45
Total	247,950.4080	100

For further details of the Equity Restructuring, Asset Restructuring and the Proposed Spin-off, please refer to the circular of the Company dated 29 July 2016 and the announcements of the Company dated 13 July 2016, 15 July 2016, 19 July 2016, 3 August 2016, 4 August 2016, 10 August 2016, 8 September 2016, 19 September 2016, 13 December 2016 and 22 December 2016.

MANAGEMENT DISCUSSION & ANALYSIS

Pledge of Assets

As at 31 December 2016, certain of the Group's inventories, fixed assets, investment properties, land use rights, equity interest, accounts receivable and bills receivable amounting to RMB24,050.9 million (as at 31 December 2015: RMB11,337.6 million) were pledged to secure short-term and long-term loans of the Group, which accounted for approximately 11.5% of the total assets of the Group (as at 31 December 2015: 8.7%).

Contingencies

		As at 31 December 2016	Unit: RMB As at 31 December 2015
Provision of guarantee on mortgage to third parties	Note 1	11,567,845,119.91	5,669,464,952.49
Provision of guarantee on loans and others to third parties	Note 2	4,644,000,000.00	–
		16,211,845,119.91	5,669,464,952.49

Note 1: Certain customers of the Group have purchased the commodity housing developed by the Group by way of bank mortgage (secured loans). According to 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 management is of the opinion that in the event of default in payments, the net realizable value of the relevant properties is sufficient to cover the outstanding mortgage principals together with the accrued interests and penalties, and therefore no provision for the guarantees has been made in the financial statements.

Note 2: In 2016, Jidong Group, a subsidiary of the Group, provided guarantees on the borrowings of RMB2,270,000,000.00 and the borrowings of RMB2,374,000,000.00 for Tangshan Nanhu Eco-City Construction Investment Development Co., Ltd. (唐山市南湖生態城開發建設投資有限責任公司) and Tangshan Construction Investment Co., Ltd. (唐山建設投資有限責任公司), respectively. The guarantees will expire on 21 May 2029 and 20 April 2018, respectively.

MANAGEMENT DISCUSSION & ANALYSIS

In addition, Jidong Cement, a subsidiary of the Group, collaborated with downstream customers and banks to operate the future delivery rights financing business, pursuant to which, the enterprises (including concrete enterprises and others) will pay a certain proportion of guarantee fund to the bank for the issuance of bank acceptance bills with a term of not more than 6 months as settlement of cost of goods of Jidong Cement. In the event that the enterprises (including concrete enterprises and others) fail to pay up in full the remaining balance of guarantee fund when the bills fall due, the bank has the right to require Jidong Cement to refund the corresponding portion of cost of goods. As at the balance sheet date of Jidong Cement, the contingent liabilities of the business commitment totaled RMB 50,095,000.

Commitments

	As at 31 December 2016	Unit: RMB As at 31 December 2015
Contracted but not provided for:		
Capital commitments	542,376,549.90	361,924,923.37
Property development contracts	<u>11,085,389,938.29</u>	<u>8,413,910,062.16</u>
	<u>11,627,766,488.19</u>	<u>8,775,834,985.53</u>

The significant commitments made by the Group as at 31 December 2015 had been duly performed as previously undertaken.

Risk Management

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

Significant Events After the Balance Sheet Date

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

MANAGEMENT DISCUSSION & ANALYSIS

Employees and Remuneration Policy

As at 31 December 2016, the Group had 49,721 employees in total (as at 31 December 2015: 28,619 employees). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB2,208.5 million (for the year ended 31 December 2015: RMB1,839.9 million), representing an increase of approximately 20.0%.

The Company maximized the enthusiasm and creativity of its staff through staff deployment to give full play to synergistic growth of the staff income and economic benefits, so as to maintain the stability of our staff team as well as attract, introduce and retain talents, strengthening the core competitiveness and creativity of 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 employees 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 maintaining the capacity for the sustained robust development of the Company. Given the actual situation of the Company and the varied features of business developments of its subsidiaries, with a view to executing the remuneration and benefit programme in a more flexible and efficient manner, the Company's remuneration policy was mainly implemented in certain forms set out as follows:

Operations and management staff (including senior management of parent company and subsidiaries) receives salaries mainly on an annual basis. The Company raised the proportion of performance-based pay in the total remuneration, as well as implemented deferred payment for the performance-based pay within their tenure of service, facilitating the performance of due diligence and diligent responsibility of senior management through its policies and systems. The Company adopted a position-based salary system for its general management, technicians and production personnel, featuring salaries according to role. The Company raised the proportion of fixed income to enhance the security function of salary and guarantee the stability of staff team through a well-established position evaluation system. Meanwhile, the Company put greater efforts in performance assessment to develop a fairer and more scientific income distribution system so that all staff could be benefited from the development of the Company. Focusing on the different characteristics of our subsidiaries, the Company also proactively explored a remuneration distribution system with various allocation factors for management, sales and technical personnel in a bid to boost the enthusiasm and creativity of key talents and enhance the production efficiency by adopting

MANAGEMENT DISCUSSION & ANALYSIS

piece rate for production staff. The Company proactively facilitated the trial operation of a broad band salary system and the assessment and engagement system for professional and technical personnel and core staff for enterprises with solid foundation in management and stable business development, opened up channels for career development and remuneration adjustment, in order to give full play to boosting the enthusiasm and creativity of its staff and create a harmonious and stable working environment.

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

Training Scheme

The Company's training program encompasses theoretical study classes for department heads and cadres in factories, backup team training for talents of three supports (supporting agriculture, education and health), training for grassroots party workers, training for directors, supervisors and senior management members, training for investor relation, training for orientation of college graduates, training for human resource managers, training regarding legal common knowledge, continuing training in internal audit, training in safety production, training in petition business and training for chief employees, covering a total of 8,815 people.

The statistics of the profession composition of the employees (as at 31 December 2016)

Employee profession	Number of employees
Production personnel	27,224
Sales personnel	4,018
Technical personnel	10,261
Financial personnel	1,708
Administrative personnel	5,391
Other personnel	1,119
	<hr/>
Total	49,721

MANAGEMENT DISCUSSION & ANALYSIS

The statistics of the education level of the employees (as at 31 December 2016)

Education level	Number of employees
Postgraduate or higher	809
Undergraduate	11,335
Tertiary college graduate	10,776
Secondary vocational school graduates or lower qualifications	26,801
Total	49,721

Foreign Exchange Risk Management

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

Treasury Policies

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

MANAGEMENT DISCUSSION & ANALYSIS

Gratuitous Transfer of State-owned A Shares in the Company

On 17 October 2016, the Board was informed by BBMG Group that according to the arrangement of State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality ("**Beijing SASAC**"), BBMG Group proposes to transfer gratuitously to 北京國有資本經營管理中心 (Beijing State-owned Capital Operation and Management Center*) ("**Beijing SCOM Center**") the 4,797,357,572 A Shares held by BBMG Group (representing 44.93% of the total share capital of the Company) (the "**Equity Transfer**"). The completion of the Equity Transfer is subject to, amongst other things, the approval of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and other authoritative government bodies, and the grant of waiver from the general offer obligation of Beijing SCOM Center by China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong (the "**SFC**"). On 17 November 2016, the SFC has granted a waiver pursuant to Note 6(a) to Rule 26.1 of The Code on Takeovers and Mergers from the obligation of Beijing SCOM Center to make a general offer for the shares of the Company which may otherwise arise as a result of the Equity Transfer. The Equity Transfer was completed on 28 December 2016. BBMG Group no longer holds any shares of the Company and Beijing SCOM Center has become the controlling shareholder of the Company. The Equity Transfer did not change the actual controller of the Company, which remains to be Beijing SASAC. For further details of the Equity Transfer, please refer to the announcements of the Company dated 17 October 2016, 24 October 2016, 14 November 2016, 18 November 2016, 23 November 2016, 25 November 2016 and 29 December 2016.

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting to the shareholders their report and the audited financial statements of the Group for the year ended 31 December 2016. 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 XVI 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 315 to 327. An analysis of the performance of the operating segments of the Group for the year by business segments is set out in Note XIV. 2 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group at that date are set out in the financial statements on pages 134 to 135 and 131 to 133 of this Annual Report.

No interim dividend had been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.046 per share (totaling approximately RMB491,177,472) for the year ended 31 December 2016 to the shareholders on or before 17 July 2017 subject to the approval of the shareholders of the Company at the forthcoming 2016 annual general meeting ("**2016 AGM**").

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

REPORT OF THE DIRECTORS

Business Review

Details of the Group's business review as specified in Schedule 5 Rules 1 and 2 of the Hong Kong Companies Ordinance (Chapter 622) during the Reporting Period, including (i) the review of the Group's business; (ii) a description of the principal risks and uncertainties facing the Group; (iii) particulars of important events affecting the company that have occurred since the end of the Reporting Period; (iv) an indication of likely future development in the Group's business; (v) an analysis using financial key performance indicators; (vi) a discussion on the Group's environmental policies and performance and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and (vii) an account of the Group's key relationships with its key stakeholders such as employees that have a significant impact on the Group and on which the Group's success depends are set out in the sections headed "Management Discussion & Analysis" on pages 20 to 71 and "Report of the Directors" on pages 72 to 85 of this Annual Report.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the Reporting Period are set out in Notes V. 14 and V. 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 36.

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 388 of this Annual Report. This summary does not form part of the audited financial statements.

Bank Loans, Corporate Bonds and Notes

Details of the Company's and the Group's short-term loans, bills payable, long-term loans and bonds payable as at 31 December 2016 are set out in Notes V. 23, 24, 34 and 35 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB1,206,241,534.26, details of which were set out in Note V. 53 to the financial statements. Pursuant to the special resolution considered and approved at the 2015 second extraordinary general meeting of the Company held on 27 November 2015, the Company issued (1) the first tranche of corporate bonds (type 1) in the total amount of RMB3.2 billion on 15 March 2016 with a coupon rate of 3.12% and a term of 5 years (with option available to the issuer to increase the coupon rate and option available to the investors to re-sell at the end of the third year) and (2) the first tranche of corporate bonds (type 2) in the total amount of RMB1.8 billion on 15 March 2016 with a coupon rate of 3.5% and a term of 7 years (with option available to the issuer to increase the coupon rate and option available to the investors to re-sell at the end of the fifth year). Pursuant to the special resolution considered and approved at the annual general meeting of the Company held on 27 May 2015, the Company issued (1) the first tranche of super short-term notes in the total amount of RMB2.0 billion on 20 April 2016 with a coupon rate of 3.37% and a term of 180 days; (2) the second tranche of super short-term notes in the total amount of RMB3.0 billion on 19 May 2016

REPORT OF THE DIRECTORS

with a coupon rate of 3.49% and a term of 266 days; (3) the first tranche of medium-term notes in the total amount of RMB2.0 billion on 6 September 2016 with a coupon rate of 4.50%; and (4) the second tranche of medium-term notes in the total amount of RMB2.0 billion on 8 September 2016 with a coupon rate of 4.66%. The proceeds of the corporate bonds, super short-term notes and medium-term notes were used for general working capital, including but not limited to the capital requirements for project investments and capital operations.

Permitted Indemnity Provision

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

Environmental Protection Policies

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by conserving natural resources and encouraging recycle of resources. Meanwhile, the Group has conscientiously implemented a series of national and local guidelines and policies on energy conservation and environmental protection, took energy conservation and environmental protection as an important means for transforming development mode, increasing efficiency and fulfilling social responsibilities, and strived to overcome the profound impact resulting from severe and complicated economic situation and national industrial policy adjustment to steadily carry forward energy conservation and environmental protection work.

Relationships with Customers, Suppliers and Employees

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

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

REPORT OF THE DIRECTORS

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

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

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

Share Capital and Sufficiency of Public Float

Details of movements in the share capital of the Company during the Reporting Period are set out in Note V. 41 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. 42, 43, 44, 45, 46, 47 and 48 to the financial statements, the consolidated statement of changes in equity and the statement of changes in equity.

Distributable Reserves of the Company

As at 31 December 2016, an amount of approximately RMB12,334,368,299.00 standing to the credit of the Company's reserve account is available for distribution, of which approximately RMB491,177,500 has been proposed as a final dividend for the year.

REPORT OF THE DIRECTORS

Directors and Supervisors

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

Executive Directors:

Jiang Deyi (*Chairman*)

Wu Dong

Zang Feng

Wang Shizhong (resigned on 19 February 2016)

Li Weidong (resigned on 5 August 2016)

Shi Xijun (resigned on 26 August 2016)

Zhang Jianli (resigned on 21 October 2016)

Independent non-executive Directors:

Wang Guangjin

Tian Lihui

Tang Jun

Ngai Wai Fung

Supervisors:

Wang Xiaojun (resigned on 22 March 2017)

Li Bichi (resigned on 22 March 2017)

Yu Kaijun

Zhang Dengfeng

Hu Juan

Zhang Yifeng

Wang Xin

The terms of office of the Directors and Supervisors of the current fourth session of the Board and supervisory board of the Company ("**Supervisory Board**") commenced from the conclusion of the 2015 second extraordinary general meeting ("**2015 Second EGM**") held on 27 November 2015 and will expire on the date of the annual general meeting of the Company for the year of 2017.

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.

REPORT OF THE DIRECTORS

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 Arrangements or Contracts

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

Directors' Interests in Businesses Competing with the Group

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

Employee Retirement Plan

Please refer to Notes III. 20 and V. 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 XIV. 4 to the financial statements.

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

REPORT OF THE DIRECTORS

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

The remuneration of supervisors will be determined in general meetings held for approving their appointment, of which (i) supervisors nominated by the controlling shareholder will not receive any separate remuneration; (ii) supervisors nominated by other shareholders will receive an annual remuneration of RMB50,000 (before tax); and (iii) supervisors elected democratically by the staff and workers of the Company will not receive any separate remuneration.

Top Five Highest-Paid Employees

Details of the top five highest-paid employees of the Company during the Reporting Period are set out in Note XIV. 5 to the financial statements.

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

As at 31 December 2016, the interests or short positions of the Directors, supervisors or chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register of interests required to be kept under section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

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

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

REPORT OF THE DIRECTORS

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

Model Code for Securities Transactions by Directors and Supervisors

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

As at 31 December 2016, the Directors were not aware of any issues of the Directors, supervisors and relevant employees not in compliance with the Model Code during the Reporting Period. Specific enquiry has been made by the Company to all Directors and supervisors, who have confirmed that they had complied with the Model Code during the Reporting Period.

Pre-Emptive Rights

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

Charitable Donations

Charitable donations made by the Group during the Reporting Period amounted to RMB533,347.02 (for the year ended 31 December 2015: RMB1,276,461.61).

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.

REPORT OF THE DIRECTORS

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.

Profit Distribution for Investors of Northbound Trading

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

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

Profit Distribution for Investors of Southbound Trading

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

REPORT OF THE DIRECTORS

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

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

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 2016, the Group had no redeemable securities.

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

So far as was known to the Directors, as at 31 December 2016, shareholders of the Company who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

REPORT OF THE DIRECTORS

Long positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of issued share capital (%)	Percentage of total issued share capital (%)
A Shares	北京國有資本經營管理中心 (Beijing SCOM Center) (Note 1)	Direct beneficial owner	4,797,357,572	57.53	44.93
	北京京國發股權投資基金(有限合夥) (Beijing Jingguofa Equity Investment Fund (Limited Partnership)*) (Note 2)	Interest of corporation controlled by the substantial shareholder	105,749,102	1.27	0.99
	State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1)	Held by controlled corporation	4,903,106,674	58.80	45.92
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	242,592,324	10.37	2.27
H Shares	FMR LLC	Investment manager	234,307,124	10.02	2.19
H Shares	BlackRock Global Funds	Beneficial owner	163,915,000	7.01	1.54
H Shares	JPMorgan Chase & Co.	Beneficial owner	4,346,458	0.19	0.04
		Investment manager	99,545,000	4.26	0.93
		Custodian-corporation/ approved lending agent	114,864,600	4.91	1.08
		Total:	218,756,058	9.35	2.05
H Shares	Sloane Robinson LLP	Investment manager	140,994,000 (Note 3)	6.03	1.32

Note 1: The Beijing SCOM Center is a collectively-owned enterprise established under the laws of the PRC with registered capital fully paid up by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Note 2: The Beijing SCOM Center is interested in 105,749,102 A Shares of the Company through its 57.77% direct equity interest in 北京京國發股權投資基金(有限合夥) (Beijing Jingguofa Equity Investment Fund (Limited Partnership)*).

Note 3: As the Company conducted a bonus share issue on the basis of one bonus share for every one existing share on 17 June 2016 (for H Shares) and 7 July 2016 (for A Shares), the number of shares had been calculated by the Company based on the latest filings made by the substantial shareholder as at 31 December 2016, and as appropriate, multiplied by two.

REPORT OF THE DIRECTORS

Lending pool:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of issued share capital (%)	Percentage of total issued share capital (%)
H Shares	JPMorgan Chase & Co.	Custodian-corporation/ approved lending agent	114,864,600	4.91	1.08

Short positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of issued share capital (%)	Percentage of total issued share capital (%)
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	852,000	0.04	0.01
H Shares	JPMorgan Chase & Co.	Beneficial owner	2,019,000	0.09	0.02

Save as disclosed above, as at 31 December 2016, so far as was known to the Directors, there were no other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

Major Customers and Suppliers

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

Competition and Conflict of Interests

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

Connected Transactions and Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the Group had no disclosable connected transaction during the Reporting Period and the following transactions are "continuing connected transactions" within the meaning of the Listing Rules which are required to be disclosed in the annual report of the Company. Details of the transactions between the Company and the related parties are set out in Note X "Related Party Relationships and Transactions" to the financial statements. Other than the transactions set out below, there are no other connected transactions that constitute connected transactions within the meaning of the Listing Rules. The Company confirms that it has complied with the specific requirements of the Listing Rules in relation to the connected transactions.

Continuing Connected Transactions***Provision of services to the BBMG Group***

On 23 December 2014, the Company entered into a service provision framework agreement with the BBMG Group (the "**2015 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 BBMG Group (including its associates) to BBMG Group for a term commenced on 1 January 2015 and will expire on 31 December 2017. As disclosed in the announcement of the Company dated 23 December 2014, the annual cap in respect of the transactions under the 2015 Service Provision Framework Agreement for the Reporting Period was RMB30,000,000 and the total actual transaction amount for the Reporting Period was approximately RMB2,190,000.

REPORT OF THE DIRECTORS

The independent non-executive directors of the Company, Wang Guangjin, Tian Lihui, Tang Jun and Ngai Wai Fung, have, for the purpose of Rule 14A.55 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;
- (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; and
- (iv) in accordance with the pricing policies and guidelines as set out in the announcement of the Company dated 23 December 2014.

Ernst & Young Hua Ming LLP, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 – Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young Hua Ming LLP has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Independent Auditor

The consolidated financial statements for the year ended 31 December 2016 of the Company have been audited by Ernst & Young Hua Ming LLP, who will retire and, being eligible, offer themselves for re-appointment. A resolution reappointing Ernst & Young Hua Ming LLP as the independent auditor of the Company will be proposed at the forthcoming 2016 AGM.

On behalf of the Board

Jiang Deyi

Chairman

Beijing, the PRC

29 March 2017

REPORT OF THE SUPERVISORY BOARD

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

1. Meetings of the Supervisory Board in 2016

During the Reporting Period, the Supervisory Board held 6 meetings in total. Details are set out as follows:

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

The third meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 24 March 2016. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the annual report and its summary and the annual results announcement of the Company for 2015
2. The resolution for considering the provision for impairment of assets of the Company
3. The resolution for considering the audited accounts of the Company for 2015
4. The resolution for considering the preliminary profit distribution of the Company for 2015
5. The resolution for considering the corporate social responsibility report of the Company for 2015
6. The resolution for considering the "Special Report on the Deposit and the Actual Use of Proceeds" of the Company
7. The resolution for considering the temporary supplement of working capital by certain idle proceeds by the Company
8. The resolution for considering the report of the Supervisory Board for 2015

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

The fourth meeting of the fourth session of the Supervisory Board was convened by way of communication voting on 26 April 2016 to consider and approve the resolution for considering the first quarterly report of the Company for 2016.

REPORT OF THE SUPERVISORY BOARD

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

The fifth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 31 May 2016. All seven eligible Supervisors attended the meeting. The resolution regarding the increase in the capital contribution to and acquisition of equity interest of Jidong Development Group Co., Ltd. was considered and approved at the meeting.

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

The sixth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 29 June 2016. All seven eligible Supervisors attended the meeting. The resolution regarding the relevant matters of the subscription of the issued shares of Tangshan Jidong Cement Co., Ltd. with the relevant assets of the cement and other businesses of the Company was considered and approved at the meeting.

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

The seventh meeting of the fourth session of the Supervisory Board was convened by way of communication voting on 29 August 2016 to consider and approve the following resolutions:

1. The resolution for considering the interim report, summary and the interim results announcement of the Company for 2016
2. The resolution for considering the "Interim Special Report on the Deposit and the Actual Use of Proceeds for 2016" of the Company

REPORT OF THE SUPERVISORY BOARD

(VI) The eighth meeting of the fourth session of the Supervisory Committee

The eighth meeting of the fourth session of the Supervisory Board was convened on-site in Beijing on 26 October 2016. All seven eligible Supervisors attended the meeting. The following resolutions were considered and approved at the meeting:

1. The resolution for considering the third quarterly report of the Company for 2016
2. The resolution for considering the temporary supplement of working capital by certain idle proceeds

2. Attendance of Members of the Supervisory Board at General Meetings and their In-attendance at Board Meetings in 2016

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

3. Opinion of the Supervisory Board on Certain Issues of the Company for the Year 2016

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

REPORT OF THE SUPERVISORY BOARD

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

Pursuant to the laws and regulations of the jurisdiction(s) where the shares of the Company are listed, the Supervisory Board had duly overseen and examined the convening procedures and resolutions of the Board meetings of the Company, implementation by the Board of the resolutions of the shareholders' general meetings, the performance of duties by the senior management of the Company under relevant laws and the establishment and implementation of a mature internal management system of the Company in 2015. With respect to the business operations of the Company and the performance of duties by the Directors and the senior management, the Supervisory Board was not aware of any violation of laws, regulations, the Articles of Association and relevant protocols, rules of procedures, nor any power being abused or infringement of the interests of the shareholders of the Company and the legitimate rights of the employees.

(II) Opinion on financial position of the Company

During the Reporting Period, the Supervisory Board had duly supervised and inspected the financial system and financial position of the Company, and carefully considered the financial information of the Company as contained in the Audited Accounts of the Company for 2015, Preliminary Profit Distribution Plan for 2015, the financial accounting reports included in the regular reports (定期報告) in 2015 and the first quarterly report, interim report and third quarterly report for 2016, and is of the opinion that the Company's financial information gives a true, fair and complete view of its financial conditions and operating performance.

(III) Opinion on regular reports of the Company

During the Reporting Period, the Supervisory Board exercised supervision over the preparation, review and disclosure procedures of the Company's regular reports disclosed in 2016, and is of the opinion that such procedures are in compliance with laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company. The content and format of the regular reports are in line with all provisions of the regulatory authorities and the information contained therein gives a true, accurate and complete view of the operating condition of the Company during each of the Reporting Period in 2015 and 2016. 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.

REPORT OF THE SUPERVISORY BOARD

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

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

(V) Opinion on connected transactions of the Company

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

(VI) Opinion on corporate social responsibility report

During the Reporting Period, the Supervisory Board reviewed the Company's corporate social responsibility report for 2015, and is of the opinion that the report gives an objective and practical view of the performance of corporate social responsibilities of the Company during the year.

4. Work Plan of the Supervisory Board for 2017

In 2017, the Supervisory Board will continue to discharge its duties diligently in compliance with the relevant requirements under applicable laws and regulations including the Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Board of the Company, thereby protecting the legitimate rights and interests of the Company and its shareholders as a whole.

(I) Duly discharging duties under the laws and regulations

In 2017, the Supervisory Board will exercise supervision over standardized operations and the performance of duties by the Directors and the senior management of the Company in strict compliance with the Company Law, the Articles of Association and relevant requirements. Firstly, it will procure the Company to further improve

REPORT OF THE SUPERVISORY BOARD

its corporate governance structure and governance practices according to the requirements of the modern enterprise systems. Secondly, it will continue to strengthen its supervisory functions by attending the general meetings and the Board meetings under the laws to keep informed of the Company's major decisions and the legitimacy of decision-making processes to better protect the rights and interests of the shareholders of the Company. Thirdly, it will implement the Rules of Procedures of the Supervisory Board and convene meetings of the Supervisory Board on a regular basis.

(II) Strengthening supervision and inspections to avoid operational risks

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

(III) Enhancing communications of the Board and the management to facilitate rational and scientific decisions and management of the Company; enhancing communications with the staff to advance the Company's democratic management and harmonious development.

(IV) Uplifting professional capabilities through self-improvements to better perform the supervisory duties of the Supervisory Board.

Zhang Dengfeng

Supervisory Board

Beijing, the PRC

29 March 2017

INVESTOR RELATIONS REPORT

Overview

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

Investor Relations Review

1. Meetings with Investors

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

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

INVESTOR RELATIONS REPORT

2. Ongoing Communications with Shareholders, Investors and Analysts

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

3. Results Announcement

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

4. Maintaining Interactive Communications with Media

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

5. Timely Dissemination of Latest Corporate Updates

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

INVESTOR RELATIONS REPORT

Prospects

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

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

Investor Information

1 Share Particulars

H Shares

Listing date	29 July 2009
Board lot	1,000 shares
Number of issued H shares	2,338,764,870 shares (as at 31 December 2016 and 29 March 2017)
Stock code	02009.HK

A Shares

Listing date	1 March 2011
Board lot	100 shares
Number of issued A shares	8,339,006,264 shares (as at 31 December 2016 and 29 March 2017)
Stock code	601992.SH

INVESTOR RELATIONS REPORT

- 2 Financial Calendar
- | | |
|--|-----------------------------------|
| 2015 annual results announcement | published on 23 March 2016 |
| 2016 first quarterly results announcement | published on 26 April 2016 |
| 2016 interim results announcement | published on 29 August 2016 |
| 2016 third quarterly results announcement | published on 26 October 2016 |
| 2016 annual results announcement | published on 29 March 2017 |
| Closure of register of H shares members for attending the 2015 AGM | from 19 April 2016 to 18 May 2016 |
| 2015 AGM | 18 May 2016 |
| Closure of register of H shares members for attending the 2016 AGM | from 18 April 2017 to 17 May 2017 |
| 2016 AGM | 17 May 2017 |
| Financial year end | 31 December |
- 3 Dividends
- | | |
|---|---|
| 2015 final dividend | RMB0.015 per share (adjusted for bonus issue) |
| Closure of register of H shares members for 2015 final dividend | from 26 May 2016 to 31 May 2016 |
| 2015 H shares final dividend payment date | 18 July 2016 |
| Proposed 2016 final dividend | RMB0.046 per share |
| Closure of register of H shares members for 2016 final dividend | from 26 May 2017 to 31 May 2017 |
| 2016 H shares final dividend payment date | 17 July 2017 |

For any queries, please contact:

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CORPORATE GOVERNANCE REPORT





BBMG



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2016.

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 had applied the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company had applied the principles and complied with all the code provisions of the corporate governance code (the "**CG Code**"), as amended from time to time, set out in Appendix 14 to the Listing Rules during the Reporting Period as its own code on corporate governance practices. During the Reporting Period, the Company had reviewed its corporate governance documents and was of the view that the Company had fully complied with the code provisions of the CG Code other than Code A.2.1, which requires that the roles of chairman and chief executive officer should be two separate roles and should not be performed by the same individual. Since 1 July 2015 and up to 4 August 2016, Mr. Jiang Deyi had served as the Chairman as well as the President of the Company. Despite such deviation, the Directors believe that as all major decisions are made after negotiation with other members of the Board, there is appropriate balance of power and authority in place.

The Board received a resignation letter from Mr. Jiang Deyi because of his work adjustment on 5 August 2016 in respect of his duty as the President of the Company with effect from 5 August 2016. The Board has also approved the appointment of Mr. Zeng Jing as the President of the Company on 5 August 2016, for a term commencing from 5 August 2016 and expiring on the date of the annual general meeting of the Company for the year 2017. Accordingly, the Company has complied with code provision A.2.1 of Appendix 14 to the Listing Rules since 5 August 2016. For details of the resignation of Mr. Jiang Deyi as the President of the Company and the appointment of Mr. Zeng Jing as the President of the Company, please refer to the announcement of the Company dated 5 August 2016.

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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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 comprised three executive Directors, and four independent non-executive Directors:

Executive Directors:

Jiang Deyi	Chairman of the Board and Chairman of the Strategic Committee
Wu Dong	Member of the Remuneration and Nomination Committee
Zang Feng	Member of the Remuneration and Nomination Committee

Independent non-executive Directors:

Wang Guangjin	Chairman of the Remuneration and Nomination Committee and members of the Audit Committee and Strategic Committee
Tian Lihui	Chairman of the Audit Committee and members of the Remuneration and Nomination Committee and Strategic Committee
Tang Jun	Members of the Remuneration and Nomination Committee, Audit Committee and Strategic Committee
Ngai Wai Fung	Members of the Remuneration and Nomination Committee, Audit Committee and Strategic Committee

The biographical details of each Director are disclosed on pages 8 to 11 of this Annual Report. All Directors shall report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflict of interest in any proposal under consideration, such Director shall declare his interests and abstain from voting and may, when necessary, apply for absence. The Board requires the Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries during each reporting period. Any material transactions relating to connected persons, which have been confirmed, will be disclosed in accordance with the Listing Rules and in the notes to the financial statements of the annual report.

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

The Company complies with the requirement concerning the appointment of sufficient independent non-executive Directors and that at least one of them possesses appropriate professional qualification or accounting or relevant financial expertise set out in Rules 3.10(1) and 3.10(2) of the Listing Rules. The Company has made appropriate 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 independent non-executive Directors advise the Company on strategic and significant matters. The Board considers that each independent 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 independent non-executive Directors so as to improve the quality of the decisions made by the Board without constraining the independent views of the independent non-executive Directors. Regular Board meetings were held during the year with open discussion between the executive Directors and the independent non-executive Directors so as to enhance mutual understanding and effective working relationships.

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

Board Diversity

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

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

The Chairman and the Chief Executive Officer

For the year ended 31 December 2016, the Company has reviewed its corporate governance documents and is of the view that the Company had fully complied with the code provisions of the CG Code set out in the Appendix 14 to the Listing Rules other than Code A.2.1, which requires that the roles of chairman and chief executive officer should be two separate roles and should not be performed by the same individual. From 1 July 2015 to 4 August 2016, Jiang Deyi served as the Chairman as well as the President of the Company. Despite such deviation, the directors believe that vesting such roles in Jiang Deyi will allow for more effective planning and execution of business strategies of the Company. As all major decisions are made in consultation with other members of the Board, the Company believes that there is adequate balance of power and authority in place.

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

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

Terms of Office of Directors, Supervisors and Senior Management

The terms of office of the Directors and Supervisors of the current fourth session of the Board and Supervisory Board of the Company commenced from the conclusion of the 2015 Second EGM and will expire on the date of the annual general meeting of the Company for the year of 2017.

CORPORATE GOVERNANCE REPORT

Company Secretary

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

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

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

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Board Meetings

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

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

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

The Board held four regular Board meetings during the Reporting Period to review the financial performance of the Group. Between these regular meetings, the Board also met to discuss and consider major issues (whether or not required by the Listing Rules) and also on other occasions when Board decisions are required. With respect to regular meetings of the Board, Directors were given a formal written notice of the meeting and an agenda with supporting Board papers to the meeting in accordance with the Listing Rules and the CG Code. With respect to other meetings called, Directors were given as much notice as is reasonable and practicable in the circumstances. During the Reporting Period, the Board also convened the 2015 AGM and the 2016 First EGM. The number of meetings and attendance details of each Director during the Reporting Period are set out in the table below:

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Name of Directors	Number of attendance/ Number of meetings entitled to attend		
	Board meetings	2015 AGM	2016 First EGM
<i>Executive Directors</i>			
Jiang Deyi (Chairman)	13/13	1/1	1/1
Wu Dong	13/13	1/1	1/1
Zang Feng	13/13	1/1	1/1
Wang Shizhong (resigned on 19 February 2016)	1/1	0/0	0/0
Li Weidong (resigned on 5 August 2016)	9/9	1/1	1/1
Shi Xijun (resigned on 26 August 2016)	10/10	1/1	1/1
Zhang Jianli (resigned on 21 October 2016)	12/12	1/1	1/1
<i>Independent non-executive Directors</i>			
Wang Guangjin	13/13	1/1	1/1
Tian Lihui	13/13	1/1	1/1
Tang Jun	13/13	1/1	1/1
Ngai Wai Fung	13/13	1/1	1/1

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Directors' Induction and Continuous Professional Development

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

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

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

Name of Directors	Types of training
<i>Executive Directors</i>	
Jiang Deyi (<i>Chairman</i>)	A + B + C
Wu Dong	A + B + C
Zang Feng	A + C
Wang Shizhong (resigned on 19 February 2016)	A + C
Li Weidong (resigned on 5 August 2016)	A + C
Shi Xijun (resigned on 26 August 2016)	A + C
Zhang Jianli (resigned on 21 October 2016)	A + C
<i>Independent non-executive Directors</i>	
Wang Guangjin	A + B + C
Tian Lihui	A + B + C
Tang Jun	A + B + C
Ngai Wai Fung	A + B + C

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

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

Board Committees

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

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee assumes the responsibilities for reviewing the Company's financial reports, the internal control and corporate governance work and provision of relevant advices to the Board. As at 31 December 2016, the Audit Committee comprised of four independent non-executive Directors, namely Tian Lihui (Chairman), Wang Guangjin, Tang Jun and Ngai Wai Fung.

The major functions and roles of the Audit Committee are:

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

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

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

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Independent non-executive Directors</i>	
Tian Lihui (Chairman of the Audit Committee)	4/4
Wang Guangjin	4/4
Tang Jun	4/4
Ngai Wai Fung	4/4

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

- review of the external auditors' report in respect of the audited financial statements, annual report and results announcement for the year ended 31 December 2015;
- the proposed appointment of Ernst & Young Hua Ming LLP as the Company's independent auditor for the year ended 31 December 2016;
- review of the 2016 interim report and interim results announcement;
- review of the 2016 first quarter and third quarter results reports;
- review of the internal control and risk management function of the Group with the discussion of the internal auditors;
- review of the internal control report;
- review of the Company's audit planning report prepared by Ernst & Young Hua Ming LLP for the year ended 31 December 2015;
- review of the connected transactions and continuing connected transactions of the Group;
- review of the Proposed Spin-off and the formation of the independent board committee; and
- review of the report on use of proceeds from 2013 Proposed Placing and 2015 Proposed Placing.

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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 28 March 2017.

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

Remuneration and Nomination Committee

The Company established the Remuneration and Nomination Committee with written terms of reference in compliance with the CG Code. The main responsibilities of the committee are (i) to review and consider the remuneration policies and structure of the Directors and senior management and make relevant proposals to the Board; (ii) to review and approve the performance-based remuneration by reference to the objectives of the Group (as adopted from time to time by the Board); (iii) to submit the remuneration plan proposed by the committee for the Directors to the general meeting for consideration and approval after being approved by the Board before its implementation; (iv) to submit the remuneration distribution plan for the senior management personnel to the Board for approval; (v) to nominate candidates as Directors and senior management; and (vi) to examine nominations for Directors and senior management and to make recommendations to the Board for appointments. The candidates of Directors are selected and recommended based on their working experience, professional expertise and commitment. The recommendations of the Nomination and Remuneration Committee are then put forward for consideration by the Board. As at 31 December 2016, the Remuneration and Nomination Committee consisted of six members, two of whom are executive Directors, namely Wu Dong and Zang Feng, together with four independent non-executive Directors, namely, Wang Guangjin (serving as chairman of the committee), Tian Lihui, Tang Jun and Ngai Wai Fung.

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

- a. The resolution of determining the remuneration of executive Directors of the Board and the senior management of the Company by the Remuneration and Nomination Committee;
- b. The proposals to the Board on 2015 performance-based remuneration plan for the Company's senior management and 2015 remuneration plan;

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- c. The consideration and review on (i) the proposed appointment of senior management and (ii) the composition of the Remuneration and Nomination Committee and Strategic Committee; and
- d. Reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

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

Name of Directors	Number of attendance/ Number of meetings entitled to attend
<i>Executive Directors</i>	
Wu Dong	5/5
Zang Feng	5/5
<i>Independent non-executive Directors</i>	
Wang Guangjin (Chairman of the Remuneration and Nomination Committee)	5/5
Tian Lihui	5/5
Tang Jun	5/5
Ngai Wai Fung	5/5

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.

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

The biographical details of senior management are disclosed on pages 13 to 15 of this Annual Report.

Strategic Committee

The Company established the Strategic Committee whose primary duties are to formulate the overall development plans and investment decision-making procedures of the Group. As at 31 December 2016, the Strategic Committee consisted of five members, one of whom are executive Director, namely Jiang Deyi, with Jiang Deyi serving as the Chairman, together with four independent non-executive Directors, namely, Wang Guangjin, Tian Lihui, Tang Jun and Ngai Wai Fung.

During the Reporting Period, the Strategic Committee convened one meeting with an attendance rate of 100% to review the investment and financing proposals of the Company for 2016.

3 Statement of Financial Responsibility of the Board

It is the responsibility of the Board for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for (i) the preparation of the Company's financial statements; (ii) the completeness and legitimacy of the financial data; and (iii) the efficiency of the Company's internal control and risk management function for the year ended 31 December 2016.

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 2016, the Directors have:

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

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

The Company has received a statement by the independent auditors of the Company about their reporting responsibilities. The statement of the independent auditors of the Company on its reporting responsibilities on the financial statements is set out in the "Auditors' Report" on pages 124 to 130 of this Annual Report.

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

4 Directors' and Supervisors' Securities Transactions

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

The Company has also adopted the System on Managing Insides and External information (內幕資訊知情人和外部資使用人管理制度) 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.

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All Directors confirmed that as at 31 December 2016, none of the Directors, the Supervisors and the specific employees who may have possession of certain inside information that had not been disclosed in accordance with the requirements of the Model Code has interests or short positions which are required to notify the Company and the Hong Kong Stock Exchange, or incur any conduct in violation of regulations. Having made specific enquiries to all Directors and all Supervisors of the Company, they have confirmed that they had complied with the required standards set out in the Model Code throughout the Reporting Period.

5 Senior Management's Remuneration

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

For the year ended 31 December 2016, remuneration paid to the members of the senior management other than the Executive Directors was as follows:

	2016 RMB	2015 RMB
Total remuneration	5,576,376	7,027,930

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

	2016	2015
RMB0-1,000,000	11	9
RMB1,000,001-1,500,000	1	1
	12	10

6 Internal Control and Audit

Internal Control

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

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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.

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 2016 pursuant to the requirements of fundamental standards, evaluation guidelines and other relevant laws and regulations on an annual basis.

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

CORPORATE GOVERNANCE REPORT

2. From the benchmark date of the internal control evaluation report to the date of issuing the internal control evaluation report, there were no significant changes in internal control process which might impose any substantial impacts on the evaluation results.
3. A standard unqualified internal control audit report has been issued to the Company by Ernst & Young Hua Ming LLP, the internal control auditor engaged by the Company.

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

Auditors' Remuneration

The Audit Committee reviewed the letter from Ernst & Young Hua Ming LLP to confirm its independence and objectiveness, and held meetings with Ernst & Young Hua Ming LLP to discuss the audit scope and fees by Ernst & Young Hua Ming LLP. The Company engaged Ernst & Young Hua Ming LLP as the sole external auditor of the Company. The remuneration in respect of audit services and non-audit services provided by Ernst & Young Hua Ming LLP in 2016 is summarised as follows:

Ernst & Young Hua Ming LLP	RMB
Annual results auditing services	16,000,000
Review of 2016 interim results	2,000,000
Other non-annual audit or review services	8,500,000
Total	26,500,000

7 Communications with Shareholders

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

CORPORATE GOVERNANCE REPORT

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

8 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 business days prior to the date of the relevant general meeting, send to all shareholders a supplementary notice of general meeting carrying information about the resume of the director candidates, reasons for their election and the candidates' attitudes toward the nomination.

Proposals at a general meeting shall meet the following requirements:

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

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

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

CORPORATE GOVERNANCE REPORT

Procedure for Shareholders to put forward proposals at a general meeting

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

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

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

Proposals at a general meeting shall meet the following requirements:

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

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

CORPORATE GOVERNANCE REPORT

shareholders are speaking. When expressing their opinions, shareholders shall focus on the subject matters based on facts and reliable supports with courtesy and respect to others. Insult or defamation on others is prohibited. Shareholders who are in violation of the above rules shall be prohibited from speaking or forced to stop by the chairman of the meeting. Any person present at the meeting may submit their opinions or questions in writing to the chairman of the meeting. Opinions or questions raised at the meeting should be concise and to the point and shall not exceed the time limit and frequency stated in the rules of procedure.

9 Constitutional Documents

On 14 July 2016, the Board received an extempore proposal from BBMG Group (the former substantial shareholder of the Company) requesting for the inclusion of a special resolution to consider and approve the proposed amendments to the articles of association of the Company (the “**Articles of Association**”) subsequent to the completion of the bonus share issue in June and July 2016 in order to reflect the changes in the share capital of the Company (the “**Proposal**”) at the 2016 First EGM. Pursuant to the relevant provisions of laws, regulations and the Articles of Association, the Board resolved on 15 July 2016 to present the Proposal to the 2016 First EGM for consideration. Details of the amendments were disclosed in the announcements of the Company dated 15 July 2016 and 29 July 2016. The amendments to the Articles of Association took effect on 15 August 2016.

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

On behalf of the Board

Jiang Deyi

Chairman

Beijing, the PRC

29 March 2017

AUDITORS' REPORT



Auditors' Report



Ernst & Young Hua Ming (2017) Shen Zi No. 60667053_A01

To the shareholders of BBMG Corporation:

1. Opinion

We have audited the financial statements of BBMG Corporation (hereinafter referred to as “**BBMG**”), which comprise the consolidated and company balance sheets as at 31 December 2016, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for 2016 and the relevant notes to the financial statements.

In our opinion, the accompanying financial statements of BBMG present fairly, in all material aspects, the consolidated and company’s financial position of BBMG as at 31 December 2016 and the consolidated and company’s financial performance and cash flows for 2016 in accordance with Accounting Standards for Business Enterprises.

2. Basis for opinion

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

3. Key audit matters

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

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

Auditors' Report (continued)

3. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p>Fair value of investment properties</p> <p>As at 31 December 2016, the carrying value of the investment properties in the consolidated financial statements amounted to RMB14.977 billion, which were measured at fair value subsequently.</p> <p>The management of BBMG (hereinafter referred to as the "Management") engages an independent external expert with relevant qualifications to perform the valuation of the fair value of investment properties at least once a year. Income method was adopted in the valuation with reference to the market prices in the open market. The valuation depends on a range of estimates and assumptions, such as the analysis of the economic environment and future trend of the regions where the investment properties are located, estimated rentals, occupancy rates and discount rates. The changes in estimates and assumptions would lead to great changes in the fair value of the investment properties valued.</p> <p>Please refer to Note III. 13, 30 and 31, Note V. 13 and 55 and Note IX for more information on the fair value of investment properties.</p>	<p>We assessed the objectivity, independence and competence of the independent external expert engaged by the Management. We selected material or typical samples to review and assess the valuation method, assumptions as well as the reasonableness of key valuation inputs selected, for example, lease term, current average rentals, anticipated rentals in the future, occupancy rates, lease area and discount rates, with the support from our valuation specialists for properties. We further reviewed the presentation and disclosures on the valuation of the fair value of investment properties.</p>

Auditors' Report (continued)

3. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p>Impairment of goodwill</p> <p>As at 31 December 2016, the carrying value of goodwill in the consolidated financial statements amounted to RMB2.75 billion, and the impairment provision for goodwill amounted to RMB53.16 million.</p> <p>Goodwill is tested for impairment annually by the Management and the carrying value of goodwill is adjusted according to the result of the testing. The result of testing depends, to a large extent, on the estimates made by and the assumptions adopted by the Management, for example, the estimates of future cash flow from relevant asset group and discount rates. Those estimates are affected by the judgment made by the Management on the future market and economic environment. The changes in estimates and assumptions would lead to great change in the recoverable amount of the goodwill valued.</p> <p>Please refer to Note III. 18 and 31 and Note V. 18 for more information on impairment of goodwill.</p>	<p>We reviewed the Management's determination of asset groups and allocation of goodwill to each asset group. We obtained an understanding of the historical performance and operation forecast of each asset group as well as the development trend of the macroeconomy and the industry the asset groups belong to. We evaluated the assumptions and methods adopted by the Management in the assessment of the recoverable amounts of assets. We assessed the reasonableness of the estimated cash flow and the discount rates adopted, including estimated production volumes, future sales prices, growth rates, estimated gross profit margin and relevant expenses of the asset groups, and compared them to the historical data and the industry benchmark for analysis. We involved our valuation specialists to review the valuation methods and the key assumptions adopted by the Management. We further reviewed the disclosures on impairment of goodwill in the financial statements.</p>

Auditors' Report (continued)

3. Key audit matters *(continued)*

Key audit matters:	How our audit addressed the matters:
<p>Business combination</p> <p>In 2016 BBMG acquired 55% equity of Jidong Development Group Co., Ltd. (hereinafter referred to as “Jidong Group”) through capital increase and acquisition of equity for exercising control (hereinafter referred to as “Material Equity Restructuring”), which is a business combination not under common control. BBMG engaged an independent external expert with relevant qualifications to make valuation on the fair value of the identifiable assets and liabilities of Jidong Group as at benchmark acquisition date of the Material Equity Restructuring. A significant amount of Management’s estimation and judgment were involved for determination of acquisition date for the business combination not under common control, fair value of the identifiable assets and liabilities as at the acquisition date, measurement and allocation of goodwill, analysis of de facto control, and accounting treatment of the combinations.</p> <p>Please refer to Note III. 4 and Note VI. 1 for more information on the Material Equity Restructuring.</p>	<p>We evaluated the appropriateness of acquisition date by examining the conditions of the agreement to take effect, the payment progress of the consideration, and the timing when BBMG exercised control over the financial and operating policies of Jidong Group and obtained the respective rewards and risks of operation, and etc.. We assessed the objectivity, independence and competence of the independent external expert engaged by BBMG. We reviewed the reasonableness of the methods, assumptions and estimates used in the assessment of the fair value of the identifiable assets and liabilities of Jidong Group, the measurement of goodwill and accounting treatment of the combination. We involved our valuation specialists to review the methods and key assumptions used in the assessment of fair value. We further reviewed the disclosures on the Material Equity Restructuring.</p>

4. Other information

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

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

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

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

Auditors' Report (continued)

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

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

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

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

6. Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the accounting standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

Auditors' Report (continued)

6. Auditors' responsibilities for the audit of the financial statements

(continued)

- (4) Conclude on the appropriateness of the Management's use of the assumptions of continuing as a going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BBMG's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause BBMG to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BBMG to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: **Ma Yue (Engagement Partner)**

Chinese Certified Public Accountant: **Liu Taiping**

Beijing, the PRC

29 March 2017

Audited Consolidated Balance Sheet

As at 31 December 2016

RMB	Note V	31 December 2016	31 December 2015
Assets			
Current assets			
Cash and bank balances	1	28,010,211,147.53	18,369,880,691.10
Financial assets at fair value through profit or loss	2	615,807,328.90	–
Bills receivable	3	3,857,028,994.07	2,197,924,429.70
Accounts receivable	4	8,889,912,604.49	6,882,068,508.58
Prepayments	5	4,968,682,354.70	3,615,007,054.08
Interests receivable	6	11,652,789.72	6,716,763.51
Dividends receivable		3,071,700.00	3,922,700.00
Other receivables	7	6,129,310,409.74	1,998,699,709.21
Inventories	8	64,111,234,886.21	54,007,187,185.94
Other current assets	9	2,881,813,184.06	2,254,225,698.11
Total current assets		119,478,725,399.42	89,335,632,740.23
Non-current assets			
Available-for-sale financial assets	10	2,498,348,403.92	604,367,250.00
Long-term receivables	11	207,709,788.90	–
Long-term equity investments	12	2,233,650,974.77	305,693,498.67
Investment properties	13	14,976,628,345.79	14,444,803,327.98
Fixed assets	14	45,773,283,593.75	18,141,169,689.04
Construction in progress	15	3,963,622,127.52	1,249,188,812.32
Construction materials	16	313,968,043.93	7,281,479.06
Intangible assets	17	11,350,165,626.93	4,087,252,597.86
Goodwill	18	2,749,770,521.44	258,366,898.28
Long-term deferred expenditures	19	960,198,551.90	404,769,379.15
Deferred tax assets	20	2,695,681,312.01	1,423,631,430.99
Other non-current assets	21	1,195,364,185.45	484,547,210.58
Total non-current assets		88,918,391,476.31	41,411,071,573.93
Total assets		208,397,116,875.73	130,746,704,314.16

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet (continued)

As at 31 December 2016

RMB	Note V	31 December 2016	31 December 2015
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	23	32,027,734,141.83	16,805,996,379.53
Bills payable	24	2,313,321,400.81	436,477,804.74
Accounts payable	25	12,311,643,681.22	8,625,713,523.10
Receipts in advance	26	23,462,497,764.75	19,034,031,504.51
Wages payable	27	400,092,413.18	118,602,647.04
Tax payable	28	1,829,789,141.33	1,464,513,273.35
Interests payable	29	799,032,866.63	429,133,043.75
Dividends payable	30	202,581,371.25	55,274,219.13
Other payables	31	5,980,694,327.60	3,078,563,379.11
Short-term financing bonds payable	35	3,000,000,000.00	6,000,000,000.00
Non-current liabilities due within one year	32	6,897,420,505.71	3,907,504,794.13
Other current liabilities	33	5,739,382,129.82	5,230,763,450.32
Total current liabilities		94,964,189,744.13	65,186,574,018.71
Non-current liabilities			
Long-term borrowings	34	18,087,685,000.00	6,888,600,000.00
Bonds payable	35	21,279,396,543.45	12,000,000,000.00
Long-term payables	36	3,740,891,436.82	19,054,327.53
Long-term wages payable	37	722,768,832.46	457,687,351.00
Accrued liabilities	38	371,279,348.97	136,446,352.28
Deferred income	39	860,067,751.75	628,921,179.69
Deferred tax liabilities	20	4,800,870,600.03	2,645,986,691.73
Other non-current liabilities	40	660,456,831.52	601,559,996.42
Total non-current liabilities		50,523,416,345.00	23,378,255,898.65
Total liabilities		145,487,606,089.13	88,564,829,917.36

The accompanying notes form an integral part of these financial statements

Audited Consolidated Balance Sheet (continued)

As at 31 December 2016

RMB	Note V	31 December 2016	31 December 2015
Shareholders' equity			
Share capital	41	10,677,771,134.00	5,338,885,567.00
Other equity instruments	42	4,982,000,000.00	990,000,000.00
Capital reserve	43	5,865,195,783.46	11,579,704,575.56
Other comprehensive income	44	231,839,701.65	206,047,349.73
Specific reserve	45	8,655,529.41	8,896,481.87
Surplus reserve	46	1,276,866,688.51	1,053,285,969.67
General risk reserve	47	178,039,195.99	59,993,193.86
Retained earnings	48	20,980,120,619.08	18,846,160,038.86
Total equity attributable to shareholders of the parent company		44,200,488,652.10	38,082,973,176.55
Minority interests		18,709,022,134.50	4,098,901,220.25
Total shareholders' equity		62,909,510,786.60	42,181,874,396.80
Total liabilities and shareholders' equity		208,397,116,875.73	130,746,704,314.16

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement

For the year ended 31 December 2016

RMB	Note V	2016	2015
Operating revenue	49	47,738,772,726.96	40,925,340,861.40
Less: Operating costs	49	36,542,047,502.53	30,526,041,342.13
Tax and surcharges	50	1,570,844,106.31	2,178,441,374.93
Selling expenses	51	1,854,235,365.55	1,546,158,440.90
Administrative expenses	52	3,807,863,279.50	2,973,810,596.33
Finance costs	53	1,603,501,301.02	1,335,546,194.47
Asset impairment losses	54	414,983,653.40	447,911,026.68
Add: Gains from changes in fair value	55	592,679,140.75	602,186,288.95
Investment gains/(losses)	56	641,527,977.78	(17,625,136.86)
Including: Share of profits/(losses) of associates and joint ventures		108,900,509.77	(17,693,887.39)
Operating profit		3,179,504,637.18	2,501,993,038.05
Add: Non-operating income	57	888,286,340.70	742,138,704.67
Including: Gain on disposal of non-current assets		100,137,328.22	12,401,002.69
Less: Non-operating expenses	58	391,259,504.36	61,477,248.64
Including: Loss on disposal of non-current assets		219,086,802.44	37,467,850.47
Total profit		3,676,531,473.52	3,182,654,494.08
Less: Income tax expense	60	986,183,712.30	1,231,586,696.28
Net profit		2,690,347,761.22	1,951,067,797.80
Net profit attributable to shareholders of the parent company		2,686,653,868.20	2,017,453,761.39
Minority interests		3,693,893.02	(66,385,963.59)
Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to shareholders of the parent company	44		
Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting periods Changes arising from re-measurement of net liabilities or net assets of defined benefit plans		23,664,304.00	(32,351,891.00)

The accompanying notes form an integral part of these financial statements

Audited Consolidated Income Statement (continued)

For the year ended 31 December 2016

RMB	Note V	2016	2015
Other comprehensive income to be reclassified into profit or loss upon satisfaction of specified conditions in subsequent accounting periods			
Exchange differences on foreign currency translation		7,393,864.80	3,599,307.10
Changes in fair value of available-for-sale financial assets		5,906,864.93	–
Share of investee's other comprehensive income to be reclassified into profit or loss under the equity method		(20,888.22)	–
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from self-occupied properties or inventories and measured with the fair value model		(11,151,793.59)	–
Net other comprehensive income after deducting impact of income tax		25,792,351.92	(28,752,583.90)
Net other comprehensive income after tax attributable to minority interests	44	39,712,599.72	–
Total comprehensive income		2,755,852,712.86	1,922,315,213.90
Including:			
Total comprehensive income attributable to the shareholders of the parent company		2,712,446,220.12	1,988,701,177.49
Total comprehensive income attributable to minority interests		43,406,492.74	(66,385,963.59)
Earnings per share	61		
Basic earnings per share (RMB/share)		0.25	0.20*
Diluted earnings per share (RMB/share)		0.25	0.20*

* Restated (see Note V. 61 for details).

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Equity attributable to shareholders of the parent company										
	Share capital	Other equity instruments including: perpetual bonds	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Minority interests	Total equity
I. Balance at the beginning of the year	5,338,885,567.00	990,000,000.00	11,579,704,575.56	206,047,349.73	8,896,481.87	1,033,285,969.67	59,993,193.86	18,846,160,038.86	38,082,973,176.55	4,998,901,220.25	42,181,874,396.80
II. Movements during the year	-	-	-	25,792,351.92	-	-	-	2,686,653,868.20	2,712,446,220.12	43,406,492.74	2,755,852,712.86
(1) Total comprehensive income	-	-	-	25,792,351.92	-	-	-	2,686,653,868.20	2,712,446,220.12	43,406,492.74	2,755,852,712.86
(2) Capital contribution and reduction from shareholders	-	-	-	-	-	-	-	-	-	39,225,000.00	39,225,000.00
1. Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	39,225,000.00	39,225,000.00
2. Unilateral capital increase from minority shareholders	-	-	(12,334,517.94)	-	-	-	-	-	(12,334,517.94)	15,745,715.91	2,811,197.97
3. Issuance of perpetual bonds (Note V.42)	-	3,992,000,000.00	-	-	-	-	-	-	3,992,000,000.00	-	3,992,000,000.00
4. Acquisition of minority interests in subsidiaries (Note VIII.2)	-	-	(355,924,349.06)	-	-	-	-	-	(355,924,349.06)	(990,837,889.17)	(1,346,762,238.23)
5. Business combination not under common control (Note VI.1)	-	-	-	-	-	-	-	-	-	15,680,918,969.02	15,680,918,969.02
(3) Profit distribution	-	-	-	-	-	223,580,718.84	-	(223,580,718.84)	-	-	-
1. Appropriation of surplus reserve	-	-	-	-	-	223,580,718.84	-	(223,580,718.84)	-	-	-
2. Dividend to shareholders	-	-	-	-	-	-	-	(160,166,567.01)	(160,166,567.01)	(133,256,180.60)	(293,422,747.61)
3. Appropriation of general risk reserve	-	-	-	-	-	-	118,046,002.13	(118,046,002.13)	-	-	-
4. Interest on perpetual bonds	-	-	-	-	-	-	-	(50,900,000.00)	(50,900,000.00)	(43,380,821.94)	(94,280,821.94)
(4) Specific reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriated during the year	-	-	-	-	21,919,741.99	-	-	-	21,919,741.99	3,562,333.63	25,482,075.62
2. Paid during the year	-	-	-	-	(22,160,694.45)	-	-	-	(22,160,694.45)	(5,262,705.34)	(27,423,399.79)
(5) Internal transfer of shareholders' equity	-	-	(5,338,885,567.00)	-	-	-	-	-	-	-	-
Conversion of Capital reserve into share capital	-	-	(6,764,358.10)	-	-	-	-	-	(6,764,358.10)	-	(6,764,358.10)
(6) Others	-	-	-	-	-	-	-	-	-	-	-
III. Balance at the end of the year	10,677,771,134.00	4,982,000,000.00	5,865,195,783.46	231,839,701.65	8,655,529.41	1,276,866,688.51	178,039,193.99	20,980,720,619.08	44,200,488,652.10	18,709,022,134.50	62,909,510,786.60

The financial statements have been signed by:

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

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2015

	Equity attributable to shareholders of the parent company								Total equity		
	Share capital	Other equity instruments including: perpetual bonds	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings		Subtotal	Minority interests
I. Balance at the beginning of the year	4,784,640,284.00	-	7,898,685,039.67	234,799,933.63	7,925,485.30	828,495,276.27	37,637,667.87	17,315,084,511.06	31,107,268,197.80	5,140,119,943.63	36,247,388,141.43
II. Movements during the year	-	-	-	(28,752,833.90)	-	-	-	2,017,463,761.39	1,988,701,177.49	(66,385,963.59)	1,922,315,213.90
(1) Total comprehensive income	-	-	-	(28,752,833.90)	-	-	-	2,017,463,761.39	1,988,701,177.49	(66,385,963.59)	1,922,315,213.90
(2) Capital contribution and reduction from shareholders	-	-	1,452,041.86	-	-	-	-	-	1,452,041.86	72,177,400.00	73,629,441.86
1. Capital contribution from minority shareholders	-	-	(392,272,663.77)	-	-	-	-	-	(392,272,663.77)	(1,107,727,336.23)	(1,500,000,000.00)
2. Unilateral capital reduction from minority shareholders	-	-	4,083,629,756.84	-	-	-	-	-	4,637,875,039.84	-	4,637,875,039.84
3. Non-public issuance of shares	554,245,283.00	-	-	-	-	-	-	-	990,000,000.00	-	990,000,000.00
4. Issuance of perpetual bonds	-	990,000,000.00	-	-	-	-	-	-	(1,220,825.72)	1,220,825.72	-
5. Unilateral capital increase in subsidiaries	-	-	(1,220,825.72)	-	-	-	-	-	-	163,779,066.67	163,779,066.67
6. Business combination not under common control	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	2,247,901,693.40	-	(224,790,693.40)	(239,232,014.20)	(104,897,346.36)	(344,129,360.56)
1. Appropriation of surplus reserve	-	-	-	-	-	2,247,901,693.40	-	(224,790,693.40)	(239,232,014.20)	(104,897,346.36)	(344,129,360.56)
2. Dividend to shareholders	-	-	-	-	-	-	-	(239,232,014.20)	(239,232,014.20)	(104,897,346.36)	(344,129,360.56)
3. Appropriation of general risk reserve	-	-	-	-	-	-	22,355,525.99	(22,355,525.99)	-	-	-
(4) Specific reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriated during the year	-	-	-	-	20,401,781.40	-	-	-	20,401,781.40	6,467,617.16	26,869,398.56
2. Paid during the year	-	-	-	-	(19,430,784.83)	-	-	-	(19,430,784.83)	(5,852,986.75)	(25,283,771.58)
(5) Others	-	-	(10,568,773.32)	-	-	-	-	-	(10,568,773.32)	-	(10,568,773.32)
III. Balance at the end of the year	5,338,885,567.00	990,000,000.00	11,579,704,575.56	206,047,349.73	8,896,481.87	1,053,285,969.67	59,993,193.86	18,846,160,038.86	38,082,973,176.55	4,088,901,220.25	42,181,874,396.80

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows

For the year ended 31 December 2016

RMB	Note V	2016	2015
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		53,838,251,748.52	38,367,561,649.58
Refunds of taxes		341,959,514.86	295,277,568.10
Net decrease in deposits placed with the Central Bank		–	453,686,263.18
Cash received from other operating activities	62	1,197,721,752.62	852,842,525.83
Subtotal of cash inflows from operating activities		55,377,933,016.00	39,969,368,006.69
Cash paid for goods and services		39,634,068,992.60	30,967,843,623.90
Net increase in deposits placed with the Central Bank		991,114,834.98	–
Cash paid to and on behalf of employees		3,667,553,128.33	3,211,772,707.11
Cash paid for all types of taxes		4,163,468,949.25	3,619,469,613.40
Cash paid for other operating activities	62	3,417,977,321.76	2,822,917,779.80
Subtotal of cash outflows from operating activities		51,874,183,226.92	40,622,003,724.21
Net cash flows from/(used in) operating activities	63(1)	3,503,749,789.08	(652,635,717.52)
II. Cash flows from investing activities			
Cash received from redemption of investments		1,094,176,171.34	500,000,000.00
Cash received from return on investments		78,737,986.47	4,835,984.64
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,337,953,036.78	23,299,944.71
Net cash received from disposal of subsidiaries and other operating units	63(2)	13,739,745.87	–
Cash received from other investing activities	62	6,595,438.22	142,590,000.00
Subtotal of cash inflows from investing activities		2,531,202,378.68	670,725,929.35
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,335,181,425.42	1,816,180,115.19
Cash paid for acquisition of investments		5,500,000.00	16,020,997.00
Net cash paid for acquisition of subsidiaries and other operating units	63(2)	1,854,242,780.73	196,534,880.00
Cash paid for other investing activities	62	1,361,280,000.00	49,000,000.00
Subtotal of cash outflows from investing activities		6,556,204,206.15	2,077,735,992.19
Net cash flows used in investing activities		(4,025,001,827.47)	(1,407,010,062.84)

The accompanying notes form an integral part of these financial statements

Audited Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

RMB	Note V	2016	2015
III. Cash flows from financing activities			
Cash received from capital contributions		39,225,000.00	4,696,177,399.84
Including: Cash received by subsidiaries from minority interests		39,225,000.00	54,677,400.00
Cash received from borrowings		38,485,556,247.00	21,705,819,661.21
Cash received from issuance of bonds		10,000,000,000.00	11,000,000,000.00
Cash received from issuance of perpetual bonds		3,992,000,000.00	990,000,000.00
Cash received from other financing activities	62	—	25,000,000.00
Subtotal of cash inflows from financing activities		<u>52,516,781,247.00</u>	<u>38,416,997,061.05</u>
Cash paid for repayment of borrowings		29,627,774,082.22	19,429,779,762.70
Cash paid for distribution of dividends or profits or for interest expenses		3,036,717,408.81	2,791,679,808.78
Including: Dividends and profits paid by subsidiaries to minority interests		9,947,357.46	105,272,569.93
Cash paid for redemption of bonds		11,132,500,000.00	9,400,000,000.00
Cash paid for other financing activities	62	<u>1,346,762,238.23</u>	—
Subtotal of cash outflows from financing activities		<u>45,143,753,729.26</u>	<u>31,621,459,571.48</u>
Net cash flows from financing activities		<u>7,373,027,517.74</u>	<u>6,795,537,489.57</u>
IV. Effect of changes in exchange rate on cash and cash equivalents		<u>45,422,187.86</u>	<u>(2,042,411.88)</u>
V. Net increase in cash and cash equivalents		6,897,197,667.21	4,733,849,297.33
Add: Cash and cash equivalents at the beginning of the year		<u>11,213,584,868.55</u>	<u>6,479,735,571.22</u>
VI. Cash and cash equivalents at the end of the year	63(3)	<u>18,110,782,535.76</u>	<u>11,213,584,868.55</u>

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet

As at 31 December 2016

RMB	Note XV	31 December 2016	31 December 2015
Assets			
Current assets			
Cash and bank balances		6,954,119,259.97	8,307,879,520.89
Accounts receivable		1,358,245.90	1,475,647.10
Interests receivable		556,193,459.72	514,835,805.73
Dividends receivable		2,277,673,338.00	2,115,301,793.57
Other receivables	1	33,425,504,048.71	32,078,773,920.10
Other current assets		7,907,358.45	4,258,369.41
Total current assets		43,222,755,710.75	43,022,525,056.80
Non-current assets			
Available-for-sale financial assets		200,000.00	200,000.00
Long-term equity investments	2	34,340,871,900.99	25,287,352,565.89
Investment properties	3	9,895,924,295.76	9,399,343,431.98
Fixed assets		1,296,631,935.94	1,356,131,023.87
Intangible assets		426,142,908.38	439,323,833.78
Deferred tax assets		156,090,145.69	108,754,719.36
Total non-current assets		46,115,861,186.76	36,591,105,574.88
Total assets		89,338,616,897.51	79,613,630,631.68
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		17,520,000,000.00	15,410,000,000.00
Accounts payable		13,762,384.48	7,883,071.33
Receipts in advance		104,481,435.49	108,520,447.23
Wages payable		13,876,243.10	85,430.15
Taxes payable		33,682,970.56	4,470,007.37
Interest payable		531,667,058.63	423,624,547.80
Dividends payable		21,492,928.09	21,427,408.09
Other payables		2,887,069,917.38	4,258,315,417.14
Short-term financing bonds payable		3,000,000,000.00	6,000,000,000.00
Non-current liabilities due within one year		2,280,000,000.00	2,863,054,949.10
Other current liabilities		717,233.77	7,233.77
Total current liabilities		26,406,750,171.50	29,097,388,511.98

The accompanying notes form an integral part of these financial statements

Audited Balance Sheet (continued)

As at 31 December 2016

RMB	Note XV	31 December 2016	31 December 2015
Non-current liabilities			
Long-term loans		9,531,600,000.00	6,216,600,000.00
Bonds payable		14,976,484,492.30	12,000,000,000.00
Long-term wages payable		414,196,150.45	448,670,717.78
Deferred tax liabilities		<u>2,014,326,837.14</u>	<u>1,890,181,621.20</u>
Total non-current liabilities		<u>26,936,607,479.89</u>	<u>20,555,452,338.98</u>
Total liabilities		<u>53,343,357,651.39</u>	<u>49,652,840,850.96</u>
Shareholders' equity			
Share capital		10,677,771,134.00	5,338,885,567.00
Other equity instruments		4,982,000,000.00	990,000,000.00
Capital reserve		6,674,854,902.82	12,013,740,469.82
Other comprehensive income		49,398,221.79	31,669,377.79
Surplus reserve		1,276,866,688.51	1,053,285,969.67
Retained earnings		<u>12,334,368,299.00</u>	<u>10,533,208,396.44</u>
Total shareholders' equity		<u>35,995,259,246.12</u>	<u>29,960,789,780.72</u>
Total liabilities and shareholders' equity		<u>89,338,616,897.51</u>	<u>79,613,630,631.68</u>

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Income Statement

For the year ended 31 December 2016

RMB	Note V	2016	2015
Operating revenue	4	954,934,397.07	879,312,892.31
Less: Operating costs	4	99,209,108.56	91,796,681.44
Tax and surcharges		93,036,540.85	48,944,944.35
Selling expenses		42,654,350.71	26,012,759.91
Administrative expenses		185,782,095.22	184,057,376.03
Finance costs		739,689,538.84	673,826,073.02
Asset impairment (reversal of provision)/loss		(1,330,781.12)	9,769,003.63
Add: Gain from changes in fair value		496,580,863.78	353,449,552.95
Investment income	5	2,007,610,256.19	2,095,750,896.03
Including: Share of profits/(losses) of associates and joint ventures		58,882,014.12	(19,972,856.35)
Operating profit		2,300,084,663.98	2,294,106,502.91
Add: Non-operating income		12,825,228.61	9,797,347.71
Including: Gain on disposal of non-current assets		–	103,860.00
Less: Non-operating expenses		292,914.56	5,411,227.00
Including: Loss on disposal of non-current assets		235,051.56	244.00
Total profit		2,312,616,978.03	2,298,492,623.62
Less: Income tax expenses		76,809,789.61	50,585,689.62
Net profit		2,235,807,188.42	2,247,906,934.00
Net other comprehensive income after tax			
Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting period			
Changes arising from re-measurement of net liabilities or net assets of defined benefit plans		17,728,844.00	(30,841,614.00)
Total comprehensive income		2,253,536,032.42	2,217,065,320.00

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Statement of Changes in Equity

For the year ended 31 December 2016

RMB

	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
	Share capital	Including: Perpetual bonds					
I. Balance at the end of the previous year	5,338,885,567.00	990,000,000.00	12,013,740,469.82	31,669,377.79	1,053,285,969.67	10,533,208,396.44	29,960,789,780.72
II. Movements during the year							
(1) Total comprehensive income	-	-	-	17,728,844.00	-	2,235,807,188.42	2,253,536,032.42
(2) Capital contribution from shareholders							
1. Conversion of capital reserve into share capital	5,338,885,567.00	-	(5,338,885,567.00)	-	-	-	-
2. Issuance of perpetual bonds	-	3,992,000,000.00	-	-	-	-	3,992,000,000.00
(3) Profit distribution							
1. Appropriation of surplus reserves	-	-	-	-	223,580,718.84	(223,580,718.84)	-
2. Dividend to Shareholders	-	-	-	-	-	(160,166,567.02)	(160,166,567.02)
3. Interest on perpetual bonds	-	-	-	-	-	(50,900,000.00)	(50,900,000.00)
III. Balance at the end of the year	10,677,771,134.00	4,982,000,000.00	6,674,854,902.82	49,398,221.79	1,276,866,688.51	12,334,368,299.00	35,995,259,246.12

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Statement of Changes in Equity (continued)

For the year ended 31 December 2015

RMB

	Share capital	Other equity instruments		Other comprehensive income	Surplus reserve	Retained earnings	Total equity
		Perpetual bonds	Capital reserve				
I. Balance at the end of the previous year	4,784,640,284.00	-	7,930,110,712.98	62,510,991.79	828,495,276.27	8,749,324,170.04	22,355,081,435.08
II. Movements during the year							
(1) Total comprehensive income	-	-	-	(30,841,614.00)	-	2,247,906,934.00	2,217,065,320.00
(2) Capital contribution from shareholders							
1. Non-public issuance of shares	554,245,283.00	-	4,083,629,756.84	-	-	-	4,637,875,039.84
2. Issuance of perpetual bonds	-	990,000,000.00	-	-	-	-	990,000,000.00
(3) Profit distribution							
1. Appropriation of surplus reserves	-	-	-	-	224,790,693.40	(224,790,693.40)	-
2. Dividend to Shareholders	-	-	-	-	-	(239,232,014.20)	(239,232,014.20)
III. Balance at the end of the year	<u>5,338,885,567.00</u>	<u>990,000,000.00</u>	<u>12,013,740,469.82</u>	<u>31,669,377.79</u>	<u>1,053,285,969.67</u>	<u>10,533,208,396.44</u>	<u>29,960,789,780.72</u>

The financial statements have been signed by:

Legal representative:
Jiang Deyi

CFO:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Audited Statement of Cash Flows

For the year ended 31 December 2016

RMB	Note XV	2016	2015
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		1,043,060,395.34	938,638,933.52
Cash received from other operating activities	6	43,272,622,960.97	44,494,239,032.86
Subtotal of cash inflows from operating activities		44,315,683,356.31	45,432,877,966.38
Cash paid for goods and services		45,670,830.51	36,607,842.33
Cash paid to and on behalf of employees		55,853,902.48	60,633,576.23
Cash paid for all types of taxes		142,322,006.67	140,471,856.78
Cash paid for other operating activities	6	48,265,382,078.42	49,940,867,826.27
Subtotal of cash outflows from operating activities		48,509,228,818.08	50,178,581,101.61
Net cash flows used in operating activities	7(1)	(4,193,545,461.77)	(4,745,703,135.23)
II. Cash flows from investing activities			
Cash received from redemption of investments		43,615,552.98	500,000,000.00
Cash received from return on investments		1,720,612,355.77	709,541,791.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	7,104,890.00
Subtotal of cash inflows from investing activities		1,764,227,908.75	1,216,646,681.70
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		7,801,173.93	47,198,456.87
Cash paid for acquisition of investments		5,631,174,340.00	680,623,313.10
Subtotal of cash outflows from investing activities		5,638,975,513.93	727,821,769.97
Net cash flows (used in)/from investing activities		(3,874,747,605.18)	488,824,911.73

The accompanying notes form an integral part of these financial statements.

Audited Statement of Cash Flows (continued)

For the year ended 31 December 2016

RMB	Note XV	2016	2015
III. Cash flows from financing activities			
Cash received from capital contributions		–	4,641,499,999.84
Cash received from borrowings		23,445,000,000.00	19,881,000,000.00
Cash received from issuance of bonds		10,000,000,000.00	11,000,000,000.00
Cash received from issuance of perpetual bonds		3,992,000,000.00	990,000,000.00
Cash received from other financing activities		–	25,000,000.00
		37,437,000,000.00	36,537,499,999.84
Cash paid for repayment of borrowings		18,710,000,000.00	16,233,400,000.00
Cash paid for distribution of dividends or profits or for interest expenses		2,111,926,503.31	2,353,227,354.37
Cash paid for redemption of bonds		9,900,000,000.00	9,400,000,000.00
		30,721,926,503.31	27,986,627,354.37
Net cash flows from financing activities		6,715,073,496.69	8,550,872,645.47
IV. Effect of changes in exchange rate on cash and cash equivalents		(734,164.27)	(882,660.94)
V. Net (decrease)/increase in cash and cash equivalents		(1,353,953,734.53)	4,293,111,761.03
Add: Cash and cash equivalents at the beginning of the year		8,258,522,946.00	3,965,411,184.97
VI. Cash and cash equivalents at the end of the year	7(2)	6,904,569,211.47	8,258,522,946.00

The financial statements have been signed by:

Legal representative:

Jiang Deyi

CFO:

Chen Guogao

Head of the accounting department:

Hu Juan

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

For the year ended 31 December 2016

I. BASIC INFORMATION OF THE GROUP

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

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

The Group’s parent and ultimate holding company is Beijing BBMG Group Co., Ltd. (“**BBMG Group**”), a company established in the People’s Republic of China, originally. On 11 November 2016, State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality agreed the gratuitous transfer of 4,797,357,572 A shares of the Company held by BBMG Group to Beijing SCOM Center (hereinafter referred to as “**BSCOMC**”). On 29 December 2016, the transfer registration formalities for the gratuitous transfer of the A shares of the Company were completed, afterwhich, BSCOMC directly held 4,797,357,572 state-owned shares of BBMG, representing 44.93% of the total share capital of BBMG, and became the controlling shareholder of the Company.

These financial statements were approved by a resolution of the board of directors of the Company on 29 March 2017. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

The scope of consolidated financial statements was determined on the basis of control. In 2016, BBMG acquired 55% equity of Jidong Development Group Co., Ltd. (“**Jidong Group**”) through capital increase and acquisition of equity for exercising control (hereinafter referred to as “**Material Equity Restructuring**”). For the details of such Material Equity Restructuring and the other changes of the scope of consolidation for the year, please refer to Note VI.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are presented on a going concern basis.

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

Notes to Financial Statements

For the year ended 31 December 2016

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES

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

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2016 and their financial performance and cash flows for 2016.

2. Accounting period

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

3. Functional currency

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

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

4. Business combinations

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.

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Business combinations *(continued)*

Business combinations under common control (continued)

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

Business combinations not under common control

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Business combinations *(continued)*

Business combinations not under common control *(continued)*

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

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries as of 31 December 2016. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural entity controlled by the Company, etc.) that is controlled by the Company.

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Consolidated financial statements *(continued)*

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

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

6. Classification of joint arrangements and joint operation

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

7. Cash and cash equivalents

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Foreign currency transactions and translation of financial statements prepared in foreign currencies *(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 on the transaction dates; revenue and expense items in the income statement are translated using the weighted average exchange rate for the period during which the transactions occur. The resulting exchange differences are recognised as other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to profit or loss in the period during which the disposal occurs. If the disposal only involves a portion of a particular foreign operation, the calculations will be made on a pro-rata basis.

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

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

9. Financial instruments *(continued)*

Recognition and derecognition of financial instruments (continued)

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

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

Classification and measurement of financial assets

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

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

Financial assets at fair value through profit or loss

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

Notes to Financial Statements

For the year ended 31 December 2016

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(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 them to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortisation or impairment and derecognition are recognized in profit or loss for the current period.

Loans and receivables

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

Available-for-sale financial assets

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

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

Classification and measurement of financial liabilities

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

Notes to Financial Statements

For the year ended 31 December 2016

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

9. Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Offsetting of financial instruments

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

Impairment of financial assets

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

Notes to Financial Statements

For the year ended 31 December 2016

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

9. Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(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 removed from other comprehensive income are the difference between the initial acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

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

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

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

Financial assets carried at cost

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

Notes to Financial Statements

For the year ended 31 December 2016

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

9. Financial instruments *(continued)*

Transfers of financial assets

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

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

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

10. Receivables

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

10. Receivables *(continued)*

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

11. Inventories

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

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

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

The Group adopts a perpetual inventory system.

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

12. Long-term equity investments

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

13. Investment properties

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

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

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

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES *(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 meet the recognition criteria shall be included in its cost, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

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

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress

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

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

16. Borrowing costs

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

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

16. Borrowing costs *(continued)*

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

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

17. Intangible assets

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

17. Intangible assets *(continued)*

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

18. Impairment of assets

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

18. 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.

19. Long-term deferred expenditures

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

20. Employee benefits

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

Short-term benefits

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

Notes to Financial Statements

For the year ended 31 December 2016

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

20. Employee benefits *(continued)*

Post-employment benefits (the defined contribution plan)

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

Post-employment benefits (the defined benefit plan)

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

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

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

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

Termination benefits

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

Notes to Financial Statements

For the year ended 31 December 2016

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

21. Provisions

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

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

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

22. Preference shares, perpetual bonds and other financial instruments

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

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

23. Revenue

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

Revenue from the sales of goods

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

23. Revenue *(continued)*

Revenue from the rendering of services

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

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

Interest income

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

Lease income

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

24. Government grants

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

Notes to Financial Statements

For the year ended 31 December 2016

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

24. Government grants *(continued)*

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

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

25. Income tax

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

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

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

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

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.

Notes to Financial Statements

For the year ended 31 December 2016

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

25. Income tax *(continued)*

- (2) in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

26. Maintenance and quality guarantee funds

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

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

27. Leases

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

In the case of being the lessee of an operating lease

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

In the case of being the lessor of an operating lease

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

In the case of being the lessee of a finance lease

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

28. Distribution of profit

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

Notes to Financial Statements

For the year ended 31 December 2016

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

29. Production safety cost

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

30. Fair value measurement

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

31. Significant accounting judgments and estimates

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

Judgments

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and inventories

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

Classification between investment properties and fixed assets

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

Notes to Financial Statements

For the year ended 31 December 2016

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

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

Judgments *(continued)*

Classification of perpetual bonds

As described in Note V. 42, the Group issued perpetual bonds of RMB1 billion and RMB4 billion in 2015 and 2016 respectively. According to the Prospectus on 2015 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2016 First Tranche of Medium-term Notes of BBMG Corporation and the Prospectus on 2016 Second Tranche of Medium-term Notes of BBMG Corporation, the Group has no contractual obligation to repay the principal or pay interest on the bonds, namely the Group has no contractual obligation to pay in cash or other financial assets to the holders of the perpetual bonds nor to exchange financial assets or financial liabilities under potential adverse condition with the holders of the perpetual bonds. The perpetual bonds are classified by the Group as equity instruments, and the subsequent declared distribution will be treated as distribution to the holders of the equity.

Uncertainty of estimation

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

Deferred tax assets

Deferred 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 tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

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

Uncertainty of estimation (continued)

Impairment of goodwill

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

Land appreciation tax

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

Fair value of investment properties

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

Recognition and allocation of development costs on properties under construction

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

Notes to Financial Statements

For the year ended 31 December 2016

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

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

Uncertainty of estimation *(continued)*

Impairment of accounts receivable and other receivables

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

Provision for decline in value of inventory

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

Measurement of defined benefit obligations

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

Useful lives and residual values of fixed assets

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

Notes to Financial Statements

For the year ended 31 December 2016

IV. TAXATION

(I) Major categories of taxes and respective tax rates

Value-added tax ("VAT"):	The VAT payable is determined as the output VAT calculated based on the taxable revenue at the tax rate of 17% less the deductible input VAT for the current period. For small-scale taxpayers, VAT is levied based on the sales revenue at the tax rate of 3%. For the concrete industry, VAT is levied based on the sales revenue at a simplified tax rate of 6%.
Business tax:	It is levied at 3%, 5% and 20% of the taxable business turnover. Since 1 May 2016, the tax levied has been changed from business tax to VAT.
City maintenance and construction tax:	It is levied at 7%, 5% and 1% of net VAT and business tax paid.
Education surcharge:	It is levied at 3% of net VAT and business tax paid.
Property tax:	It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10% – 30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.
Vehicle and vessel tax:	It is levied by number for passenger vehicles and by tonnage for trucks on vehicles owned or managed by the Group.
Land use tax:	It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local governments.
Individual income tax:	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group.
Land appreciation tax:	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the transfer of ownership by the Group at a consideration.
Resource tax:	Under the relevant tax laws of the PRC, it is levied to the minerals exploited by the Group on a quantity basis before 1 July 2016 and on a quantity or price basis since 1 July 2016.
Corporate income tax:	Except the items listed in (2) below, the tax is levied on the Group at the tax rate of 25% based on the taxable profit.

Notes to Financial Statements

For the year ended 31 December 2016

IV. TAXATION *(continued)*

(2) Tax preferences

1. Value-added tax (VAT)

Certain subsidiaries of the Group enjoy the following VAT preferences:

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

Notes to Financial Statements

For the year ended 31 December 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

(1) *(continued)*

In accordance with the Notice concerning the Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilization of Goods and Services" (Cai Shui [2015] No. 78) (財稅[2015]78號《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) promulgated by Ministry of Finance and State Administration of Taxation of the PRC with effect from 1 July 2015, some of the Company's subsidiaries engaged in cement production enjoy 70% VAT refund upon collection preferential policy in respect of their eligible cement products. Such subsidiaries include BBMG Liushui Environmental Protection Technology Co., Ltd., Hebei BBMG Dingxin Cement Co., Ltd., Cangzhou Lingang Jinyu Cement Co., Ltd., Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd., Handan BBMG Taihang Cement Co., Ltd., Handan Shexian BBMG Cement Co., Ltd., Guangling Jinyu Cement Co., Ltd., Zanhuang BBMG Cement Co., Ltd., Zhangjiakou Jinyu Cement Co., Ltd., Zhuolu Jinyu Cement Co., Ltd., Siping BBMG Cement Co., Ltd., Tianjin Zhenxing Cement Co., Ltd., Lanxian BBMG Cement Co., Ltd., Qinyang BBMG Cement Co., Ltd., Lingchuan BBMG Cement Co., Ltd., BBMG Beishui Environmental Protection Technology Co., Ltd., Xuanhua BBMG Cement Co., Ltd., Bo'ai BBMG Cement Co., Ltd., Xingtai BBMG Yongning Cement Co., Ltd., Jidong Cement (Tangshan branch), Tangshan Jidong Cement Sanyou Co., Ltd., Shenyang Jidong Cement Co., Ltd., Inner Mongolia Yidong Jidong Cement Co., Ltd., Wubu Jidong Special Cement Co., Ltd., Tangshan Dunshi Dry Powder Building Materials Co., Ltd., Jidong Cement Yongji Co., Ltd., Tangshan Dunshi Information and Technology Co., Ltd., Jidong Haitian Cement Wenxi Co., Ltd., Shanxi Shuangliang Dingxin Cement Co., Ltd., Jidong Cement Fengxiang Co., Ltd., Tangshan Jidong Qixin Cement Co., Ltd., Jidong Cement Luan County Co., Ltd., Jidong Cement Fuyu Co., Ltd., and Inner Mongolia Yili Jidong Cement Co., Ltd. Chengde BBMG Cement Co., Ltd. has enjoyed 70% VAT refund upon collection preferential policy in respect of its eligible cement products since January 2016. Shijiazhuang BBMG Xucheng Concrete Co., Ltd. has enjoyed 70% VAT refund for its mortar produced this year since January 2016.

Notes to Financial Statements

For the year ended 31 December 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (2) From January to June 2015, in accordance with the Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products (Cai Shui [2008] No. 156) and the Supplementary Notice Concerning the Value-added Tax Policy for Comprehensive Utilization of Resources and Other Products, Tianjin Jinyu Treasure Bright Mortar Co., Ltd. and BBMG Mortar Co., Ltd., both being the Group's subsidiaries, enjoyed the VAT exemption preferential policy in respect of their eligible selected building materials from January to June 2015. Since 1 July 2015, in accordance with the Notice concerning the Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilization of Goods and Services" (Cai Shui [2015] No. 78), BBMG Mortar Co., Ltd. enjoyed 70% VAT refund upon collection preferential policy in respect of its small amount of products that meet the requirements on comprehensive utilization of resources. Due to failure to meet the requirements on comprehensive utilization of resources by products of Tianjin Jinyu since 1 July 2015, the company no longer enjoyed refund upon collection preferential policy regarding comprehensive utilization of resources.
- (3) In accordance with the Notice Concerning the Value-added Tax Policy for Novel Wall Materials (Cai Shui [2015] No. 73), Beijing Jinyu Aerated Concrete Co., Ltd. and Tangshan Jinyu Aerated Concrete Co., Ltd., both being the Group's subsidiaries, enjoy 50% VAT refund upon collection preferential policy in respect of their eligible novel wall materials.
- (4) In accordance with the Notice on Continuing Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heating Enterprises, Beijing Jinhaiyan Property Management Co., Ltd. and BBMG Dacheng Property Management Co., Ltd., all being the Group's subsidiaries, enjoy the VAT exemption for their revenue from the heating services to individual residents in the period from the heating season of 2011 to 31 December 2015.
- (5) In accordance with the relevant financial and tax documents, Beijing Bio-Island Science and Technology Co., Ltd., a subsidiary of the Group, complies with Products of Integrated Utilisation of Resources Utilising Waste Lead Acid Batteries, and enjoys 30% (for metal and nickel-cobalt-manganese hydroxide, nickel-cobalt-manganese lithium and cobalt chloride produced by waste batteries) and 50% (for industrial oil produced by waste mineral oil, such as lube base oil, gasoline and diesel) VAT refund upon collection preferential policy. Since 1 May 2016, it enjoys 70% VAT refund upon collection preferential policy for services of processing and disposal of waste.

Notes to Financial Statements

For the year ended 31 December 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (6) In accordance with the Notice of the State Administration of Taxation of the PRC Concerning Temporary Exemption of Value-added Tax and Business Tax of Some Small and Micro-Enterprises (Cai Shui [2013] No. 52), BBMG Human Resources Management Co., Ltd., a subsidiary of the Group, enjoys the VAT exemption as an enterprise or non-enterprise organisation with monthly sales amount of no more than RMB20,000 within small-scale VAT tax payers.
- (7) According to the project cooperation agreement entered into with the Management Committee of Tianjin Dongjiang Free Trade Zone (天津東疆保稅港區管理委員會), BBMG Finance Lease Co., Ltd., a subsidiary of the Group, enjoys tax preference policy of the local tax authority in the Dongjiang Free Trade Zone, pursuant to which actual tax burden exceeding 3% will be entitled to VAT refund upon collection in accordance with the Notice concerning the Incorporation of the Railway Transportation Industry and the Postal Industry into the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (Cai Shui [2013] No. 106) (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》(財稅[2013]106號)). In addition, according to the Notice of Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau on Relevant Issues Concerning Transitional Financial Subsidy for Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (Jin Cai Shui Zheng [2013] No. 1) (《天津市財政局天津市國家稅務局天津市地方稅務局關於營業稅改徵增值稅試點過渡性財政扶持資金申請撥付問題的通知》(津財稅政[2013]1號)), if the tax burden of VAT after the reform from business tax to value-added tax (“**B2V Reform**”) is greater than that of business tax before B2V Reform, the financial subsidy for the increased tax burden will be executed according to the relevant requirements of the above documents. Pursuant to the agreement, the Dongjiang Free Trade Zone would undertake 70% of turnover tax from 2015 to 2020 due to the preferential policies (Turnover tax comprises business tax and VAT, among which, VAT refers to the remaining portion after refund under the first two preferential policies).
- (8) According to the requirements of Appendix 3 Requirements of the Transition Policy for the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》) of the Notice concerning the Overall Implementation of the Pilot Program of Levying Value-Added Tax in Lieu of Business (Cai Shui [2016] No.36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)), in respect of borrowing and lending, the interests charged on the units affiliated to the Group at the borrowing interest rates not higher than those paying to financial institutions or the coupon rate of bonds paid are exempted from VAT.

Notes to Financial Statements

For the year ended 31 December 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

2. Business tax

Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd., Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. and Beijing Bio-Island Science and Technology Co., Ltd., all being the Group's subsidiaries, are exempted from business tax on revenue from disposal of hazardous wastes during the period from 1 January 2016 to 1 May 2016 pursuant to the Reply of the State Administration of Taxation of the PRC regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes (Guo Shui Han [2009] No.587), the Notice on Circulating the "Reply of the State Administration of Taxation of the PRC regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes" issued by Beijing Local Taxation Bureau (Jing Di Shui Han [2009] No.80) and the Reply of Sanhe Local Taxation Bureau regarding Business Tax Exemption on Revenue from Disposal of Hazardous Wastes (San Di Shui Fa [2011] No.30). Upon the full implementation of B2V Reform since 1 May 2016, the above preferential policy for business tax is no longer applicable.

3. Corporate income tax

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

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

Notes to Financial Statements

For the year ended 31 December 2016

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

3. Corporate income tax *(continued)*

- (2) In accordance with the Indices on Corporate Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects, Qinyang BBMG Cement Co., Ltd. enjoys the preferential corporate income tax policy of "three-year exemption and three-year 50% reduction" from 1 January 2014 to 31 December 2019.
- (3) BBMG Human Resources Management Co., Ltd. and Gongyi Tongda Zhongyuan Refractory Co., Ltd., both being subsidiaries of the Group, enjoy tax preferences concerning small and thin profit enterprises stipulated by the State Administration of Taxation of the PRC, and are subject to corporate income tax at a rate of 15%.
- (4) Pursuant to the Notice on the Issues concerning the Taxation Policies for Deepening the Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) (Cai Shui [2011] No. 58) and the Announcement No. 12, 2012 of the State Administration of Taxation on the Corporate Income Tax in relation to Deepening the Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告), Inner Mongolia Yili Jidong Cement Co., Ltd., Baotou Jidong Cement Co., Ltd., Jidong Cement Bishan Co., Ltd., Jidong Cement Chongqing Hechuan Co., Ltd., Shaanxi Jidong Logistics Services Co., Ltd. and Jidong Cement Fengxiang Co., Ltd., all being the affiliates as a group of Jidong Cement, a subsidiary of the Group, as well as Chongqing Jushi New Building Materials Co., Ltd., Xinxingzhan (Chongqing) Building Materials Co., Ltd. and Jidong Cement Chongqing Concrete Co., Ltd., all being the affiliates as a group of Tangshan Jidong Concrete Co., Ltd., a subsidiary of the Group, have obtained the approval from the competent tax authorities and were subject to enterprise income tax at rate of 15%. According to the Notice concerning Further Expansion of the Scope of Tax Preference Policy Enjoyed by Large and Small Enterprises Earning Thin Profits from State Administration of Taxation of Ministry of Finance (Cai Shui [2015] No.99) (《財政部 國家稅務總局關於進一步擴大小型微利企業所得稅優惠政策範圍的通知》(財稅〔2015〕99號)) and Announcement concerning Further Expansion of the Scope of 50% Exemption of Enterprise Income Tax Enjoyed by Large and Small Enterprises Earning Thin Profits from State Administration of Taxation of Ministry of Finance (Announcement No. 61 of 2015 from State Administration of Taxation) (《國家稅務總局關於貫徹落實進一步擴大小型微利企業減半徵收企業所得稅範圍有關問題的公告》(國家稅務總局公告2015年第61號)), as Tangshan Jidong Vocational Skills Training School satisfied the conditions under the tax preference policy relating to small enterprises earning thin profits, it enjoyed a reduced 10% enterprise income tax rate.

Notes to Financial Statements

For the year ended 31 December 2016

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2016	2015
Cash in stock	2,809,075.64	2,078,746.90
Bank deposits	25,004,928,092.54	17,909,518,906.91
Other monetary fund	1,562,227,738.61	9,151,631.53
Statutory deposit reserve placement with central bank by Finance Company	1,440,246,240.74	449,131,405.76
	28,010,211,147.53	18,369,880,691.10

Monetary fund with restrictions:

	2016	2015
Monetary fund for collateral:		
Statutory deposit reserve placement with central bank by Finance Company	1,440,246,240.74	449,131,405.76
Deposits for letter of credit	455,177,838.33	5,666,599.09
Quality/performance guarantees	185,295,070.68	45,905,809.13
Deposits for acceptance bills	1,742,309,504.84	90,002,613.42
Other monetary fund with restrictions:		
Restricted part of property pre-sale funds	5,927,843,305.70	6,556,854,349.99
Others	148,556,651.48	8,735,045.16
	9,899,428,611.77	7,156,295,822.55

Notes to Financial Statements

For the year ended 31 December 2016

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

1. Cash and bank balances *(continued)*

As at 31 December 2016, the monetary fund with restrictions utilized by the Group included bank deposits of RMB6,924,522,401.14 (31 December 2015: RMB6,707,164,416.79), other monetary fund of RMB1,534,659,969.89 (31 December 2015: nil) and statutory deposit reserve placement with central bank by finance company of RMB1,440,246,240.74 (31 December 2015: RMB449,131,405.76).

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

As at 31 December 2016, the Group's monetary fund deposited overseas amounted to RMB35,192,680.78 (31 December 2015: RMB291,989,022.36).

2. Financial assets at fair value through profit or loss

	2016	2015
Financial assets held for trading Equity instruments	615,807,328.90	–

As at 31 December 2016, such equity instrument investment referred to the market value of the tradable shares of Zhongzai Resources and Environment (stock code: 600217) held by Tangshan Jidong Cement Co., Ltd. (hereinafter referred to as "Jidong Cement"), a subsidiary of the Group, as at such date.

Notes to Financial Statements

For the year ended 31 December 2016

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

3. Bills receivable

	2016	2015
Commercial acceptance bills	409,788,790.82	506,801,704.58
Bank acceptance bills	3,447,240,203.25	1,691,122,725.12
	3,857,028,994.07	2,197,924,429.70

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

	2016		2015	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Commercial acceptance bills	–	216,490,750.67	–	70,652,048.41
Bank acceptance bills	1,711,849,070.99	1,445,696,807.64	1,120,809,052.03	880,749,702.16
	1,711,849,070.99	1,662,187,558.31	1,120,809,052.03	951,401,750.57

As at 31 December 2016, bills receivable of RMB3,000,000.00 were pledged to secure borrowings (31 December 2015: bank acceptance bills of RMB2,070,000.00 and commercial acceptance bills of RMB5,711,993.36 were pledged to secure borrowings).

As at 31 December 2016, bank acceptance bills of RMB48,872,956.51 (31 December 2015: nil) were pledged to secure bank acceptance bills business.

As at 31 December 2016, there was no transfer of bills receivable into accounts receivable due to default on the part of the drawer.

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Accounts receivable

The credit periods of accounts receivable from external third parties are generally 1 to 6 months and amounts due from related parties have no fixed terms of repayment. Accounts receivable are non-interest bearing.

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

	2016	2015
Within 1 year (inclusive of 1 year)	6,894,980,054.45	6,072,110,469.07
1 to 2 years (inclusive of 2 years)	2,129,770,460.66	872,466,170.96
2 to 3 years (inclusive of 3 years)	953,036,198.04	218,502,537.36
3 to 4 years (inclusive of 4 years)	469,194,740.39	117,006,323.13
4 to 5 years (inclusive of 5 years)	294,129,504.80	28,851,473.78
Over 5 years	399,677,696.18	78,599,393.66
	11,140,788,654.52	7,387,536,367.96
Less: Provision for bad debts of accounts receivable	2,250,876,050.03	505,467,859.38
	8,889,912,604.49	6,882,068,508.58

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

	2016	2015
Opening balance	505,467,859.38	380,590,250.26
Provision for the year	284,726,525.58	196,714,939.06
Transferred in upon acquisition of subsidiaries	1,714,725,707.39	150,000.01
Reversal for the year	(232,156,263.77)	(71,449,815.17)
Write-off for the year	(7,541,648.07)	(537,514.78)
Removed from upon disposal of subsidiaries	(14,346,130.48)	–
Closing balance	2,250,876,050.03	505,467,859.38

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Accounts receivable *(continued)*

	2016			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage of provision (%)
Individually significant and subject to separate provision for bad debts	170,647,210.26	1.53	81,880,445.33	47.98
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	6,807,468,434.46	61.10	–	–
1 to 2 years (inclusive of 2 years)	1,689,150,887.47	15.16	506,745,266.80	30
2 to 3 years (inclusive of 3 years)	870,976,822.28	7.82	522,586,093.29	60
3 to 4 years (inclusive of 4 years)	433,871,045.91	3.89	368,790,389.29	85
4 to 5 years (inclusive of 5 years)	277,293,605.22	2.49	277,293,605.22	100
Over 5 years	364,362,977.02	3.27	364,362,977.02	100
	10,443,123,772.36	93.73	2,039,778,331.62	
Provision for bad debts by special credit characteristics group	283,626,984.23	2.55	–	–
Individually not significant but subject to separate provision for bad debts	243,390,687.67	2.19	129,217,273.08	53.09
	11,140,788,654.52	100.00	2,250,876,050.03	

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Accounts receivable *(continued)*

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

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Accounts receivable *(continued)*

As at 31 December 2016, accounts receivable which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit 1	12,921,309.90	1,509,870.50	11.69	Partly uncollectible
Unit 2	11,765,813.04	2,576,860.17	21.90	Partly uncollectible
Unit 3	11,488,491.30	25,925.82	0.23	Partly uncollectible
Unit 4	13,565,793.30	13,565,793.30	100.00	Uncollectible
Unit 5	69,005,802.72	48,631,995.54	70.48	Partly uncollectible
Unit 6	51,900,000.00	15,570,000.00	30.00	Partly uncollectible
	170,647,210.26	81,880,445.33		

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

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit 7	10,713,555.24	9,769,003.63	91.18	Partly uncollectible

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Accounts receivable *(continued)*

In 2016, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reasons for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit 7	Payment for goods received	Individual identification	9,769,003.63	1,330,781.12
Unit 8	Payment for goods received	Aging analysis	17,647,147.67	17,647,147.67
Unit 9	Payment for goods received	Aging analysis	8,687,915.04	8,687,915.04
Unit 10	Payment for goods received	Aging analysis	9,301,575.93	9,301,575.93
Unit 11	Payment for goods received	Aging analysis	7,831,187.04	7,831,187.04
			53,236,829.31	44,798,606.80

The receivables from Unit 8 to Unit 11 were originally 1 to 4 years respectively, and the management classified it into the group with credit risk characteristics in aging and made provision for bad debts. The Group received cash repayments in the current year, and therefore, reversed the provision for bad debts previously made.

In 2015, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reasons for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit 12	Payment for goods received	Aging analysis	12,975,897.94	12,975,897.94
Unit 13	Payment for goods received	Aging analysis	12,456,810.12	12,456,810.12
			25,432,708.06	25,432,708.06

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Accounts receivable *(continued)*

The receivables from Unit 12 and Unit 13 were originally 1 to 2 years and 3 to 4 years respectively, and the management classified it into the group with credit risk characteristics in aging and made provision for bad debts. The Group received cash repayments in the current year, and therefore, reversed the provision for bad debts previously made.

In 2016, no individually significant accounts receivable were written-off (2015: Nil).

For the information relating to the accounts receivable pledged as guarantee for the Group's bank loans as at the balance sheet date, please refer to Note V.64.

As at 31 December 2016, the top 5 of accounts receivable were as follows:

	Balance	Proportion in total accounts receivable (%)	Balance of provision for bad debts as at the end of the year	Net amount
Unit 14	92,325,502.31	0.83	38,199,229.25	54,126,273.06
Unit 15	89,969,835.49	0.81	78,351,214.14	11,618,621.35
Unit 16	81,880,877.85	0.73	81,880,877.85	–
Unit 11	79,380,000.00	0.71	–	79,380,000.00
Unit 5	69,005,802.72	0.62	48,631,995.54	20,373,807.18
	412,562,018.37	3.70	247,063,316.78	165,498,701.59

Notes to Financial Statements

For the year ended 31 December 2016

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

4. Accounts receivable *(continued)*

As at 31 December 2015, the top 5 of accounts receivable were as follows:

	Balance	Proportion in total accounts receivable (%)	Balance of provision for bad debts as at the end of the year	Net amount
Unit 17	778,700,150.00	10.54	–	778,700,150.00
Unit 18	103,451,827.20	1.40	–	103,451,827.20
Unit 19	81,628,446.68	1.10	–	81,628,446.68
Unit 11	74,554,484.99	1.01	7,831,187.04	66,723,297.95
Unit 6	51,900,000.00	0.70	–	51,900,000.00
	1,090,234,908.87	14.75	7,831,187.04	1,082,403,721.83

5. Prepayments

An aging analysis of prepayments is as follows:

	2016		2015	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year (inclusive of 1 year)	2,420,394,959.05	48.32	1,325,676,684.21	36.64
1 to 2 years (inclusive of 2 years)	286,256,409.26	5.72	62,622,924.79	1.73
2 to 3 years (inclusive of 3 years)	51,855,162.70	1.04	2,222,660,295.52	61.42
Over 3 years	2,250,277,357.07	44.92	7,718,923.26	0.21
	5,008,783,888.08	100.00	3,618,678,827.78	100.00
Less: Provision for bad debts of prepayments	40,101,533.38		3,671,773.70	
	4,968,682,354.70		3,615,007,054.08	

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Prepayments *(continued)*

As at 31 December 2016, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total prepayments	Reasons for being not yet settled in time
Unit 20	1-2 years and over 3 years	<u>2,441,129,537.04</u>	49.13%	Transaction conditions agreed under the contract not satisfied

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

	Aging	Amount	Percentage of total prepayments	Reasons for being not yet settled in time
Unit 20	1-2 years and 2-3 years	<u>2,209,291,114.88</u>	61.05%	Transaction conditions agreed under the contract not satisfied

As at 31 December 2016, the top 5 prepayments were as follows:

	Amount	Percentage of total prepayments
Unit 20	2,764,689,124.24	55.64%
Unit 21	297,115,274.00	5.98%
Unit 22	211,249,263.14	4.25%
Unit 23	178,187,259.59	3.59%
Unit 24	80,383,920.79	1.62%
	<u>3,531,624,841.76</u>	<u>71.08%</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

6. Interests receivable

	2016	2015
STAR-USG Building Materials Co., Ltd.	6,716,763.51	6,716,763.51
Krono (Beijing) Woods Co., Ltd.	106,581.77	–
Others	4,829,444.44	–
	11,652,789.72	6,716,763.51

7. Other receivables

An aging analysis of other receivables is as follows:

	2016	2015
Within 1 year (inclusive of 1 year)	3,691,288,320.75	1,232,817,560.28
1 to 2 years (inclusive of 2 years)	785,493,184.65	290,574,240.69
2 to 3 years (inclusive of 3 years)	514,248,192.58	139,403,582.64
3 to 4 years (inclusive of 4 years)	440,563,002.21	40,509,641.96
4 to 5 years (inclusive of 5 years)	480,076,837.47	369,246,885.74
Over 5 years	1,533,221,873.89	84,361,206.55
	7,444,891,411.55	2,156,913,117.86
Less: Provision for bad debts of other receivables	1,315,581,001.81	158,213,408.65
	6,129,310,409.74	1,998,699,709.21

Notes to Financial Statements

For the year ended 31 December 2016

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

7. Other receivables *(continued)*

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

	2016	2015
Opening balance	158,213,408.65	131,989,213.48
Provision for the year	161,994,141.45	34,050,981.19
Transferred in upon acquisition of subsidiaries	1,010,034,125.98	–
Removed from upon disposal of subsidiaries	(414,614.90)	–
Reversal for the year	(6,993,762.11)	(7,530,897.73)
Write-off for the year	(7,252,297.26)	(295,888.29)
Closing balance	1,315,581,001.81	158,213,408.65

	2016			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	1,017,434,369.36	13.67	539,584,693.80	53.03
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	1,220,402,419.52	16.39	–	–
1 to 2 years (inclusive of 2 years)	160,780,360.75	2.16	48,234,108.23	30.00
2 to 3 years (inclusive of 3 years)	103,239,123.16	1.39	61,943,473.90	60.00
3 to 4 years (inclusive of 4 years)	127,219,106.15	1.71	108,136,240.22	85.00
4 to 5 years (inclusive of 5 years)	45,073,101.05	0.61	45,073,101.05	100.00
Over 5 years	440,202,091.09	5.91	440,202,090.13	100.00
	2,096,916,201.72	28.17	703,589,013.53	
Provision for bad debts by special credit characteristics group	4,171,003,062.27	56.02	–	–
Individually not significant but subject to separate provision for bad debts	159,537,778.20	2.14	72,407,294.48	45.39
	7,444,891,411.55	100.00	1,315,581,001.81	

Notes to Financial Statements

For the year ended 31 December 2016

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

7. Other receivables *(continued)*

	2015			
	Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and subject to separate provision for bad debts	142,356,076.94	6.60	64,411,768.06	45.25
Provision for bad debts by credit risk characteristics group				
Within 1 year (inclusive of 1 year)	1,144,150,280.36	53.05	-	-
1 to 2 years (inclusive of 2 years)	19,759,230.27	0.92	5,927,769.08	30.00
2 to 3 years (inclusive of 3 years)	6,724,366.78	0.31	4,034,620.07	60.00
3 to 4 years (inclusive of 4 years)	3,253,480.99	0.15	2,765,458.84	85.00
4 to 5 years (inclusive of 5 years)	3,655,943.82	0.17	3,655,943.82	100.00
Over 5 years	39,993,452.25	1.85	39,993,452.25	100.00
	1,217,536,754.47	56.45	56,377,244.06	
Provision for bad debts by special credit characteristics group	754,639,802.54	34.99	-	-
Individually not significant but subject to separate provision for bad debts	42,380,483.91	1.96	37,424,396.53	88.31
	<u>2,156,913,117.86</u>	<u>100.00</u>	<u>158,213,408.65</u>	

Notes to Financial Statements

For the year ended 31 December 2016

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

7. Other receivables *(continued)*

As at 31 December 2016, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit 25	193,800,000.00	96,900,000.00	50.00	Partly uncollectible
Unit 5	108,303,000.00	86,518,737.27	79.89	Partly uncollectible
Unit 26	101,333,690.45	45,116,490.50	44.52	Partly uncollectible
Unit 27	90,942,831.86	45,471,415.93	50.00	Partly uncollectible
Other units	523,054,847.05	265,578,050.10	50.77	Partly uncollectible
	1,017,434,369.36	539,584,693.80		

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

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
Unit 28	69,192,143.88	15,000,000.00	21.68	Partly uncollectible
Unit 29	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Unit 30	22,732,983.06	20,246,783.06	89.06	Partly uncollectible
Unit 31	20,051,000.00	20,051,000.00	100.00	All uncollectible
	142,356,076.94	64,411,768.06		

Notes to Financial Statements

For the year ended 31 December 2016

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

7. Other receivables *(continued)*

Other receivables by nature were as follows:

	2016	2015
Current account with other entities	1,793,209,374.36	829,296,425.79
Disbursements previously made	1,422,245,846.81	147,563,888.28
Consideration receivable for equity transfer	1,073,891,148.86	–
Deposits	926,129,650.30	386,262,146.85
Government grants receivable	125,635,677.69	141,403,371.10
Reserve fund	94,732,549.55	104,794,021.31
Other current account	693,466,162.17	389,379,855.88
Total	6,129,310,409.74	1,998,699,709.21

As at 31 December 2016, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
Unit 32	1,191,784,692.71	16.01	Disbursements previously made	Within 1 year, over 5 years	–
Unit 33	834,548,506.03	11.21	Consideration receivable for equity transfer	Within 1 year	95,441.55
Unit 34	380,735,613.67	5.11	Current account with other entities	1-2 years, over 5 years	–
Unit 35	201,831,479.33	2.71	Other current account	Within 1 year	–
Unit 25	193,800,000.00	2.60	Consideration receivable for equity transfer	4-5 years	96,900,000.00
	2,802,700,291.74	37.64			96,995,441.55

Notes to Financial Statements

For the year ended 31 December 2016

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

7. Other receivables *(continued)*

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

	Closing balance	Proportion in total other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
Unit 34	381,568,194.13	17.69	Current account with other entities	1-2 years, 4-5 years	–
Unit 28	120,605,148.96	5.59	Current account with other entities	Within 1 year	15,000,000.00
Unit 29	96,688,940.00	4.48	Current account with other entities	Within 1 year, 4-5 years	9,113,985.00
Unit 36	90,917,708.30	4.22	Government grants receivable	Within 1 year, 1-2 years	–
Unit 37	55,782,501.50	2.59	Other current account	2-3 years	–
	<u>745,562,492.89</u>	<u>34.57</u>			<u>24,113,985.00</u>

As at 31 December 2016, government grants receivable were as follows:

	Description of government grants	Amount	Aging	Expected time of receipt
Unit 36	Refunds of VAT	87,182,138.66	Within 1 year, 1-2 years, 2-3 years, 3-4 years	2017
Unit 38	Refunds of VAT	16,783,317.01	Within 1 year	2017
Unit 39	Refunds of VAT	4,086,029.84	Within 1 year	2017
Unit 40	Refunds of VAT	3,434,800.38	Within 1 year	2017
Unit 41	Refunds of VAT	3,355,945.72	Within 1 year	2017
Unit 42	Refunds of VAT	2,950,074.73	Within 1 year	2017
Unit 43	Refunds of VAT	1,933,821.10	Within 1 year	2017
Unit 44	Refunds of VAT	1,593,974.61	Within 1 year	2017
Unit 45	Refunds of VAT	1,498,351.45	Within 1 year	2017
Unit 46	Refunds of VAT	758,753.57	Within 1 year	2017
Other units	Refunds of VAT	<u>2,058,470.62</u>		
		<u>125,635,677.69</u>		

Notes to Financial Statements

For the year ended 31 December 2016

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

7. Other receivables *(continued)*

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

	Description of government grants	Amount	Aging	Expected time of receipt
Unit 36	Refunds of VAT	90,917,708.30	Within 1 year, 1-2 years, 2-3 years	2016
Unit 47	Refunds of VAT	30,109,494.46	1-2 years	2016
Unit 48	Refunds of VAT	8,211,864.55	Within 1 year	2016
Unit 44	Refunds of VAT	5,878,540.43	Within 1 year	2016
Unit 42	Refunds of VAT	2,820,834.68	Within 1 year	2016
Unit 49	Refunds of VAT	1,091,008.14	Within 1 year	2016
Unit 41	Refunds of VAT	774,888.19	Within 1 year	2016
Unit 50	Refunds of VAT	558,512.87	Within 1 year	2016
Unit 51	Refunds of VAT	367,129.98	Within 1 year	2016
Unit 43	Refunds of VAT	361,464.33	Within 1 year	2016
Unit 52	Refunds of VAT	311,925.17	Within 1 year	2016
		<u>141,403,371.10</u>		

As set out in Note IV. (2) Taxation, certain companies of the Group enjoy the policy of immediate refund of VAT levied. As at the balance sheet date, the value-added tax receivable refund policies have been verified by various tax bureaus, and the management expects that the amounts will be fully recovered next year.

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Inventories

	2016		
	Gross carrying amount	Provision for decline in value	Carrying value
Raw materials	2,065,180,305.69	(73,982,451.78)	1,991,197,853.91
Items in production	1,182,178,258.06	(72,674,203.82)	1,109,504,054.24
Finished goods	1,224,843,883.86	(80,504,007.51)	1,144,339,876.35
Turnover materials	71,580,440.68	(337,616.84)	71,242,823.84
Goods in stock	453,792,881.65	(1,122,050.29)	452,670,831.36
Development costs	48,699,606,647.31	(40,401,250.12)	48,659,205,397.19
Products under development	10,976,675,796.38	(293,601,747.06)	10,683,074,049.32
	64,673,858,213.63	(562,623,327.42)	64,111,234,886.21

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

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Inventories *(continued)*

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

2016

	Opening balance	Increase in business combination not under common control	Provision for the year	Decrease in the year		Closing balance
				Reversal	Write-off	
Raw materials	11,855,003.79	70,292,697.69	3,384,229.44	170,489.25	11,378,989.89	73,982,451.78
Items in production	22,921,437.80	64,217,801.31	31,448.94	70,000.00	14,426,484.23	72,674,203.82
Finished goods	20,746,086.99	52,153,156.35	30,877,804.75	65,649.31	23,207,391.27	80,504,007.51
Turnover materials	4,569,291.97	-	81,472.31	-	4,313,147.44	337,616.84
Goods in stock	1,092,050.29	-	30,000.00	-	-	1,122,050.29
Development costs	103,385,674.96	-	33,231,400.00	58,382,744.75	37,833,080.09	40,401,250.12
Products under development	210,002,295.72	122,507,305.80	56,375,105.23	19,877,938.20	75,405,021.49	293,601,747.06
	<u>374,571,841.52</u>	<u>309,170,961.15</u>	<u>124,011,460.67</u>	<u>78,566,821.51</u>	<u>166,564,114.41</u>	<u>562,623,327.42</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Inventories *(continued)*

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

2015

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

As at 31 December 2016, the balance of development costs included the capitalised borrowing costs of RMB2,589,740,822.63 (31 December 2015: RMB1,846,489,413.04). Borrowing costs of RMB1,176,744,779.00 were capitalised in 2016 (2015: RMB1,107,112,090.00), and the rate of interest capitalisation was 5.29% (31 December 2015: 5.31%).

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

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Inventories (continued)

(1) The breakdown of development costs of property development:

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	31 December 2016	31 December 2015
Beijing – Fengtai Project	December 2015	June 2018	6,821,640,000.00	5,160,344,380.51	4,673,410,401.09
Anhui – Forklift Factory Project	November 2015	March 2019	8,697,690,000.00	5,034,952,658.04	2,283,057,476.99
Nanjing – Plot G07 at Nainiuchang	December 2016	November 2018	7,209,200,000.00	4,397,936,605.46	–
Chongqing – Xinduhui Project (expected)	November 2017	September 2019	20,117,351,300.00	3,940,158,970.41	1,979,969,373.29
Nanjing – Plot A2 of Xinglong Avenue North	March 2014	May 2017	4,540,170,000.00	3,910,427,220.40	3,555,856,023.18
Shanghai – Jiading Juyuan	November 2015	May 2017	5,500,000,000.00	3,673,257,016.72	3,063,074,318.39
Beijing – Houshayu Project	October 2016	September 2018	2,396,580,000.00	2,061,377,563.12	1,906,081,988.46
Qingdao – Qingdao Project	March 2015	December 2017	3,404,000,000.00	1,911,991,191.46	1,613,526,703.66
Hangzhou – Plot at Laochengxiang	July 2014	May 2018	2,291,327,400.00	1,663,791,321.65	1,564,179,707.76
Chengdu – Wuhou Longxijun Project	June 2015	December 2017	2,761,300,000.00	1,641,038,032.55	1,359,318,254.82
Haikou – Haidianxi Project	April 2016	October 2017	3,557,265,274.00	1,470,720,237.00	570,903,728.67
Chongqing – Nanshanjun	December 2011	March 2017	4,374,991,427.00	1,402,607,558.73	1,357,406,148.50
Beijing – Changyang Polytechnic University Land No.1	May 2013	May 2017	2,500,000,000.00	1,215,379,825.89	2,383,460,211.13
Beijing – Plot at Western Xijiao Gravel Plant	May 2016	December 2018	2,648,303,200.00	1,134,273,463.68	899,804,291.12
Chongqing – Shidaiduhui	December 2011	April 2017	4,036,912,780.00	1,118,132,596.64	984,656,272.77
Tianjin – Jindian	not available	not available	not available	870,425,000.00	–
Tianjin – Jinyu Yuecheng	September 2010	October 2017	5,157,217,800.00	851,640,529.34	1,092,034,927.08
Hefei – Plot at Baohe Distric	not available	not available	not available	800,000,000.00	–
Tangshan – Jinyu Lefu	March 2011	June 2017	1,900,176,778.32	765,788,042.96	856,878,978.92
Inner Mongolia – Jinyu Global Finance Centre	July 2013	June 2017	4,276,051,600.00	759,502,919.70	558,719,185.50
Nanhu – Jin'anshiming	not available	not available	not available	598,503,096.65	–
Nanhu – Jin'anhongbao	February 2015	October 2017	552,507,290.58	473,354,457.88	–
Beijing – Phase II of Dandian	April 2014	September 2017	4,406,665,057.79	460,817,457.82	2,805,047,613.78

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Inventories *(continued)*

(1) The breakdown of development costs of property development: *(continued)*

Project name	Commencement time	Estimated completion time of the next phase	Aggregate investment	31 December 2016	31 December 2015
Hangzhou – Jingfangsanbao	not available	not available	not available	430,000,000.00	–
Hangzhou – 2D Plot	May 2013	June 2017	644,267,397.16	414,553,168.33	367,492,453.26
Jidong – Qixing 1889#	April 2014	April 2019	810,889,940.35	253,421,513.66	–
Beijing – Jinyu Hongshizuo	March 2012	December 2017	928,663,517.09	248,553,386.87	454,442,874.61
Ma'anshan – Project at the Eastern Foot of Jiashan	May 2013	September 2017	1,060,105,900.00	209,432,768.83	505,822,984.25
Beijing – Chaoyang New City	August 2013	March 2017	4,184,808,038.41	181,306,766.31	177,085,802.72
Tianjin – Elegancy City	May 2013	December 2017	2,294,700,000.00	170,080,323.21	1,613,034,086.85
Beijing – Nankou Project	May 2016	September 2018	682,973,619.00	166,513,842.87	135,298,069.38
Beijing – Kanghuiyuan	February 2009	March 2019	1,923,699,963.82	126,759,088.18	120,225,957.45
Hangzhou – 2G/F Plot	July 2016	December 2020	not available	121,721,612.37	121,721,612.37
Beijing – Public Rental Apartments of Technology Park	June 2015	June 2018	1,377,090,000.00	65,697,288.23	18,960,505.00
Jidong – Laishui Dormitory	March 2009	December 2017	49,479,634.00	43,883,283.18	–
Beijing – Jinyu Vanke City	March 2008	Planning of Plot A7 not yet completed	4,011,000,000.00	24,843,994.77	24,492,957.28
Beijing – Phase II of Xingpai	April 2014	June 2017	3,111,138,531.52	23,393,996.43	1,427,529,982.99
Beijing – Tuqiao Project	October 2009	Completed	4,672,150,000.00	–	99,434,053.54
Chengdu – Shuangliu project	December 2012	Completed	1,519,880,000.00	–	–
Hangzhou – Banshan project	November 2012	Completed	2,339,423,374.00	–	995,143,330.79
Inner Mongolia – Jinyu Elegancy City	April 2013	Completed	938,950,000.00	–	37,051,220.58
Hangzhou – Guanlan Times	March 2010	Completed	6,341,828,602.84	–	–
Beijing – Xisanqi Commercial Residential Project	October 2012	Completed	800,000,000.00	–	731,999,448.67
Beijing – Xi Hai'an	August 2012	Completed	1,140,000,000.00	–	270,052,059.25
Beijing – Phase III of Tuqiao	December 2012	Completed	1,335,000,000.00	–	257,642,538.56
Others	–	–	–	862,624,217.34	574,691,641.15
Total				48,659,205,397.19	41,439,507,183.81

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Inventories (continued)

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

Project name	Completion date of the latest phase	Opening balance	Increase in the year	Decrease in the year	Closing balance
Beijing – Jinyu Feili	April 2016	306,094,900.49	863,375,572.04	(142,637,631.16)	1,026,832,841.37
Hangzhou – Banshan Tianyuan	March 2016	574,736,228.32	1,055,212,092.26	(646,958,616.78)	982,989,703.80
Hangzhou – Guanlan Times	February 2015	1,411,353,639.14	–	(560,574,126.76)	850,779,512.38
Tangshan – Jinyu Lefu	June 2016	806,938,701.44	210,300,463.60	(198,091,040.86)	819,148,124.18
Beijing – Jiapin MALL	September 2015	811,471,711.72	–	–	811,471,711.72
Beijing – Chaoyang New City	June 2015	799,697,222.84	–	(24,574,830.54)	775,122,392.30
Chongqing – Nanshanjun	December 2015	850,909,083.81	–	(194,588,097.86)	656,320,985.95
Tianjin Ligang – Jinyu Mantang	September 2016	92,077,737.39	1,511,269,697.18	(1,158,985,267.20)	444,362,167.37
Jidong – Jin'an hongbao	January 2016	–	453,344,965.54	(10,692,102.20)	442,652,863.34
Chongqing – Shidaiduhui	November 2015	623,396,979.12	–	(291,764,491.12)	331,632,488.00
Chengdu – Dachengjun	January 2015	459,123,346.27	–	(132,448,978.10)	326,674,368.17
Haikou – Xixili	December 2016	270,660,691.87	273,456,947.15	(233,643,017.69)	310,474,621.33
Jidong – Qixin 1889# Phase 1	January 2016	–	318,759,748.65	(20,341,946.96)	298,417,801.69
Beijing – Jinyu Lanwan	October 2016	290,071,996.96	293,532,088.04	(309,097,702.12)	274,506,382.88
Inner Mongolia – Jinyu Elegancy City	March 2016	384,111,271.18	37,051,220.58	(159,949,291.72)	261,213,200.04
Beijing – Tuqiao Project	August 2016	168,249,391.49	115,601,013.10	(65,411,564.83)	218,438,839.76
Changyang – Plot 1 of University of Science and Technology (理工大學)	June 2016	–	1,637,242,680.03	(1,406,794,935.28)	230,447,744.75
Tianjin – Jinyu Yuecheng	October 2016	317,031,251.37	307,500,097.54	(473,490,369.78)	151,040,979.13
Beijing – Kanghuiyuan	March 2011	182,237,157.12	–	(56,181,686.63)	126,055,470.49
Jidong – Lixinjiayuan	September 2016	–	118,078,793.37	–	118,078,793.37
Ma' anshan – Jiashanshu (佳山墅)	June 2016	127,629,295.56	324,660,835.85	(343,708,987.60)	108,581,143.81
Beijing – Dacheng Shidai	November 2010	95,414,114.52	–	–	95,414,114.52
Beijing – Guogongzhuang	December 2014	251,380,618.68	–	(159,304,951.14)	92,075,667.54
Inner Mongolia – Jinyu Times City	June 2014	94,998,050.80	–	(4,029,120.53)	90,968,930.27
Beijing – Binheyuan	June 2014	113,050,116.82	–	(26,119,657.64)	86,930,459.18

Notes to Financial Statements

For the year ended 31 December 2016

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

8. Inventories *(continued)*

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

Project name	Completion date of	Opening balance	Increase in the year	Decrease in the year	Closing balance
	the latest phase				
Beijing – BBMG International (金隅國際)	April 2005	85,111,715.33	–	–	85,111,715.33
Beijing – Phase III of Tuqiao	August 2016	173,041,657.79	297,129,965.45	(395,119,611.39)	75,052,011.85
Beijing – Huijingyuan	June 2016	–	2,573,158,829.57	(2,513,841,350.23)	59,317,479.34
Beijing – Jinyu Shanshu	October 2014	61,204,919.84	–	(2,731,268.05)	58,473,651.79
Beijing – Chang'an New City	December 2007	80,867,425.28	–	(23,460,855.02)	57,406,570.26
Beijing – Jiaheyuan	August 2016	556,233.11	378,707,387.92	(329,593,618.56)	49,670,002.47
Beijing – Taiheyuan	December 2013	45,975,220.53	–	–	45,975,220.53
Qingdao – Elegancy City	November 2015	55,732,830.03	–	(14,962,769.51)	40,770,060.52
Hainan – Dacheng Business Apartments	February 2005	39,007,053.77	–	–	39,007,053.77
Beijing – Dachengjun	August 2012	39,523,116.71	–	(1,052,012.24)	38,471,104.47
Beijing – Dacheng International	December 2011	30,603,408.75	–	–	30,603,408.75
Beijing – I Cube	February 2015	66,005,198.87	–	(36,144,893.27)	29,860,305.60
Beijing – Huixingyuan (Xingpai)	June 2016	–	3,056,579,990.55	(3,027,593,361.74)	28,986,628.81
Beijing – Ruiheyuan	October 2014	21,873,764.49	–	–	21,873,764.49
Beijing – Jianxinyuan Affordable Housing	October 2004	17,740,595.49	–	(1,778,856.42)	15,961,739.07
Haikou – Meilinghu	January 2014	13,830,730.52	–	–	13,830,730.52
Beijing – Tiantan Gongguan	October 2004	15,107,297.05	–	(5,127,706.09)	9,979,590.96
Beijing – Ziyouzhu	December 2016	254,479,227.46	36,307,413.27	(280,851,345.98)	9,935,294.75
Beijing – Lijuan Jincheng Center	December 2013	37,944,887.80	–	(28,662,357.69)	9,282,530.11
Beijing – Meiheyuan	June 2010	6,568,267.63	–	(933,778.19)	5,634,489.44
Beijing – Guanlan Times	June 2013	5,235,297.72	–	(171,768.49)	5,063,529.23
Others		79,071,264.22	4,906,251.23	(61,801,655.53)	22,175,859.92
Total		10,160,113,619.30	13,866,176,052.92	(13,343,215,622.90)	10,683,074,049.32

Notes to Financial Statements

For the year ended 31 December 2016

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

9. Other current assets

	2016	2015
Prepaid enterprise income tax	709,909,333.90	448,591,818.78
Prepaid land appreciation tax	662,655,374.49	432,284,137.73
Prepaid business tax and other tax	716,050,902.71	1,021,040,014.56
VAT recoverable	528,218,009.56	216,933,244.79
VAT certifiable	30,632,353.75	–
Prepaid expenses	23,170,067.68	37,355,455.34
Amortisation of long-term prepaid expenses within one year (Note V.19)	52,604,396.96	28,196,215.47
Others	158,572,745.01	69,824,811.44
	2,881,813,184.06	2,254,225,698.11

10. Available-for-sale financial assets

	2016	2015
Available-for-sale debt instruments (1)	1,506,972,400.00	–
Available-for-sale equity instruments		
Measured at fair value (2)	984,678,552.96	600,000,000.00
Measured at cost (3)	6,697,450.96	4,367,250.00
	2,498,348,403.92	604,367,250.00

- (1) Jidong Development Group International Trading Co., Ltd. (冀東發展集團國際貿易有限公司), Jidong Sand Gravel Aggregate Co., Ltd. (冀東砂石骨料有限公司), Tangshan Dunshi Real Estate Development Co. Ltd. (唐山盾石房地產開發有限公司), Hebei Building Material Industry Design & Research Institution (河北省建築材料工業設計研究院) and Jidong Development Logistics Co., Ltd. (冀東發展物流有限責任公司), all being subsidiaries of the Company, held collective trust of Noble Sky Wenjian Phase 1 from Yunan International Trust Co., Ltd.* (雲南國際信託有限公司), amounting RMB1,506,972,400.00 in aggregate.

Notes to Financial Statements

For the year ended 31 December 2016

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

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

- (2) As at 31 December 2015, BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司) (“**BBMG GEM**”), a subsidiary of the Company, purchased trust scheme of RMB600,000,000.00 from CITIC-CP Asset Management Company Limited (中信信誠資產管理有限公司) using the debt of RMB600,000,000.00 due from its wholly-owned subsidiary Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業房地產開發有限公司), and BBMG GEM became the beneficiary of subordinated tranches of the trust scheme. Gains on the trust scheme are calculated based on floating returns without principal protection, and to be allocated upon termination of the trust scheme. As at 31 December 2016, the trust scheme was recovered upon maturity.

As at 31 December 2016, BBMG Finance Lease Co., Ltd., a subsidiary of the Company, purchased investment-related financial products including Huazheng Value No. 330, amounting RMB104,000,000.00 and FTSE New Hope No. 1, amounting RMB287,280,000.00.

Jidong Cement, a subsidiary of the Group, held 108,482,368 shares of Yatai (Group) (stock code: 600881). As at 31 December 2016, the share price and market value were RMB5.47 and RMB593,398,552.96 respectively.

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

2016

	Book balance			Provision for impairment			Percentage of shareholding (%)	Cash dividend for the year
	Opening balance	Increase in the year	Closing balance	Opening balance	Increase in the year	Closing balance		
Tianjia (Tianjin) Building Materials Company Limited (天嘉天津建材有限公司)	1,000,000.00	-	1,000,000.00	746,000.00	254,000.00	1,000,000.00	10.00	-
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京市房山區城關農村信用合作社)	101,000.00	-	101,000.00	-	-	-	-	8,888.00
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油銷售有限公司)	3,000,000.00	-	3,000,000.00	-	-	-	10.00	174,461.30
* Beijing Beizhuan Gas Station (北京市北疇加油站)	648,297.22	-	648,297.22	291,047.22	-	291,047.22	62.50	1,152,381.01
* Beijing Xinjianxinyuan Farmer's Market Co., Ltd. (北京市鑫建欣苑農貿市場有限公司)	380,000.00	-	380,000.00	-	-	-	95.00	-
Beijing Tianyun Trading (北京天雲實業)	75,000.00	-	75,000.00	-	-	-	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司)	200,000.00	-	200,000.00	-	-	-	0.20	-
* Hainan Dihao Furniture Co., Ltd. (海南帝豪傢俱公司)	2,645,418.54	-	2,645,418.54	2,645,418.54	-	2,645,418.54	55.00	-
Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清華紫光方大高技術陶瓷有限公司)	3,267,700.00	-	3,267,700.00	3,267,700.00	-	3,267,700.00	27.14	-
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	-	100,000.00	100,000.00	-	100,000.00	0.34	-
Hebei ZCJY (河北眾誠建築)	-	500,000.00	500,000.00	-	-	-	16.00	-
Tangshan Productivity Promotion Center Co., Ltd. (唐山市生產力促進中心有限公司)	-	194,200.96	194,200.96	-	-	-	16.67	121,914.00
Sinoma Hanjiang Cement Co., Ltd. (中材漢江水泥股份有限公司)	-	600,000.00	600,000.00	-	-	-	0.22	-
Xi'an High-Tech Industry Company (西安高科實業公司)	-	1,220,000.00	1,220,000.00	-	-	-	1.12	-
Shaanxi Yao County Cement Factory Properties Co., Ltd. (陝西耀縣水泥廠置業有限公司)	-	70,000.00	70,000.00	-	-	-	0.29	-
	11,417,415.76	2,584,200.96	14,001,616.72	7,050,165.76	254,000.00	7,304,165.76		1,457,644.31

Notes to Financial Statements

For the year ended 31 December 2016

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

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

2015

	Book balance			Provision for impairment			Closing balance	Percentage of shareholding (%)	Cash dividend for the year
	Opening balance	Increase in the year	Decrease in the year	Opening balance	Increase in the year	Decrease in the year			
Tianjia (Tianjin) Building Materials Company Limited (天嘉天津建材有限公司)	1,000,000.00	-	-	1,000,000.00	-	746,000.00	746,000.00	10.00	11,110.00
Chengguan Rural Credit Cooperatives, Fangshan District, Beijing (北京市房山區城關農村信用合作社)	101,000.00	-	-	101,000.00	-	-	-	-	-
Zhongyou Jinyu (Beijing) Oil Sales Co., Ltd. (中油金隅(北京)石油銷售有限公司)	3,000,000.00	-	-	3,000,000.00	-	-	-	10.00	57,640.53
* Beijing Beizhuan Gas Station (北京市北磚加油站)	648,297.22	-	-	648,297.22	291,047.22	-	291,047.22	62.50	-
* Beijing Xinjianxinyuan Farmer's Market Co., Ltd. (北京市鑫建欣苑農貿市場有限公司)	380,000.00	-	-	380,000.00	-	-	-	95.00	-
Beijing Tianyun Trading (北京天雲實業)	75,000.00	-	-	75,000.00	-	-	-	-	-
Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司)	200,000.00	-	-	200,000.00	-	-	-	0.20	-
* Hainan Dihao Furniture Co., Ltd. (海南蒂豪傢俱公司)	2,645,418.54	-	-	2,645,418.54	2,645,418.54	-	2,645,418.54	55.00	-
Beijing Tsinghua Unisplendor Founder High-Tech Ceramics Co. Ltd. (北京清華紫光方大高技術陶瓷有限公司)	3,267,700.00	-	-	3,267,700.00	3,267,700.00	-	3,267,700.00	27.14	-
Beijing Capital Engineering Co., Ltd. (北京首都工程有限公司)	100,000.00	-	-	100,000.00	100,000.00	-	100,000.00	0.34	-
	<u>11,417,415.76</u>	<u>-</u>	<u>-</u>	<u>11,417,415.76</u>	<u>6,304,165.76</u>	<u>746,000.00</u>	<u>7,050,165.76</u>		<u>68,750.53</u>

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

Notes to Financial Statements

For the year ended 31 December 2016

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

11. Long-term receivables

	2016			2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Security deposits of finance lease	4,750,000.00	-	4,750,000.00	-	-	-
Payables to related parties	202,959,788.90	-	202,959,788.90	-	-	-
	207,709,788.90	-	207,709,788.90	-	-	-

Payables to related parties referred to the borrowings and interest receivable provided to Cross Point Trading 274 (PTY) Ltd., a joint venture of African Rhino Co., Ltd. (非洲犀牛有限公司) which is a subsidiary of the Group. Pursuant to the agreement between both parties, such payment will be recovered before March 2044.

An aging analysis of the long-term receivables is as follows:

	2016	2015
Within 1 year	19,991,482.94	-
1-2 years	50,056,538.37	-
2-3 years	137,661,767.59	-
	207,709,788.90	-
Less: Provision for bad debts of long-term receivables	-	-
	207,709,788.90	-

As at the balance sheet date, as evaluated by the management of the Group, no provision for impairment was needed for long-term receivables.

Notes to Financial Statements

For the year ended 31 December 2016

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

12. Long-term equity investments

2016

	Movements during the year									
	Obtained		Investment				Provision for		Closing	
	from business combinations not	Increase/	gain or loss	Other		Book value	impairment at			
Opening balance	under common control	(Decrease) in investment	under equity method	movements of equity interest	Cash dividends declared	Provision for impairment	at the end of the year	the end of the year	net value	
Joint ventures										
STAR-USG Building Materials Co., Ltd. (星牌優特吉建築材料有限公司)	2,318,884.75	-	-	(2,318,884.75)	-	-	-	-	-	
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	3,874,677.55	-	-	61,637.20	-	(210,945.27)	-	3,725,369.48	-	3,725,369.48
BBMG TUS Technology Incubator Co., Ltd. (北京金隅啟迪科技孵化器有限公司)	-	-	4,000,000.00	(316,005.40)	-	-	-	3,683,994.60	-	3,683,994.60
Jidong Heidelberg (Fufeng) Cement Co., Ltd. (冀東海德堡扶風水泥有限公司)	-	463,141,065.16	-	27,748,333.76	18,286.60	-	-	490,907,685.52	-	490,907,685.52
Jidong Heidelberg (Linyang) Cement Co., Ltd. (冀東海德堡涇陽水泥有限公司)	-	511,332,767.62	-	20,675,759.32	(142,992.75)	-	-	531,865,534.19	-	531,865,534.19
Tangshan Caofeidian Shield Stone New Building Material Co., Ltd. (唐山曹妃甸盾石新型建材有限公司)	-	98,524,651.18	-	2,419,648.92	-	-	-	100,944,300.10	-	100,944,300.10
Anshan Jidong Cement Co., Ltd. (鞍山冀東水泥有限公司)	-	236,223,702.63	-	(2,159,636.68)	-	-	-	234,064,065.95	-	234,064,065.95
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. (冀東太平洋(北京)環保工程技術有限公司)	-	11,200,813.97	-	(71,156.75)	-	-	-	11,129,657.22	-	11,129,657.22
Cross Point Trading 274 (RF) Pty. Ltd.	-	74,107,228.23	-	(1,436,147.57)	-	-	-	72,671,080.66	-	72,671,080.66
Tangshan City Fengrun First Transportation Company (唐山市豐潤區第一運輸公司)*	-	-	-	-	-	-	-	-	-	-
Subtotal of joint ventures	6,193,562.30	1,394,530,228.79	4,000,000.00	44,603,548.05	(124,706.15)	(210,945.27)	-	1,448,991,687.72	-	1,448,991,687.72

Notes to Financial Statements

For the year ended 31 December 2016

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

12. Long-term equity investments (continued)

2016 (continued)

	Movements during the year									
	Opening balance	Obtained from business combinations not under common control	Increase/ (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interest	Cash dividends declared	Provision for impairment	Book value at the end of the year	Provision for impairment at the end of the year	Closing net value
Associates										
Krono (Beijing) Flooring Co., Ltd. (柯諾北京地板有限公司)	5,469,434.67	-	(5,469,434.67)	-	-	-	-	-	-	-
Krono (Beijing) Woods Co., Ltd. (柯諾北京木業有限公司)	86,783,222.28	-	-	(14,412,047.08)	-	-	-	72,371,175.20	-	72,371,175.20
Zehnder (China) Indoor Climate Co., Ltd. (森德中國暖通設備有限公司)	99,135,472.21	-	-	67,553,877.20	-	(23,784,545.47)	-	142,904,803.94	-	142,904,803.94
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧聯合材料北京有限公司)	64,172,528.49	-	-	7,145,248.47	-	(7,636,920.54)	-	63,680,856.42	-	63,680,856.42
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限公司)	24,153,611.73	-	-	913,820.27	-	-	-	25,067,432.00	-	25,067,432.00
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	9,234,002.76	-	-	1,358,817.13	-	-	-	10,592,819.89	-	10,592,819.89
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	16,021,098.90	-	-	107,747.81	-	-	-	16,128,846.71	-	16,128,846.71
Tangshan Conch Profiles Co., Ltd. (唐山海螺型材有限公司)	-	169,347,372.93	-	(2,221,201.41)	-	(24,000,000.00)	-	143,126,171.52	-	143,126,171.52
Beijing Youth Camp Jimyu Fengshan Education Technology Co., Ltd. (北京青年營金嶺山教育科技有限公司)	-	-	1,500,000.00	2,187.19	-	-	-	1,502,187.19	-	1,502,187.19
Baogang Jidong Cement Co., Ltd. (包鋼冀東水泥有限公司)	-	96,660,143.62	-	1,158,450.37	-	-	-	97,818,593.99	-	97,818,593.99
Jidong Cement Fufeng Transportation Co., Ltd. (冀東水泥扶風運輸有限公司)	-	6,370,201.90	-	103,672.91	(1,899.10)	-	-	6,471,985.71	-	6,471,985.71
Jilin Changjitu Investment Co., Ltd. (吉林省長吉圖投資有限公司)	-	149,516,696.53	-	(699,044.62)	-	-	-	148,817,651.91	-	148,817,651.91
SINUI TRADING PTE LTD (新實貿易私人有限公司)	-	4,865,614.21	-	215,827.02	-	-	-	5,081,441.23	-	5,081,441.23
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. (中房華瑞(唐山)置業有限公司)	-	5,064,564.92	-	(74,591.85)	-	-	-	4,989,973.07	-	4,989,973.07
Tangshan Haigang Datang Tongzhou Construction Materials Company Limited (唐山海港大唐同洲建材有限公司)*	-	-	-	-	-	-	-	-	-	-
Changchun Light Rail Jidong Concrete Co., Ltd. (長春輕軌冀東混凝土有限公司)	-	42,961,149.96	-	3,144,198.31	-	-	-	46,105,348.27	-	46,105,348.27
Liquan Qiming Cement Co., Ltd (禮泉秦嶺水泥有限公司)*	-	-	-	-	-	-	-	-	-	-
Shaanxi Yan'an Qiming Cement Grinding Co., Ltd. (陝西延安秦嶺水泥粉磨有限公司)*	-	-	-	-	-	-	-	-	-	-
Shaanxi Qiming Cement Group Special Cement Co., Ltd. (陝西秦嶺水泥集團特種水泥有限公司)*	-	-	-	-	-	-	-	-	-	-
Feifang Jidong Licen Machinery (Beijing) Co., Ltd. (飛帆冀東利岑機械北京有限公司)	-	4,145,439.05	(4,145,439.05)	-	-	-	-	-	-	-
Subtotal of associates	304,969,371.04	478,931,183.12	(8,114,873.72)	64,296,961.72	(1,899.10)	(55,421,466.01)	-	784,659,287.05	-	784,659,287.05
Total	311,162,933.34	1,873,461,411.91	(4,114,873.72)	108,900,509.77	(126,595.25)	(55,632,411.28)	-	2,233,650,974.77	-	2,233,650,974.77

* Such companies are joint ventures and associates of Jidong Group and provisions for impairment have been fully made as at the acquisition date.

Notes to Financial Statements

For the year ended 31 December 2016

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

12. Long-term equity investments (continued)

2015

	Movements during the year						Book value at the end of the year	Provision for impairment at the end of the year	Closing net value
	Opening balance	Increase/ (Decrease) in investment	Investment gain or loss under equity method	Other movements of equity interest	Cash dividends declared	Provision for impairment			
Joint ventures									
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	17,789,937.84	-	(15,471,053.09)	-	-	-	2,318,884.75	-	2,318,884.75
BBMG Landao Commercial Operation Management Co., Ltd. (北京藍島金隅商業運營管理有限公司)	3,927,454.60	-	229,784.79	-	(282,561.84)	-	3,874,677.55	-	3,874,677.55
Subtotal of joint ventures	21,717,392.44	-	(15,241,268.30)	-	(282,561.84)	-	6,193,562.30	-	6,193,562.30
Associates									
Krono (Beijing) Flooring Co., Ltd. (柯諾北京地板有限公司)	5,469,434.67	-	-	-	-	-	5,469,434.67	5,469,434.67	-
Krono (Beijing) Woods Co., Ltd. (柯諾北京木業有限公司)	97,629,252.10	-	(10,846,029.82)	-	-	-	86,783,222.28	-	86,783,222.28
Zehnder (China) Indoor Climate Co., Ltd. (森德中國暖通設備有限公司)	98,362,708.22	-	772,763.99	-	-	-	99,135,472.21	-	99,135,472.21
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科寧複合材料(北京)有限公司)	60,310,207.81	-	8,346,992.95	-	(4,484,672.27)	-	64,172,528.49	-	64,172,528.49
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	27,810,842.09	-	(2,775,530.36)	-	(881,700.00)	-	24,153,611.73	-	24,153,611.73
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	8,035,920.51	-	2,049,082.25	-	(851,000.00)	-	9,234,002.76	-	9,234,002.76
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	-	16,020,997.00	101.90	-	-	-	16,021,098.90	-	16,021,098.90
Subtotal of associates	297,618,365.40	16,020,997.00	(2,452,619.09)	-	(6,217,372.27)	-	304,969,371.04	5,469,434.67	299,499,936.37
Total	319,335,757.84	16,020,997.00	(17,693,887.39)	-	(6,499,934.11)	-	311,162,933.34	5,469,434.67	305,693,498.67

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

Notes to Financial Statements

For the year ended 31 December 2016

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

13. Investment properties

Fair value model is applied to investment properties of the Group for subsequent measurement:

2016

	Buildings
Opening balance	14,444,803,327.98
Disposal and retirement	(65,031,909.32)
Changes in fair value	596,856,927.13
Closing balance	14,976,628,345.79

2015

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

All the above investment properties are located in the PRC and held under operating commercial leases.

The Group's investment properties were valued by Savills Valuation and Professional Services Limited, an independent valuer with professional qualifications, using future earnings method and market-based approach on an open market and existing use basis, the appraised value of which as at 31 December 2016 was RMB14,976,628,345.79 (31 December 2015: RMB14,444,803,327.98).

As at 31 December 2016, procedures for the title certificates for certain investment properties were yet to be completed. These investment properties were acquired through the business combination under common control in 2011, and the Group is in the process of handling the procedures for changing the relevant titles. The management is of the view that the Group has the legitimate and valid right to occupy and use or dispose of the above properties and the above matters will not impose material adverse effect on the overall financial position of the Group as at 31 December 2016.

Notes to Financial Statements

For the year ended 31 December 2016

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

13. Investment properties *(continued)*

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

	2016	2015
Jianjin Building	167,100,000.00	157,600,000.00
Jinhuanyu Building	136,700,000.00	130,400,000.00
	303,800,000.00	288,000,000.00

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

Notes to Financial Statements

For the year ended 31 December 2016

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

14. Fixed assets

2016

	Buildings	Machinery equipment	Transportation equipment	Other equipment	Total
Cost					
Opening balance	13,190,471,520.68	12,974,408,432.68	974,992,101.87	534,213,764.52	27,674,085,819.75
Addition	239,732,042.63	486,241,487.79	42,201,312.69	29,217,789.59	797,392,632.70
Transfer from construction in progress	979,474,112.45	614,681,374.49	7,898,941.28	10,613,424.10	1,612,667,852.32
Business combination not under common control	14,483,113,174.21	12,468,835,176.44	1,193,000,209.31	97,884,090.03	28,242,832,649.99
Disposal or retirement	(656,692,137.79)	(1,120,147,800.40)	(150,194,088.09)	(26,672,301.29)	(1,953,706,327.57)
Closing balance	<u>28,236,098,712.18</u>	<u>25,424,018,671.00</u>	<u>2,067,898,477.06</u>	<u>645,256,766.95</u>	<u>56,373,272,627.19</u>
Accumulated depreciation					
Opening balance	3,176,825,336.80	5,065,166,153.38	564,128,982.37	393,437,538.33	9,199,558,010.88
Provision for the year	636,258,052.74	924,752,754.36	247,907,243.38	61,694,168.92	1,870,612,219.40
Disposal or retirement	(198,285,996.40)	(345,744,414.69)	(170,188,459.54)	(24,224,375.67)	(738,443,246.30)
Closing balance	<u>3,614,797,393.14</u>	<u>5,644,174,493.05</u>	<u>641,847,766.21</u>	<u>430,907,331.58</u>	<u>10,331,726,983.98</u>
Provision for impairment					
Opening balance	116,741,541.19	209,902,508.62	5,074,832.36	1,639,237.66	333,358,119.83
Provision for the year	31,403,975.12	58,631,377.36	4,867,390.69	613,160.83	95,515,904.00
Disposal or retirement	(72,021,817.47)	(85,941,461.80)	(2,470,180.97)	(178,514.13)	(160,611,974.37)
Closing balance	<u>76,123,698.84</u>	<u>182,592,424.18</u>	<u>7,472,042.08</u>	<u>2,073,884.36</u>	<u>268,262,049.46</u>
Book value					
At the end of the year	<u>24,545,177,620.20</u>	<u>19,597,251,753.77</u>	<u>1,418,578,668.77</u>	<u>212,275,551.01</u>	<u>45,773,283,593.75</u>
At the beginning of the year	<u>9,896,904,642.69</u>	<u>7,699,339,770.68</u>	<u>405,788,287.14</u>	<u>139,136,988.53</u>	<u>18,141,169,689.04</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

14. Fixed assets *(continued)*

2015

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

Notes to Financial Statements

For the year ended 31 December 2016

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

14. Fixed assets (continued)

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

	2016	2015
Machinery and equipment	5,696,880,670.69	23,964,011.40
Buildings	56,780,625.96	–
Transportation equipment	25,730,925.21	–
Other equipment	–	–
	5,779,392,221.86	23,964,011.40

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

	2016	2015
Machinery and equipment	12,800,538.36	–
Buildings	10,744,406.12	77,260,067.15
Transportation equipment	4,949,158.78	–
Other equipment	2,861.86	–
	28,496,965.12	77,260,067.15

As at 31 December 2016, fixed assets for which the procedures for title certificates were yet to be completed were as follows:

	Book value	Reasons for the absence of title certificates
Office building for Jidong Rizhang Energy Saving (冀東日彰節能)	104,145,069.05	In process
Office building for Tangshan High Voltage Porcelain Insulator Works (唐山高壓電瓷)	98,555,896.60	In process
Office building for Jidong Jicheng Housing (冀東集成房屋)	76,385,003.42	In process
Office building for Xuanhua BBMG Cement	41,550,415.85	In process
Office building for Zuoquan BBMG Cement	27,275,410.51	In process
Office building for Chengde BBMG Cement	4,453,456.11	In process
	352,365,251.54	

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

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress

	2016			2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Baoding Taihang Heyi						
– Updating of raw mill energy-saving	-	-	-	18,278,675.83	-	18,278,675.83
Zanhuang BBMG Cement						
– Construction of sandstone mine	-	-	-	15,826,689.80	-	15,826,689.80
– Renovation project for line 1 raw meal mill	19,954,841.54	-	19,954,841.54	-	-	-
Tianjin Zhenxing Cement						
– Project concerning clinker storage tent	-	-	-	28,347,508.05	-	28,347,508.05
– Raw coal and auxiliary material shed	-	-	-	26,145,793.42	-	26,145,793.42
– Updating of raw material grinding system energy-saving	13,268,621.06	-	13,268,621.06	-	-	-
– Updating of feeding system	13,225,009.34	-	13,225,009.34	-	-	-
BBMG Mineral Industry						
– Integration of non-coal mines in Fangshan District	-	-	-	54,621,284.23	-	54,621,284.23
Beishui Environmental Technology (formerly Beijing Cement Plant)						
– Construction project of limestone mine in Xiazhuang	-	-	-	13,992,349.63	-	13,992,349.63
Bo'ai BBMG Cement						
– Bo'ai Zhaihuoxiang limestone mine	13,614,150.89	-	13,614,150.89	10,722,641.49	-	10,722,641.49
– Technological improvement of raw meal mill	25,608,561.32	-	25,608,561.32	9,948,018.87	-	9,948,018.87
Handan BBMG Taihang Cement						
– Collaborative project of the disposal of garbage for cement kiln	51,458,621.68	-	51,458,621.68	12,365.66	-	12,365.66
Handan Shexian BBMG Cement						
– Project concerning comprehensive utilisation of mining mullock	31,032,339.00	-	31,032,339.00	-	-	-
Quyuan Jinyu Cement						
– Solid wastes treatment project	28,825,783.43	-	28,825,783.43	82,981.28	-	82,981.28

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

	2016			2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Tianjin BBMG Concrete						
– Binhai creative investment office building	23,650,000.00	-	23,650,000.00	-	-	-
Lingchuan BBMG Cement						
– Hazardous waste disposal	22,586,094.50	-	22,586,094.50	435,369.81	-	435,369.81
Guangling Jinyu Cement						
– Collaborative project of hazardous waste disposal	20,560,550.15	-	20,560,550.15	-	-	-
Chengde BBMG Cement						
– Project concerning comprehensive utilisation of hazardous waste	16,833,869.04	-	16,833,869.04	308,850.86	-	308,850.86
– 110KV power supply technological improvement project	15,895,816.67	-	15,895,816.67	-	-	-
Dachang BBMG Tiantan Furniture						
– Construction of Dachang project	273,194,087.82	-	273,194,087.82	81,873,849.75	-	81,873,849.75
Beijing Aerated Concrete						
– Logistics park project	766,401,717.96	-	766,401,717.96	434,077,594.22	-	434,077,594.22
BBMG (Dachang) Modern Industrial Park						
– Tiantan furniture project standard plant	24,544,970.76	-	24,544,970.76	276,189,695.83	-	276,189,695.83
– GSHP project of Tiantan furniture (Phase 1)	-	-	-	48,731,109.78	-	48,731,109.78
– Rock wool material shed	-	-	-	12,648,402.60	-	12,648,402.60
BBMG Weiguang (Cangzhou) Chemical						
– Adhesives and polycarboxylic type water reducer	22,247,579.93	-	22,247,579.93	-	-	-
Beijing Building Material Test Centre						
– Water-saving appliances quality monitoring and inspection center	30,769,118.34	-	30,769,118.34	320,254.72	-	320,254.72
Doudian Technology Corporate Management						
– Water-saving center project	32,540,738.70	-	32,540,738.70	3,135,850.73	-	3,135,850.73

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress *(continued)*

	2016			2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Hongye Ecological						
– Jianjin Building decoration project	30,874,361.13	–	30,874,361.13	13,580,318.50	–	13,580,318.50
Jidong Group						
– Caofeidian Industrial Park	59,253,147.10	–	59,253,147.10	–	–	–
Tangshan Caofeidian Jidong Equipment Mechanical Hotworking						
– Caofeidian hotworking project	194,685,431.34	–	194,685,431.34	–	–	–
Jidong Development Jingyang Building Materials						
– Aggregates production line with annual production capacity of 3 million tonnes	94,433,361.50	–	94,433,361.50	–	–	–
Beijing Zhejun Science and Technology Development						
– No. 3 slag production line	58,017,949.36	–	58,017,949.36	–	–	–
– Environmental protection project	17,999,500.00	–	17,999,500.00	–	–	–
Laishui Jingjai Building Materials						
– Construction project of a production line of 2.5 million tonnes dolomite	19,163,509.32	–	19,163,509.32	–	–	–
Tangshan Jidong Development Machinery and Equipment Manufacturing						
– Heavy equipment plant	218,637,902.54	–	218,637,902.54	–	–	–
– Ancillary equipment plant	136,294,220.63	–	136,294,220.63	–	–	–
– 110KV substation	18,346,566.17	–	18,346,566.17	–	–	–
Tangshan Dunshi Machinery Manufacturing						
– Dunshi machinery manufacturing project	14,057,435.08	–	14,057,435.08	–	–	–
– 13 meter vertical lathe	11,037,352.45	–	11,037,352.45	–	–	–
Huawai Wind Power Development						
– Caofeidian new wind power project	107,045,976.72	–	107,045,976.72	–	–	–

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

	2016			2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Tangshan Qixin Cement Industry Museum						
– Museum project	62,459,464.17	-	62,459,464.17	-	-	-
Jidong Cement Heilongjiang						
– Cement production line using new drying process with clinker	537,298,377.09	-	537,298,377.09	-	-	-
Mizhi Jidong Cement						
– Project concerning cement production by comprehensive utilization using new dry process	239,191,544.18	-	239,191,544.18	-	-	-
Yantai Jidong Runtai Building Materials						
– Production line project	155,874,519.70	-	155,874,519.70	-	-	-
Jidong Cement Tongchuan						
– Conveyor belt project	28,893,452.21	1,556,436.49	27,337,015.72	-	-	-
Yi County Xinhai Mining						
– Project concerning crushed stone production of 1.2 million cubic meters per annum	34,925,491.41	-	34,925,491.41	-	-	-
Inner Mongolia Jidong Cement						
– New roller press finish grinding mill system	27,110,816.87	-	27,110,816.87	-	-	-
Shandong Jidong Shengwei Building Materials						
– Project concerning transit depot of colour steel at Shouguang Port	22,082,631.67	-	22,082,631.67	-	-	-
Chengde Jidong Cement						
– Technological improvement project of mining	10,689,988.52	-	10,689,988.52	-	-	-
Others	425,521,318.12	4,928,225.40	420,593,092.72	209,595,371.32	9,686,164.06	199,909,207.26
Total	3,970,106,789.41	6,484,661.89	3,963,622,127.52	1,258,874,976.38	9,686,164.06	1,249,188,812.32

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2016

Projects	Budget (thousand RMB)	Opening balance	Business combination	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
			not under common control						
Beijing Liushui Environmental Technology (formerly Lulihe BBMG Cement)									
- Collaborative project of the disposal of lime-stabilised sludge and cement kiln	32,000	722,695.65	-	-	-	722,695.65	-	Self-financing	2.26
- Construction waste resources optimization	99,870	321,358.41	-	1,059,636.96	-	-	1,380,995.37	Self-financing	1.38
- Improvement and expansion project of fly ash	74,910	-	-	1,979,312.44	-	-	1,979,312.44	Self-financing and borrowing	2.64
Hebei BBMG Dingxin									
- Upgrading of 2nd sub line 2 raw meal ball mill to roller press finish grinding mill	30,500	1,444,645.22	-	23,673,644.84	25,118,290.06	-	-	Self-financing	82.36
- Stripping of 1st sub orebody phase 2	127,328	-	-	6,071,250.80	-	6,071,250.80	-	Self-financing	4.77
Baoding Taihang Heyi								Self-financing	
- Updating of raw mill energy-saving	29,840	18,278,675.83	-	5,758,465.38	24,037,141.21	-	-	and borrowing	80.55
Handan BBMG Taihang Cement									
- Collaborative project of the disposal of garbage for cement kiln	118,770	12,365.66	-	51,446,256.02	-	-	51,458,621.68	Self-financing	43.33
Handan Shexian BBMG Cement									
- Project concerning comprehensive utilisation of mining mullock	46,000	-	-	31,032,339.00	-	-	31,032,339.00	Borrowing	67.46
- Relocation and technological improvement project of cement grinding station	125,000	-	-	3,603,603.60	-	-	3,603,603.60	Borrowing	2.88
Zanhuang BBMG Cement									
- Construction of sandstone mine	43,260	15,826,689.80	-	18,596,042.79	34,422,732.59	-	-	Self-financing	79.57
- Collaborative disposal of household garbage and sludge in cement kiln	125,650	-	-	547,169.80	-	-	547,169.80	Self-financing	0.44
- Renovation project for line 1 raw meal mill	30,500	-	-	19,954,841.54	-	-	19,954,841.54	Self-financing	65.43
Quyuan Jinyu Cement									
- Solid wastes treatment project	53,222	82,981.28	-	28,742,802.15	-	-	28,825,783.43	Self-financing	54.16

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Tianjin BBMG Concrete									
– Binhai creative investment office building	33,800	-	-	23,650,000.00	-	-	23,650,000.00	Self-financing	69.97
Tianjin Zhenxing Cement									
– Project concerning clinker storage tent	28,350	28,347,508.05	-	186,485.13	28,533,993.18	-	-	Borrowing	100.65
– Raw coal and auxiliary material shed	26,150	26,145,793.42	-	1,227,576.47	27,373,369.89	-	-	Borrowing	104.68
– Updating of raw material grinding system energy-saving	22,700	-	-	13,268,621.06	-	-	13,268,621.06	Self-financing	58.45
Lingchuan BBMG Cement									
– Hazardous waste disposal	36,180	435,369.81	-	22,150,724.69	-	-	22,586,094.50	Borrowing	62.43
BBMG Mineral Industry									
– Integration of non-coal mines in Fangshan District	157,920	54,621,284.23	-	46,534.09	-	54,667,818.32	-	Self-financing	34.62
Beishui Environmental Technology (formerly Beijing Cement Plant)									
– Construction project of limestone mine in Xiazhuang	36,808	13,992,349.63	-	19,935,220.97	33,927,570.60	-	-	Self-financing	92.17
Xuanhua BBMG Cement									
– Project concerning completion of cement production by utilization of carbide slag	67,000	1,591,326.53	-	8,673.47	1,600,000.00	-	-	Self-financing	98.78
Bo'ai BBMG Cement									
– Bo'ai Zhaihuoxiang limestone mine	21,102	10,722,641.49	-	2,891,509.40	-	-	13,614,150.89	Self-financing	64.52
– Technological improvement of raw meal mill	30,650	9,948,018.87	-	15,660,542.45	-	-	25,608,561.32	Self-financing and borrowing	83.55
Guangling Jinyu Cement									
– Collaborative project of hazardous waste disposal	37,480	-	-	20,560,550.15	-	-	20,560,550.15	Self-financing and borrowing	54.86
Chengde BBMG Cement									
– Treatment of mine environment and other projects	20,440	5,382,792.21	-	-	3,326,930.85	2,055,861.36	-	Self-financing	126.24
– Project concerning comprehensive utilisation of hazardous waste	39,140	308,850.86	-	16,525,018.18	-	-	16,833,869.04	Share borrowing	43.01
– 110KV power supply technological improvement project	45,000	-	-	15,895,816.67	-	-	15,895,816.67	Share borrowing	35.32

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress *(continued)*

2016 *(continued)*

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Xingtai BBMG Yongning								Self-financing	
- Phase I of renovation of raw meal mill	32,246	29,666.67	-	24,624,121.36	24,653,788.03	-	-	and loans	76.46
- Phase II of renovation of raw meal mill	32,246	-	-	21,622,828.48	21,622,828.48	-	-	Self-financing	67.06
Dachang BBMG Tiantan Furniture								Appropriation/ Fundraising/ Borrowing	
- Construction of Dachang project	685,355	81,873,849.75	-	191,320,238.07	-	-	273,194,087.82		39.86
Beijing Aerated Concrete								Self-financing	
- Logistics park project	1,369,000	434,077,594.22	-	332,324,123.74	-	-	766,401,717.96		55.98
Beijing Building Material Test Centre								Self-financing	
- Water-saving appliances quality monitoring and inspection center	36,570	320,254.72	-	30,448,863.62	-	-	30,769,118.34		84.14
BBMG (Dachang) Modern Industrial Park								Fundraising/ Self-financing/ Borrowing	
- Tiantan furniture project	590,492	276,189,695.83	-	89,687,740.04	341,332,465.11	-	24,544,970.76		61.96
- Sanchong Mirror project	27,524	40,000.00	-	21,485,144.05	21,525,144.05	-	-	Self-financing	78.20
- GSHP project of Tiantan furniture (Phase 1)	88,000	48,731,109.78	-	10,704,847.05	59,435,956.83	-	-	Self-financing	67.54
BBMG Weiguang (Cangzhou) Chemical								Self-financing	
- Adhesives and polycarboxylic type water reducer	88,392	-	-	22,247,579.93	-	-	22,247,579.93		25.17
Doudian Technology Corporate Management								Borrowing	
- Water-saving center project	50,390	3,135,850.73	-	29,404,887.97	-	-	32,540,738.70		64.58
Badaling Hot Spring								Borrowing	
- Riverside town improvement project	28,300	-	-	28,525,695.44	28,525,695.44	-	-		100.80

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Hongye Ecological									
– Jianjin Building decoration project	24,000	13,580,318.50	-	17,294,042.63	-	-	30,874,361.13	Self-financing	128.64
Jidong Group								Self-financing	
– Caofeidian Industrial Park	59,253	-	58,314,247.43	938,899.67	-	-	59,253,147.10	and borrowing	99.99
Tangshan Caofeidian Jidong Equipment Mechanical Hotworking								Self-financing	
– Caofeidian hotworking project	216,500	-	166,948,855.60	27,736,575.74	-	-	194,685,431.34	and borrowing	89.92
Tangshan Dunshi Electric								Self-financing and government subsidies	
– Corporate innovative ability development project	25,000	-	2,630,839.66	3,176,944.41	-	-	5,807,784.07		23.23
Tangshan Dunshi Machinery Manufacturing								Self-financing and borrowing	
– Dunshi machinery manufacturing project	286,000	-	14,057,435.08	-	-	-	14,057,435.08		4.92
Beijing Zhejun Science and Technology Development								Self-financing	
– No. 3 slag production line	60,000	-	56,026,479.44	1,991,469.92	-	-	58,017,949.36	and borrowing	96.70
Laishui Jingjai Building Materials								Borrowing	
– Construction project of a production line of 2.5 million tonnes dolomite	120,073	-	18,141,188.19	1,022,321.13	-	-	19,163,509.32		15.96
Jidong Development Jingyang Building Materials								Self-financing and borrowing	
– Aggregates production line with annual production capacity of 3 million tonnes	283,579	-	77,459,173.16	16,974,188.34	-	-	94,433,361.50		33.30
Tangshan Jidong Development Machinery and Equipment Manufacturing								Self-financing	
– Heavy equipment plant	269,923	-	218,637,902.54	-	-	-	218,637,902.54		81.00
– Ancillary equipment plant	164,607	-	136,294,220.63	-	-	-	136,294,220.63		82.80
– 110KV substation	20,385	-	18,346,566.17	-	-	-	18,346,566.17		90.00
Huahai Wind Power Development								Self-financing and borrowing	
– Caofeidian new wind power project	230,000	-	107,045,976.72	-	-	-	107,045,976.72		46.54

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress *(continued)*

2016 *(continued)*

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Tangshan Qixin Cement Industry Museum								Self-financing and borrowing	
- Museum project	250,000	-	62,675,042.17	-	215,578.00	-	62,459,464.17		25.07
Jidong Cement Heilongjiang								Borrowing	
- Cement production line using new drying process with clinker	1,670,000	-	374,493,938.13	162,804,438.96	-	-	537,298,377.09		32.17
Mizhi Jidong Cement								Borrowing	
- Project concerning cement production by comprehensive utilization using new dry process	487,831	-	149,734,051.53	89,897,693.84	-	440,201.19	239,191,544.18		49.12
Yantai Jidong Runtai Building Materials								Self-financing and borrowing	
- Production line project	238,098	-	139,366,341.86	16,508,177.84	-	-	155,874,519.70		65.47
Jidong Cement Tongchuan								Self-financing	
- Conveyor belt project	55,000	-	28,893,452.21	-	-	-	28,893,452.21		52.53
Yi County Xinhai Mining								Self-financing and borrowing	
- Project concerning crushed stone production of 1.2 million cubic meters per annum	92,172	-	28,114,977.54	6,810,513.87	-	-	34,925,491.41		37.89
Inner Mongolia Jidong Cement								Self-financing	
- New roller press finish grinding mill system	29,916	-	25,742,556.30	1,368,260.57	-	-	27,110,816.87		90.62
Shandong Jidong Shengwei Building Materials								Self-owned	
- Project concerning transit depot of colour steel at Shouguang Port	29,000	-	19,386,492.58	2,696,139.09	-	-	22,082,631.67		76.15
Chengde Jidong Cement								Self-financing	
- Technological improvement project of mining	50,170	-	10,689,988.52	-	-	-	10,689,988.52		21.31
Jilin Jidong Logistics								Borrowing	
- Construction project concerning energy conservation and environmental protection	50,000	-	3,621,473.60	943.40	-	-	3,622,417.00		7.24

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2016 (continued)

Projects	Budget (thousand RMB)	Opening balance	Business combination not under common control	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Jidong Cement Huludao									
– Cement production line using new drying process with clinker	790,000	-	3,135,260.58	-	-	-	3,135,260.58	Borrowing	0.40
Inner Mongolia Jidong Cement									
– Jujinshan project	165,650	-	136,362,081.29	3,816,634.83	137,605,657.25	2,573,058.87	-	Self-financing and borrowing	84.62
Jidong Cement Panshi									
– Yantong Lazi mining	99,408	-	1,384,927.04	281,999.85	-	-	1,666,926.89	Self-financing and borrowing	1.68
Yangquan Jidong Cement									
– Mining right phase 2 project	25,000	-	64,509.43	-	-	-	64,509.43	Self-financing	0.26
Liaoyang Jidong Hengdun Mining									
– Production line of crushed stone of limestone and gravel aggregate	379,203	-	281,511,347.36	8,922,169.27	290,433,516.63	-	-	Borrowing	76.59
Jidong Cement Chongqing Jiangjin									
– Cement vertical mill technological improvement project	48,812	-	48,348,561.82	-	48,348,561.82	-	-	Self-financing	99.05
Others									
	212,711,289.23		321,903,306.77	448,641,918.86	460,628,632.30	76,652,681.83	445,975,200.73		
Total	1,258,874,976.38		2,509,331,193.35	1,957,752,040.02	1,612,667,852.32	143,183,568.02	3,970,106,789.41		

Note: Other decreases mainly represent transfer of the stripping of orebody project under construction of Hebei BBMG Dingxin Cement Co., Ltd., a subsidiary of the Company, to long-term deferred expenditures upon completion in the year and construction in progress of BBMG Mineral Industry Co., Ltd. underwent retirement and disposal.

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2015

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Lulihe BBMG Cement								
- Renovation project for line 1 coal vertical mills	20,000	18,857,117.45	2,742,050.49	21,599,167.94	-	-	Self-financing	100.00
- Collaborative project of the disposal of lime-stabilised sludge and cement kiln	32,000	722,695.65	-	-	-	722,695.65	Self-financing	2.26
- Construction waste resources optimization	99,870	-	321,358.41	-	-	321,358.41	Self-financing	0.32
- Project concerning comprehensive utilization of fly ash	61,289	20,527,000.00	1,729,525.11	22,256,525.11	-	-	Self-financing/loans	99.00
- Improvement project of the productivity of fly ash disposal line	22,960	15,095,172.30	5,590,019.65	20,685,191.95	-	-	Self-financing/loans	90.00
Hebei BBMG Dingxin								
- Upgrading of 2nd sub line 2 raw meal ball mill to roller press finish grinding mill	30,500	-	1,444,645.22	-	-	1,444,645.22	Self-financing	4.74
- Stripping of 2nd sub orebody	84,146	42,809,346.91	32,710,319.66	-	75,519,666.57	-	Self-financing	100.00
- Stripping of 1st sub orebody phase 2	127,328	-	20,664,380.20	-	20,664,380.20	-	Self-financing	98.40
- Upgrading of 2nd sub line 1 raw meal ball mill to roller press finish grinding mill	31,500	-	26,409,270.67	26,409,270.67	-	-	Self-financing	83.84
Baoding Taihang Heyi								
- Updating of raw mill energy-saving	29,840	-	18,278,675.83	-	-	18,278,675.83	Self-financing	61.26
- Environmental renovation of cement production line	20,000	12,227,760.52	8,105,952.43	20,333,712.95	-	-	Self-financing	100.00
- "Green Mine"	30,200	1,455,960.06	18,513.00	-	1,474,473.06	-	Self-financing	4.88
Guantao BBMG								
- Project concerning 400,000 tonnes dry mix mortar	59,300	3,297,919.07	32,933,562.77	36,231,481.84	-	-	Self-financing	61.10
Handan BBMG Taihang Cement								
- Collaborative project of the disposal of garbage for cement kiln	104,298	-	12,365.66	-	-	12,365.66	Self-financing	0.01
Zanhuang BBMG Cement								
- Construction of sandstone mine	42,360	11,737,058.18	4,089,631.62	-	-	15,826,689.80	Self-financing	37.36

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2015 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Cement Energy Saving Technology								
- Project concerning 50,000 tonnes complex production line	31,968	11,859,538.48	7,819,526.20	19,679,064.68	-	-	Self-financing	61.56
Zhangjiakou BBMG								
- Base for fly ash	73,400	47,758,330.84	23,161,097.01	70,919,427.85	-	-	Self-financing	96.62
Quyuan Jinyu Cement								
- Solid wastes treatment project	22,700	22,051.28	60,930.00	-	-	82,981.28	Self-financing	0.37
Tianjin Zhenxing								
- Project concerning clinker storage tent	28,350	28,347,508.05	-	-	-	28,347,508.05	Loans	99.00
- Raw coal and auxiliary material shed	26,150	-	26,145,793.42	-	-	26,145,793.42	Loans	99.00
- Composite micro powder project	27,660	1,587,845.93	115,000.00	-	-	1,702,845.93	Self-financing	6.16
BBMG Mineral Industry								
- Integration of non-coal mines in Fangshan District	157,920	50,866,885.04	3,754,399.19	-	-	54,621,284.23	Self-financing	34.59
Beishui Eco-friendly								
- Construction project of limestone mine in Xiazhuang	36,808	120,000.00	13,872,349.63	-	-	13,992,349.63	Self-financing	38.01
Xuanhua BBMG Cement								
- Project concerning completion of cement production by utilisation of carbide slag	67,000	15,870,585.38	592,547.31	13,939,255.73	932,550.43	1,591,326.53	Self-financing	98.00
Bo'ai BBMG Cement								
- Bo'ai Zhaihuoxiang limestone mine	21,102	-	10,722,641.49	-	-	10,722,641.49	Self-financing	50.81
- Technological improvement of raw meal mill	30,650	-	9,948,018.87	-	-	9,948,018.87	Self-financing	32.46
- Upgrading of 2# cement grinding	33,980	4,100,000.00	19,677,591.22	23,777,591.22	-	-	Self-financing	69.98
BBMG Mortar								
- Pinggu production line	46,170	2,433,244.00	1,367,120.53	3,800,364.53	-	-	Self-financing	100.00

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2015 (continued)

Projects	Budget (thousand RMB)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decreases (notes)	Closing balance	Source of funding	Percentage of project investment in budget (%)
Chengde BBMG Cement								
– Treatment of mine environment and other projects	20,440	10,416,122.21	10,005,335.88	7,903,900.00	7,134,765.88	5,382,792.21	Self-financing	99.91
– Project concerning 400,000 tonnes dry mix mortar	76,720	43,733,336.20	6,862,531.12	50,595,867.32	–	–	Loans	65.95
Dachang BBMG Tiantan Furniture							Appropriation/ Fundraising	
– Construction of Dachang project	685,355	–	81,873,849.75	–	–	81,873,849.75	Fundraising	11.95
Beijing Aerated Concrete								
– Logistics park project	1,369,000	168,249,241.83	266,132,352.39	304,000.00	–	434,077,594.22	Self-financing	31.73
Beijing Building Material Test Centre								
– Water-saving appliances quality monitoring and inspection center	28,850	–	320,254.72	–	–	320,254.72	Self-financing	1.11
BBMG (Dachang) Modern Industrial Park							Fundraising/ Self-financing	
– Tiantan furniture project 7#9#12# lands standard plant	338,849	129,296,519.76	52,737,399.96	–	–	182,033,919.72	Self-financing	72.00
– Tiantan furniture project 4#10-2# lands standard plant	251,643	506,242.97	93,649,533.14	–	–	94,155,776.11	Self-financing	80.00
– GSHF project of Tiantan furniture (Phase 1)	55,000	100,000.00	48,631,109.78	–	–	48,731,109.78	Self-financing	95.00
– Sanchong Mirror project	27,524	–	40,000.00	–	–	40,000.00	Self-financing	0.15
Doudian Technology Corporate Management								
– Water-saving center project	50,390	–	3,135,850.73	–	–	3,135,850.73	Loans	6.22
Hongye Ecological								
– Jianjin Building decoration project	24,000	–	13,580,318.50	–	–	13,580,318.50	Self-financing	56.58
Others		202,666,352.57	509,311,032.06	500,195,053.99	–	211,782,330.64		
Total		844,663,834.68	1,358,566,853.62	838,629,875.78	105,725,836.14	1,258,874,976.38		

Note: Other decreases mainly represent transfer of the stripping of orebody project under construction of Hebei BBMG Dingxin Cement Co., Ltd., a subsidiary of the Company, to long-term deferred expenditures upon completion in the year.

Notes to Financial Statements

For the year ended 31 December 2016

V. NOTES TO KEY ITEMS OF 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 set out below:

2016

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Bo'ai – Technological improvement of raw meal mill	95.00	217,500.00	217,500.00	4.35
Lingchuan – Hazardous waste disposal	90.00	78,203.82	78,203.82	2.50
Handan Shexian – Project concerning comprehensive utilisation of mining mullock	87.00	568,043.54	568,043.54	4.29
Handan Shexian – Project concerning raw material shed	84.00	271,191.89	271,191.89	4.13
Chengde BBMG – Project concerning comprehensive utilisation of hazardous waste	53.00	131,326.00	131,326.00	3.34
Chengde BBMG – 110KV power supply technological improvement project	26.00	135,816.67	135,816.67	4.35
Dachang BBMG Tiantan Furniture – Construction of Dachang project	40.00	1,006,250.00	523,250.00	4.60
Doudian Technology – Water-saving center project	90.00	609,519.80	544,859.99	4.30
Jidong Group – Caofeidian Industrial Park	11.00	15,039,466.04	931,406.08	5.43
Jidong Equipment Mechanical Hotworking – Caofeidian hotworking project	77.00	11,660,642.76	1,702,574.15	6.18
Jidong Development Jingyang Building Materials–Aggregates production line with annual production capacity of 3 million tonnes project	86.00	24,486,286.72	2,715,876.12	5.38
Jingyang Jinhui Building Materials – Technological improvement of production line	70.00	5,807,584.15	466,452.45	5.14
Beijing Zhejun Science and Technology Development– No. 3 slag production line	95.00	9,961,734.96	1,033,161.30	7.36

Notes to Financial Statements

For the year ended 31 December 2016

V. NOTES TO KEY ITEMS OF 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 set out below: *(continued)*

2016 *(continued)*

	Progress of works (%)	Accumulated amount of interest capitalized	Of which: Interest capitalized for the year	Capitalization rate for the year (%)
Laishui Jinglai Building Materials – Construction project of a production line of 2.5 million tonnes dolomite	99.70	2,163,571.38	–	
Tangshan Qixin Cement Industry Museum – Museum project	90.00	20,972,440.60	729,984.75	5.88
Jidong Cement Heilongjiang–Cement production line using new drying process with clinker	75.00	68,500,708.07	11,978,919.27	4.82
Mizhi Jidong Cement–Project concerning cement production by comprehensive utilization using new dry process	80.00	4,575,091.26	2,992,287.04	4.86
Yantai Jidong Runtai Building Materials–Production line project	65.47	4,847,909.37	1,082,859.90	4.57
Yi County Xinhai Mining – Project concerning crushed stone production of 1.2 million cubic meters per annum	72.00	3,468,565.92	391,153.39	4.76
Jidong Cement Yongji–Collaborative project of the disposal of sludge in cement kiln	15.00	2,406.99	2,406.99	4.76
Jidong Cement Panshi – Yantong Lazi mining	10.00	1,666,926.89	281,999.85	4.61
Tangshan Dunshi Machinery Manufacturing–Dunshi machinery manufacturing project	4.92	4,347,133.63	–	
		180,518,320.46	26,779,273.20	

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress (continued)

2015

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

Note: The amount of annual capitalized interest of 2016 has been included in the balances of construction in progress of RMB29,496,755.26 (2015: RMB3,382,813.59) and is transferred to fixed assets of RMB2,717,482.06 (2015: RMB2,770,154.22).

Notes to Financial Statements

For the year ended 31 December 2016

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

15. Construction in progress *(continued)*

Provision for impairment of construction in progress for 2016:

	Opening balance	Increase in the year	Decrease in the year (Note)	Closing balance	Reason for impairment
Hebei BBMG Dingxin					
– Project for the first branch	1,299,924.00	–	–	1,299,924.00	Project suspension
– Assets in Zhuozhou	570,000.00	–	570,000.00	–	Project suspension
Handan BBMG Taihang					
– Technological upgrading projects of old lines	6,009,693.38	–	6,009,693.38	–	Project suspension
Beijing BBMG Cement Trading					
– New countryside bulk cement logistics distribution	751,763.47	–	751,763.47	–	Project suspension
Jinyu Pinggu Cement					
– Production line renovation project	1,054,783.21	–	1,054,783.21	–	Project suspension
Jingyang Jinhui Building Materials					
– Technological improvement of production line	–	2,147,850.07	–	2,147,850.07	Recoverable amount is lower than the carrying amount
Laishui Jidong Development Building Materials					
– Project of a production line with annual production capacity of 10 million tonnes dolomite	–	1,480,451.33	–	1,480,451.33	Recoverable amount is lower than the carrying amount
Jidong Cement Tongchuan					
– Conveyor belt project	–	1,556,436.49	–	1,556,436.49	Recoverable amount is lower than the carrying amount
	9,686,164.06	5,184,737.89	8,386,240.06	6,484,661.89	

Note: The provision for impairment of the construction in progress of Handan BBMG Taihang, Beijing BBMG Cement Trading and Jinyu Pinggu Cement were written off.

16. Construction materials

	2016	2015
Special-purpose equipment	317,917,156.81	17,699,818.60
Special-purpose materials	7,107,573.27	607,186.00
Equipment and instruments	3,455,558.06	2,113,539.30
	328,480,288.14	20,420,543.90
Less: Provision for impairment	14,512,244.21	13,139,064.84
	313,968,043.93	7,281,479.06

Notes to Financial Statements

For the year ended 31 December 2016

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

17. Intangible assets

2016

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	3,561,715,468.09	54,626,957.60	1,246,350,504.02	16,670,000.00	62,115,164.52	4,941,478,094.23
Addition	92,996,706.16	7,022,872.54	124,885,852.37	-	66,480.00	224,971,911.07
Business combination not under common control	5,489,450,213.23	84,396,065.29	1,879,229,665.11	78,414,700.00	152,839,236.28	7,684,329,879.91
Disposal or retirement	(277,708,390.08)	(3,360,419.19)	(140,517,205.19)	-	(435,606.60)	(422,021,621.06)
Closing balance	8,866,453,997.40	142,685,476.24	3,109,948,816.31	95,084,700.00	214,585,274.20	12,428,758,264.15
Accumulated depreciation						
Opening balance	604,823,471.11	28,256,349.09	134,567,578.87	-	39,224,255.59	806,871,654.66
Provision for the year	136,059,059.54	11,755,485.92	65,186,563.52	-	2,794,173.04	215,795,282.02
Disposal or retirement	(8,451,407.43)	(3,281,340.87)	(169,288.91)	-	(38.29)	(11,902,075.50)
Closing balance	732,431,123.22	36,730,494.14	199,584,853.48	-	42,018,390.34	1,010,764,861.18
Provision for impairment						
Opening balance	-	-	40,043,841.71	5,000,000.00	2,310,000.00	47,353,841.71
Provision for the year	6,235,685.06	-	16,636,150.17	-	5,470,240.56	28,342,075.79
Disposal or retirement	-	-	(7,868,141.46)	-	-	(7,868,141.46)
Closing balance	6,235,685.06	-	48,811,850.42	5,000,000.00	7,780,240.56	67,827,776.04
Book value						
At the end of the year	8,127,787,189.12	105,954,982.10	2,861,552,112.41	90,084,700.00	164,786,643.30	11,350,165,626.93
At the beginning of the year	2,956,891,996.98	26,370,608.51	1,071,739,083.44	11,670,000.00	20,580,908.93	4,087,252,597.86

Notes to Financial Statements

For the year ended 31 December 2016

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

17. Intangible assets *(continued)*

2015

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

Notes to Financial Statements

For the year ended 31 December 2016

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

17. Intangible assets (continued)

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

	2016	2015
Less than 50 years	8,127,787,189.12	2,948,140,122.80
Longer than 50 years (inclusive)	–	8,751,874.18
	8,127,787,189.12	2,956,891,996.98

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

As at 31 December 2016, the useful life of trademark rights with a carrying amount of RMB90,084,700.00 was indefinite (31 December 2015: RMB11,670,000.00). The Group can apply for extension at the end of the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during future periods. After evaluated by the management of the Group, no provision for impairment is necessary.

As at 31 December 2016, intangible assets for which the procedures for title certificates were yet to be completed were as follows:

	Carrying amount	Reasons for the absence of title certificates
Land use rights and exploration rights of Laishui Jidong Cement	13,276,943.96	In process
Land use rights and exploration rights of Jidong Haitian Cement	9,089,438.79	In process
Land use rights of Pingquan Jidong Cement	2,531,550.00	In process
Land use rights of Jidong Cement Heilongjiang	52,710,000.00	In process
	77,607,932.75	

Notes to Financial Statements

For the year ended 31 December 2016

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

18. Goodwill

	2016	2015
Hebei BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	2,742,710.29
Tianjin 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
Jidong Cement Business	2,013,854,242.93	–
Jidong Equipment Business	477,549,380.23	–
	<u>2,802,933,045.39</u>	<u>311,529,422.23</u>
Less: Provision for impairment of goodwill	<u>53,162,523.95</u>	<u>53,162,523.95</u>
	<u>2,749,770,521.44</u>	<u>258,366,898.28</u>

Movements in provision for impairment of goodwill are as follows:

2016

	Opening balance	Provision for the year	Decrease in the year	Closing balance
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd.	3,967,009.95	–	–	3,967,009.95
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	–	–	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	35,521,793.75	–	–	35,521,793.75
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	–	–	2,742,710.29
	<u>53,162,523.95</u>	<u>–</u>	<u>–</u>	<u>53,162,523.95</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

18. Goodwill (continued)

Movements in provision for impairment of goodwill are as follows: (continued)

2015

	Opening balance	Provision for the year	Decrease in the year	Closing balance
Gongyi Tongda Zhongyuan Refractory Testing Centre Co., Ltd.	3,967,009.95	–	–	3,967,009.95
Handan Taihang Cement Co., Ltd.	522,323.32	–	522,323.32	–
Tianjin Zhenxing Cement Co., Ltd.	10,931,009.96	–	–	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	35,521,793.75	–	–	35,521,793.75
Beijing Qianglian Cement Co., Ltd.	–	2,742,710.29	–	2,742,710.29
	<u>50,942,136.98</u>	<u>2,742,710.29</u>	<u>522,323.32</u>	<u>53,162,523.95</u>

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

The recoverable amount was determined based on the higher of the net amount of fair value of the assets group less costs to sell and the present value of the estimated future cash flow of the asset.

Fair value of the assets group less costs to sell was determined based on the market value of the interests held by the Group in the RMB denominated ordinary shares issued by way of public issuance in the People's Republic of China as at 31 December 2016, after deducting the transaction expenses and other necessary costs incurred on disposal of equity.

The estimated future cash flows are based on the five-year financial budget approved by the management at a discount rate of 12% – 13% (2015: 12% – 13%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%–3% (2015: 1%–3%) per annum. Other key assumptions adopted during the evaluation include estimated production capacity, future selling price, growth rate, expected gross profit margin and relevant expenditures of the asset product portfolio, and the above assumptions are based on the previous performance of these assets groups, industry standard and the management's expectations on market development.

Notes to Financial Statements

For the year ended 31 December 2016

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

19. Long-term deferred expenditures

2016

	Opening balance	Increase for the year	Increase for business combination	Amortisation for the year	Other decreases	Closing balance
			not under common control			
Decoration	92,640,054.05	13,692,710.92	32,699,041.99	25,752,279.11	842,214.59	112,437,313.26
Leasehold improvement for fixed assets rented	8,457,637.86	18,778,338.83	1,267,059.92	3,545,424.29	2,665,253.83	22,292,358.49
Land lease prepayments	23,085,639.89	14,060,794.52	314,145,254.80	7,083,688.55	1,769.09	344,206,231.57
Cost of stripping mines	222,789,095.56	63,089,215.07	151,929,303.04	14,175,532.56	36,072.78	423,596,008.33
Others	85,993,167.26	27,435,723.18	40,208,215.19	39,866,387.82	3,499,680.60	110,271,037.21
	<u>432,965,594.62</u>	<u>137,056,782.52</u>	<u>540,248,874.94</u>	<u>90,423,312.33</u>	<u>7,044,990.89</u>	<u>1,012,802,948.86</u>
Less: amount categorised as current assets amortised within one year	<u>28,196,215.47</u>					<u>52,604,396.96</u>
	<u>404,769,379.15</u>					<u>960,198,551.90</u>

Long-term deferred expenditures of the increase for business combination not under common control for the year amounted to RMB540,248,874.94, of which RMB522,586,457.47 and RMB17,662,417.47 represent long-term expenditures and expenditures due in one year respectively.

2015

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

Notes to Financial Statements

For the year ended 31 December 2016

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

20. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities not eliminated:

	2016		2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for LAT	2,159,622,326.52	539,905,581.63	2,200,589,853.84	550,147,463.46
Deductible tax losses (Note)	2,622,622,581.84	655,655,645.46	796,346,517.08	199,086,629.27
Provision for impairment of assets	2,671,890,325.36	667,972,581.34	596,664,992.72	149,166,248.18
Difference in accounting and tax of revenue recognition	23,543,132.24	5,885,783.06	–	–
Accrual of property development cost	2,512,498,331.52	628,124,582.88	1,665,751,129.96	416,437,782.49
Unrealised profits and losses of internal transactions	501,924,708.20	125,481,177.05	301,729,192.52	75,432,298.13
Others	290,623,842.36	72,655,960.59	133,444,037.84	33,361,009.46
	10,782,725,248.04	2,695,681,312.01	5,694,525,723.96	1,423,631,430.99

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

	2016		2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Revaluation of investment properties	8,294,498,248.48	2,073,624,562.12	7,450,667,379.00	1,839,942,690.94
Difference in accounting and tax of accumulated depreciation	1,336,758,803.72	334,189,700.93	1,338,517,602.60	334,629,400.65
Fair value adjustment arising from business combination	7,032,981,141.76	1,758,245,285.44	689,834,401.04	172,654,291.99
Changes in fair value of available-for-sale financial assets	597,341,631.60	149,335,407.90	–	–
Deferred relocation compensation income	1,027,900,387.29	256,975,096.82	1,027,900,387.29	256,975,096.82
Others	914,002,187.27	228,500,546.82	154,078,539.65	41,785,211.33
	19,203,482,400.12	4,800,870,600.03	10,660,998,309.58	2,645,986,691.73

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

	2016	2015
Deductible tax losses	5,944,003,526.63	2,330,540,622.23
Deductible temporary differences	3,509,405,201.68	861,316,681.39
	9,453,408,728.31	3,191,857,303.62

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

	2016	2015
2016	–	25,262,717.52
2017	326,890,796.47	101,509,577.71
2018	547,730,614.02	259,929,307.90
2019	107,555,461.59	255,202,847.11
2020	1,223,765,051.18	1,688,636,171.99
2021	3,738,061,603.37	–
	5,944,003,526.63	2,330,540,622.23

21. Other non-current assets

	2016	2015
Repurchase (Note)	460,843,080.58	460,843,080.58
Prepayment for projects, equipment and plants	369,845,013.85	23,704,130.00
Prepayment for lands	221,480,955.02	–
Prepayment for exploration rights	143,195,136.00	–
	1,195,364,185.45	484,547,210.58

Note: Chongqing BBMG Dacheng Shanshui Properties Co., Ltd., a sub-subsidiary of the Company, entered into an en bloc sales agreement for a commercial property in Chongqing. As the agreement provided for a possible repurchase after five years, management classified and presented the relevant commercial property with a carrying amount of RMB460,843,080.58 as other non-current assets. The relevant receipts in advance of RMB660,456,831.52 were classified and presented as other non-current liabilities.

Notes to Financial Statements

For the year ended 31 December 2016

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

22. Provisions for impairment of assets

2016

	Opening balance	Provision for the year	Business combination not under common control (Note)	Disposal of subsidiaries	Decrease in the year		Closing balance
					Reversal	Write-back/ Write-off	
Provision for bad debts:	667,353,041.73	478,006,314.04	2,729,903,946.04	(14,760,745.38)	(239,150,025.88)	(14,793,945.33)	3,606,558,585.22
Of which: Accounts receivable	505,467,859.38	284,726,525.58	1,714,725,707.39	(14,346,130.48)	(232,156,263.77)	(7,541,648.07)	2,250,876,050.03
Other receivables	158,213,408.65	161,994,141.45	1,010,034,125.98	(414,614.90)	(6,993,762.11)	(7,252,297.26)	1,315,581,001.81
Prepayments	3,671,773.70	31,285,647.01	5,144,112.67	-	-	-	40,101,533.38
Provision for decline in value of inventories	374,571,841.52	124,011,460.67	309,170,961.15	-	(78,566,821.51)	(166,564,114.41)	562,623,327.42
Provision for impairment of available-for-sale financial assets	7,050,165.76	254,000.00	-	-	-	-	7,304,165.76
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	(5,469,434.67)	-
Provision for impairment of fixed assets	333,358,119.83	95,515,904.00	-	-	-	(160,611,974.37)	268,262,049.46
Provision for impairment of construction materials	13,139,064.84	1,373,179.37	-	-	-	-	14,512,244.21
Provision for impairment of construction in progress	9,686,164.06	5,184,737.89	-	-	-	(8,386,240.06)	6,484,661.89
Provision for impairment of intangible assets	47,353,841.71	28,342,075.79	-	-	-	(7,868,141.46)	67,827,776.04
Provision for impairment of goodwill	53,162,523.95	-	-	-	-	-	53,162,523.95
Provision for impairment of other non-current assets	-	12,829.03	-	-	-	-	12,829.03
	<u>1,511,144,198.07</u>	<u>732,700,500.79</u>	<u>3,039,074,907.19</u>	<u>(14,760,745.38)</u>	<u>(317,716,847.39)</u>	<u>(363,693,850.30)</u>	<u>4,586,748,162.98</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

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

2015

	Opening balance	Provision for the year	Business combination not under common control (Note)	Disposal of subsidiaries	Decrease in the year		Closing balance
					Reversal	Write-back/ Write-off	
Provision for bad debts:	512,579,463.74	234,437,693.95	150,000.01	-	(78,980,712.90)	(833,403.07)	667,353,041.73
Of which: Accounts receivable	380,590,250.26	196,714,939.06	150,000.01	-	(71,449,815.17)	(537,514.78)	505,467,859.38
Other receivables	131,989,213.48	34,050,981.19	-	-	(7,530,897.73)	(295,888.29)	158,213,408.65
Prepayments	-	3,671,773.70	-	-	-	-	3,671,773.70
Provision for decline in value of inventories	136,000,618.23	283,908,089.14	-	-	-	(45,336,865.85)	374,571,841.52
Provision for impairment of available-for-sale financial assets	6,304,165.76	746,000.00	-	-	-	-	7,050,165.76
Provision for impairment of long-term equity investments	5,469,434.67	-	-	-	-	-	5,469,434.67
Provision for impairment of fixed assets	343,209,428.09	5,057,246.20	-	-	-	(14,908,554.46)	333,358,119.83
Provision for impairment of construction materials	13,139,064.84	-	-	-	-	-	13,139,064.84
Provision for impairment of construction in progress	9,772,164.06	-	-	-	-	(86,000.00)	9,686,164.06
Provision for impairment of intangible assets	47,353,841.71	-	-	-	-	-	47,353,841.71
Provision for impairment of goodwill	50,942,136.98	2,742,710.29	-	-	-	(522,323.32)	53,162,523.95
	<u>1,124,770,318.08</u>	<u>526,891,739.58</u>	<u>150,000.01</u>	<u>-</u>	<u>(78,980,712.90)</u>	<u>(61,687,146.70)</u>	<u>1,511,144,198.07</u>

Note: On the combination date, the fair value of business combination not under common control with Jidong Group for the year includes accounts receivable, other receivables, prepayments and provision for impairment of inventories which amounted to RMB1,714,725,707.39, RMB1,010,034,125.98, RMB5,144,112.67 and RMB309,170,961.15 respectively.

Notes to Financial Statements

For the year ended 31 December 2016

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

23. Short-term loans

	2016	2015
Guaranteed loans (Note 1)	1,321,700,000.00	157,000,000.00
Credit loans	29,927,226,954.83	16,100,600,000.00
Mortgaged loans (Note 2)	23,000,000.00	535,665,814.17
Pledged loans (Note 3)	755,807,187.00	12,730,565.36
	32,027,734,141.83	16,805,996,379.53

Note 1: As at the balance sheet date, the guaranteed loans were guaranteed by the Company and its subsidiaries.

Note 2: Details and values of the collaterals for mortgaged loans of the Group as at the balance sheet date are set out in note V.64.

Note 3: As at the balance sheet date, pledged loans of the Group were obtained by pledged loans of RMB752,807,187.00 secured by equity interests with a carrying amount of RMB5,695,283,952.00 and loans of RMB3,000,000.00 by discounting the bills receivable of the Group's subsidiaries. Details are set out in note V.64.

As at 31 December 2016, the above loans bore an interest rate of 3.30%–8.00% (31 December 2015: 3.95%–8.00%) per annum.

As at 31 December 2016, Tangshan Ultra-High Voltage Porcelain Insulator Co., Ltd. (唐山歐倫特高壓電瓷有限公司), a subsidiary of the Group, had an outstanding loans that were due, amounting to RMB4,640,000.00.

24. Bills payable

	2016	2015
Bank acceptance bills	2,242,911,852.59	284,654,781.83
Commercial acceptance bills	70,409,548.22	151,823,022.91
	2,313,321,400.81	436,477,804.74

As at the balance sheet date, the Group had no outstanding bills payable that were due and the bills payable of the Group would be due in six months.

Notes to Financial Statements

For the year ended 31 December 2016

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

25. Accounts payable

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

An aging analysis of accounts payable is as follows:

	2016	2015
Within 1 year (inclusive of 1 year)	9,780,749,251.40	6,989,394,579.52
1 to 2 years (inclusive of 2 years)	1,505,470,010.48	1,018,700,066.17
2 to 3 years (inclusive of 3 years)	425,198,933.54	282,319,386.90
Over 3 years	600,225,485.80	335,299,490.51
	12,311,643,681.22	8,625,713,523.10

As at 31 December 2016, significant accounts payable of the Group aging over 1 year were as follows:

	Relationship with the Group	Amount	Percentage of total accounts payable (%)	Reasons for non-payment
Customer 53	Third party	59,260,000.00	0.48	Estimated construction payables
Customer 54	Third party	56,936,015.29	0.46	Estimated construction payables
Customer 55	Third party	51,322,018.66	0.42	Estimated construction payables
Customer 56	Third party	51,193,310.14	0.42	Estimated construction payables
Customer 57	Third party	50,000,000.00	0.41	Estimated construction payables

Notes to Financial Statements

For the year ended 31 December 2016

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

26. Receipts in advance

An aging analysis on receipts in advance is as follows:

	2016	2015
Within 1 year (inclusive of 1 year)	20,760,757,692.62	16,278,569,106.85
1 to 2 years (inclusive of 2 years)	2,537,144,447.55	2,716,208,419.49
2 to 3 years (inclusive of 3 years)	94,668,590.22	20,374,973.91
Over 3 years	69,927,034.36	18,879,004.26
	<u>23,462,497,764.75</u>	<u>19,034,031,504.51</u>

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

	2016	2015
Advances on pre-sale of properties	20,937,300,214.56	17,484,399,244.79
Advances on sale of goods	1,959,061,475.77	1,043,539,623.89
Advances on rents and property fees	446,770,789.55	441,556,873.23
Advances on construction costs	119,365,284.87	64,535,762.60
	<u>23,462,497,764.75</u>	<u>19,034,031,504.51</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

26. Receipts in advance *(continued)*

Details of advances on pre-sale of properties as at the balance sheet date are as follows:

Projects	Expected settlement date of the next batch	Proportion of the pre-sales	2016	2015
Nanjing – Jinyu Zijinfu	September 2017	82%	5,382,094,706.24	1,957,297,530.51
Hangzhou – Jinyu Xuefu	January 2018	80%	1,842,763,380.63	309,073,383.00
Beijing – Treasures Mansion House	June 2018	34%	1,761,935,656.96	–
Beijing – Jinyu Feili	March 2017	99%	1,453,104,373.26	598,488,512.00
Beijing – Plot 1 of Changyang University of Science and Technology	March 2017	65%	1,430,210,355.18	1,202,768,505.86
Qingdao – Beizutuan	December 2018	36%	1,354,056,785.82	–
Shanghai – Juyuan	June 2017	94%	1,282,667,177.83	–
Beijing – Wangchuan Beiyuan	June 2018	40%	1,149,221,348.05	310,055,741.50
Tianjin – Jinyu Yuecheng	January 2017	86%	717,792,487.36	587,680,883.50
Hefei – Nanqi Garden	April 2018	6%	640,216,150.00	–
Chengdu – Longxijun	December 2017	90%	602,896,332.32	123,948,056.55
Beijing – Nankou housing with a price cap (Wangheyuan)	June 2018	100%	362,942,773.65	–
Hangzhou – Guanlan Times	January 2018	90%	292,563,609.80	109,307,158.00
Beijing – Jinyu Lanwan	March 2017	98%	274,337,353.54	256,480,622.41
Tianjin – Jinyu Mantang	September 2017	90%	271,913,960.92	1,107,540,385.00
Hangzhou – Banshan Project	January 2017	67%	242,422,991.33	306,780,576.00
Haikou – Xixili	December 2017	70%	224,309,836.69	85,302,809.70
Tangshan – Jinyu Lefu	January 2017	60%	220,163,622.29	106,615,731.90
Beijing – Jiaheyuan	March 2017	94%	201,193,155.89	403,938,196.94
Chongqing – Times Metro	June 2017	84%	188,850,900.33	225,759,377.80
Beijing – Tuqiao Huashijiang	March 2017	99%	142,743,330.67	119,274,034.44
Inner Mongolia – Jinyu Global Finance Centre	June 2017	19%	139,019,466.53	16,922,581.02
Beijing – Nankou Affordable Housing (Wangyajiyuan)	June 2018	82%	112,875,216.00	–
Beijing – Chaoyang New City	March 2017	100%	74,402,364.38	49,894,697.08
Tangshan – Lixinjiayuan	January 2017	20%	73,511,655.35	–
Chongqing – Nanshanjun	June 2017	57%	67,600,312.74	122,070,027.12

Notes to Financial Statements

For the year ended 31 December 2016

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

26. Receipts in advance (continued)

Details of advances on pre-sale of properties as at the balance sheet date are as follows: (continued)

Projects	Expected settlement date of the next batch	Proportion of the pre-sales	2016	2015
Beijing – Phase III of Tuqiao	March 2017	95%	43,229,641.36	114,694,894.99
Beijing – Jinyu Huijingyuan	March 2017	100%	38,316,881.38	5,387,690,790.00
Chengdu – Shuangliu project	February 2017	100%	36,000,901.00	36,030,085.03
Beijing – Guogongzhuang project	January 2017	94%	30,859,191.92	86,069,931.00
Ma'anshan – Project at the Eastern Foot of Jiashan Hill	June 2017	91%	23,558,316.99	94,825,745.12
Tangshan – Jin'an hongbao	January 2017	30%	18,043,454.10	–
Inner Mongolia – Jinyu Times City	March 2017	97%	17,927,830.88	42,177,106.27
Inner Mongolia – Jinyu Elegancy City	March 2017	77%	16,098,456.17	34,729,826.09
Tangshan – Qixin Phase 1	January 2017	55%	15,807,168.39	–
Beijing – Dachengjun	January 2017	97%	15,103,145.91	16,059,584.00
Beijing – Jinyu Town-House	March 2017	100%	13,109,436.24	12,709,436.24
Beijing – Ruiheyuan	March 2017	100%	10,629,737.60	10,729,737.60
Qingdao – Site in Jिंगgangshan Rd.	June 2017	100%	10,582,896.09	21,954,143.95
Beijing – Meiheyuan	March 2017	100%	9,854,662.64	10,371,551.70
Beijing – Jinyu Huixingyuan	March 2017	100%	9,844,802.86	3,257,474,360.00
Beijing – Chang'an New City	December 2017	100%	8,175,474.26	8,175,474.26
Beijing – Kanghuiyuan	March 2017	97%	7,235,651.90	2,688,858.16
Beijing – Tuqiao Tongheyuan	March 2017	100%	5,304,980.60	5,342,074.39
Beijing – Binheyuan	March 2017	100%	5,174,681.65	7,073,792.90
Beijing – Tuqiao Ziyouzhu	March 2017	98%	4,952,022.44	235,996,469.84
Beijing – I Cube	March 2017	99%	3,843,355.91	40,935,349.64
Haikou – Meilinghu	December 2017	100%	1,574,616.00	559,998.00
Beijing – Liyuan Jincheng Centre	January 2017	98%	1,176,190.47	6,713,872.00
Beijing – Jinyu Vanke City	December 2017	100%	10,000.00	16,402,135.00
Beijing – Jinyu Dacheng International Center	March 2017	100%	–	8,000,010.00
Others			85,077,414.04	27,795,208.28
			20,937,300,214.56	17,484,399,244.79

Notes to Financial Statements

For the year ended 31 December 2016

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

27. Wages payable

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	113,303,064.91	3,414,472,437.17	3,178,719,565.60	349,055,936.48
Post-employment benefits (defined contribution plan)	5,299,582.13	444,933,332.31	402,032,235.13	48,200,679.31
Termination benefits	–	9,107,124.71	6,271,327.32	2,835,797.39
	118,602,647.04	3,868,512,894.19	3,587,023,128.05	400,092,413.18

2015

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

Notes to Financial Statements

For the year ended 31 December 2016

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

27. Wages payable *(continued)*

Details of short-term remunerations are as follows:

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	68,836,344.90	2,576,164,781.12	2,477,798,724.78	167,202,401.24
Staff welfare	–	167,609,774.77	167,604,973.77	4,801.00
Social insurance	12,480,662.12	303,927,948.29	254,576,716.37	61,831,894.04
Of which: Medical insurance	10,341,633.54	269,731,217.50	220,726,320.02	59,346,531.02
Work injury insurance	1,827,262.13	21,598,518.61	21,524,138.03	1,901,642.71
Maternity insurance	311,766.45	12,598,212.18	12,326,258.32	583,720.31
Housing funds	3,639,409.00	228,909,128.00	213,132,379.00	19,416,158.00
Union fund and employee education fund	24,747,375.89	78,456,202.41	55,787,614.92	47,415,963.38
Others	3,599,273.00	59,404,602.58	9,819,156.76	53,184,718.82
	113,303,064.91	3,414,472,437.17	3,178,719,565.60	349,055,936.48

Notes to Financial Statements

For the year ended 31 December 2016

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

27. Wages payable *(continued)*

2015

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

As at the balance sheet date, there was no wages payable in arrears.

Details of post-employment benefits (defined contribution plan) as at the balance sheet date are as follows:

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	4,034,987.16	381,282,398.08	342,721,941.95	42,595,443.29
Corporate annuity	220,639.67	43,546,135.34	41,246,603.28	2,520,171.73
Unemployment insurance	1,043,955.30	20,104,798.89	18,063,689.90	3,085,064.29
	<u>5,299,582.13</u>	<u>444,933,332.31</u>	<u>402,032,235.13</u>	<u>48,200,679.31</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

27. Wages payable *(continued)*

2015

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

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

28. Tax payable

	2016	2015
Corporate income tax	1,113,485,789.61	869,158,239.71
VAT	282,255,304.53	38,169,213.54
Land appreciation tax	258,252,497.97	139,965,432.34
Real estate tax	36,759,469.98	4,333,712.03
Urban and rural land use tax	30,784,243.33	3,752,778.19
Resource tax	22,323,209.13	15,544,404.80
Individual income tax	20,776,389.46	10,348,293.42
City maintenance and construction tax	19,732,799.54	22,651,633.52
Education surcharges	14,976,834.85	16,437,144.17
Business tax	3,210,131.66	283,137,489.44
Others	27,232,471.27	61,014,932.19
	<u>1,829,789,141.33</u>	<u>1,464,513,273.35</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

29. Interests payable

	2016	2015
Interests on borrowings	84,337,461.70	33,429,142.18
Of which: Interests on long-term borrowings	36,589,434.85	11,401,387.71
Interests on short-term borrowings	47,748,026.85	22,027,754.47
Interests of corporate bonds	714,695,404.93	395,703,901.57
	799,032,866.63	429,133,043.75

30. Dividends payable

	2016	2015
Dividends payable to minority shareholders	181,088,443.16	33,846,811.05
Sinoma	16,770,600.00	16,770,600.00
Other shareholders of the Company	4,722,328.09	4,656,808.08
	202,581,371.25	55,274,219.13

31. Other payables

An aging analysis of other payables is as follows:

	2016	2015
Within 1 year (inclusive)	4,455,306,399.98	1,840,342,223.96
1 to 2 years (inclusive)	804,809,789.77	647,886,268.40
2 to 3 years (inclusive)	240,991,899.24	240,716,925.53
Over 3 years	479,586,238.61	349,617,961.22
	5,980,694,327.60	3,078,563,379.11

Notes to Financial Statements

For the year ended 31 December 2016

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

31. Other payables *(continued)*

An analysis on other payables by nature is as follows:

	2016	2015
Amounts collected on behalf and temporary receipts	1,761,726,097.41	544,300,758.71
Deposits	1,228,887,372.48	953,230,009.18
Payables for land use right	898,057,811.40	83,173,781.00
Construction costs payable	352,280,518.12	192,552,445.90
Payables for relocation compensation	246,125,204.86	129,601,728.45
Freight and miscellaneous charges payable	181,257,861.94	142,354,603.27
Payables for acquisition of equity investments	157,967,009.56	133,453,474.86
Payables to related parties (Note X.7)	94,967,631.12	254,484.51
Utilities	88,425,980.23	73,161,797.16
Public maintenance fund payable	58,701,982.83	58,709,913.14
Current portion of net liabilities of defined benefit plan (Note V.37)	73,043,593.00	40,808,078.00
Others	839,253,264.65	726,962,304.93
	5,980,694,327.60	3,078,563,379.11

As at 31 December 2016, significant other payables of the Group aging more than one year are as follows:

	Relationship with the Group	Amount	Percentage of total other payables (%)	Reasons for non-payment
Customer 58	Third party	183,895,313.24	3.07	Not yet settled
Customer 59	Third party	112,166,063.33	1.88	Not yet settled
Customer 60	Third party	103,250,000.00	1.73	Not yet settled
Customer 61	Third party	95,046,183.75	1.59	Not yet settled
Customer 62	Third party	64,800,000.00	1.08	Not yet settled

Notes to Financial Statements

For the year ended 31 December 2016

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

32. Non-current liabilities due within one year

	2016	2015
Long-term loans due within one year (Note V.34)	1,556,867,602.00	1,810,000,000.00
Bonds payable due within one year (Note V.35)	4,395,182,341.01	2,093,054,949.10
Long-term payables due within one year (Note V.36)	945,370,562.70	4,449,845.03
	6,897,420,505.71	3,907,504,794.13

Details of long-term loans due within one year are as follows:

	2016	2015
Guaranteed loans	576,757,602.00	840,000,000.00
Credit loans	980,110,000.00	950,000,000.00
Mortgaged loans	–	20,000,000.00
	1,556,867,602.00	1,810,000,000.00

33. Other current liabilities

	2016	2015
Deferred income carried over within one year (Note V.39)	62,547,646.85	53,337,631.21
Accrued expenses	5,676,834,482.97	5,177,425,819.11
Of which: Accrued development cost	3,248,747,071.29	2,738,960,137.54
Provision for LAT	2,284,285,942.32	2,306,734,216.04
Accrued costs for treatment of solid wastes	93,123,373.60	81,612,899.92
Other accrued expenses	50,678,095.76	50,118,565.61
	5,739,382,129.82	5,230,763,450.32

Notes to Financial Statements

For the year ended 31 December 2016

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

33. Other current liabilities *(continued)*

Of which, details of deferred income are as follows:

	2016	2015
Government grants related to assets		
Environmental protection projects	22,535,589.35	13,050,086.15
Cogeneration projects	3,594,387.92	2,431,609.09
Relocation compensation	9,217,841.28	9,253,056.00
Others	24,279,487.57	19,361,493.02
Government grants related to income Research and development funds	2,920,340.73	9,241,386.95
	62,547,646.85	53,337,631.21

34. Long-term borrowings

	2016	2015
Mortgaged loans (Note 1)	7,212,507,602.00	5,019,000,000.00
Guaranteed loans	4,389,480,000.00	912,000,000.00
Credit loans	5,042,565,000.00	2,767,600,000.00
Pledged loans (Note 1)	3,000,000,000.00	–
Closing balance	19,644,552,602.00	8,698,600,000.00
Of which: Long-term loans due within one year	1,556,867,602.00	1,810,000,000.00
Non-current portion	18,087,685,000.00	6,888,600,000.00

Notes to Financial Statements

For the year ended 31 December 2016

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

34. Long-term borrowings *(continued)*

An analysis on maturity of long-term loans as at the balance sheet date is as follows:

	2016	2015
Within 1 year	1,556,867,602.00	1,810,000,000.00
1 to 2 years	3,431,720,000.00	506,000,000.00
2 to 5 years	6,484,365,000.00	2,137,600,000.00
Over 5 years	8,171,600,000.00	4,245,000,000.00
	19,644,552,602.00	8,698,600,000.00

Note 1: As at 31 December 2016, details and value of collaterals corresponding to mortgaged and pledged loans of the Group were set out in note V. 64.

As at 31 December 2016, the above loans bore interest rates of 1.2%–10.34% (31 December 2015: 1.2%–6.55%) per annum.

35. Bonds payable

	2016	2015
Corporate bonds	11,880,492,387.25	1,893,054,949.10
Medium-term notes	7,000,000,000.00	7,000,000,000.00
Private bonds	6,794,086,497.21	5,200,000,000.00
Closing balance	25,674,578,884.46	14,093,054,949.10
Of which: Bonds payable due within one year	4,395,182,341.01	2,093,054,949.10
Non-current portion	21,279,396,543.45	12,000,000,000.00

	2016	2015
Analysis of maturity of bonds payable:		
Within 1 year (inclusive)	4,395,182,341.01	2,093,054,949.10
1 to 2 years (inclusive)	9,865,164,155.24	2,000,000,000.00
2 to 5 years (inclusive)	8,826,521,280.97	10,000,000,000.00
Over 5 years	2,587,711,107.24	–
	25,674,578,884.46	14,093,054,949.10
Current portion		
Short-term financing bonds	3,000,000,000.00	6,000,000,000.00

As at the balance sheet date, the short-term financing bonds above would be due within one year.

Notes to Financial Statements

For the year ended 31 December 2016

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

35. Bonds payable (continued)

2016

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Business combination not under common control	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Non-current portion:												
2) RMB2 billion medium-term notes	RMB2 billion	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	-	111,600,000.00	-	-	(2,000,000,000.00)	-
4) RMB1.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00	-	-	87,000,000.00	-	-	-	1,500,000,000.00
5) RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	-	107,000,000.00	-	-	-	2,000,000,000.00
5) RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	-	79,500,000.00	-	-	-	1,500,000,000.00
7) RMB2 billion private bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	2,000,000,000.00	-	-	110,000,000.00	-	-	-	2,000,000,000.00
7) RMB2.5 billion private bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	2,500,000,000.00	-	-	136,500,000.00	-	-	-	2,500,000,000.00
7) RMB500 million private bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	500,000,000.00	-	-	25,750,000.00	-	-	-	500,000,000.00
9) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	5 years	3,200,000,000.00	-	3,200,000,000.00	-	82,511,290.46	(14,630,798.23)	-	-	3,185,369,201.77
9) RMB7.8 billion corporate bonds	RMB7.8 billion	14 March 2016	7 years	1,800,000,000.00	-	1,800,000,000.00	-	51,413,290.53	(8,884,709.47)	-	-	1,791,115,290.53
11) RMB1.5 billion corporate bonds	RMB1.5 billion	24 July 2015	3 years	1,500,000,000.00	-	1,494,750,000.00	-	30,881,095.89	750,000.00	-	-	1,495,500,000.00
12) RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	-	-	796,834,900.00	12,703,561.65	271,500.00	-	-	797,106,000.00
13) RMB300 million private bonds	RMB300 million	4 May 2015	3 years	300,000,000.00	-	-	296,075,000.00	5,325,616.44	-	-	-	296,075,000.00
13) RMB500 million private bonds	RMB500 million	3 June 2015	3 years	500,000,000.00	-	-	500,000,000.00	8,476,712.33	-	-	-	500,000,000.00
14) Jidong RMB100 million private bonds	RMB100 million	20 May 2014	3 years	100,000,000.00	-	-	99,806,925.83	1,725,000.00	75,446.04	-	(99,882,371.87)	-
14) Jidong RMB900 million private bonds	RMB900 million	19 September 2014	3 years	900,000,000.00	-	-	897,450,190.04	12,837,500.00	678,935.30	-	(688,129,125.34)	-
15) 2007 Corporate bonds	RMB600 million	1 August 2007	10 years	600,000,000.00	-	-	596,532,619.75	8,235,000.00	1,564,815.33	-	(598,097,435.08)	-
16) RMB1.6 billion corporate bonds	RMB1.6 billion	30 August 2011	7 years	1,600,000,000.00	-	-	1,074,635,690.85	16,923,618.75	(1,046,535.61)	-	-	1,073,589,155.24
16) RMB900 million corporate bonds	RMB900 million	20 March 2012	8 years	900,000,000.00	-	-	895,901,908.37	12,555,000.00	(534,945.71)	-	-	895,366,962.66
17) RMB800 million corporate bonds	RMB800 million	15 October 2012	5 years	800,000,000.00	-	-	799,481,871.04	11,300,000.00	(408,462.32)	-	(799,073,408.72)	-
17) RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	-	-	448,948,666.33	6,637,500.00	(169,149.79)	-	-	448,679,516.54
17) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	-	-	796,786,992.90	12,000,000.00	(191,116.19)	-	-	796,595,816.71
				26,250,000,000.00	12,000,000,000.00	5,000,000,000.00	8,697,103,905.11	990,877,786.05	(22,525,020.65)	-	(4,395,182,341.01)	21,279,396,548.45

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For the year ended 31 December 2016

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

35. Bonds payable (continued)

2016 (continued)

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Business combination not under common control	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Current portion:												
8) RMB1 billion ultrashort financing bonds	RMB1 billion	16 September 2015	270 days	1,000,000,000.00	1,000,000,000.00	-	-	15,954,444.44	-	(1,000,000,000.00)	-	-
8) RMB1 billion ultrashort financing bonds	RMB1 billion	24 September 2015	180 days	1,000,000,000.00	1,000,000,000.00	-	-	8,143,333.33	-	(1,000,000,000.00)	-	-
8) RMB2 billion short-term financing bonds	RMB2 billion	14 October 2015	366 days	2,000,000,000.00	2,000,000,000.00	-	-	53,675,000.00	-	(2,000,000,000.00)	-	-
8) RMB2 billion ultrashort financing bonds	RMB2 billion	19 November 2015	93 days	2,000,000,000.00	2,000,000,000.00	-	-	10,072,222.23	-	(2,000,000,000.00)	-	-
10) RMB2 billion ultrashort financing bonds	RMB2 billion	21 April 2016	180 days	2,000,000,000.00	-	2,000,000,000.00	-	33,700,000.00	-	(2,000,000,000.00)	-	-
10) RMB3 billion ultrashort financing bonds	RMB3 billion	20 May 2016	266 days	3,000,000,000.00	-	3,000,000,000.00	-	64,565,000.00	-	-	-	3,000,000,000.00
18) RMB500 million ultrashort financing bonds	RMB500 million	27 January 2016	270 days	500,000,000.00	-	-	499,632,803.81	-	367,196.19	(500,000,000.00)	-	-
19) 15 idong PPN001	RMB300 million	31 December 2015	1 year	500,000,000.00	-	-	524,319,301.37	-	8,180,698.63	(532,500,000.00)	-	-
				12,000,000,000.00	6,000,000,000.00	5,000,000,000.00	1,023,952,105.18	186,110,000.00	8,547,894.82	(9,032,500,000.00)	-	3,000,000,000.00
				38,250,000,000.00	18,000,000,000.00	10,000,000,000.00	9,721,056,010.29*	1,116,987,866.05	(13,877,125.83)	(9,032,500,000.00)	(4,395,182,341.01)	24,279,396,548.45

* The total bonds payable of the increase of business combination not under common control for the year amounted to RMB9,721,056,010.29, of which long-term bonds payable, bonds payable due within one year and short-term financing bonds accounted for RMB7,103,314,169.49, RMB1,593,789,735.62 and RMB499,632,803.81 respectively. Private bonds accounted for in the other current liabilities amounted to RMB524,319,301.37.

Notes to Financial Statements

For the year ended 31 December 2016

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

35. Bonds payable (continued)

2015

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Non-current portion:											
1) 09 BBBG Bond	RMB1.9 billion	27 April 2014	2 years	1,900,000,000.00	1,869,911,156.24	-	82,080,000.00	231,437,928.86	-	(1,893,054,949.10)	-
2) RMB2 billion medium-term notes	RMB2 billion	20 September 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	111,600,000.00	-	-	-	2,000,000,000.00
4) RMB1.5 billion medium-term notes	RMB1.5 billion	14 October 2013	5 years	1,500,000,000.00	1,500,000,000.00	-	87,000,000.00	-	-	-	1,500,000,000.00
5) RMB2 billion medium-term notes	RMB2 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	107,000,000.00	-	-	-	2,000,000,000.00
5) RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	79,500,000.00	-	-	-	1,500,000,000.00
6) RMB100 million private bonds	RMB100 million	26 December 2014	2 years	100,000,000.00	100,000,000.00	-	7,500,000.00	-	-	(100,000,000.00)	-
6) RMB100 million private bonds	RMB100 million	27 December 2014	2 years	100,000,000.00	100,000,000.00	-	5,629,919.44	-	-	(100,000,000.00)	-
7) RMB2 billion private bonds	RMB2 billion	5 February 2015	3 years	2,000,000,000.00	-	2,000,000,000.00	99,000,000.00	-	-	-	2,000,000,000.00
7) RMB2.5 billion private bonds	RMB2.5 billion	19 March 2015	3 years	2,500,000,000.00	-	2,500,000,000.00	106,925,000.00	-	-	-	2,500,000,000.00
7) RMB500 million private bonds	RMB500 million	20 July 2015	3 years	500,000,000.00	-	500,000,000.00	11,515,972.23	-	-	-	500,000,000.00
Current portion:											
3) RMB2.6 billion short-term financing bonds	RMB2.6 billion	23 January 2014	1 year	2,600,000,000.00	2,600,000,000.00	-	10,797,222.22	-	(2,600,000,000.00)	-	-
3) RMB2 billion short-term financing bonds	RMB2 billion	17 March 2014	1 year	2,000,000,000.00	2,000,000,000.00	-	23,180,000.00	-	(2,000,000,000.00)	-	-
3) RMB1 billion short-term financing bonds	RMB1 billion	4 May 2014	1 year	1,000,000,000.00	1,000,000,000.00	-	18,130,555.56	-	(1,000,000,000.00)	-	-
3) RMB1 billion short-term financing bonds	RMB1 billion	1 September 2014	1 year	1,000,000,000.00	1,000,000,000.00	-	33,133,333.33	-	(1,000,000,000.00)	-	-
8) RMB1 billion ultrashort financing bonds	RMB1 billion	16 September 2015	270 days	1,000,000,000.00	-	1,000,000,000.00	9,995,555.56	-	-	-	1,000,000,000.00
8) RMB1 billion ultrashort financing bonds	RMB1 billion	24 September 2015	180 days	1,000,000,000.00	-	1,000,000,000.00	9,306,666.67	-	-	-	1,000,000,000.00
8) RMB2 billion ultrashort financing bonds	RMB2 billion	14 October 2015	1 year	2,000,000,000.00	-	2,000,000,000.00	14,125,000.00	-	-	-	2,000,000,000.00
8) RMB2 billion ultrashort financing bonds	RMB2 billion	19 November 2015	93 days	2,000,000,000.00	-	2,000,000,000.00	8,427,777.78	-	-	-	2,000,000,000.00
				26,700,000,000.00	15,669,911,156.24	11,000,000,000.00	824,847,002.79	231,437,928.86	(6,600,000,000.00)	(2,093,054,949.10)	18,000,000,000.00

Notes to Financial Statements

For the year ended 31 December 2016

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

35. Bonds payable *(continued)*

- 1) Pursuant to the approval document (Fa Gai Cai Jin [2009] No.1009) issued by National Development and Reform Commission on 27 April 2009, the Company issued the 2009 corporate bonds of BBMG Corporation ("**2009 BBMG Bond**") in open market, totaling RMB1,900,000,000 at a nominal interest rate of 4.32%. Bond holders may exercise their sale back rights on 27 April 2014, being the 5-year maturity date. On 11 April 2014, the Company published a notice through the website of China Bond reminding investors of 2009 BBMG Bond (098064) to exercise their sale back rights. Of the total, the amount of bonds on which bond holders exercised their sale back rights was RMB1,370,000,000, and the amount of bonds on which bond holders did not exercise such rights was RMB530,000,000. In respect of the RMB1,370,000,000 worth of bonds on which sale back rights were exercised, the Company re-sold such portion of bonds with the same nominal interest rate of 4.32% on 27 April 2014, and actual interest rate was 6.15%. The maturity date of the original RMB530,000,000 worth of bonds and the RMB1,370,000,000 worth of bonds re-sold is 27 April 2016.
- 2) Upon consideration and approval by the 2011 annual general meeting of the Company held on 24 May 2012, the Company intended to issue bonds (including short-term financing bonds and medium-term notes) of no more than RMB3,000,000,000. Pursuant to the file Zhong Shi Xie Zhu [2012] No. MTN241 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2012 totaling RMB2,000,000,000 on 20 September 2012 with a term of 5 years and a coupon of 5.58%.
- 3) Upon consideration and approval by the 19th meeting of the 2nd session of the Board held on 28 August 2012 and the first extraordinary general meeting in 2012 held on 26 October 2012, the Company intended to issue short-term financing bonds of no more than RMB7,600,000,000. Pursuant to the document Zhong Shi Xie Zhu [2014] No. CP54 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of short-term financing bonds for 2014 on 23 January 2014, totaling RMB2,600,000,000 with a coupon of 6.5%. The Company issued its second tranche of short-term financing bonds for 2014 on 17 March 2014, totaling RMB2,000,000,000 with a coupon of 5.49%; the Company issued its third tranche of short-term financing bonds for 2014 on 4 May 2014, totaling RMB1,000,000,000 with a coupon of 5.35%; and the Company issued its fourth tranche of short-term financing bonds for 2014 on 1 September 2014, totaling RMB1,000,000,000 with a coupon of 4.97%. In 2015, the short-term financing bonds above were fully repaid.

Notes to Financial Statements

For the year ended 31 December 2016

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

35. Bonds payable *(continued)*

- 4) Pursuant to the document Zhong Shi Xie Zhu [2013] No. MTN279 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2013 on 14 October 2013, totaling RMB1,500,000,000 with a term of 5 years and a coupon of 5.8%.
- 5) Pursuant to the document Zhong Shi Xie Zhu [2014] No. MTN316 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2014 on 15 October 2014, totaling RMB2,000,000,000 with a term of 5 years and a coupon of 5.35%; and the Company issued its second tranche of medium-term notes for 2014 on 17 November 2014, totaling RMB1,500,000,000 with a term of 5 years and a coupon of 5.3%.
- 6) As approved at the fifteenth meeting of the third session of the Board of the Company on 23 December 2014, Beijing Building Material Test Center Co., Ltd. ("**Building Material Test Center**"), Beijing BBMG Cement Energy Saving Technology Co., Ltd. ("**Cement Energy Saving Technology**"), all being wholly-owned subsidiaries of the Company, issued SME private placement bonds on Beijing Equity Exchange Centre Co. Ltd., with an intended total issue size of RMB200,000,000, of which Building Material Test Center issued RMB100,000,000 on 26 December 2014 and Cement Energy Saving Technology issued RMB100,000,000 on 27 December 2014, respectively. The bonds have a maturity of 2 years with a coupon of 7.5%.
- 7) Pursuant to the document Zhong Shi Xie Zhu [2014] No. PPN570 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of private placement notes for 2015 on 5 February 2015, totaling RMB2,000,000,000 with a term of 3 years and a coupon of 5.50%; the Company issued its second tranche of private placement notes for 2015 on 19 March 2015, totaling RMB2,500,000,000 with a term of 3 years and a coupon of 5.46%; and the Company issued its third tranche of private placement notes for 2015 on 20 July 2015, totaling RMB500,000,000 with a term of 3 years and a coupon of 5.15%.

Notes to Financial Statements

For the year ended 31 December 2016

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

35. Bonds payable *(continued)*

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

Notes to Financial Statements

For the year ended 31 December 2016

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

35. Bonds payable *(continued)*

- 11) Jidong Group obtained the document (Zheng Jian Xu Ke [2015] No. 252) issued by the China Securities Regulatory Commission on 3 June 2015. It completed the non-public issue of corporate bonds on 24 July 2015, totaling RMB1,500,000,000 with a term of 3 years and a coupon rate of 7.44%.
- 12) Pursuant to the document (Fa Gai Cai Jin [2012] No. 2810) issued by National Development and Reform Commission, Jidong Group issued the first tranche of corporate bonds for 2012 on 13 September 2012, totaling RMB800,000,000 with a term of 7 years and a coupon rate of 6.3%.
- 13) Pursuant to the approval document (Zhong Shi Xie Zhu [2015] No. PPN73) issued by the National Association of Financial Market Institutional Investors, Tangshan Jidong Concrete Co., Ltd. could conduct non-public placement financing of no more than RMB1,500,000,000. The amount of the first tranche of non-public placement debt financing instruments for 2014–2016 is RMB300,000,000 with a term of 3 years and a coupon rate of 7.00%. The maturity date is 4 May 2018. The amount of the second tranche of non-public placement debt financing instruments for 2014–2016 is RMB500,000,000 with a term of 3 years and a coupon rate of 6.80%. The maturity date is 3 June 2018.
- 14) Pursuant to the document (Zhong Shi Xie Zhu [2013] No. PPN369) issued by the National Association of Financial Market Institutional Investors, Jidong Cement issued the first tranche of private bonds for 2014 on 20 May 2014, totaling RMB100,000,000 with a term of 3 years and a coupon rate of 6.9%. On 19 September 2014, it issued the second tranche of private bonds for 2014, totaling RMB900,000,000 with a term of 3 years and a coupon rate of 6.5%.
- 15) Pursuant to the approval of the Reply in relation to National Development and Reform Commission Agreeing the Issuance of Corporate Bonds for 2007 by Tangshan Jidong Cement Co., Ltd. (Fa Gai Cai Jin [2007] No. 1814) issued by National Development and Reform Commission and document (Ji Fa Gai Cai Jin [2007] No. 1177) issued by Hebei Development and Reform Commission, Jidong Cement issued corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2007 of RMB600,000,000 with a term of 10 years and a coupon rate of 5.49% on 1 August 2007.

Notes to Financial Statements

For the year ended 31 December 2016

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

35. Bonds payable *(continued)*

- 16) Pursuant to the document (Zheng Jian Xu Ke [2011] No. 1179) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB2,500,000,000 to the public, including “2011 Jidong 01” and “2011 Jidong 02”. On 30 August 2011, it issued 2011 Jidong 01, totaling RMB1,600,000,000 with a coupon rate of 6.28% and an effective interest rate of 6.46%. The term of the bonds is 7 years (with the issuer’s option to raise the coupon rate after the end of the fifth year and the investors’ entitlement to sell back the bonds). The sale back amount as announced on 30 August 2016 is RMB522,000,000, with the remaining amount of RMB1,078,000,000 due on 30 August 2018. On 20 March 2012, it issued 2011 Jidong 02 in an amount of RMB900,000,000 with a coupon rate of 5.58% and an effective interest rate of 5.76%. The term of the bonds is 8 years (with the issuer’s option to raise the coupon rate after the end of the fifth year and the investors’ entitlement to sell back the bonds) with the sale back period starting from 20 March 2017.
- 17) Pursuant to the document (Zheng Jian Xu Ke [2012] No. 1000) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB2,050,000,000 to the public. On 15 October 2012, it issued 2012 Jidong 01 Bonds in an amount of RMB800,000,000 with a term of 5 years, a coupon rate of 5.65% and an effective interest rate of 5.80%. The maturity date is 15 October 2017. On 15 October 2012, it issued 2012 Jidong 02 Bonds in an amount of RMB450,000,000 with a term of 7 years, a coupon rate of 5.90% and an effective interest rate of 6.02%. The maturity date is 15 October 2019. On 15 October 2012, it issued 2012 Jidong 03 Bonds in an amount of RMB800,000,000 with a term of 10 years, a coupon rate of 6.00% and an effective interest rate of 6.09%. The maturity date is 15 October 2022.
- 18) Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP[174] issued by the National Association of Financial Market Institutional Investors, Jidong Cement issued its first tranche of super short-term financing bonds for 2016 in open market on 27 January 2016, totaling RMB500,000,000 with a term of 270 days and a coupon rate of 6.99%. The maturity date is 23 October 2016.
- 19) Pursuant to the approval document (Zhong Shi Xie Zhu [2015] No. PPN390) issued by the National Association of Financial Market Institutional Investors on 31 August 2015, Jidong Development Group Co., Ltd. issued the first tranche of private placement debt financing instruments of Jidong Development Group Co., Ltd. for 2015 in open market on 31 December 2015, totaling RMB500,000,000 with a coupon rate of 6.50% and a term of 1 year.

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

Notes to Financial Statements

For the year ended 31 December 2016

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

36. Long-term payables

	2016	2015
Finance leases (Note 1)	4,386,261,999.52	23,504,172.56
Others (Note 2)	300,000,000.00	–
	4,686,261,999.52	23,504,172.56
Less: Long-term payables due within one year (Note V.32)	945,370,562.70	4,449,845.03
Non-current portion	3,740,891,436.82	19,054,327.53

	2016	2015
Analysis of maturity of long-term payables		
Within 1 year	945,370,562.70	4,449,845.03
1 to 2 years	1,263,211,586.84	3,519,625.48
2 to 5 years	2,477,679,849.98	14,384,802.05
Over 5 years	–	1,149,900.00
	4,686,261,999.52	23,504,172.56

Note 1: BBMG Badaling Hot Spring Resort Co., Ltd., a subsidiary of the Group, rented geothermal well equipment in 2013 under finance lease. The value of the fixed asset under finance lease initially recognised was RMB29,168,129.40, with a lease period of 8 years and the unrecognised finance charges amortised at an annual interest rate of 6.55%. As at 31 December 2016, RMB21,906,839.00 was the original value of long-term payables and RMB2,852,511.47 (31 December 2015: RMB4,151,447.71) was unrecognised finance lease payment.

The value of the fixed assets under finance lease payable to Greatwall Guoxing Finance Leasing Company Limited, 億通融資租賃有限公司 (Yitong Finance Leasing Co., Ltd.), Everbright Financial Leasing Co., Ltd., Taiping & Sinopec Financial Leasing Co., Ltd., Bank of Communications Financial Leasing Co., Ltd., CCB Financial Leasing Corporation Limited, China National Foreign Trade Financial & Leasing Co., Ltd. and CMB Financial Leasing Co., Ltd. by the Group and Jidong Group, a subsidiary of the Group, initially recognised was RMB5,605,414,871.80, in which sale and leaseback borrowings amounted to RMB5,596,294,871.80. As at 31 December 2016, the original value of long-term payables amounted to RMB4,952,410,089.38 and unrecognised finance lease payment was RMB585,202,417.39.

Note 2: Others represent the borrowings from Tangshan Dunshi Real Estate Development Co. Ltd. (唐山盾石房地產開發有限公司) to Tangshan Lubei District Urban Construction Investment Co., Ltd (唐山市路北區建設投資有限公司) that will be due on 29 January 2018 at an interest rate of 4.75% per annum for the year.

Notes to Financial Statements

For the year ended 31 December 2016

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

37. Long-term wages payable

	2016	2015
Net liabilities of defined benefit plan	722,768,832.46	457,687,351.00

The Group's defined benefit plans are various supplementary benefit plans targeting at employees retiring before the designated dates, and the plans are subject to impacts from interest rate risk and changes in the life expectancy of pension beneficiaries. The present value of the net liabilities of the defined benefit plans was determined by Towers Watson Consulting (Shanghai) Company Limited (韜睿惠悅諮詢(上海)有限公司), a member of the China Association of Actuaries (中國精算學會), on 31 December 2016 using the projected accumulated benefit units method.

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

	2016	2015
Discount rate (%)	3.00%–3.75%	3.00%
Expected growth rate of future retiree benefit costs (%)	2.50%	2.50%

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

2016

	Increase/(decrease) in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	Increase (%)	Decrease (%)	Increase (%)	Decrease (%)
Discount rate (%)	0.25	(18,049,523.00)	(0.25)	18,931,965.00
Expected growth rate of future retiree benefit costs(%)	0.50	25,054,011.00	(0.50)	(23,031,893.00)

Notes to Financial Statements

For the year ended 31 December 2016

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

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

2015

	Increase/(decrease) in present value of defined benefit obligations		Increase/(decrease) in present value of defined benefit obligations	
	Increase (%)	Decrease (%)	Increase (%)	Decrease (%)
Discount rate (%)	0.25	(11,527,881.00)	(0.25)	12,034,996.00
Expected growth rate of future retiree benefit costs(%)	0.50	21,499,341.00	(0.50)	(19,845,830.00)

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

Relevant costs recognised in the income statement are as follows:

	2016	2015
Net interest expenses charged to finance expenses	16,550,950.00	17,474,961.00
Charged to management expenses	4,286,732.34	–

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

	2016	2015
Amount at the beginning of the year	498,495,429.00	484,655,048.00
Increase of business combination not under common control (Note VI.1)	359,468,418.37*	–
Interest expenses for the year	16,550,950.00	17,474,961.00
Service costs for the year	4,286,732.34	–
Welfare benefits paid for the year	(52,626,100.25)	(35,986,471.00)
Actuarial gains recognised in other comprehensive income	(30,363,004.00)	32,351,891.00
Of which: Actuarial changes arising from changes in financial assumptions	(14,871,000.00)	33,019,286.00
Actuarial gains on difference in experience	(15,492,004.00)	(667,395.00)
Amount at the end of the year	795,812,425.46	498,495,429.00
Of which: Current portion of net liabilities of defined benefit plan (Note V.31)	73,043,593.00	40,808,078.00
Non-current portion	722,768,832.46	457,687,351.00

Expected future payments to the defined benefit plan:

	2016	2015
Within 1 year	73,043,593.00	40,808,078.00
2 to 5 years	262,053,416.65	150,932,689.00
6 to 10 years	233,665,073.54	154,118,700.00
Over 10 years	723,015,118.82	340,734,745.00
	1,291,777,202.01	686,594,212.00

* Business combination not under common control increased long-term wages payable of RMB359,468,418.37 in which long-term and current portions amounted to RMB325,543,418.37 and RMB33,925,000.00 respectively.

Notes to Financial Statements

For the year ended 31 December 2016

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

38. Accrued liabilities

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance	
Accrued concrete loss	40,263,093.11	1,148,717.33	8,678,587.82	32,733,222.62	Note 1
Restoration cost of mines	96,183,259.17	149,006,422.47	3,663,555.29	241,526,126.35	Note 2
Finance charges from sale and repurchase	-	97,020,000.00	-	97,020,000.00	Note 3
	136,446,352.28	247,175,139.80	12,342,143.11	371,279,348.97	

2015

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

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

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

Note 3: A subsidiary of the Company engaged in the real estate has entered into an en bloc sales agreement for a commercial property in Chongqing on 16 December 2015. As the agreement provided for a possible repurchase after five years, the expected return rate may not be satisfied for the year. Accrued finance charges were expected based on the relevant agreement.

39. Deferred income

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Government grants	682,258,810.90	315,737,950.92	75,381,363.22	922,615,398.60

2015

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

Notes to Financial Statements

For the year ended 31 December 2016

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

39. Deferred income *(continued)*

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

	2016	2015
Government grants related to assets		
Environmental protection projects	259,086,574.00	151,013,471.91
Cogeneration projects	21,202,690.43	11,767,964.17
Relocation compensation	234,899,639.42	214,553,423.30
Specific funds	50,688,412.70	–
Others	351,563,038.24	295,622,564.53
Government grants related to income		
Research and development funds	5,175,043.81	9,301,386.99
Closing balance	922,615,398.60	682,258,810.90
Of which: Deferred income carried over within one year and included in current liabilities	62,547,646.85	53,337,631.21
Non-current portion	860,067,751.75	628,921,179.69

Notes to Financial Statements

For the year ended 31 December 2016

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

39. Deferred income *(continued)*

As at 31 December 2016, the major items related to government grants were as follows:

	Opening balance	Increase in the year	Recognised in non-operating income in the year	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	212,011,428.88	-	8,983,834.88	203,027,594.00	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	187,853,822.22	-	15,375,917.64	172,477,904.58	Related to assets
Appropriation for mud project of Beijing Cement Plant	33,853,055.54	-	2,976,666.65	30,876,388.89	Related to assets
Relocation compensation for Jianji	53,430,303.16	-	1,842,424.20	51,587,878.96	Related to assets
Subsidy for Zanhuang – 2,500 tonnes new dry method clinker production line project	8,707,111.10	-	730,666.68	7,976,444.42	Related to assets
Clinker storage tent of Zhenxing	10,080,000.00	-	672,000.00	9,408,000.00	Related to assets
Air pollution control project of Zanhuang	8,097,500.00	-	539,833.32	7,557,666.68	Related to assets
Heat supply renovation project of Liulihe	7,500,000.00	-	125,000.00	7,375,000.00	Related to assets
Tangshan Qixin Cement Industry Museum project	-	50,688,412.70	-	50,688,412.70	Related to assets

Notes to Financial Statements

For the year ended 31 December 2016

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

39. Deferred income *(continued)*

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

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

40. Other non-current liabilities

	2016	2015
Other non-current liabilities (Note V.21)	660,456,831.52	601,559,996.42

Notes to Financial Statements

For the year ended 31 December 2016

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

41. Share capital

2016

	Increase/(decrease) in the year				Closing balance
	Opening balance	Increase of share capital by conversion of capital reserve	Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	596,023,960.00	596,023,960.00	(107,311,330.00)	488,712,630.00	1,084,736,590.00
2. Other domestic shareholdings	462,076,547.00	461,668,547.00	(812,907,992.00)	(351,239,445.00)	110,837,102.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	<u>1,058,100,507.00</u>	<u>1,057,692,507.00</u>	<u>(920,219,322.00)</u>	<u>137,473,185.00</u>	<u>1,195,573,692.00</u>
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	3,111,402,625.00	3,111,810,625.00	920,219,322.00	4,032,029,947.00	7,143,432,572.00
2. Foreign listed shares	1,169,382,435.00	1,169,382,435.00	-	1,169,382,435.00	2,338,764,870.00
Total shares not subject to lock-up restriction	<u>4,280,785,060.00</u>	<u>4,281,193,060.00</u>	<u>920,219,322.00</u>	<u>5,201,412,382.00</u>	<u>9,482,197,442.00</u>
Total share capital	<u>5,338,885,567.00</u>	<u>5,338,885,567.00</u>	<u>-</u>	<u>5,338,885,567.00</u>	<u>10,677,771,134.00</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

41. Share capital *(continued)*

2015

	Opening balance	Increase/(decrease) in the year		Subtotal	Closing balance
		Issue of new shares	Shares released from lock-up period		
I. Shares subject to lock-up restriction					
1. State-owned legal person shareholdings	448,028,673.00	147,995,287.00	-	147,995,287.00	596,023,960.00
2. Other domestic shareholdings	55,826,551.00	406,249,996.00	-	406,249,996.00	462,076,547.00
3. Foreign shareholdings	-	-	-	-	-
Total shares subject to lock-up restriction	503,855,224.00	554,245,283.00	-	554,245,283.00	1,058,100,507.00
II. Shares not subject to lock-up restriction					
1. RMB ordinary shares	3,111,402,625.00	-	-	-	3,111,402,625.00
2. Foreign listed shares	1,169,382,435.00	-	-	-	1,169,382,435.00
Total shares not subject to lock-up restriction	4,280,785,060.00	-	-	-	4,280,785,060.00
Total share capital	4,784,640,284.00	554,245,283.00	-	554,245,283.00	5,338,885,567.00

42. Other equity instruments

The Company issued RMB5 billion medium-term notes in aggregate registered with the National Association of Financial Market Institutional Investors in 2015. On 15 October 2015, the Company issued 10,000,000 medium-term notes at par value of RMB100 to specific investors, and the actual proceeds after deducting related issue expenses amounted to RMB990,000,000.00. On 2 September 2016 and 6 September 2016, the Company issued 20,000,000 and 20,000,000 medium-term notes at par value of RMB100 to specific investors respectively, and the actual proceeds after deducting related issue expenses amounted to RMB3,992,000,000.00. According to the Prospectus on 2015 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2016 First Tranche of Medium-term Notes of BBMG Corporation and the Prospectus on 2016 Second Tranche of Medium-term Notes of BBMG Corporation, the major terms of the medium-term notes are as follows:

Notes to Financial Statements

For the year ended 31 December 2016

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

42. Other equity instruments *(continued)*

Maturity date	The medium-term notes have no fixed maturity date, which are on a long-term basis until redemption by the Company according to the issuance provisions, and will expire when the Company redeems the notes according to the issuance provisions.
Deferred distribution	Unless a mandatory interest payment event has occurred, on each interest payment date of the medium-term notes, the Company can elect to defer payment of interest due and all interest deferred according to the issuance provisions and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the contract. Interest shall accrue on the deferred interest at the prevailing coupon rate over the period of deferral.
Mandatory distribution payment events	If any of the following events occurs within 12 months prior to the interest payment date, the Company shall not defer the payment of interest due or interest deferred pursuant to this term and its fruits: <ol style="list-style-type: none"> (1) distributing dividends to ordinary shareholders; (2) reducing the registered capital.
Redemption and purchase	The Company is entitled to redeem the medium-term notes at par value plus payable interest (including all deferred interest) on the fifth and each of the subsequent interest payment dates of the medium-term notes.
Interest rate determination	<ul style="list-style-type: none"> - Medium-term notes carried fixed rate; - The coupon rate of the medium-term notes for the first five years of interest calculation is determined through book-building and centralised placing, and shall remain unchanged for the first five years of interest calculation. The coupon rate shall be reset every five years from the sixth year of interest calculation; - The coupon rate for the first five years of interest calculation is the initial benchmark interest rate plus initial spread. Among which, the initial benchmark interest rate is defined as the arithmetic average yield rate (rounded to the nearest 0.01%) of treasury bonds with a repayment period of 5 years in the interbank treasury bond fixed rate bond yield curve published on China Bond information webpage (www.chinabond.com.cn) (or other website recognized by China Central Depository & Clearing Co., Ltd.) 5 working days before the book-building day. Initial spread is the difference between the coupon rate and the initial benchmark interest rate; - In the event that the issuer does not exercise its redemption right, starting from the sixth year of interest calculation, the coupon rate shall be adjusted to benchmark interest rate for the current period plus initial spread plus 300 basis points, and shall remain unchanged from the sixth to the tenth year of interest calculation. The benchmark interest rate for the current period is defined as the arithmetic average yield rate (rounded to the nearest 0.01%) of treasury bonds with a repayment period of 5 years in the interbank treasury bond fixed rate bond yield curve published on China Bond information webpage (www.chinabond.com.cn) (or other website recognized by China Central Depository & Clearing Co., Ltd.) 5 working days before the reset of the coupon rate. Thereafter, the coupon interest rate is reset every 5 years to the benchmark interest rate for the current period plus the initial spread plus 300 basis points; - Formula of coupon rate: coupon rate for the current period = benchmark interest rate for the current period + initial spread + 300BPs; - In the event that the benchmark interest rate for the current period is not available on the date of reset due to factors such as changes in macroeconomy and policies in the future, the coupon rate will be determined based on the benchmark interest rate for the period prior to the reset of the coupon rate plus initial spread plus 300 basis points.

Notes to Financial Statements

For the year ended 31 December 2016

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

42. Other equity instruments *(continued)*

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

In 2016, the interest rate of medium-term notes of the Company was 5.09% and the interest accrued and payable to specific investors amounted to RMB50,900,000.00.

43. Capital reserve

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	11,579,704,575.56	–	5,714,508,792.10	5,865,195,783.46

2015

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

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

Notes to Financial Statements

For the year ended 31 December 2016

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

44. Other comprehensive income

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

	1 January 2015	Increase/ (decrease)	31 December 2015	Increase/ (decrease)	31 December 2016
Re-measurement of changes in net liabilities of defined benefit plan	36,862,172.00	(32,351,891.00)	4,510,281.00	23,664,304.00	28,174,585.00
Transfer of inventories/self-occupied properties into investment properties	198,068,231.31	–	198,068,231.31	(11,151,793.59)	186,916,437.72
Effect on changes in other shareholders' equity of investee under equity method	–	–	–	(20,888.22)	(20,888.22)
Foreign currency translation	(130,469.68)	3,599,307.10	3,468,837.42	7,393,864.80	10,862,702.22
Available-for-sale financial assets	–	–	–	5,906,864.93	5,906,864.93
	<u>234,799,933.63</u>	<u>(28,752,583.90)</u>	<u>206,047,349.73</u>	<u>25,792,351.92</u>	<u>231,839,701.65</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

44. Other comprehensive income *(continued)*

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

2016

	Less: Amount transferred to profit or loss for the period for those previously included in other comprehensive income				Equity attributable to minority interests
	Amount before tax	Less: Income tax	Attributable to parent company		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
Re-measurement of changes in net liabilities of defined benefit plan	30,363,004.00	-	-	23,664,304.00	6,698,700.00
Other comprehensive income that will be reclassified to profit or loss in subsequent periods					
Other comprehensive income incurred from transfer of fixed assets/inventories to investment properties	-	14,869,058.12	(3,717,264.53)	(11,151,793.59)	-
Effect on changes in other shareholders' equity of investee under equity method	(126,595.25)	-	-	(20,888.22)	(105,707.03)
Exchange differences on foreign currency translation	10,621,155.05	-	-	7,393,864.80	3,227,290.25
Available-for-sale financial assets	47,732,241.92	-	11,933,060.49	5,906,864.93	29,892,316.50
	88,589,805.72	14,869,058.12	8,215,795.96	25,792,351.92	39,712,599.72

Notes to Financial Statements

For the year ended 31 December 2016

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

44. Other comprehensive income *(continued)*

2015

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

Notes to Financial Statements

For the year ended 31 December 2016

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

45. Specific reserve

2016

	Opening balance	Amount provided for the year	Amount paid during the year	Closing balance
Production safety cost	8,896,481.87	21,919,741.99	22,160,694.45	8,655,529.41

2015

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

Pursuant to the requirements of the Administrative Measures on Provision and Usage of Production Safety Cost of Enterprises" (Caiqi [2012] No.16) issued by the Ministry of Finance and the State Administration of Work Safety, the Group began to accrue production safety fund for the stipulated non-metal mineral products industries at a fixed amount from 2012, the details of which are set out in Note III 29. Production safety cost.

Notes to Financial Statements

For the year ended 31 December 2016

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

46. Surplus reserve

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>1,053,285,969.67</u>	<u>223,580,718.84</u>	<u>-</u>	<u>1,276,866,688.51</u>

2015

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

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has exceeded 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserve. Upon approval, discretionary surplus reserve can be used to make up for accumulated losses or to increase the share capital.

Notes to Financial Statements

For the year ended 31 December 2016

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

47. General risk reserve

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
General risk reserve	59,993,193.86	118,046,002.13	–	178,039,195.99

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
General risk reserve	37,637,667.87	22,355,525.99	–	59,993,193.86

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

48. Retained earnings

	2016	2015
Retained earnings as at the end of the previous year	18,846,160,038.86	17,315,084,511.06
Net profit attributable to the owners of the parent company	2,686,653,868.20	2,017,453,761.39
Less: Cash dividends declared for ordinary shares (Note 1)	160,166,567.01	239,232,014.20
Less: Appropriation of surplus reserve (Note V.46)	223,580,718.84	224,790,693.40
Less: Interest of perpetual bonds (Note V.42)	50,900,000.00	–
Less: Appropriation of general risk reserve (Note V.47)	118,046,002.13	22,355,525.99
Retained earnings at the end of the year	20,980,120,619.08	18,846,160,038.86

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

Notes to Financial Statements

For the year ended 31 December 2016

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

49. Operating revenue and operating costs

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

Operating revenue are as follows:

	2016		2015	
	Revenue	Costs	Revenue	Costs
Principal operations	46,793,384,648.28	36,034,558,111.26	40,361,071,937.53	30,133,279,924.52
Other operations	945,388,078.68	507,489,391.27	564,268,923.87	392,761,417.61
	47,738,772,726.96	36,542,047,502.53	40,925,340,861.40	30,526,041,342.13

Information of principal business by product:

	2016		2015	
	Revenue	Costs	Revenue	Costs
Sale of products	17,122,472,271.65	13,723,306,660.79	13,382,602,735.10	11,371,135,051.70
Bulk commodity trade	6,817,904,203.52	6,762,104,377.80	5,869,524,945.08	5,818,062,509.46
Sale of properties	18,425,608,161.24	13,343,215,622.90	17,096,637,178.00	10,787,934,499.47
Rental income from investment properties	1,213,476,530.18	112,437,976.68	1,145,343,672.11	124,662,506.88
Property management	773,695,358.11	560,836,862.91	705,691,227.79	502,901,078.00
Hotel management	406,329,907.00	206,625,706.00	391,815,398.00	209,692,894.00
Income from decoration	820,021,019.71	756,494,489.75	891,130,929.85	791,494,497.92
Treatment of solid wastes	528,251,017.41	340,783,269.17	496,037,477.15	354,526,396.36
Others	685,626,179.46	228,753,145.26	382,288,374.45	172,870,490.73
	46,793,384,648.28	36,034,558,111.26	40,361,071,937.53	30,133,279,924.52

Notes to Financial Statements

For the year ended 31 December 2016

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

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

Operating revenue are as follows:

	2016	2015
Sale of products	17,122,472,271.65	13,382,602,735.10
Bulk commodity trade	6,817,904,203.52	5,869,524,945.08
Sale of properties	18,425,608,161.24	17,096,637,178.00
Lease income	1,352,901,012.50	1,248,492,990.38
Of which: Rental income from investment properties	1,213,476,530.18	1,145,343,672.11
Other lease income	139,424,482.32	103,149,318.27
Property management	773,695,358.11	705,691,227.79
Hotel management	406,329,907.00	391,815,398.00
Income from decoration	820,021,019.71	891,130,929.85
Treatment of solid wastes	528,251,017.41	496,037,477.15
Revenue from the rendering of services	222,300,326.50	244,045,228.53
Others	1,269,289,449.32	599,362,751.52
	47,738,772,726.96	40,925,340,861.40

50. Tax and surcharges

	2016	2015
Business tax	818,205,003.58	1,064,110,057.27
City maintenance and construction tax	136,131,005.15	105,274,664.34
Education surcharges	107,729,970.80	77,162,684.26
Land appreciation tax	268,452,551.08	924,521,569.80
Real estate tax	117,700,346.11	–
Land use tax	61,146,205.69	–
Vehicle and vessel tax	1,048,923.08	–
Stamp duty	26,692,031.34	–
Others	33,738,069.48	7,372,399.26
	1,570,844,106.31	2,178,441,374.93

According to the requirements of the “Regulations for the Accounting Treatment of VAT (《增值稅會計處理規定》) (Cai Kuai [2016] No.22), the Group adjusted the “business tax and surcharges” in the income statement into “tax and surcharges” in 2016. Real estate tax, land use tax, vehicle and vessel tax, stamp duty and related taxes incurred from corporate operating activities since 1 May 2016 will be presented under “tax and surcharges” instead of “management expenses” while those incurred before 1 May 2016 (excluding real estate tax and land use tax which are related to investment properties and originally included in “business tax and surcharges”) will still be presented under “management expenses”.

Notes to Financial Statements

For the year ended 31 December 2016

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

51. Selling expenses

	2016	2015
Employee remunerations	535,015,675.80	446,047,958.70
Transportation expenses	439,203,005.47	320,513,577.91
Advertisement fee	305,005,270.87	317,354,417.96
Agency intermediary fee	280,570,752.86	208,738,982.45
Office and service expenses	152,850,427.70	128,573,552.86
Lease fee	114,546,454.76	102,068,085.22
Others	27,043,778.09	22,861,865.80
	1,854,235,365.55	1,546,158,440.90

52. Administrative expenses

	2016	2015
Employee remunerations	1,673,112,550.97	1,393,839,121.58
Office expenses	611,596,899.07	440,079,067.66
R&D expenses	108,510,227.76	78,650,967.92
Professional fees	162,079,101.65	108,661,624.04
Lease and utilities	150,918,086.80	122,874,716.78
Tax	97,655,970.52	209,233,685.11
Sewage and afforestation fees	76,749,119.15	58,029,388.63
Suspension of operation	313,991,922.70	123,840,192.26
Others	613,249,400.88	438,601,832.35
	3,807,863,279.50	2,973,810,596.33

The above-mentioned administrative expenses included the auditor's remuneration to Ernst & Young Hua Ming LLP for the audit of the annual report of the Company and its subsidiaries of RMB16,000,000.00 (2015: RMB10,500,000.00).

Notes to Financial Statements

For the year ended 31 December 2016

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

53. Finance costs

	2016	2015
Interest expenses	2,887,205,417.73	2,406,286,038.10
Of which:		
Interests on bank loans and other loans to be fully repaid within 5 years	1,559,079,410.99	1,450,128,605.97
Interests on bank loans and other loans to be fully repaid over 5 years	8,854,551.00	–
Less: Interest income	(232,287,018.39)	(47,628,427.86)
Less: Capitalised interest (Note)	(1,206,241,534.26)	(1,110,494,903.59)
Exchange gains and losses	(45,422,187.86)	2,042,411.88
Bank charges	106,905,239.45	60,658,801.99
Others	93,341,384.35	24,682,273.95
	1,603,501,301.02	1,335,546,194.47

Note: The amount of capitalized borrowing costs has been included in construction in progress of RMB29,496,755.26 and costs of properties development of RMB1,176,744,779.00 while in 2015, the amount of capitalized borrowing costs has been included in construction in progress of RMB3,382,813.59 and costs of properties development of RMB1,107,112,090.00.

54. Asset impairment losses

	2016	2015
Losses on bad debts	238,856,288.16	155,456,981.05
Losses on decline in value of inventory	45,444,639.16	283,908,089.14
Losses on impairment of construction in progress	5,184,737.89	–
Losses on impairment of fixed assets	95,515,904.00	5,057,246.20
Losses on impairment of intangible assets	28,342,075.79	–
Losses on impairment of available-for-sale financial assets	254,000.00	746,000.00
Losses on impairment of construction materials	1,373,179.37	–
Losses on impairment of goodwill	–	2,742,710.29
Losses on impairment of other non-current assets	12,829.03	–
	414,983,653.40	447,911,026.68

Notes to Financial Statements

For the year ended 31 December 2016

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

55. Gains from changes in fair value

	2016	2015
Financial assets at fair value through profit or loss	(4,177,786.38)	–
Investment properties measured at fair value	596,856,927.13	602,186,288.95
	592,679,140.75	602,186,288.95

56. Investment gains/(losses)

	2016	2015
Long-term equity investment gains measured under cost method	1,457,644.31	68,750.53
Long-term equity investment gains/(losses) measured under equity method	108,900,509.77	(17,693,887.39)
Investment gains from disposal of subsidiaries	515,781,730.74	–
Investment gains received from holding available-for-sale financial assets	21,051,787.72	–
Investment gains received from financial assets at fair value through profit or loss	(3,025,967.39)	–
Investment gains received from disposal of available-for-sale financial assets	(2,382,870.50)	–
Others	(254,856.87)	–
	641,527,977.78	(17,625,136.86)

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2016.

Notes to Financial Statements

For the year ended 31 December 2016

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

57. Non-operating income

	2016	2015	Recognised in non-recurring profit and loss items for the year 2016
Gains from disposal of non-current assets	100,137,328.22	12,401,002.69	100,137,328.22
Of which: Gains from disposal of fixed assets	100,137,328.22	12,401,002.69	100,137,328.22
Gains from debt restructuring	12,467,529.14	355,230.51	12,467,529.14
Net gains from fines	26,353,620.54	22,411,293.21	26,353,620.54
Government grants	596,050,569.52	603,719,611.73	270,687,292.27
Unpayable amounts	25,573,605.02	43,227,144.91	25,573,605.02
Others	127,703,688.26	60,024,421.62	127,703,688.26
	888,286,340.70	742,138,704.67	562,923,063.45

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

	2016	2015	Related to asset/income
Refunds of VAT	315,598,698.93	193,061,858.89	related to income
Income from relocation compensation	96,549,440.05	133,936,454.79	related to asset/income
Income from other subsidies	174,137,852.22	258,525,645.61	related to asset/income
Grants of sale of heat	9,764,578.32	18,195,652.44	related to income
	596,050,569.52	603,719,611.73	

Notes to Financial Statements

For the year ended 31 December 2016

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

58. Non-operating expenses

	2016	2015	Recognised in non-recurring profit and loss items for the year 2016
Losses from disposal of non-current assets	219,086,802.44	37,467,850.47	219,086,802.44
Of which:			
Losses from disposal of fixed assets	52,185,626.15	37,467,850.47	52,185,626.15
Losses from disposal of intangible assets	97,543,056.66	–	97,543,056.66
Losses from disposal of construction in progress	54,667,818.32	–	54,667,818.32
Losses from disposal of other non-current assets	14,690,301.31	–	14,690,301.31
Abnormal losses	3,132,899.19	405,418.66	3,132,899.19
Charity donation expenses	533,347.02	1,276,461.61	533,347.02
Expense on compensation, penalties and fines	15,678,952.77	11,950,874.98	15,678,952.77
Others	152,827,502.94	10,376,642.92	152,827,502.94
	391,259,504.36	61,477,248.64	391,259,504.36

59. Expenses by nature

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

	2016	2015
Consumption of raw materials	6,041,528,310.01	6,268,035,996.88
Procurement costs of tradable goods	7,959,346,604.88	6,861,183,329.55
Cost of sales of real estate	13,343,215,622.90	10,787,934,499.47
Changes in work in progress, finished goods and trading goods	(146,438,973.33)	151,199,521.68
Employees' remuneration expenses	3,868,512,894.19	3,076,280,518.77
Depreciation and amortisation	2,176,830,813.75	1,504,596,346.17
Rentals	393,399,387.85	356,599,915.25
Maintenance expenses	864,834,458.50	522,667,313.82
Fuel and energy costs	1,837,863,781.50	1,655,121,416.59
Transportation fee	689,085,529.76	462,547,432.38
Advertising and marketing costs	305,005,270.87	317,354,417.96
Office expenses	120,781,088.64	112,982,685.21
Losses from suspension of production	313,991,922.70	123,840,192.26
Intermediary fee	442,649,854.51	317,400,606.49
Others	3,993,539,580.85	2,528,266,186.88
	42,204,146,147.58	35,046,010,379.36

Notes to Financial Statements

For the year ended 31 December 2016

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

60. Income tax expense

	2016	2015
Current income tax expense	1,350,980,270.05	1,155,258,542.69
Deferred tax expense	(364,796,557.75)	76,328,153.59
	986,183,712.30	1,231,586,696.28

A reconciliation of income tax expense and total profit is set out as follows:

	2016	2015
Total profit	3,676,531,473.52	3,182,654,494.08
Income tax expense at the statutory tax rate of 25% (Note 1)	919,132,868.38	795,663,623.52
Effect of different tax rates applicable to some subsidiaries	(2,402,312.20)	(15,711,102.68)
Share of profits and losses of joint ventures and associates (Note 2)	(32,799,719.25)	4,423,471.85
Income not subject to tax	(137,676.06)	(157,251.41)
Expenses not deductible	4,866,743.18	12,441,699.66
Deductible temporary differences and deductible losses utilized from previous years	(200,560,069.41)	(46,655,369.56)
Adjustments on the current income tax of previous periods	(14,643,561.75)	(2,702,355.48)
Deductible temporary difference and deductible losses not recognized	312,727,439.41	484,283,980.38
	986,183,712.30	1,231,586,696.28

Note 1: Income tax of the Group shall be calculated based on the estimated taxable income from Mainland China and the applicable tax rate. 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 joint ventures and associates for 2016 were RMB10,746,301.13 and RMB5,809,822.61 respectively (2015: RMB76,594.94 and RMB3,840,940.14 respectively).

Notes to Financial Statements

For the year ended 31 December 2016

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

61. Earnings per share

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

The calculation of basic earnings per share is as follows:

	2016	2015
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,699,816,948.20	2,017,453,761.39
Shares		
Weighted average number of ordinary shares in issue of the Company	10,677,771,134	10,170,598,738*
Earnings per share	0.25	0.20*

The Company did not have potentially dilutive ordinary shares.

* The Company converted the capital reserve into share capital after obtaining the approval at the 2015 annual general meeting. The Company issued 10 shares for every 10 shares to all shareholders, issuing 5,338,885,567 shares in total. According to the relevant requirements of Accounting Standards for Business Enterprises, the Company re-calculated the earnings per share for 2015 based on the number of shares after adjustment.

Notes to Financial Statements

For the year ended 31 December 2016

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

62. Notes to items of statement of cash flows

	2016	2015
Cash received from other operating activities		
Deposits and relevant amounts received	275,657,363.30	207,870,532.66
Compensation received	246,398,114.40	339,945,646.88
Current accounts and other current account	675,666,274.92	305,026,346.29
	1,197,721,752.62	852,842,525.83
Cash paid relating to other operating activities		
Selling and administrative expenses etc. paid	2,913,542,710.00	2,822,917,779.80
Current accounts and other current account	504,434,611.76	–
	3,417,977,321.76	2,822,917,779.80
Cash received from other investing activities		
Repayment of borrowing from the minority shareholders Beijing Vanke Enterprise Co., Ltd.	2,450,000.00	142,590,000.00
Disposal of associates	4,145,438.22	–
	6,595,438.22	142,590,000.00
Cash paid relating to other investing activities		
Borrowings paid to the minority shareholders Beijing Vanke Enterprise Co., Ltd.	–	49,000,000.00
Payment for purchase of trust products	391,280,000.00	–
Finance lease paid	970,000,000.00	–
	1,361,280,000.00	49,000,000.00
Cash received from other financing activities Loan performance deposits received	–	25,000,000.00
Cash paid relating to other financing activities Payment for acquisition of minority interests	1,346,762,238.23	–

Notes to Financial Statements

For the year ended 31 December 2016

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

63. Supplemental information to statement of cash flows

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

Reconciliation of net profit to cash flows from operating activities:

	2016	2015
Net profit	2,690,347,761.22	1,951,067,797.80
Add: Assets impairment losses	414,983,653.40	447,911,026.68
Depreciation of fixed assets	1,870,612,219.40	1,313,601,704.65
Amortisation of intangible assets	215,795,282.02	100,784,312.60
Amortisation of long-term deferred expenses	90,423,312.33	90,210,328.92
Net losses from disposal of fixed assets, intangible assets and other long-term assets	118,949,474.22	25,066,847.78
Gains from changes in fair value	(592,679,140.75)	(602,186,288.95)
Finance expenses	1,635,541,695.61	1,297,833,546.39
Investment (gains)/losses	(641,527,977.78)	17,625,136.86
Increase in deferred tax assets	(551,479,103.28)	(18,404,323.20)
Increase in deferred tax liabilities	184,427,759.21	94,732,476.78
Increase in inventories	(4,515,198,991.43)	(4,330,823,764.69)
Decrease/(increase) in operating receivables	727,324,596.99	(4,653,806,404.84)
Increase in operating payables	1,856,229,247.92	3,613,751,885.70
Net cash flows generated from/(used in) operating activities	3,503,749,789.08	(652,635,717.52)

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

	2016	2015
Material financing activities not involving cash:		
Dividends receivable as capital injection from minority shareholders (Note 1)	2,811,197.97	–
Business combination not under common control	15,680,918,969.02	163,779,066.67
Unpaid payment for minority interests	–	17,500,000.00
Unilateral capital reduction from minority shareholders (Note 2)	–	1,500,000,000.00
	15,683,730,166.99	1,681,279,066.67
Material investment activities not involving cash:		
Unpaid payment for acquisition of equity interest	–	49,133,720.00
Endorsement and transfer of bills:		
Endorsement and transfer of bank acceptance bills received from sale of goods or rendering of services	5,260,582,307.57	5,255,799,358.67
Net movements in cash and cash equivalents:		
Balances of cash at end of the year	18,110,782,535.76	11,213,584,868.55
Less: Balances of cash at beginning of the year	11,213,584,868.55	6,479,735,571.22
Net increase in cash and cash equivalents	6,897,197,667.21	4,733,849,297.33

Note 1: On 30 June 2016, Hebei Hanzheng Assets Management Company Ltd., a minority shareholder of Handan BBMG Taihang Cement Co., Ltd. increased the capital contribution in Handan BBMG Taihang Cement Co., Ltd. by way of dividends receivable from Handan BBMG Taihang Cement Co., Ltd. of RMB2,811,197.97.

Note 2: Jianxin Trust Co., Ltd., the minority shareholder of the Group's subsidiary Chongqing BBMG Dacheng Shanshui Property Limited ("Dacheng Shanshui") reduced its equity investments of RMB1.5 billion in Dacheng Shanshui in April 2015 and directly changed the amount into borrowings.

Notes to Financial Statements

For the year ended 31 December 2016

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

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

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

Information on disposal of subsidiaries and other operating units

	2016	2015
Consideration of disposal of subsidiaries and other operating units	688,040,000.00	–
Cash and cash equivalents received from disposal of subsidiaries and other operating units	51,420,000.00	–
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	1,559,678.53	–
Less: Handling fees of disposal of subsidiaries and other operating units	36,120,575.60	–
Net cash received from disposal of subsidiaries and other operating units	<u>13,739,745.87</u>	–

Information on acquisition of subsidiaries and other operating units

	2016	2015
Cash consideration paid for acquisition of subsidiaries and other operating units	3,975,000,000.00	196,534,880.00
Less: Cash and cash equivalents held by subsidiaries and other operating units acquired	<u>2,120,757,219.27</u>	–
Net cash paid for acquisition of subsidiaries and other operating units	<u>1,854,242,780.73</u>	196,534,880.00

Note: The consideration paid for acquisition of subsidiaries and other operating units was RMB5,225,000,000.00, and RMB1,250,000,000.00 was injected into the acquired subsidiaries after the combination date.

Notes to Financial Statements

For the year ended 31 December 2016

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

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

(3) Cash and cash equivalents

	2016	2015
Cash	18,110,782,535.76	11,213,584,868.55
Including: Cash on hand	2,809,075.64	2,078,746.90
Bank deposits on demand	18,080,405,691.40	11,202,354,490.12
Other monetary fund on demand	27,567,768.72	9,151,631.53
Balance of cash and cash equivalents at end of the year	18,110,782,535.76	11,213,584,868.55

Notes to Financial Statements

For the year ended 31 December 2016

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

64. Assets with restricted titles or right to use

	Note	2016	2015
Pledged assets			
Cash and bank balances			
Statutory deposit reserve placement with central bank by Finance Company	(1)	1,440,246,240.74	449,131,405.76
Guarantee deposit for L/C	(1)	455,177,838.33	5,666,599.09
Quality/performance deposits	(1)	185,295,070.68	45,905,809.13
Guarantee deposits for acceptance bills	(1)	1,742,309,504.84	90,002,613.42
Inventories	(2)	9,689,159,465.31	3,318,295,395.72
Bills receivable	(2)	51,872,956.51	7,781,993.36
Other receivables	(2)	36,819,544.33	–
Fixed assets	(2)	1,159,127,880.28	1,070,447,819.61
Investment properties	(2)	7,333,134,295.76	6,922,730,431.98
Equity interests	(2)	5,695,283,952.00	–
Land use rights	(2)	85,505,417.46	18,309,320.88
Assets whose titles are restricted for other reasons			
Restricted cash arising from pre-sales of properties	(3)	5,927,843,305.70	6,556,854,349.99
Others		148,556,651.48	8,735,045.16
		33,950,332,123.42	18,493,860,784.10

Note 1: As at 31 December 2016, the Group's pledged cash and bank balances was RMB3,823,028,654.59 (31 December 2015: RMB590,706,427.40) in aggregate, of which the amount paid by BBMG Finance Co., Ltd. (金隅財務有限公司) to the People's Bank of China in accordance with relevant regulations which cannot be used as statutory deposit reserve for daily operations was RMB1,440,246,240.74 (31 December 2015: RMB449,131,405.76).

Note 2: As at 31 December 2016, the Group obtained short-term loans of RMB775,807,187.00 and long-term loans of RMB10,212,507,602.00 secured by inventories with a carrying amount of RMB9,689,159,465.31, fixed assets with a carrying amount of RMB1,159,127,880.28, investment properties with a carrying amount of RMB7,333,134,295.76 and land use rights with a carrying amount of RMB85,505,417.46, and pledged by equity interests with a carrying amount of RMB5,695,283,952.00 and other receivables with a carrying amount of RMB36,819,544.33; the Group obtained short-term loans of RMB3,000,000.00 pledged by bills receivables with a carrying amount of RMB3,000,000.00; the Group's bank acceptance bills were pledged by bills receivables with a carrying amount of RMB48,872,956.51.

Note 3: In accordance with relevant provisions, funds from pre-sales of commodity housing have to be deposited in special bank accounts by property developers for supervision to ensure that the presales funds are used for construction projects first, and written application have to be made to the supervisory bank before using the funds. Where pre-sale projects under supervision have been completed and other required conditions have been satisfied, application for lifting supervision of the funds may be made. As at 31 December 2016, there were no bank borrowings obtained from unreleased pledge by land use rights of commodity houses which had already been delivered to the purchasers.

Notes to Financial Statements

For the year ended 31 December 2016

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

65. Foreign currency monetary items

	2016			2015		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
Cash at banks						
USD	9,202,414.61	6.9470	63,929,174.30	264,803.76	6.4550	1,709,308.27
HKD	1,411,012.36	0.8959	1,264,125.97	1,052,341.77	0.8328	876,390.23
EUR	-	-	-	7.09	7.0345	49.87
JPY	24,259,901.00	0.0594	1,441,038.12	24,259,877.00	0.0531	1,287,811.31
ZAR	9,230,951.23	0.5083	4,692,092.51	-	-	-
ZMK	53,437.14	0.6988	37,341.87	-	-	-
Accounts receivable						
USD	3,304,296.42	6.9470	22,954,947.23	633,499.42	6.4550	4,089,238.76
EUR	210,398.43	7.3034	1,536,623.89	210,398.43	7.0345	1,480,047.76
JPY	78,645.84	0.0594	4,671.56	78,645.84	0.0531	4,174.84
ZAR	47,624,271.49	0.5083	24,207,417.20	-	-	-
Accounts payable						
USD	(255,672.84)	6.9470	(1,776,159.22)	-	-	-
ZAR	(13,482,066.52)	0.5083	(6,852,934.41)	-	-	-
Other receivables						
USD	1,749,884.31	6.9470	12,156,446.30	-	-	-
ZAR	484,509.05	0.5083	246,275.95	-	-	-
Other payables						
USD	(30,000.00)	6.9470	(208,410.00)	-	-	-
ZAR	(5,132,564.37)	0.5083	(2,608,882.47)	-	-	-
Long-term receivables						
ZAR	399,291,341.53	0.5083	202,959,788.90	-	-	-
			323,983,557.70			9,447,021.04

Notes to Financial Statements

For the year ended 31 December 2016

VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Business combination not under common control

On 31 May 2016, State-owned Assets Supervision and Administration Commission of Tangshan* (唐山市人民政府國有資產監督管理委員會) (“Tangshan SASAC”), Jidong Group and the Company entered into the Capital Increase Agreement, pursuant to which the Company would acquire 50% equity interests of Jidong Group by injecting cash of RMB4.75 billion. Meanwhile, the Company and Zhongtai Trust Co., Ltd.* (中泰信託有限責任公司) entered into the Equity Transfer Agreement in relation to Jidong Development Group Co., Ltd. (《關於冀東發展集團有限公司之股權轉讓協議》) to acquire 10% equity interests in Jidong Group held by Zhongtai Trust at cash of RMB475 million. As of 9 October 2016, as the effective conditions stipulated under the above agreements have been satisfied, the Company has made payments according to the agreements and completed the relevant equity transfer procedures and changes in the articles of association. The Company has had substantial control over Jidong Group since 9 October 2016 (the amendment date of the articles of association), and held 55% equity interests of Jidong Group as its controlling shareholder.

The fair values and book values of identifiable assets and liabilities of Jidong Group on acquisition date are set out as follows:

	Fair value as at 9 October 2016	Book value as at 9 October 2016
Cash and bank balances	4,741,225,748.63	4,741,225,748.63
Financial assets held for trading	640,262,225.01	640,262,225.01
Bills receivable	908,473,932.25	908,473,932.25
Accounts receivable	4,741,060,806.57	4,741,060,806.57
Prepayments	1,382,038,089.85	1,382,038,089.85
Interests receivable	6,724,855.08	6,724,855.08
Other receivables	3,959,384,315.39	3,959,384,315.39
Inventories	4,472,267,577.73	4,472,267,577.73
Other current assets	512,315,157.44	493,994,330.60
Available-for-sale financial assets	2,534,530,811.51	2,534,530,811.51
Long-term receivables	225,570,904.98	225,570,904.98
Long-term equity investments	1,873,461,411.91	1,534,155,350.73
Fixed assets	28,242,832,649.99	25,968,213,332.76
Intangible assets	7,684,329,879.91	3,527,126,913.48
Construction in progress	2,509,331,193.35	2,509,331,193.35
Construction materials	312,063,653.36	312,063,653.36
Long-term deferred expenditures	522,586,457.47	522,586,457.47
Deferred tax assets	720,570,777.74	720,570,777.74
Other non-current assets	489,083,606.16	489,083,606.16
Short-term loans	(13,673,050,597.52)	(13,673,050,597.52)
Bills payable	(3,085,112,092.63)	(3,085,112,092.63)
Wages payable	(226,906,299.99)	(226,906,299.99)
Tax payable	(263,219,180.76)	(263,219,180.76)
Interests payable	(221,182,971.46)	(221,182,971.46)
Dividends payable	(150,631,548.11)	(150,631,548.11)

Notes to Financial Statements

For the year ended 31 December 2016

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combination not under common control *(continued)*

The fair values and book values of identifiable assets and liabilities of Jidong Group on acquisition date are set out as follows: *(continued)*

	Fair value as at 9 October 2016	Book value as at 9 October 2016
Accounts payable	(4,878,148,953.73)	(4,878,148,953.73)
Receipts in advance	(1,949,234,748.81)	(1,949,234,748.81)
Other payables	(1,652,906,242.54)	(1,652,906,242.54)
Non-current liabilities due within one year	(4,167,981,413.46)	(4,167,981,413.46)
Short-term financing bonds	(499,632,803.81)	(499,632,803.81)
Other current liabilities	(541,762,453.21)	(541,762,453.21)
Long-term loans	(2,178,590,000.00)	(2,178,590,000.00)
Bonds payable	(7,103,314,169.49)	(7,103,314,169.49)
Long-term payables	(4,886,963,130.24)	(4,886,963,130.24)
Accrued liabilities	(67,786,786.77)	(67,786,786.77)
Deferred tax liabilities	(1,962,240,353.14)	(252,190,843.41)
Long-term wages payable	(325,543,418.37)	(325,543,418.37)
Other non-current liabilities	(219,955,634.62)	(219,955,634.62)
Specific reserve	(9,435,909.81)	(9,435,909.81)
Identifiable net assets	18,414,515,345.86	13,335,115,683.91
Minority interests	15,680,918,969.02	11,874,910,846.07
	2,733,596,376.84	1,460,204,837.84
Goodwill arising from acquisition	2,491,403,623.16	
Consideration paid (Note)	5,225,000,000.00	

Note: The amount represents the sum of the cash injection into Jidong Group by the Company and the acquisition consideration for purchase of 10% equity interests in Jidong Group.

Notes to Financial Statements

For the year ended 31 December 2016

VI. CHANGE IN SCOPE OF CONSOLIDATION (continued)

1. Business combination not under common control (continued)

The results and cash flows of Jidong Group from the acquisition date to the end of the year are set out as follows:

	9 October to 31 December 2016
Operating revenue	4,442,190,791.55
Net profit	188,204,633.03
Net cash flows	1,881,774,078.61

2. Deregistration of subsidiaries

Three subsidiaries, namely Beijing Jinyu Shiji Jiaye Property Development Co., Ltd., Beijing Lvdushangke Science and Technology Co., Ltd. and Beijing Tiantan Faram Decorative Materials Co., Ltd. were deregistered by the Company in 2016.

3. New establishment of subsidiaries

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

4. Disposal of subsidiaries

	Place of registration	Business nature	The Group's total proportion of shareholding	The Group's total proportion of votes	Reason for ceasing to be subsidiaries
Sanhe Jidong Cement Co., Ltd. (三河冀東水泥有限責任公司)	Sanhe	Manufacture and sale of cement	100.00%	100.00%	Disposal
Dunshi Magnetic Energy Technology Co., Ltd. (盾石磁能科技有限公司)	Tangshan	Manufacture and sale of magnetic equipment	100.00%	100.00%	Disposal

Note 1: Jidong Cement under the Group and Beijing Yatong Real Estate Development Co., Ltd. (北京亞通房地產開發有限責任公司) entered into an equity transfer agreement on 30 December 2016 to sell its 100% equity interests in Sanhe Jidong Cement Co., Ltd. ("**Sanhe Jidong Cement**") at RMB636,620,000.00. The disposal date was 30 December 2016, resulting in handling fees of RMB36,120,575.60. Therefore, the Group ceased to include Sanhe Jidong Cement Co., Ltd. into the scope of consolidation since 31 December 2016.

Note 2: Jidong Group under the Group and Xiamen Jialing Equity Investment Partnership (Limited Partner) (廈門市嘉領股權投資合夥企業(有限合夥人)) entered into an equity transfer agreement on 24 November 2016 to sell its 100% equity interests in Dunshi Magnetic Energy Technology Co., Ltd. ("**Dunshi Magnetic Energy Technology**") at RMB51,420,000.00. The disposal date was 1 December 2016. Therefore, the Group ceased to include Dunshi Magnetic Energy Technology Co., Ltd. into the scope of consolidation since 1 December 2016.

Notes to Financial Statements

For the year ended 31 December 2016

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

4. Disposal of subsidiaries *(continued)*

Sanhe Jidong Cement Co., Ltd. and Dunshi Magnetic Energy Technology Co., Ltd. are subsidiaries included through business combination of Jidong Group not under common control. The relevant financial information of Sanhe Jidong Cement Co., Ltd. and Dunshi Magnetic Energy Technology Co., Ltd. on disposal date are set out as follows:

	Book value of Sanhe Jidong Cement as at 30 December 2016	Book value of Dunshi Magnetic Energy Technology as at 1 December 2016
Current assets	3,989,995.84	98,659,203.57
Non-current assets	122,944,016.17	3,132,694.10
Current liabilities	38,610,022.72	48,978,193.30
Non-current liabilities	—	5,000,000.00
	88,323,989.29	47,813,704.37
Gains from disposal	512,175,435.11	3,606,295.63
Consideration of disposal	636,620,000.00	51,420,000.00
Transaction cost of disposal	36,120,575.60	—
Net consideration of disposal	600,499,424.40	51,420,000.00
	Sanhe Jidong Cement from acquisition date to disposal date	Dunshi Magnetic Energy Technology from acquisition date to disposal date
Operating revenue	283,329.36	—
Operating costs	259,340.12	—
Net profit	723,827.70	4,418,070.20

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES

1. Interests in the subsidiaries

Information of the Company's subsidiaries is as follows:

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways					
Beijing Liushui Environmental Technology Co., Ltd. (北京琉水環保科技有限公司)	Beijing	Manufacture of cement, mining and sale of sandstone etc.	66,060.00	100.00	–
Beijing Jianhua-Bulangni Concrete Co., Ltd. (北京建華布朗尼混凝土有限公司)	Beijing	Manufacture and sale of commercial concrete	1,269.80	–	100.00
Beijing BBMG Concrete Co., Ltd. (北京金隅混凝土有限公司)	Beijing	Processing of commodity concrete etc.	46,541.04	100.00	–
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限公司)	Beijing	Disposal of hazardous waste etc.	169,815.09	51.00	–
Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅紅樹林環保技術有限公司)	Sanhe	Treatment and disposal of hazardous waste	1,000.00	–	100.00
Beijing Jinyu Pinggu Cement Co., Ltd. (北京金隅平谷水泥有限公司)	Beijing	Manufacture and sale of cement etc.	15,000.00	100.00	–
Cangzhou Lingang Jinyu Cement Co., Ltd. (滄州臨港金隅水泥有限公司)	Cangzhou	Manufacture and sale of cement and cement product	15,000.00	–	100.00
Cheng'an BBMG Taihang Concrete Co., Ltd. (成安金隅太行混凝土有限公司)	Cheng'an County	Manufacture and sale of commodity concrete	1,000.00	–	100.00
Daming BBMG Taihang Concrete Co., Ltd. (大名縣金隅太行混凝土有限公司)	Daming County	Sales of concretes and mortar	1,000.00	–	90.00
Zanhuang BBMG Cement Co., Ltd. (贊皇金隅水泥有限公司)	Zanhuang County	Manufacture and sale of cement and clinker	70,000.00	100.00	–
BBMG Cement Trading Co., Ltd. (北京金隅水泥經貿有限公司)	Beijing	Wholesale of cement and cement product etc.	50,000.00	100.00	–
Sanhe Jinling Mining Co., Ltd. (三河市金嶺礦業有限公司)	Sanhe	Processing and sale of rock materials for construction	500.00	–	100.00
Beijing BBMG Cement Energy Technology Co., Ltd. (北京金隅水泥節能科技有限公司)	Beijing	Development and transfer of cement and concrete technology	3,500.00	100.00	–
Siping BBMG Cement Co., Ltd. (四平金隅水泥有限公司)	Siping	Manufacture and sale of cement and cement product etc.	30,000.00	52.00	–
Lanxian BBMG Cement Co., Ltd. (嵐縣金隅水泥有限公司)	Lan County	Manufacture and sale of cement and cement product	20,030.00	80.00	–
Qinyang BBMG Cement Co., Ltd. (沁陽市金隅水泥有限公司)	Qinyang	Manufacture and sale of cement and clinker etc.	16,645.00	86.60	–
Lingchuan BBMG Cement Co., Ltd. (陵川金隅水泥有限公司)	Lingchuan County	Manufacture and sale of cement and clinker	35,000.00	100.00	–
Beijing BBMG Mining Co., Ltd. (北京金隅礦業有限公司)	Beijing	Sale of metal and other mining material products	500.00	100.00	–
Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司)	Zuoquan County	Technical consultation service on cement clinker	53,000.00	100.00	–
Xuanhua BBMG Cement Co., Ltd. (宣化金隅水泥有限公司)	Xuanhua County	Manufacture and sale of cement and clinker	500.00	65.00	–
Bo'ai BBMG Cement Co., Ltd. (博愛金隅水泥有限公司)	Bo'ai County	Manufacture and sale of cement and clinker	30,000.00	95.00	–

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Guangling Jinyu Cement Co., Ltd. (廣靈金隅水泥有限公司)	Guangling County	Manufacture and sale of cement/clinker	31,700.00	100.00	–
BBMG Mortar Co., Ltd. (北京金隅砂漿有限公司)	Beijing	Manufacture and sale of dry mix mortar	11,875.00	80.00	20.00
Tianjin Jinyu Treasure Bright Mortar Co., Ltd. (天津金隅寶輝砂漿有限公司)	Tianjin	Manufacture and sale of mortar	4,900.00	–	70.00
Fengfeng BBMG Concrete Co., Ltd. (峰峰金隅混凝土有限公司)	Handan	Manufacture and sale of prepared components and processing of concrete	6,600.00	100.00	–
Handan Hanshan BBMG Concrete Co. Ltd. (邯鄲市邯山金隅混凝土有限公司)	Handan	Manufacture and sale of commercial concrete and crushed stone	3,000.00	92.00	–
Wei County BBMG Concrete Co., Ltd. (魏縣金隅混凝土有限公司)	Handan	Manufacture and sale of concrete	1,000.00	92.00	–
Handan BBMG Concrete Co., Ltd. (邯鄲縣金隅混凝土有限公司)	Handan	Manufacture and sale of concrete	3,000.00	92.00	–
Handan BBMG Taihang Building Materials Co., Ltd. (邯鄲金隅太行建材有限公司)	Handan	Manufacture and sale of slag powder	8,109.00	–	100.00
Beijing BBMG Tiantan Furniture Co., Ltd. (北京金隅天壇傢俱股份有限公司)	Beijing	Manufacture, processing, and sale of furniture etc.	20,916.49	97.11	0.15
Beijing Tiantan-Jingwei Furniture Co., Ltd. (北京天壇京偉傢俱有限公司)	Beijing	Manufacture of wooden furniture	600.00	–	60.00
Foshan BBMG Tiantan Furniture Co., Ltd. (佛山金隅天壇傢俱有限公司)	Foshan	Processing and sale of furniture and wooden products etc.	500.00	–	100.00
Beijing Tiantan Decoration and Engineering Co., Ltd. (北京天壇裝飾工程有限責任公司)	Beijing	Building decoration and design consultation etc.	600.00	–	100.00
Beijing Great Wall Furniture Beijing Decorative Materials Co., Ltd. (北京長城傢俱裝飾材料有限公司)	Beijing	Manufacture and sale of furniture, decorative materials and wooden floorboards	320.00	–	100.00
Beijing Quinette Great Wall Seats Co., Ltd. (北京奇耐特長城座椅有限公司)	Beijing	Manufacture of seats for opera houses and auditoriums etc.	1,597.04	–	59.78
Beijing Woodworking Factory Co., Ltd. (北京市木材廠有限責任公司)	Beijing	Manufacture and sale of wood-based panels etc.	5,455.63	100.00	–
Beijing Tongda Refractory Engineering Technology Co., Ltd. (北京通達耐火工程技術有限公司)	Beijing	Development and manufacture of new refractory materials etc.	1,000.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (鞏義通達中原耐火技術有限公司)	Gongyi	Manufacture and sale of refractory materials etc.	1,050.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Co., Ltd. (鞏義通達中原耐火材料檢測中心有限公司)	Gongyi	Testing of refractories	30.00	–	100.00

Notes to Financial Statements

For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing Jinyu Energy-Saving Technology Co., Ltd. (北京金隅節能保溫科技有限公司)	Beijing	Manufacture and sale of building materials	37,496.77	100.00	–
Zhangjiakou Star Building Materials Co., Ltd. (張家口市星牌建材有限責任公司)	Beijing	Manufacture, processing and sale of rockwool products	500.00	–	100.00
Beijing Jianzong Building, Installation and Engineering Co., Ltd. (北京建總建築安裝工程有限公司)	Beijing	Construction contracting	2,001.12	–	100.00
Beijing Aerated Concrete Co., Ltd. (北京市加氣混凝土有限責任公司)	Beijing	Manufacture and sale of aerated concrete panels	27,480.00	55.68	–
Beijing Jinyu Aerated Concrete Co., Ltd. (北京金隅加氣混凝土有限責任公司)	Beijing	Manufacture and sale of aerated concrete products etc.	10,000.00	100.00	–
Beijing BBMG Coating Co., Ltd. (北京金隅塗料有限責任公司)	Beijing	Manufacture of coating; professional contracting	8,900.00	100.00	–
Dachang BBMG Coating Co., Ltd. (大廠金隅塗料有限責任公司)	Dachang County	Manufacture and sale of coating	3,000.00	–	100.00
Xinjiang BBMG Coating Co., Ltd. (新疆金隅塗料有限公司)	Urumqi	Manufacture of coating; sale of building materials etc.	100.00	–	55.00
Beijing Building Materials Academy Co., Ltd. (北京建築材料科學研究院有限公司)	Beijing	Development, manufacture and sale of building materials etc.	19,170.00	100.00	–
Beijing Building Materials Testing Academy Co., Ltd. (北京建築材料檢驗研究院有限公司)	Beijing	Testing for building material quality etc.	8,136.61	–	100.00
Beijing Keshi Hardware Co., Ltd. (北京市科實五金有限責任公司)	Beijing	Manufacture of modern products like construction hardware	6,595.92	100.00	–
Beijing BBMG Dongrun Construction Materials Co., Ltd. (北京金隅東潤建材有限公司)	Beijing	Wholesale of building materials etc.	2,000.00	–	51.00
Beijing BBMT-Xinke Building Materials Co., Ltd. (北京建貿新科建材有限公司)	Beijing	Purchase and sale of building materials etc.	17,000.00	–	100.00
BBMG Home Furnishing Co., Ltd. (北京金隅家居有限公司)	Beijing	Purchase and sale of building materials and metals etc.	600.00	–	100.00
Beijing BBMG Decoration and Engineering Co., Ltd. (北京金隅裝飾工程有限公司)	Beijing	Design and construction of building decoration etc.	5,882.35	–	51.00
Beijing Jiandu Design and Research Institute Co., Ltd. (北京建都設計研究院有限公司)	Beijing	Design of modern building materials etc.	954.12	100.00	–
Beijing Jiantuo Engineering Management Co., Ltd. (北京建拓工程管理有限公司)	Beijing	Agent for construction tendering	300.00	–	100.00
Beijing Sanchong Mirror Co., Ltd. (北京三垂鏡業有限公司)	Beijing	Manufacture and sale of glass-made spectacle lenses	5,766.00	–	100.00
BBMG (Dachang) Modern Industrial Park Management Co., Ltd. (大廠金隅現代工業園管理有限公司)	Dachang County	Manufacture of various modern building materials etc.	50,000.00	100.00	–
Yangquan Tongda BBMG Refractory Materials Co., Ltd. (陽泉金隅通達高溫材料有限公司)	Yangquan	Manufacture and sale of refractory ceramic etc.	6,000.00	–	100.00

Notes to Financial Statements

For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing BBMG Business and Trading Co., Ltd. (北京金隅商貿有限公司)	Beijing	Wholesale of building materials and metals etc.	66,000.00	100.00	-
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd. (大廠金隅金海燕玻璃棉有限公司)	Dachang County	Manufacture and sale of glass wool products	8,000.00	-	100.00
BBMG Material Industrial (Shanghai) Co., Ltd. (金隅物產上海有限公司)	Shanghai	Import and export of coke, iron ore and metal materials	8,000.00	51.00	-
Tangshan Jinyu Aerated Concrete Co., Ltd. (唐山金隅加氣混凝土有限責任公司)	Tangshan	Manufacture and sale of aerated concrete panels etc.	6,860.00	-	100.00
BBMG GEM Real Estate Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	Beijing	Property development and management etc.	340,000.00	100.00	-
BBMG (Qingdao) Property Development Co., Ltd. (金隅(青島)房地產開發有限公司)	Qingdao	Property development and trading agent	5,000.00	-	100.00
Inner Mongolia BBMG Property Investment Co., Ltd. (內蒙古金隅置地投資有限公司)	Hohhot	Property development and management etc.	20,000.00	-	100.00
BBMG (Hangzhou) Property Development Co., Ltd. (金隅(杭州)房地產開發有限公司)	Hangzhou	Property development and management etc.	75,000.00	-	100.00
Hangzhou BBMG Mountain Villa Property Development Co., Ltd. (杭州金隅山墅房地產開發有限公司)	Hangzhou	Property development and others	25,000.00	-	100.00
BBMG (Tianjin) Property Development Co., Ltd. (金隅(天津)房地產開發有限公司)	Tianjin	Property development and sales etc.	80,000.00	-	100.00
Tangshan BBMG Julong Property Development Co., Ltd. (唐山金隅巨龍房地產開發有限公司)	Tangshan	Property development and management etc.	5,000.00	-	80.00
Beijing BBMG Property Development Co., Ltd. (北京金隅置地房地產開發有限公司)	Beijing	Property development and sales etc.	5,000.00	-	100.00
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. (北京西三旗高新建材城經營開發有限公司)	Beijing	Property rental and development etc.	6,129.76	100.00	-
Chengdu BBMG Dacheng Property Development Co., Ltd. (成都金隅大成房地產開發有限公司)	Chengdu	Property development etc.	5,000.00	-	80.00
Chongqing BBMG Dacheng Property Development Co., Ltd. (重慶金隅大成房地產開發有限公司)	Chongqing	Property development and consultation etc.	20,000.00	-	100.00
Beijing BBMG Chengyuan Property Development Co., Ltd. (北京金隅程遠房地產開發有限公司)	Beijing	Property development and sale of commodity housing etc.	45,944.06	100.00	-
Beijing Jinyixincheng Property Management Co., Ltd. (北京市金業新城物業管理有限責任公司)	Beijing	Property management	50.00	-	100.00
Inner Mongolia BBMG Dacheng Property Management Co., Ltd. (內蒙古金隅大成物業管理有限公司)	Hohhot	Property management	200.00	-	100.00

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司)	Beijing	Property management	2,000.00	100.00	–
Beijing Jinhuyuan Property Management Co., Ltd. (北京錦湖園物業管理有限公司)	Beijing	Property management	50.00	–	100.00
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司)	Beijing	Provision of accommodation and dining services etc.	36,818.91	100.00	–
Beijing Jianyuan Hotel Co., Ltd. (北京市建苑賓館有限公司)	Beijing	Provision of accommodation and dining services	1,000.53	–	100.00
Beijing Jianji Assets Management Co., Ltd. (北京建機資產經營有限公司)	Beijing	Self-owned property rental, property management etc.	78,732.79	100.00	–
Beijing Jinhaiyan Assets Management Co., Ltd. (北京金海燕資產經營有限責任公司)	Beijing	Self-owned property rental, property investment and management etc.	8,292.36	100.00	–
Beijing Jinhaiyan Property Management Co., Ltd. (北京金海燕物業管理有限公司)	Beijing	Property management	1,370.00	100.00	–
BBMG Property Operation Management Co., Ltd. (北京金隅地產經營管理有限公司)	Beijing	Commercial housing rental, property and hotel management	9,900.00	100.00	–
Beijing BBMG Real Estate Agency Co., Ltd. (北京金隅房地產經紀有限公司)	Beijing	Property agency business and consultation	500.00	–	100.00
Beijing Kaicheng Cinda Property Management Co., Ltd. (北京凱誠信達物業管理有限公司)	Beijing	Property management	300.00	–	100.00
Beijing Wancheng Taishang Property Management Co., Ltd. (北京萬成恆泰商業物業管理有限公司)	Beijing	Property management	200.00	–	100.00
Jinyu Ligang (Tianjin) Property Development Co., Ltd. (金隅麗港(天津)房地產開發有限公司)	Tianjin	Property development and operation etc.	39,000.00	–	100.00
Beijing Jinyu Chaixin Tiandi Property Investment Co., Ltd. (北京金隅朝新天地置業有限公司)	Beijing	Property development and management etc.	1,000.00	–	100.00
Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd. (金隅夢城(馬鞍山)房地產開發有限公司) (Note VII. 2)	Ma'anshan	Property development and sale of commodity housing etc.	5,000.00	–	100.00
Beijing BBMG Finance Co., Ltd. (北京金隅財務有限公司)	Beijing	Operation of finance business and financing advisory business etc.	300,000.00	100.00	–
Hangzhou BBMG Guanchao Real Estate Development Co., Ltd. (杭州金隅觀潮房地產開發有限公司)	Hangzhou	Property development and operation etc.	58,600.00	–	100.00

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業地產開發有限公司) (Note VII. 2)	Beijing	Property development and sale of commodity housing etc.	237,254.90	-	100.00
BBMG Nanjing Real Estate Development Co., Ltd. (金隅南京房地產開發有限公司)	Nanjing	Property development and operation etc.	122,000.00	-	100.00
Dachang BBMG Alavus Energy Saving Components Co., Ltd. (大廠金隅愛樂屋建築節能製品有限公司)	Dachang County	Provision of timber for construction purpose and processing of timber products	3,000.00	-	100.00
Beijing Tongda New Green High-temperature Materials Engineering Research Centre Co., Ltd. (北京通達綠色高溫新材料工程研究中心有限公司)	Beijing	Research, experimentation and development of engineering and technology	1,000.00	-	98.00
Beijing Dacheng Changrun Properties Limited (北京大成昌潤置業有限公司)	Beijing	Property development and operation	1,000.00	-	82.00
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd. (重慶金隅大成山水置業有限公司)	Chongqing	Property development and sale etc.	49,250.00	-	100.00
Jilin BBMG Tiantan Furniture Co., Ltd. (吉林市金隅天壇傢俱有限責任公司)	Huadian	Manufacture and sale of furniture, fixture, panels and wooden products etc.	3,000.00	-	55.00
Beijing BBMG Cement Environmental Protection Technology Co., Ltd. (北京金隅水泥環保工程技術有限公司)	Beijing	Construction project management, construction general contracting and eco-friendly technology development etc.	1,000.00	-	100.00
Beijing BBMG Pension Industry Investment Management Co., Ltd. (北京金隅養老產業投資管理有限公司)	Beijing	Property development and management etc.	1,000.00	-	100.00
Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司)	Handan	Processing and sale of commercial concrete; manufacture and sale of prepared components	1,000.00	-	100.00
Shanghai BBMG Dacheng Property Development Co., Ltd. (上海金隅大成房地產開發有限公司)	Shanghai	Property development and operation etc.	100,000.00	-	100.00
Ningbo BBMG Dacheng Property Development Co., Ltd. (寧波金隅大成房地產開發有限公司)	Ningbo	Property development and operation etc.	5,000.00	-	100.00
Jize BBMG Taihang Concrete Co., Ltd. (雞澤縣金隅太行混凝土有限公司)	Jize County	Processing and sale of commercial concrete	1,200.00	-	100.00
Handan BBMG Taihang International Economic & Technical Cooperation Co., Ltd. (邯鄲金隅太行對外經濟技術合作有限公司)	Handan	Consulting services of international economic and trading information and technology	600.00	-	100.00
Liaocheng BBMG Hongjun Concrete Co., Ltd. (聊城金隅泓均砼業有限公司)	Liaocheng	Manufacture and sale of commercial concrete	1,000.00	-	80.00
Liaocheng BBMG Yonghui Concrete Co., Ltd. (聊城金隅永輝砼業有限公司)	Liaocheng	Manufacture and sale of commercial concrete	2,000.00	-	80.00

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
Dachang BBMG Tiantan Furniture Co., Ltd. (大廠金隅天壇傢俱有限責任公司)	Langfang	Manufacturing, processing, sale of furniture, etc.	68,000.00	-	100.00
BBMG Huitong (Dachang) Trading Co., Ltd. (金隅匯通(大廠)經貿有限公司)	Langfang	Wholesale of coal and construction materials	20,000.00	-	100.00
BBMG Business and Trading Co., Ltd. (金隅商貿有限公司)	Tanzania	Import and export of bulk materials	217.35	-	100.00
Beijing BBMG Property Investment Co., Ltd. (北京金隅房地置業有限公司)	Beijing	Real estate development, sale of self-developed commercial housing	5,000.00	-	70.00
Beijing BBMG Aixin Tonghe Elderly Services Co., Ltd. (北京金隅愛馨通和養老服務有限公司)	Beijing	Provision of accommodation and daily care services for the elderly	50.00	-	100.00
Beijing BBMG Aixin Taihe Elderly Services Co., Ltd. (北京金隅愛馨泰和養老服務有限公司)	Beijing	Elderly services and catering management, housework services	50.00	-	100.00
Qingdao BBMG Yangguang Property Development Co., Ltd. (青島金隅陽光房地產開發有限公司)	Qingdao	Real estate development and fiduciary agent for sale of real estate	60,000.00	-	100.00
Beijing BBMG Fengshan Training Centre Co., Ltd. (北京金隅鳳山培訓中心有限公司)	Beijing	Accommodation and conference services, etc.	200.00	-	100.00
Xi'an BBMG Tianli Business and Trading Co., Ltd. (西安金隅天麗商貿有限公司)	Xi'an	Sale of building materials and sanitary ware	5,000.00	-	65.00
BBMG Properties (Anhui) Co., Ltd. (金隅置業安徽有限公司)	Hefei	Property development and management, etc.	50,000.00	-	100.00
BBMG Real Estate Development (Hefei) Co., Ltd. (金隅房地產開發合肥有限公司)	Hefei	Property development and operation	150,000.00	-	100.00
Beijing BBMG Innovation and Technology Incubator Co., Ltd. (北京金隅創新科技孵化器有限公司)	Beijing	Incubating property management and technology business	100,000.00	51.37	48.63
Chongqing BBMG Dacheng New Metropolis Co., Ltd. (重慶金隅大成新都會有限公司)	Chongqing	Property development and sale of commodity housing, etc.	150,000.00	-	100.00

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i>					
BBMG Finance Lease Co., Ltd. (金隅融資租賃有限公司)(1)	Tianjin	Finance lease business	65,594.00	60.00	40.00
Beijing BBMG Culture Technology Development Co., Ltd. (北京金隅文化科技發展有限公司)(1)	Beijing	Technology development, transfer, consulting, services, and engagement in cultural economy, etc.	5,000.00	–	68.00
Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd. (北京金隅節能保溫科技(大廠)有限公司)(1)	Langfang	Manufacture and sale of building materials	1,700.00	–	100.00
Beijing Sanchong Mirror (Dachang) Co., Ltd. (北京三重鏡業(大廠)有限公司)(1)	Langfang	Manufacture and sale of glass-made spectacle lenses	5,800.00	–	100.00
BBMG Weiguang (Cangzhou) Chemical Co., Ltd. (金隅微觀(滄州)化工有限公司)(1)	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	6,000.00	–	100.00
Beijing BBMG Chengye Property Development Co., Ltd. (北京金隅成業房地產開發有限公司)(1)	Beijing	Property development	5,000.00	–	100.00
BBMG Jiahua Nanjing Real Estate Co., Ltd. (金隅嘉華南京置業有限公司)(1)	Nanjing	Property development	50,000.00	–	100.00
Fujian BBMG Coating Co., Ltd. (福建金隅塗料有限公司)(1)	Fuzhou	Manufacture and sale of coating	1,000	–	55.00
Beijing BBMG Dongcheng Real Estate Co., Ltd. (北京金隅東成置業有限公司)(1)	Beijing	Property development	100,000	–	90.50
BBMG Jindian (Tianjin) Property Development Co., Ltd. (金隅津典(天津)房地產開發有限公司)(1)	Tianjin	Property development	10,000	–	100.00

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination under common control					
Beijing Yanshui Assets Management Co., Ltd. (北京燕水資產管理有限公司)	Beijing	Manufacture of cement	6,266.85	100.00	–
Zhangjiakou Jinyu Cement Co., Ltd. (張家口金隅水泥有限公司)	Zhangjiakou	Manufacture and sale of cement and cement products	37,300.00	100.00	–
Zhuolu Jinyu Cement Co., Ltd. (涿鹿金隅水泥有限公司)	Zhuolu County	Manufacture and sale of cement and cement products	38,000.00	100.00	–
Quyuan Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司)	Quyuan County	Manufacture and sale of cement and clinker	28,000.00	90.00	–
Beijing Bio-Island Science and Technology Co., Ltd. (北京生態島科技有限責任公司)	Beijing	Development of technologies for waste disposal and comprehensive utilisation and environmental protection	5,000.00	–	100.00
Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司)	Tianjin	Manufacture of cement	57,943.97	62.09	–
Tongda Refractory Technology Co., Ltd. (通達耐火技術股份有限公司)	Beijing	Research and development and manufacture of new refractory materials, etc.	28,517.14	92.82	–
Shanghai Sanming Building Materials Co., Ltd. (上海金隅三明建材有限公司)	Shanghai	Manufacture and sale of modern building materials	3,200.00	–	100.00
BBMG Human Resources Management Co., Ltd. (北京金隅人力資源管理有限公司)	Beijing	Dispatch of labour	50.00	–	100.00
Beijing Hengxing Land Real Estate Co., Ltd. (北京恆興置業地產有限公司)	Beijing	Property development, etc.	4,635.00	–	100.00
Haikou Dacheng Property Investment Co., Ltd. (海口大成置業有限公司)	Haikou	Property development, etc.	1,600.00	–	100.00

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination under common control <i>(continued)</i>					
BBMG Hong Kong Limited (金隅香港有限公司)	Hong Kong	Self-owned property rental	(HKD)100.00	100.00	–
Beijing Building Decoration and Design Engineering Co., Ltd. (北京市建築裝飾設計工程有限公司)	Beijing	Design of projects' decoration and furniture decoration, etc.	8,500.00	100.00	–
Beijing Building Decoration and Design Institute Co., Ltd. (北京市建築裝飾設計院有限公司)	Beijing	Decorative design technical services	2,000.00	–	100.00
Beijing Longshuncheng Chinese Style Furniture Co., Ltd. (北京市龍順成中式傢俱有限公司)	Beijing	Manufacture of furniture, etc.	1,292.40	–	100.00
Beijing BBMG Doudian Technology Corporate Management Co., Ltd. (北京金隅賣店科技企業管理有限公司)	Beijing	Manufacture of insulation and energy-saving building materials, etc.	15,037.66	100.00	–
BBMG Badaling Hot Spring Resort Co., Ltd. (北京金隅八達嶺溫泉度假村有限責任公司)	Beijing	Provision of travelling service and accommodation, etc.	45,420.00	–	100.00
Beijing Oakland Building Waterproofing Materials Co., Ltd. (北京奧克蘭建築防水材料有限公司)	Beijing	Processing and sale of waterproof materials	500.00	–	100.00
Beijing Xisanqi Heating Co., Ltd. (北京西三旗熱力有限責任公司)	Beijing	Manufacture of low to medium pressure steam and distilled water, etc.	7,560.00	–	100.00
BBMG Hongye Ecological Science and Technology Co., Ltd. (北京金隅宏業生態科技有限責任公司)	Beijing	Property rental and management, etc.	200.00	100.00	–
BBMG Dacheng Property Management Co., Ltd. (北京金隅大成物業管理有限公司)	Beijing	Property management	1,000.00	100.00	–
BBMG Dacheng Property Development Co., Ltd. (北京金隅大成開發有限公司)	Beijing	Property development, etc.	290,000.00	100.00	–
Subsidiaries acquired through business combination not under common control					
Hetian Yuhe Sand Stone Company Limited (和田市玉河砂石有限公司)	Hetian	Manufacture and sale of concrete	2,040.80	–	51.00
Hebei BBMG Dingxin Cement Co., Ltd. (河北金隅鼎鑫水泥有限公司)	Luquan	Manufacture and sale of cement and clinker, etc.	131,700.00	100.00	–
Hebei Taihang Huaxin Building Materials Co. Ltd. (河北太行華信建材有限責任公司)	Handan	Mining of limestone and cement products operation	22,800.00	100.00	–
Beijing BBMG Qianjing Environmental Technology Co., Ltd. (北京金隅前景環保科技有限公司)	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67.00	–
Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司)	Yi County	Manufacture and sale of cement and cement products, etc.	16,000.00	75.00	–
Yixian Tenghui Mineral Building Materials Company Limited (易縣騰輝礦產建材有限公司)	Yi County	Sale of lime and rock materials, etc.	2,100.00	–	100.00

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control (continued)					
Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司)	Beijing	Manufacture of cement	2,000.00	-	60.00
Handan BBMG Taihang Cement Co., Ltd. (邯鄲金隅太行水泥有限責任公司) (Note VII. 2)	Handan	Manufacture of cement	66,434.29	92.63	-
Cheng'an BBMG Taihang Cement Co., Ltd. (成安金隅太行水泥有限公司)	Cheng'an County	Manufacture of cement	6,000.00	-	75.00
Guantao BBMG Taihang Concrete Co., Ltd. (館陶縣金隅太行混凝土有限公司)	Guantao County	Manufacture and sale of commodity concrete	4,000.00	-	100.00
Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司)	She County	Manufacture and sale of cement	10,000.00	91.00	-
Tianjin BBMG Concrete Co., Ltd. (天津金隅混凝土有限公司)(2)	Tianjin	Concrete construction and manufacturing, etc.	39,590.51	91.01	-
Shijiazhuang BBMG Xucheng Concrete Co., Ltd. (石家莊金隅旭成混凝土有限公司)	Shijiazhuang	Manufacture and sale of concrete	20,000.00	97.80	-
Beijing BBMG Beishui Environmental Technology Co., Ltd. (北京金隅北水環保科技有限公司)	Beijing	Manufacture of cement and mining of limestone, etc.	96,346.28	-	100.00
Beijing Chinafarge Cement Co., Ltd. (北京興發水泥有限公司)	Beijing	Manufacture of cement and clinker, etc.	31,500.00	95.70	-
BBMG Shunfa Lafarge Cement Co., Ltd. (北京金隅順發水泥有限公司)	Beijing	Manufacture of cement and clinker, etc.	15,000.00	70.00	-
Beijing Alavus Building Energy Saving Components Co., Ltd. (北京愛樂屋建築節能製品有限公司)	Beijing	Manufacture, sale and repair of energy efficient doors and windows	(EUR)400.00	82.00	-
Chengde BBMG Cement Co., Ltd. (承德金隅水泥有限責任公司)	Chengde	Manufacture of cement and clinker, etc.	40,000.00	85.00	-
Beijing Dynea Chemical Industry Co., Ltd. (北京太爾化工有限公司)	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	7,808.61	100.00	-
BBMG Vanke Property Development Co., Ltd. (北京金隅萬科房地產開發有限公司)	Beijing	Property development and housing sale, etc.	19,000.00	-	51.00
Xingtai BBMG Yongning Cement Co., Ltd. (邢台金隅詠寧水泥有限公司)	Xingtai	Production and sale of cement clinker	33,000.00	60.00	-
Jidong Development Group Co., Ltd. (冀東發展集團有限責任公司) (3)	Tangshan	Operating capital through holding, equity participation, merger and lease, wholesale and retail of building materials, etc.	247,950.40	55.00	-
Jidong Rizhang Energy-Conserving Fan Manufacture Co., Ltd. (冀東日彰節能風機製造有限公司)(3)	Tangshan	State-owned enterprise (machinery manufacturing)	8,400.00	-	100.00

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control <i>(continued)</i>					
Hebei Building Material Industry Design & Research Institution (河北省建築材料工業設計研究院)(3)	Shijiazhuang	Building materials industry engineering design	11,550.60	-	100.00
Jidong Development Logistics Co., Ltd. (冀東發展物流有限責任公司)(3)	Tangshan	Transportation and storage of general goods, etc.	10,000.00	-	100.00
Tangshan Jidong Development Coal Technology Co., Ltd. (唐山冀東發展煤炭科技有限公司)(3)	Tangshan	Lignite equipment installation, sales, etc.	1,000.00	-	100.00
Huanghai Wind Power Development Co., Ltd. (華海風能發展有限公司)(3)	Tangshan	Wind power equipment manufacturing	15,000.00	-	58.95
Beijing Oriental Royal Banquet Restaurant Co., Ltd. (北京東方御宴大酒樓有限公司)(3)	Beijing	Food and beverage industry	500.00	-	100.00
Tangshan Jidong Guye Mining Investment Co., Ltd. (唐山冀東古冶礦業投資有限責任公司)(3)	Tangshan	Other machinery and equipment repair industry	10,650.00	-	70.00
Hebei Jidong Development Group Mining Engineering Co., Ltd. (冀東發展集團河北礦山工程有限公司)(3)	Shijiazhuang	Other construction and installation industry	2,000.00	-	85.00
Tang Ren Investment Development Limited (唐人投資發展有限公司)(3)	Hong Kong	Investment in building materials industry	0.80	-	100.00
China-Africa Jidong Building Materials Investment Co., Ltd. (中非冀東建材投資有限責任公司)(3)	Tangshan	Investment in building materials industry	34,830.00	-	60.00
Shijiazhuang Dunshi Real Estate Development Co., Ltd. (石家莊盾石房地產開發有限公司)(3)	Shijiazhuang	Real estate development and management, etc.	10,000.00	-	65.00
Jidong Development (HK) International Ltd. (冀東發展(香港)國際有限公司)(3)	Hong Kong	Commodities trading	6,294.36	-	100.00
Hebei Dunshi Trading Co., Ltd. (河北盾石商貿有限公司)(3)	Tangshan	Wholesale and retail of cement, clinker and concrete, etc.	15,000.00	-	100.00
Tangshan Qixin Jiyi Property Services Co., Ltd. (唐山啟新記憶物業服務有限公司)(3)	Tangshan	Property service, commodity retail, etc.	100.00	-	100.00
Tangshan Jidong Development Machinery and Equipment Manufacturing Co., Ltd. (唐山冀東發展機械設備製造有限公司)(3)	Tangshan	Manufacture and sales of machinery equipment and accessories	55,000.00	-	100.00
Hebei Dunshi Engineering Technology Co., Ltd. (河北盾石工程技術有限公司)(3)	Tangshan	Cement engineering and technical consultation, etc.	300.00	-	100.00
Tangshan Jixin Cement Transition Co., Ltd. (唐山冀新水泥中轉有限公司)(3)	Tangshan	Handling and carrying	(USD) 600	-	60.00
Tangshan Qixin Cement Industry Museum (唐山啟新水泥工業博物館)(3)	Tangshan	Cultural relic collection and exhibition to promote national culture, etc.	6,724.00	-	100.00

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VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

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

	Place of registration/ principal business	Business nature	Registered capital (ten thousand RMB)	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through business combination not under common control (continued)					
Tangshan Jidong Cement Nanhu Property Development Co., Ltd. (唐山冀東水泥南湖房地產開發有限公司) (3)	Tangshan	Real estate	75,000.00	-	100.00
Jidong Development Group Dunshi Industrial Co., Ltd. (冀東發展集團盾石實業公司) (3)	Tangshan	Other general equipment manufacturing industry	10,576.00	-	100.00
Tangshan Jidong Property Services Co., Ltd. (唐山冀東物業服務有限公司) (3)	Tangshan	Property service	300.00	-	100.00
Jidong Development International Trading Co., Ltd. (冀東發展集團國際貿易有限公司) (3)	Beijing	Trading agent	10,000.00	-	100.00
Jidong Housing Industry Technology Development Co., Ltd. (冀東住宅產業科技發展有限公司) (3)	Tangshan	Housing industry technology promotion and transfer, etc.	10,000.00	-	100.00
Tangshan Dunshi Real Estate Development Co., Ltd. (唐山盾石房地產開發有限公司) (3)	Tangshan	Real estate	30,000.00	-	100.00
Tangshan High Voltage Porcelain Insulator Works Co., Ltd. (唐山高壓電瓷有限公司) (3)	Tangshan	Manufacture and sales of high voltage insulator	5,000.00	-	100.00
Tangshan Jidong Development Yan Dong Construction Co., Ltd. (唐山冀東發展燕東建設有限公司) (3)	Tangshan	Construction industry	10,000.00	-	59.00
Tangshan Jidong Qixin Cement Co., Ltd. (唐山啟新水泥有限公司) (3)	Tangshan	Manufacture of limestone, cement and clinker, etc.	23,544.00	-	100.00
Tangshan Qixin Building Materials Co., Ltd. (唐山啟新建材有限責任公司) (3)	Tangshan	Manufacture of cement and cement products	16,747.00	-	100.00
Hebei Jidong Development Group Tangshan Xinxing Knitting Factory (冀東發展集團唐山新星針織總廠) (3)	Tangshan	Knitting processing	4,171.00	-	100.00
Tangshan Jidong Concrete Co., Ltd. (唐山冀東混凝土有限公司) (3)	Tangshan	Manufacture and sales of concrete and concrete products	199,000.00	-	100.00
Jidong Sand Gravel Aggregate Co., Ltd. (冀東砂石骨料有限公司) (3)	Tangshan	Aggregate	25,000.00	-	100.00
Tangshan Jidong Equipment & Engineering Co., Ltd. (唐山冀東裝備工程股份有限公司) (3)/(4)	Tangshan	Manufacturing	22,700.00	-	30.00
Jidong Cement (3)/(4) (冀東水泥) (3)/(4)	Tangshan	Manufacture and sales of cement and clinker, etc.	134,752	-	30.00

- (1) Newly-established subsidiaries during the year.
- (2) In September 2010, Tianjin Building Materials Supply Corporation (天津市建築材料供應總公司) entrusted 11.21% of its voting rights in Tianjin BBMG Concrete Co., Ltd. to BBMG with a term of 8 years. In September 2015, pursuant to a resolution at the extraordinary general meeting held by Tianjin BBMG Concrete Co., Ltd., BBMG unilaterally made capital contribution of RMB100,000,000 to Tianjin BBMG Concrete Co., Ltd., resulting in an increase of BBMG's equity interests to 91.01% from previous 88.79%. As such, as at 30 June 2016, BBMG held 90.01% equity interests in Tianjin BBMG Concrete Co., Ltd. with 100% voting rights.
- (3) During the year, the Company acquired 55% equity interests of Jidong Group through capital increase and acquisition of equity interests, becoming the controlling shareholder of Jidong Group. The proportion of indirect shareholding in Jidong Group's subsidiaries represents the proportion of voting rights in these subsidiaries held by the Group through Jidong Group.
- (4) The Company holds 30% equity interests of Jidong Cement and Tangshan Jidong Equipment & Engineering Co., Ltd. ("**Jidong Equipment**") respectively through Jidong Group. After comprehensive consideration of the Group's ongoing asset restructuring plan for Jidong Cement, the Group's voting rights in Jidong Cement and Jidong Equipment as compared with other shareholders' entitlement, historic exercise of voting rights at general meetings of Jidong Cement and Jidong Equipment, the Group's board seats in Jidong Cement and Jidong Equipment as well as the actual arrangement of production and business activities of Jidong Cement and Jidong Equipment, the management of the Group believes that the Group has effective control over Jidong Cement and Jidong Equipment.

Notes to Financial Statements

For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Subsidiaries with significant minority interests are as follows:

	Percentage of minority shareholding	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Provision of specific reserve	Accumulated equity attributable to minority interests at the end of the year
2016					
BBMG Vanke Property Development Co., Ltd.	49.00%	(4,052,585.18)	-	-	353,737,926.38
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	49.00%	25,157,570.24	100,449,997.45	(459,735.62)	1,254,046,697.30
Jidong Group	45.00%	315,776,750.09	-	(2,105,473.76)	15,810,272,503.86
2015					
BBMG Vanke Property Development Co., Ltd.	49.00%	(29,316,450.05)	-	-	357,790,511.56
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	49.00%	43,281,514.80	-	-	1,328,879,388.89
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.	49.00%	(1,212,179.87)	-	-	1,178,366,442.60

Notes to Financial Statements

For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

	BBMG Vanke Property Development Co., Ltd.	Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	Jidong Group
31 December 2016			
Current assets	849,448,109.04	1,934,096,260.89	21,525,480,046.80
Non-current assets	13,440,256.86	1,510,556,184.50	44,027,347,493.19
Total assets	<u>862,888,365.90</u>	<u>3,444,652,445.39</u>	<u>65,552,827,539.99</u>
Current liabilities	136,102,230.56	668,481,556.63	32,311,159,395.95
Non-current liabilities	4,871,999.87	216,891,914.68	14,885,987,075.34
Total liabilities	<u>140,974,230.43</u>	<u>885,373,471.31</u>	<u>47,197,146,471.29</u>
			October to
	2016	2016	December 2016
Operating revenue	67,347,412.38	996,014,075.07	4,442,190,791.55
Net profit	8,270,582.00	51,341,980.09	188,204,633.03
Total comprehensive income	<u>8,270,582.00</u>	<u>51,341,980.09</u>	<u>271,515,117.71</u>
Net cash flows from operating activities	<u>(29,513,407.35)</u>	<u>156,744,671.84</u>	<u>729,880,301.92</u>

Notes to Financial Statements

For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	BBMG Vanke Property Development Co., Ltd.	Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.
31 December 2015			
Current assets	890,207,438.32	1,915,929,099.83	4,231,828,725.76
Non-current assets	13,941,074.95	1,565,791,788.42	1,695,639.59
Total assets	<u>904,148,513.27</u>	<u>3,481,720,888.25</u>	<u>4,233,524,365.35</u>
Current liabilities	172,442,740.82	533,621,690.18	1,828,694,890.65
Non-current liabilities	1,521,054.97	236,100,445.23	–
Total liabilities	<u>173,963,795.79</u>	<u>769,722,135.41</u>	<u>1,828,694,890.65</u>
Operating revenue	98,290,000.00	1,094,293,322.34	–
Net profit	(59,829,489.90)	88,329,622.03	(2,473,836.47)
Total comprehensive income	<u>(59,829,489.90)</u>	<u>88,329,622.03</u>	<u>(2,473,836.47)</u>
Net cash flows from operating activities	(66,450,493.52)	25,630,163.58	(1,064,171,109.65)

Notes to Financial Statements

For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

In 2016, BBMG GEM Real Estate Development Co., Ltd. acquired 25% interests held by the minority shareholder of its subsidiary Jinyu Mengcheng Property Development Co., Ltd., and its shareholding was increased from 75% to 100%. The consideration of the acquisition was RMB14,147,945.21. The attributable net assets of RMB16,107,358.02 were determined based on proportion of shareholding of the minority shareholder of 25% on the acquisition date, leading to an increase of capital reserve of RMB1,959,412.81 at the consolidated level.

In 2016, dividends payable to Hebei Hanzheng Assets Management Company Ltd., a minority shareholder of Handan BBMG Taihang Cement Co., Ltd., totaling RMB2,811,197.97 were converted into paid-up capital. Meanwhile, capital contributions made by Hebei Hanzheng Assets Management Company Ltd. over previous years included in the capital reserve of RMB8,033,041.72 were converted into paid-up capital, and its shareholding was increased by 1.53% from 5.84% to 7.37%, with corresponding minority interests increased by RMB15,745,715.91, leading to a decrease of capital reserve of RMB12,934,517.94 at the consolidated level.

In 2016, BBMG GEM Real Estate Development Co., Ltd. acquired 49% equity interests of its subsidiary Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd., and its shareholding was increased from 51% to 100%. The consideration of the acquisition was RMB1,332,614,293.02. The attributable net assets of RMB974,730,531.15 were determined based on proportion of shareholding of the minority shareholders of 49% on the acquisition date, leading to a decrease of capital reserve of RMB357,883,761.87 at the consolidated level.

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates

	Place of registration/ principal business	Business nature	Registered capital (thousand RMB)	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
Joint ventures						
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Dachang County	Production of mineral wool acoustic board, etc.	(USD) 54,520	50.00	–	Equity method
BBMG Landao Commercial Operation Management Co., Ltd. (北京金隅藍島商業運營管理有限公司)	Beijing	Commodities retail	6,000	–	50.00	Equity method
Beijing BBMG Qidi Technology Incubator Co., Ltd. (北京金隅啟迪科技孵化器有限公司)	Beijing	Incubating technology business, enterprise management, etc.	8,000	–	50.00	Equity method
Jidong Heidelberg (Fufeng) Cement Co., Ltd. (冀東海德堡(扶風)水泥有限公司)	Baoji	Manufacture and sales of cement and clinker, etc.	489,975	–	48.11	Equity method
Jidong Heidelberg (Jingyang) Cement Co., Ltd. (冀東海德堡(滎陽)水泥有限公司)	Xianyang	Manufacture and sales of cement and clinker, etc.	458,960	–	50.00	Equity method
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd. (唐山曹妃甸盾石新型建材有限公司)	Tangshan	Manufacture and sales of slag fine powder and by-product	200,000	–	50.00	Equity method
Anshan Jidong Cement Co., Ltd. (鞍山冀東水泥有限責任公司)	Anshan	Manufacture and sales of cement and clinker, etc.	300,000	–	50.00	Equity method
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. (冀東太平洋(北京)環保工程技術有限公司)	Beijing	Design, research and development of cement energy-saving and environmental equipment, etc.	30,000	–	50.00	Equity method
Cross Point Trading 274 (Pty) Ltd (RF)	South Africa	Investment in building materials industry	(ZAR) 300,000	–	56.00	Equity method
Tangshan Fengrun District the First Transportation Co., Ltd. (唐山市豐潤區第一運輸公司)	Tangshan	Automobile transportation, etc.	4,503	–	17.00	Equity method

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

	Place of registration/ principal business	Business nature	Registered capital (thousand RMB)	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
Associates						
Beijing Gaoqiang Concrete Co., Ltd. (北京市高強混凝土有限責任公司)	Beijing	Production of concrete, pumping, etc.	55,000	25.00	-	Equity method
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	Beijing	Production of fiberboards and artificial boards, etc.	(USD)57,380	30.00	-	Equity method
Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司)	Beijing	Production of radiators, etc.	(USD)27,500	26.70	-	Equity method
OCV Reinforcements (Beijing) Co., Ltd. (歐文斯科學複合材料(北京)有限公司)	Beijing	Complete non-standard control of concrete and pumping	55,000	20.00	-	Equity method
Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司)	Beijing	Design and production of equipment	10,000	-	23.00	Equity method
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司)	Chengde	Technology research and testing for comprehensive utilization of solid waste, etc.	46,000	-	34.78	Equity method
Tangshan Conch Profiles Co., Ltd. (唐山海螺型材有限責任公司)	Tangshan	Manufacture and sales of architectural profiles	160,000	40.00	-	Equity method
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd. (北京青年營金隅鳳山教育科技有限公司)	Beijing	Education technology promotion services, etc.	10,000	-	30.00	Equity method
SINJI TRADING PTE LTD	Singapore	Wholesale and sales of metal and metallic mineral, etc.	(SGD)800,000	-	40.00	Equity method
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. (中房華瑞(唐山)置業有限公司)	Tangshan	Property development and operation, etc.	10,000	-	40.00	Equity method
Tangshan Harbor Datangtongzhou Building Materials Co., Ltd. (唐山海港大唐同舟建材有限公司)	Tangshan	Manufacture and sales of concrete blocks, etc.	15,000	-	20.00	Equity method
Changchun Light Rail Jidong Concrete Co., Ltd. (長春輕軌冀東混凝土有限公司)	Changchun	Manufacture and sales of commercial concrete, etc.	10,000	-	49.00	Equity method
Baogang Jidong Cement Co., Ltd. (包鋼冀東水泥有限公司)	Baotou	Manufacture and sale of micro-powder from metallurgical slag	250,000	-	49.00	Equity method
Jidong Cement Fufeng Transportation Co., Ltd. (冀東水泥扶風運輸有限責任公司)	Baoji	Automobile transportation, etc.	16,000	-	23.75	Equity method
Jilin Changjitu Investment Co., Ltd. (吉林省長吉圖投資有限公司)	Jilin	Service industry, etc.	500,000	-	30.00	Equity method
Liquan Qinling Cement Co., Ltd. (禮泉秦嶺水泥有限公司)	Xianyang	Manufacture and sales of general cement, etc.	41,591	-	37.69	Equity method
Shaanxi Yan'an Qinling Cement Grinding Co., Ltd. (陝西延安秦嶺水泥粉磨有限公司)	Yan'an	Manufacture, wholesale and retail of cement, etc.	14,000	-	60.00	Equity method
Shaanxi Qinling Cement Group Special Cement Co., Ltd. (陝西秦嶺水泥集團特種水泥有限責任公司)	Tongchuan	Development, manufacture and sales of special cement, etc.	14,550	-	79.04	Equity method
Feifang Jidong Licen Machinery (Beijing) Co., Ltd. (飛帆冀東利岑機械(北京)有限公司)	Beijing	Mechanical design, wholesale and technical services, etc.	10,000	-	50.00	Equity method

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For the year ended 31 December 2016

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates *(continued)*

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

	2016	2015
Joint ventures		
Total carrying amount of investments	1,448,991,687.72	6,193,562.30
Total amount calculated based on shareholding		
Net gain/(loss)	44,603,548.04	(15,241,268.30)
Total comprehensive income	44,603,548.04	(15,241,268.30)
Associates		
Total carrying amount of investments	784,659,287.04	304,969,371.04
Total amount calculated based on shareholding		
Net profit/(loss)	64,296,961.72	(2,452,619.09)
Total comprehensive income	64,296,961.72	(2,452,619.09)

Notes to Financial Statements

For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2016

Financial assets	Financial assets held for trading at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets
Cash and bank balances	–	28,010,211,147.53	–
Financial assets held for trading at fair value through profit or loss	615,807,328.90	–	–
Bills receivable	–	3,857,028,994.07	–
Accounts receivable	–	8,889,912,604.49	–
Interest receivable	–	11,652,789.72	–
Dividends receivable	–	3,071,700.00	–
Other receivables	–	5,373,694,010.13	–
Available-for-sale financial assets	–	–	2,498,348,403.92
Long-term receivables	–	207,709,788.90	–
	615,807,328.90	46,353,281,034.84	2,498,348,403.92

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For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

2015

Financial assets	Financial assets held for trading at fair value		Loans and receivables	Available-for-sale financial assets
	through profit or loss			
Cash and bank balances	–	18,369,880,691.10		–
Bills receivable	–	2,197,924,429.70		–
Accounts receivable	–	6,882,068,508.58		–
Interest receivable	–	6,716,763.51		–
Dividends receivable	–	3,922,700.00		–
Other receivables	–	1,704,473,275.34		–
Available-for-sale financial assets	–	–		604,367,250.00
	–	29,164,986,368.23		604,367,250.00

Financial liabilities	2016	2015
	Other financial liabilities	Other financial liabilities
Short-term loans	32,027,734,141.83	16,805,996,379.53
Bills payable	2,313,321,400.81	436,477,804.74
Accounts payable	12,311,643,681.22	8,625,713,523.10
Interest payable	799,032,866.63	429,133,043.75
Dividends payable	202,581,371.25	55,274,219.13
Other payables	5,643,088,423.00	2,908,153,572.66
Non-current liabilities due within one year	6,897,420,505.71	3,907,504,794.13
Long-term loans	18,087,685,000.00	6,888,600,000.00
Bonds payable	21,279,396,543.45	12,000,000,000.00
Short-term financing bonds payable	3,000,000,000.00	6,000,000,000.00
Long-term payables	3,740,891,436.82	19,054,327.53
	106,302,795,370.72	58,075,907,664.57

Notes to Financial Statements

For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets

As at 31 December 2016, the Group endorsed to its suppliers for settlement of accounts payable or bank acceptance bills and commercial acceptance bills discounted to the banks with a carrying amount of RMB3,157,545,878.63 and RMB216,490,750.67 respectively, of which bank acceptance bills amounting to RMB1,711,849,070.99 were derecognised, and bank acceptance bills and commercial acceptance bills amounting to RMB1,662,187,558.31 were not derecognised.

Financial assets transferred but not yet fully derecognised

As at 31 December 2016, the Group endorsed bank acceptance bills and commercial acceptance bills with a carrying amount of RMB1,442,696,807.64 and RMB216,490,750.67 respectively (31 December 2015: RMB878,679,702.16 and RMB64,940,055.05) to its suppliers for settlement of accounts payable, and bank acceptance bills discounted to the banks with an amount of RMB3,000,000.00 (31 December 2015: bank acceptance bills of RMB2,070,000.00 and commercial acceptance bills of RMB5,711,993.36). As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognise them and the settled accounts payable or short-term borrowings associated therewith. After the endorsement or discount, the Group no longer reserves the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third party. As at 31 December 2016, the carrying amount of accounts payable settled or short-terms borrowings secured by the Group through these financial assets amounted to RMB1,659,187,558.31 and RMB3,000,000.00 respectively (31 December 2015: RMB943,619,757.21 and RMB7,781,993.36).

Transferred financial assets fully derecognised but with continuing involvement

As at 31 December 2016, the Group endorsed to its suppliers for settlement of accounts payable or bank acceptance bills discounted to the banks with a carrying amount of RMB1,711,849,070.99 (31 December 2015: RMB1,120,809,052.03). As at 31 December 2016, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("**Continuing Involvement**") if the relevant acceptance bank defaults. As the Group is of the opinion that the Group has transferred substantially all their risks and rewards, the Group has derecognised them and the settled accounts payable associated therewith (carrying amounts). The maximum exposure to loss from the Group's Continuing Involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

In 2016, no gains or losses were recognised on their dates of transfer by the Group. No income or expenses were recognised for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in derecognised financial assets. Endorsements were incurred basically evenly during the year.

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For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks

The Group's principal financial instruments comprise bank borrowings, commercial papers payable, bonds payable and cash and bank balances. The main purpose of these financial instruments is to raise capital for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group's risk management policies in this regard are summarized below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, accounts receivable, interest receivable, dividends receivable, available-for-sale financial assets, bills receivable and other receivables, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. Contingencies.

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

Please refer to Note V. 4 and 7 for quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables.

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For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk (continued)

As at 31 December 2016 and 31 December 2015, the aging analysis of financial assets not considered to be impaired is set out as follows:

31 December 2016

	Total	Neither past due nor impaired	Past due		
			Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	7,091,095,418.69	5,633,948,741.33	882,858,163.57	368,316,127.89	205,972,385.90
Other receivables	4,635,789,082.18	4,635,789,082.18	-	-	-
Bills receivable	3,857,028,994.07	3,857,028,994.07	-	-	-
Interest receivable	11,652,789.72	11,652,789.72	-	-	-
Dividends receivable	3,071,700.00	3,071,700.00	-	-	-
Available-for-sale financial assets	2,498,348,403.92	2,498,348,403.92	-	-	-
Long-term receivables	207,709,788.90	207,709,788.90	-	-	-

31 December 2015

	Total	Neither past due nor impaired	Past due		
			Within 3 months	3 to 6 months	Over 6 months
Accounts receivable	6,230,835,885.75	3,988,410,987.11	1,720,091,442.60	406,717,977.05	115,615,478.99
Other receivables	1,604,563,649.03	1,604,563,649.03	-	-	-
Bills receivable	2,197,924,429.70	2,197,924,429.70	-	-	-
Interest receivable	6,716,763.51	6,716,763.51	-	-	-
Dividends receivable	3,922,700.00	3,922,700.00	-	-	-
Available-for-sale financial assets	604,367,250.00	604,367,250.00	-	-	-

As at 31 December 2016, the accounts receivable that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2016, the accounts receivable that were past due but not impaired related to a large number of independent customers that have a good track record with the Group. Based on the past experience, the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank borrowings, financial leasing, bonds payable and short-term financing bonds payable. In addition, the Group also raised capital by way of non-public issue, so as to fund its own operations and development.

The liquidity of the Group is primarily dependent on adequate cash inflows from operations to meet its debt obligations as they fall due and external financing to meet its committed future capital expenditure. With respect to future capital commitment and other funding requirements, the Company's credit facilities granted by domestic banks amounted to RMB66.4 billion as at 31 December 2016, of which approximately RMB33.9 billion remained unused.

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

As at 31 December 2016

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Accounts payable	12,311,643,681.22	-	-	-	12,311,643,681.22
Interest payable	799,032,866.63	-	-	-	799,032,866.63
Dividends payable	202,581,371.25	-	-	-	202,581,371.25
Other payables	5,643,088,423.00	-	-	-	5,643,088,423.00
Bills payable	2,313,321,400.81	-	-	-	2,313,321,400.81
Long-term payables	945,370,562.73	1,264,057,249.88	2,476,834,186.89	-	4,686,261,999.50
Bank borrowings	35,381,410,748.86	4,652,212,014.49	8,893,517,877.08	10,910,694,926.58	59,837,835,567.01
Bonds payable	8,746,430,465.75	11,179,881,609.59	11,224,948,000.00	837,873,972.60	31,989,134,047.94
	<u>66,342,879,520.25</u>	<u>17,096,150,873.96</u>	<u>22,595,300,063.97</u>	<u>11,748,568,899.18</u>	<u>117,782,899,357.36</u>

Notes to Financial Statements

For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk (continued)

As at 31 December 2015

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Accounts payable	8,625,713,523.10	–	–	–	8,625,713,523.10
Interest payable	429,133,043.75	–	–	–	429,133,043.75
Dividends payable	55,274,219.13	–	–	–	55,274,219.13
Other payables	2,908,153,572.66	–	–	–	2,908,153,572.66
Bills payable	436,477,804.74	–	–	–	436,477,804.74
Long-term payables	4,599,600.00	4,599,600.00	13,798,800.00	–	22,998,000.00
Bank borrowings	18,650,196,379.53	531,270,684.93	2,211,100,000.00	4,340,717,808.22	25,733,284,872.68
Bonds payable	8,856,130,000.00	2,662,750,000.00	10,732,250,000.00	–	22,251,130,000.00
	<u>39,965,678,142.91</u>	<u>3,198,620,284.93</u>	<u>12,957,148,800.00</u>	<u>4,340,717,808.22</u>	<u>60,462,165,036.06</u>

Market risk

Interest rate risk

The Group's exposure to the changes in market interest rates is mainly related to the floating-rate long-term liabilities of the Group. The Group manages its interest cost using a mix of fixed- and floating-rate debts.

The table below demonstrates the sensitivity analysis of interest rate risk that reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

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For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

2016

	Increase/(decrease) in basis point	Increase/(decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/(decrease) in total shareholder's equity
RMB	Up 1% of interest rate	(12,607,229.13)	–	(12,607,229.13)

2015

	Increase/(decrease) in basis point	Increase/(decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/(decrease) in total shareholder's equity
RMB	Up 1% of interest rate	(9,718,433.51)	–	(9,718,433.51)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk mainly arises from certain financial assets and liabilities held by the Group that are principally denominated in USD, HKD, EUR, JPY, ZAR and ZMK.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of RMB against USD, HKD, EUR, JPY, ZAR and ZMK, with all other variables held constant, with respect to the effects on net profit or loss and net other comprehensive income after tax.

Notes to Financial Statements

For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Foreign exchange risk (continued)

2016

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholder's equity
USD appreciation against RMB	1%	104,781.92	–	104,781.92
HKD appreciation against RMB	1%	10,582.59	2,989,429.77	3,000,012.36
EUR appreciation against RMB	1%	1,577.99	–	1,577.99
JPY appreciation against RMB	1%	182,539.10	–	182,539.10
ZAR appreciation against RMB	1%	3,285,123.32	–	3,285,123.32
ZMK appreciation against RMB	1%	400.78	–	400.78

2015

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/(decrease) in net other comprehensive income after tax	Increase/(decrease) in total shareholder's equity
USD appreciation against RMB	1%	12,819.81	–	12,819.81
HKD appreciation against RMB	1%	6,572.93	2,915,220.87	2,921,793.80
JPY appreciation against RMB	1%	9,658.58	–	9,658.58

Notes to Financial Statements

For the year ended 31 December 2016

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Price risk of equity instrument investment

Price risk of equity instrument investment is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to price risk of equity instrument investment arising from individual equity instrument investment classified as held-for-trading equity instrument investment (Note V. 2) and available-for-sale equity instrument investment (Note V. 10) as at 31 December 2016. The Group's listed equity instrument investments are listed on the stock exchange in Shanghai and Shenzhen and are measured at quoted market prices at the balance sheet date.

4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. During 2016 and 2015, there was no change in the Group's capital management objectives, policies or procedures.

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the sum of adjusted capital and net debts. It is the Group's policy to maintain its leverage ratio between 60% and 86%. Net debts represent bank borrowings, bonds payable and short-term financing bonds, net of cash and bank balances while capital refers to equity capital. The Group's leverage ratios as at the balance sheet dates are set out as follows:

	2016	2015
Bank borrowings	51,672,286,743.83	25,504,596,379.53
Bonds payable	25,674,578,884.46	14,093,054,949.10
Short-term financing bonds	3,000,000,000.00	6,000,000,000.00
	80,346,865,628.29	45,597,651,328.63
Less: Cash and bank balances	(28,010,211,147.53)	(18,369,880,691.10)
Net debts	52,336,654,480.76	27,227,770,637.53
Owners' equity	62,909,510,786.60	42,181,874,396.80
Leverage ratio	83.19%	64.55%

Notes to Financial Statements

For the year ended 31 December 2016

IX. DISCLOSURE OF FAIR VALUE

1. Assets measured and disclosed at fair value

Hierarchies of fair value

	Fair value as at 31 December 2016			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuously measured at fair value:				
Financial assets at fair value through profit or loss	615,807,328.90	-	-	615,807,328.90
Available-for-sale financial assets	593,398,552.96	-	-	593,398,552.96
Commercial properties	-	492,000,000.00	14,484,628,345.79	14,976,628,345.79

	Fair value as at 31 December 2015			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuously measured at fair value:				
Commercial properties	-	492,000,000.00	13,952,803,327.98	14,444,803,327.98

The following sets forth the valuation method and key inputs used for the valuation of fair value of the investment properties in 2016:

Valuation method	Significant unobservable inputs	Range of variation
Income approach	Unit rental (RMB/sq.m./day)	0.43-21.7
	Term yield	5.5%-8%
	Reversionary yield	6%-8.5%

Notes to Financial Statements

For the year ended 31 December 2016

IX. DISCLOSURE OF FAIR VALUE *(continued)*

1. Assets measured and disclosed at fair value *(continued)*

For Level 3 fair value measurement under income approach, term and reversion approach in particular, the rental income derived from the existing tenancies with due allowance for the reversionary potential of the property is capitalised at the capitalisation rate. The estimated net leased income is capitalized over the remaining term of lease of the investment property at an appropriate market yield expected by investors for the type of properties to calculate the fair value of investment properties.

For Level 2 fair value measurement under market comparable approach, the fair value of the investment property is estimated upon the principle of substitution under which the value of such investment property approximates the value of a comparable substitute property for a potential buyer. In theory, the best comparable transaction would be an exact duplicate of the subject property. In practice, the value of the evaluated property at the benchmark date of evaluation is calculated by comparing it with the recent selling prices of similar properties and adjusting in accordance with transaction condition, transaction date, the condition of the property, etc.

2. Valuation of fair value

The following table sets forth the changes in Level 3 fair value of the investment properties of the Group in 2016:

	Commercial properties
Value as at 1 January 2016	13,952,803,327.98
Disposal of investment properties	(65,031,909.32)
Changes in fair value	596,856,927.13
Value as at 31 December 2016	14,484,628,345.79

In 2016, there was no change in fair value hierarchies of investment properties of the Group.

Notes to Financial Statements

For the year ended 31 December 2016

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Valuation of fair value *(continued)*

Assets and Liabilities disclosed at fair value

Set out below are carrying amount and fair value of each category of financial instruments of the Group other than financial instruments with minor differences between the carrying amount and fair value, and equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured:

	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial assets				
Available-for-sale financial assets	1,898,252,400.00	600,000,000.00	1,898,252,400.00	600,000,000.00
Financial liabilities				
Long-term loans	18,087,685,000.00	6,888,600,000.00	18,087,685,000.00	6,888,600,000.00
Bonds payable	21,279,396,543.45	12,000,000,000.00	21,279,396,543.45	12,000,000,000.00
Long-term payables	3,740,891,436.82	19,054,327.53	3,740,891,436.82	19,054,327.53
	43,107,972,980.27	18,907,654,327.53	43,107,972,980.27	18,907,654,327.53

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bill receivable, accounts receivable, interests receivable, dividends receivable, other receivables, short-term borrowings, short-term financing bonds payable, bills payable, accounts payable, interests payable, dividends payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short residual term of these instruments.

The Group's finance team is led by the Finance Manager, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the value of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief financial officer. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

Notes to Financial Statements

For the year ended 31 December 2016

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Valuation of fair value *(continued)*

Assets and Liabilities disclosed at fair value *(continued)*

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value.

The fair values of long-term borrowings, bonds payable, long-term payables and similar instruments are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 31 December 2016, the Group's exposure to non-performance risk associated with the long-term borrowings, bonds payable and long-term payables is assessed as insignificant.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Business nature	Registered capital (thousand RMB)	Over the Company		Period of control
				Proportion of shareholding (%)	Proportion of votes (%)	
BBMG Group	Beijing	Operation and management of state-owned assets within the authorised scope; manufacture and sale of building materials, non-metallic minerals, furniture, construction hardware, etc.; comprehensive property development, etc.	344,086	44.93	44.93	Before 29 December 2016
BSCOMC	Beijing	Investment and investment management, assets management, as well as the organization of the restructure or merger of assets of enterprises	35,000,000	44.93	44.93	On and after 29 December 2016

As at 31 December 2016, BSCOMC is the parent and ultimate holding company of the Company.

Notes to Financial Statements

For the year ended 31 December 2016

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

2. Subsidiaries

For details on the subsidiaries, please refer to Note VII. 1. Interests in the subsidiaries.

3. Jointly-controlled entities and associates

For details on the jointly-controlled entities and associates, please refer to Note VII. 3.

4. Other related parties

Names of other related parties	Relationship with related parties
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Under common control of the parent company
Beijing Xisha Assets Management Co., Ltd.	Under common control of the parent company
Handan Hanni Building Materials Co., Ltd.	Under common control of the parent company
Beijing Dacheng Real Estate Development Co., Ltd.	Under common control of the parent company
Beijing Longfengshan Sands and Stone Factory	Under common control of the parent company
Beijing Jinyu Scien-tech School	Under common control of the parent company
Beijing Guanghua Woodworking Factory	Under common control of the parent company
BBMG Properties Limited	Under common control of the parent company
Beijing Jianmao Property Management Co., Ltd.	Under common control of the parent company
Beijing Doors and Windows Co., Ltd.	Under common control of the parent company
BBMG Sports Culture Co., Ltd.	Under common control of the parent company

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties

(1) Transactions concerning goods and services with related parties

Type of goods or services		2016	2015
Purchase of goods and receipt of services from related parties			
Transactions with jointly-controlled entities and associates			
Krono (Beijing) Woods Co., Ltd.	Purchase of raw materials	14,964,772.09	143,988,403.85
Anshan Jidong Cement Co., Ltd.	Purchase of raw materials	7,381,942.31	–
Beijing Sinobaide Technology Co., Ltd.	Purchase of raw materials	6,395,194.26	9,459,480.36
STAR-USG Building Materials Co., Ltd.	Purchase of raw materials	3,031,749.15	1,809,343.85
Baogang Jidong Cement Co., Ltd.	Purchase of goods	2,154,775.35	–
Zehnder (China) Indoor Climate Co., Ltd.	Purchase of raw materials	1,164,384.12	2,839,062.23
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Receipt of services	252,098.70	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	Purchase of raw materials	105,128.21	–
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Purchase of raw materials	64,102.56	–
Jidong Cement Fufeng Transportation Co., Ltd.	Receipt of services	17,300.97	–
		35,531,447.72	158,096,290.29
Transactions with other related parties			
Beijing Dacheng Real Estate Development Co., Ltd.	Receipt of technical services	279,963.66	634,249.37
Beijing Dacheng Real Estate Development Co., Ltd.	Purchase of raw materials	42,519.00	53,439.00
Beijing Jinyu Scien-tech School	Receipt of training services	19,900.00	98,220.00
Beijing Longfengshan Sands and Stone Factory	Receipt of mining services	1,427,366.37	35,000.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Receipt of training services	6,330.00	17,800.00
		1,776,079.03	838,708.37

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

Type of goods or services		2016	2015
Sale of goods and render of services to related parties			
BBMG Group	Render of property services	1,617,494.34	2,185,901.89
Transactions with jointly-controlled entities and associates			
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Sale of goods, render of services	40,306,462.41	–
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Sale of goods, render of services	33,911,847.00	–
Baogang Jidong Cement Co., Ltd.	Sale of goods, render of services	17,840,948.91	–
OCV Reinforcements (Beijing) Co., Ltd.	Sale of goods	17,067,651.17	18,206,220.20
Changchun Light Rail Jidong Concrete Co., Ltd.	Sale of goods, render of services	13,331,397.58	–
Anshan Jidong Cement Co., Ltd.	Sale of goods, render of services	3,476,886.05	–
Jidong Cement Fufeng Transportation Co., Ltd.	Sale of goods, render of services	2,805,517.56	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	Sale of goods, render of services	2,492,615.71	–
STAR-USG Building Materials Co., Ltd.	Sale of goods	1,926,184.58	1,856,558.78
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	Sale of goods, render of services	1,800,234.57	–
Krono (Beijing) Woods Co., Ltd.	Sale of goods	1,548,694.26	37,196,246.30
Beijing Gaoqiang Concrete Co., Ltd.	Sale of goods	516,931.00	1,699,551.97
Beijing Sinobaide Technology Co., Ltd.	Sale of goods	–	415,579.86
		137,025,370.80	59,374,157.11

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

Type of goods or services		2016	2015
Sale of goods and render of services to related parties <i>(continued)</i>			
Transactions with other related parties			
Handan Hanni Building Materials Co., Ltd.	Sale of goods	340,079.03	256,801.43
Beijing Guanghua Woodworking Factory	Render of quality inspection services	200,000.00	4,700,000.00
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	Sale of goods	102,222.22	–
Beijing Xisha Assets Management Co., Ltd.	Sale of properties	90,000.00	64,564,900.00
Beijing Jinyu Scien-tech School	Render of services	71,760.00	–
Beijing Dacheng Real Estate Development Co., Ltd.	Sale of goods	1,691,137.60	2,673,887.71
BBMG Properties Limited	Render of engineering services	–	1,860,400.00
Beijing Jianmao Property Management Co., Ltd.	Render of engineering services	142,687.15	1,626,597.58
Beijing Doors and Windows Co., Ltd.	Render of decoration services	158,128.68	606,276.59
Beijing Xisha Assets Management Co., Ltd.	Render of decoration services	–	530,222.48
BBMG Sports Culture Co., Ltd.	Render of design services	–	34,000.00
		2,796,014.68	76,853,085.79

Purchase or sale of goods and receipt or render of services from/to related parties by the Group are negotiated and determined based on market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties *(continued)*

(2) Leases with related parties

As lessor

Name of the lessee	Category of leased assets	2016 leasing income	2015 leasing income
STAR-USG Building Materials Co., Ltd.	Building	9,203,955.64	11,790,622.31
Beijing Dacheng Real Estate Development Co., Ltd.	Building	4,775,380.32	4,775,380.32
OCV Reinforcements (Beijing) Co., Ltd.	Plant	994,315.23	1,511,526.25
Krono (Beijing) Woods Co., Ltd.	Building	–	4,685,203.96
Beijing Sinobaide Technology Co., Ltd.	Building	1,366,354.12	520,946.24
BBMG Group	Building	629,400.00	–
		16,969,405.31	23,283,679.08

As lessee

Name of the lessor	Category of leased assets	2016 leasing expenses	2015 leasing expenses
Beijing Xisha Assets Management Co., Ltd.	Premise	1,683,580.00	2,700,334.00
Jidong Heidelberg (Jingyang) Cement Co., Ltd.		102,564.11	–
Beijing Longfengshan Sands and Stone Factory	Premise	–	326,000.00
Beijing Dacheng Real Estate Development Co., Ltd.	Building	–	310,761.00
		1,786,144.11	3,337,095.00

The rentals from the assets leased out to or leased from related parties by the Group are negotiated and determined by making reference to market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties *(continued)*

(3) Guarantees received from/provided to related parties

Guarantees provided to related parties

2016

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement Co., Ltd.	18,000,000.00	2 March 2016	2 March 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	1,050,000.00	28 October 2016	19 January 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	20,000,000.00	11 July 2016	10 July 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	14,000,000.00	28 October 2016	27 October 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	8,400,000.00	28 July 2016	28 January 2017	No
Jidong Cement	Anshan Jidong Cement Co., Ltd.	6,600,000.00	30 August 2016	28 February 2017	No
		<u>68,050,000.00</u>			

As at 31 December 2016, Jidong Cement, a subsidiary of the Group, provided joint obligation guarantees in respect of borrowings, bank guarantees and bank acceptance bills for Anshan Jidong Cement Co., Ltd. at nil consideration, with total amount guarantees of RMB68,050,000.00.

In 2015, the Group did not provide guarantees in respect of borrowings for related parties.

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For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties *(continued)*

(3) Guarantees received from/provided to related parties *(continued)*

Guarantees received from related parties

2015

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	200,000,000.00	18 October 2013	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	420,000,000.00	27 June 2013	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	20,000,000.00	18 April 2014	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	6 May 2014	26 June 2016	No
BBMG Group	BBMG GEM Real Estate Development Co., Ltd.	100,000,000.00	7 May 2014	26 June 2016	No
		<u>840,000,000.00</u>			

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

In 2016, the Group did not receive guarantees in respect of borrowings from related parties.

(4) Lending to/borrowing from related parties

Borrowings

2016

	Amount	Commencement date	Maturity date
BBMG Group	50,000,000.00	7 December 2016	25 November 2017

2015

	Amount	Commencement date	Maturity date
BBMG Group	230,000,000.00	September 2015	November 2015
BBMG Group	303,400,000.00	September 2015	November 2015

Note: Through financial institutions, the Group obtained entrusted loans of RMB50,000,000.00 from BBMG Group in 2016, which were used for liquidity purposes. As at 31 December 2016, the balance of such loans amounted to RMB50,000,000.00 (31 December 2015: Nil). The interest rate of each of the above loans was in line with the benchmark rate for loans of the same period and same ranking issued by People's Bank of China on the drawdown date corresponding to the period of the loan. During the year, the total interest expenses recognised for the loans were RMB78,541.67 (2015: RMB3,884,930.00).

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties *(continued)*

(4) Lending to/borrowing from related parties *(continued)*

Lending:

During the year, Baogang Jidong Cement Co., Ltd. secured lending of RMB15,000,000.00 from the Group at interest rate of 5.22% per annum. As at 31 December 2016, the outstanding lending amounted to RMB52,080,000.00.

During the year, Krono (Beijing) Woods Co., Ltd. secured lending of RMB7,396,000.00 from the Group at interest rate of 4.35% per annum. As at 31 December 2016, the accumulated lending amounted to RMB7,396,000.00.

During the year, STAR-USG Building Materials Co., Ltd. secured lending of RMB7,500,000.00 from the Group at interest rate of 4.35% per annum (2015: RMB15,000,000.00 at interest rate of 4.35% per annum). As at 31 December 2016, the accumulated lending amounted to RMB104,188,940.00 (31 December 2015: RMB96,688,940.00).

Interest income from lending:

	2016	2015
STAR-USG Building Materials Co., Ltd.	–	4,075,487.77
Krono (Beijing) Woods Co., Ltd.	106,581.77	–
Baogang Jidong Cement Co., Ltd.	763,269.07	–
Cross Point Trading 274 (PTY) Ltd. (Note 1)	5,071,769.45	–
	5,941,620.29	4,075,487.77

Notes to Financial Statements

For the year ended 31 December 2016

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

5. Major transactions between the Group and related parties *(continued)*

(4) Lending to/borrowing from related parties *(continued)*

Interest expenses from borrowing:

	2016	2015
BBMG Group	78,541.67	3,884,930.00

(Note 1) As at 31 December 2016, the outstanding lending secured by Cross Point Trading 274 (PTY) Ltd. from the Group amounted to RMB162,302,999.29.

(5) Remuneration for key management personnel

	2016	2015
Remuneration for key management personnel	4,404,916.48	4,405,513.00

(6) Other transactions with related parties

In 2015, Beijing BBMG Concrete Co., Ltd., being a subsidiary of the Group, signed a demolition compensation agreement with Beijing Xisha Assets Management Co., Ltd. in relation to western lot of sands and stone factory at western suburb of Tiancunshan, Haidian District, Beijing. According to the agreement, Beijing Xisha Assets Management Co., Ltd. shall pay a demolition compensation of RMB94,930,832.49 to Beijing BBMG Concrete Co., Ltd. for the demolition of the production and operation site at Tiancunshan, Haidian District leased by Beijing BBMG Concrete Co., Ltd.

Note: Apart from related party transactions with associates and joint venture, other major transactions above between the group and its related parties constitute connected transactions and continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Notes to Financial Statements

For the year ended 31 December 2016

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

6. Balances of receivables from related parties

	2016	2015
Accounts receivable:		
Due from associates		
Baogang Jidong Cement Co., Ltd.	45,358,102.49	–
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	17,170,320.32	–
Jidong Cement Fufeng Transportation Co., Ltd.	272,460.61	–
Zehnder (China) Indoor Climate Co., Ltd.	19,276.00	219,271.00
OCV Reinforcements (Beijing) Co., Ltd.	–	267,305.25
	<u>62,820,159.42</u>	<u>486,576.25</u>
Due from joint ventures		
STAR-USG Building Materials Co., Ltd.	14,435,910.86	14,603,510.86
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	14,081,518.51	–
Anshan Jidong Cement Co., Ltd.	12,823,896.24	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	8,651,727.95	–
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	174,000.00	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	7,562.50	–
	<u>50,174,616.06</u>	<u>14,603,510.86</u>
Due from other related parties		
Beijing Dacheng Real Estate Development Co., Ltd.	–	5,034,950.82
BBMG Properties Limited	–	676,815.00
	<u>–</u>	<u>5,711,765.82</u>
	<u>112,994,775.48</u>	<u>20,801,852.93</u>

Notes to Financial Statements

For the year ended 31 December 2016

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

6. Balances of receivables from related parties *(continued)*

	2016	2015
Prepayments:		
Prepayments to associates		
Zehnder (China) Indoor Climate Co., Ltd.	812,595.93	83,876.93
Prepayments to joint ventures		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	573.70	–
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	25,769.20	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	921,400.00	–
	947,742.90	–
Prepayments to other related parties		
Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee	500.00	–
	1,760,838.83	83,876.93

Notes to Financial Statements

For the year ended 31 December 2016

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

6. Balances of receivables from related parties *(continued)*

	2016	2015
Other receivables:		
BBMG Group	–	14,538,402.16
Due from associates		
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	1,191,784,692.71	–
Krono (Beijing) Woods Co., Ltd.	24,072,020.95	15,179,083.67
Changchun Light Rail Jidong Concrete Co., Ltd.	1,253,715.93	–
Beijing Sinobaide Technology Co., Ltd.	276,970.62	–
Zehnder (China) Indoor Climate Co., Ltd.	9,500.00	9,500.00
Krono (Beijing) Flooring Co., Ltd.	–	200,000.00
	1,217,396,900.21	15,388,583.67
Due from joint ventures		
STAR-USG Building Materials Co., Ltd.	104,906,070.07	97,905,064.65
Baogang Jidong Cement Co., Ltd.	62,171,874.19	–
	167,077,944.26	97,905,064.65
	1,384,474,844.47	127,832,050.48

Notes to Financial Statements

For the year ended 31 December 2016

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

6. Balances of receivables from related parties *(continued)*

	2016	2015
Bills receivable:		
Due from associates		
Changchun Light Rail Jidong Concrete Co., Ltd.	9,000,000.00	—
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	3,871,242.06	—
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	4,170,000.00	—
	<u>17,041,242.06</u>	—
Due from joint ventures		
Jidong Cement Fufeng Transportation Co., Ltd.	2,500,000.00	—
Baogang Jidong Cement Co., Ltd.	9,670,734.17	—
	<u>12,170,734.17</u>	—
	<u>29,211,976.23</u>	—
Interests receivable:		
Due from associates		
Krono (Beijing) Woods Co., Ltd.	106,581.77	—
Due from joint ventures		
STAR-USG Building Materials Co., Ltd.	6,716,763.51	6,716,763.51
	<u>6,823,345.28</u>	<u>6,716,763.51</u>
Dividends receivable:		
Due from associates		
Beijing Gaoqiang Concrete Co., Ltd.	3,071,700.00	3,071,700.00
Beijing Sinobaide Technology Co., Ltd.	—	851,000.00
	<u>3,071,700.00</u>	<u>3,922,700.00</u>
Long-term receivables:		
Due from joint ventures		
Cross Point Trading 274 (PTY) Ltd.	202,959,788.90	—

Notes to Financial Statements

For the year ended 31 December 2016

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

7. Balances of payables to related parties

	2016	2015
Accounts payable:		
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	2,780,056.12	–
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	2,521,263.00	–
Baogang Jidong Cement Co., Ltd.	586,218.22	–
Zehnder (China) Indoor Climate Co., Ltd.	95,000.00	95,000.00
Jidong Cement Fufeng Transportation Co., Ltd.	86,190.94	–
Krono (Beijing) Woods Co., Ltd.	65,821.10	5,810,424.66
OCV Reinforcements (Beijing) Co., Ltd.	–	3,800.00
	6,134,549.38	5,909,224.66
Due to joint ventures		
Anshan Jidong Cement Co., Ltd.	14,938,189.48	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	2,021,171.25	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	1,354,152.87	–
STAR-USG Building Materials Co., Ltd.	1,172,042.95	120,904.56
	19,485,556.55	120,904.56
Due to other related parties		
Beijing Jinyu Scien-tech School	1,400.00	–
	25,621,505.93	6,030,129.22

Notes to Financial Statements

For the year ended 31 December 2016

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

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

	2016	2015
Receipts in advance:		
Advances from other related parties		
Beijing Longfengshan Sands and Stone Factory	–	149,098.29
Advances from associates		
Baogang Jidong Cement Co., Ltd.	2,880,459.52	–
Beijing Gaoqiang Concrete Co., Ltd.	183,192.20	123.20
OCV Reinforcements (Beijing) Co., Ltd.	2,520.00	2,520.00
	3,066,171.72	2,643.20
Advances from joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	4,255,990.11	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	738,795.10	–
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	165,500.00	–
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	24,821.08	–
Changchun Light Rail Jidong Concrete Co., Ltd.	398,097.28	–
	5,583,203.57	–
	8,649,375.29	151,741.49

Notes to Financial Statements

For the year ended 31 December 2016

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

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

	2016	2015
Other payables:		
BBMG Group	45,704,295.16	–
Due to associates		
Beijing Sinobaide Technology Co., Ltd.	–	3,869.60
OCV Reinforcements (Beijing) Co., Ltd.	159,200.00	159,200.00
Tangshan Conch Profiles Co., Ltd.	1,080.05	–
Baogang Jidong Cement Co., Ltd.	630,000.00	–
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	527,000.00	–
	1,317,280.05	163,069.60
Due to joint ventures		
STAR-USG Building Materials Co., Ltd.	5,203.08	91,414.91
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	48,972.57	–
Tangshan Caofeidian Dunshi New Building Materials Co., Ltd.	85,280.02	–
	139,455.67	91,414.91
	47,161,030.88	254,484.51

Except for the balances due from STAR-USG Building Materials Co., Ltd. and Krono (Beijing) Woods Co., Ltd. in other receivables and due from Cross Point Trading 274 (PTY) Ltd. in long-term receivables, other amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

	2016	2015
Short-term loans:		
BBMG Group	50,000,000.00	–

Notes to Financial Statements

For the year ended 31 December 2016

XI. CONTINGENCIES

	Note	2016	2015
Provision of guarantee on housing mortgage to third parties	Note 1	11,567,845,119.91	5,669,464,952.49
Provision of guarantee on loans and others to third parties	Note 2	4,644,000,000.00	—
		16,211,845,119.91	5,669,464,952.49

Note 1: Certain customers of the Group have purchased the commodity housing developed by the Group by way of bank mortgage (secured loans). According to 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 housing mortgage by the home buyers. The management is of the opinion that in the event of default in payments, the net realizable value of the relevant properties is still sufficient to cover the outstanding mortgage principals together with the accrued interests and penalties, and therefore no provision for the guarantees has been made in the financial statements.

Note 2: In 2016, Jidong Group, a subsidiary of the Group, provided guarantees on the borrowings of RMB2,270,000,000.00 and the borrowings of RMB2,374,000,000.00 for Tangshan Nanhu Eco-City Development and Construction Investment Co., Ltd. (唐山市南湖生態城開發建設投資有限責任公司) and Tangshan Construction Investment Co., Ltd. (唐山建設投資有限責任公司), respectively. The guarantees will expire on 21 May 2029 and 20 April 2018, respectively.

In addition, Jidong Cement, a subsidiary of the Company, collaborated with downstream customers and banks to operate the future delivery rights financing business, pursuant to which, the enterprises (including concrete enterprises and others) will pay a certain proportion of guarantee fund to the bank for the issuance of bank acceptance bills with a term of not more than 6 months as settlement of cost of goods of Jidong Cement. In the event that the enterprises (including concrete enterprises and others) fail to pay up in full the remaining balance of guarantee fund when the bills fall due, the bank has the right to require Jidong Cement to refund the corresponding portion of cost of goods. As at the balance sheet date of Jidong Cement, the contingent liabilities of the business commitment totaled RMB50,095,000.

Please refer to Note X. 5 for details of the guarantees provided to related parties by the Group.

XII. COMMITMENTS

	2016	2015
Contracted but not provided for		
Capital commitments	542,376,549.90	361,924,923.37
Property development contracts	11,085,389,938.29	8,413,910,062.16
	11,627,766,488.19	8,775,834,985.53

XIII. EVENTS AFTER BALANCE SHEET DATE

As at the date of approval of the financial statements, the Group did not have events after the balance sheet date required to be disclosed.

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS

1. Lease

As lessor

Significant operating leases: according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable leases are as follows:

	2016	2015
Within 1 year (inclusive of 1 year)	852,488,252.07	1,137,238,058.71
1 to 2 years (inclusive of 2 years)	516,034,658.55	1,008,851,021.61
2 to 3 years (inclusive of 3 years)	260,942,415.80	607,815,479.09
Over 3 years	395,169,720.73	798,010,903.67
	2,024,635,047.15	3,551,915,463.08

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

As lessee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable leases are as follows:

	2016	2015
Within 1 year (inclusive of 1 year)	47,641,809.93	73,857,282.69
1 to 2 years (inclusive of 2 years)	27,487,427.62	103,446,738.87
2 to 3 years (inclusive of 3 years)	23,589,485.32	41,242,437.23
Over 3 years	120,893,049.64	209,754,908.92
	219,611,772.51	428,301,367.71

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has four reportable segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commerce and logistics segment engages in the manufacture and sale of building materials and furniture and commerce and logistics;
- (3) the property development segment engages in the development and sale of real estate;
- (4) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and other than the exclusion of overheads attributable to the headquarters, the indicator is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the headquarters as these assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed upon by both parties of transactions with reference to the fair price quoted from transactions with third parties.

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

2016

	Building Materials and Commerce Cement Segment	and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/Liabilities/ Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	14,705,759,944.32	11,095,398,403.12	18,588,395,723.41	3,349,218,656.11	-	-	47,738,772,726.96
Revenue from inter-segment transactions	946,783,142.67	212,718,293.58	-	293,832,921.27	-	(1,453,334,357.52)	-
	15,652,543,086.99	11,308,116,696.70	18,588,395,723.41	3,643,051,577.38	-	(1,453,334,357.52)	47,738,772,726.96
Gains/(losses) on investment in joint ventures and associates	53,234,045.81	59,434,758.78	(74,591.85)	(3,693,702.97)	-	-	108,900,509.77
Losses from impairment of assets	240,831,159.97	82,217,653.08	54,236,941.96	37,697,898.39	-	-	414,983,653.40
Depreciation and amortisation	1,829,992,267.01	117,345,858.90	36,051,207.22	168,107,607.34	25,333,873.28	-	2,176,830,813.75
Total profits	134,335,111.92	(76,608,993.77)	2,804,742,928.60	1,541,778,080.15	(925,471,634.07)	197,755,980.69	3,676,531,473.52
Income tax expense	43,581,480.34	(35,646,449.65)	796,117,518.69	364,060,076.27	(231,367,908.52)	49,438,995.17	986,183,712.30
Total assets	84,607,076,651.95	10,970,298,654.19	82,995,068,773.37	42,667,148,795.67	2,162,814,877.17	(15,005,290,876.62)	208,397,116,875.73
Total liabilities	54,731,925,320.13	6,988,635,513.84	69,956,801,672.73	16,138,839,076.17	17,338,719,991.29	(19,667,315,485.03)	145,487,606,089.13
Other disclosure							
Long-term equity investment in joint ventures and associates	1,693,192,254.83	310,759,943.36	4,989,973.07	224,708,803.51	-	-	2,233,650,974.77
Increase in other non-current assets (excluding long-term equity investments)	38,445,163,519.21	846,435,426.09	39,037,415.98	3,081,229,777.41	-	-	42,411,866,138.69

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

2015

	Cement Segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/Liabilities/ Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	11,078,267,328.17	10,155,046,147.76	17,180,705,065.63	2,511,322,319.84	-	-	40,925,340,861.40
Revenue from inter-segment transactions	59,153,776.53	317,529,257.97	-	468,627,182.44	-	(845,310,216.94)	-
	11,137,421,104.70	10,472,575,405.73	17,180,705,065.63	2,979,949,502.28	-	(845,310,216.94)	40,925,340,861.40
Gains/(losses) on investment in joint ventures and associates	(2,775,530.35)	(15,148,141.83)	-	229,784.79	-	-	(17,693,887.39)
Losses from impairment of assets	114,529,776.60	36,075,195.31	276,632,831.30	17,930,513.18	2,742,710.29	-	447,911,026.68
Depreciation and amortisation	1,199,778,836.27	130,395,316.06	11,273,660.10	137,814,660.46	25,333,873.28	-	1,504,596,346.17
Total profits	(432,440,083.28)	(68,171,041.60)	2,945,748,899.31	1,737,668,939.01	(860,626,159.34)	(139,526,060.02)	3,182,654,494.08
Income tax expense	27,446,171.01	64,464,542.21	950,632,462.47	439,081,575.44	(215,156,539.84)	(34,881,515.01)	1,231,586,696.28
Total assets	28,812,152,059.53	10,742,671,989.82	70,058,681,582.22	29,667,280,070.55	2,178,108,681.75	(10,712,190,069.71)	130,746,704,314.16
Total liabilities	14,619,728,554.24	5,514,503,755.74	59,507,748,947.78	7,866,407,764.49	12,143,033,228.56	(11,086,592,333.45)	88,564,829,917.36
Other disclosure							
Long-term equity investment in joint ventures and associates	24,153,611.73	277,665,209.39	-	3,874,677.55	-	-	305,693,498.67
Increase in other non-current assets (excluding long-term equity investments)	1,278,549,601.49	691,947,019.73	28,892,740.70	54,738,451.45	-	-	2,054,127,813.37

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

Other information

Information on products and labour services

Revenue by product/service is set out in Note V. 49.

Geographic information

Operating revenue

	2016	2015
PRC	47,458,011,672.36	40,925,340,861.40
Singapore	193,372,366.17	–
South Africa	39,103,474.03	–
United States	13,025,400.00	–
India	11,755,126.80	–
Korea	922,936.83	–
Japan	12,752.56	–
Other countries or regions	22,568,998.21	–
	47,738,772,726.96	40,925,340,861.40

Revenues from external transactions are attributable to the geographic locations where the customers are located.

Major non-current assets of the Group are located in the PRC.

Information about major customers

In 2016, none of sales income arising from any single customer of the Group exceeds 10% (2015: Nil) of the Group's revenues.

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Supplemental information to the balance sheet

	2016	2015
Net current assets (consolidated)		
Current assets	119,478,725,399.42	89,335,632,740.23
Less: current liabilities	94,964,189,744.13	65,186,574,018.71
Net current assets	24,514,535,655.29	24,149,058,721.52
Total assets less current liabilities (consolidated)		
Total assets	208,397,116,875.73	130,746,704,314.16
Less: current liabilities	94,964,189,744.13	65,186,574,018.71
Total assets less current liabilities	113,432,927,131.60	65,560,130,295.45
Net current assets (the Company)		
Current assets	43,222,755,710.75	43,022,525,056.80
Less: current liabilities	26,406,750,171.50	29,097,388,511.98
Net current assets	16,816,005,539.25	13,925,136,544.82
Total assets less current liabilities (the Company)		
Total assets	89,338,616,897.51	79,613,630,631.68
Less: current liabilities	26,406,750,171.50	29,097,388,511.98
Total assets less current liabilities	62,931,866,726.01	50,516,242,119.70

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

4. 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 and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	2016	2015
Fees	650,000.00	723,341.00
Other emoluments:		
Salaries, allowances and benefits in kind	1,125,623.56	3,222,604.60
Performance related bonuses	1,438,280.00	2,231,900.00
Pension scheme contributions	239,985.36	296,735.40
	3,453,888.92	6,474,581.00

(1) Independent non-executive directors

The fees paid to independent non-executive directors for the year are as follows:

	2016	2015
Mr. Hu Zhaoguang	–	–
Mr. Xu Yongmo	–	137,500.00
Mr. Zhang Chengfu	–	137,500.00
Mr. Yip Wai Ming	–	137,500.00
Mr. Wang Guangjin	150,000.00	150,000.00
Mr. Tian Lihui	150,000.00	12,500.00
Mr. Tang Jun	150,000.00	12,500.00
Mr. Ngai Wai Fung	150,000.00	12,500.00
	600,000.00	600,000.00

No other remuneration was payable to independent non-executive directors for the year (2015: Nil).

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

4. Directors' and Supervisors' Remuneration *(continued)*

(2) Executive directors, non-executive directors and supervisors

2016

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Deyi*	-	-	-	-	-
Mr. Wu Dong	-	120,734.16	55,000.00	29,265.84	205,000.00
Mr. Shi Xijun**	-	82,938.00	55,000.00	19,062.00	157,000.00
Mr. Zhang Jianli***	-	101,836.08	54,550.00	24,163.92	180,550.00
Mr. Li Weidong****	-	73,488.96	55,000.00	16,511.04	145,000.00
Mr. Zang Feng	-	120,734.16	55,000.00	29,265.84	205,000.00
Mr. Wang Shizhong*****	-	22,813.64	40,310.00	4,653.36	67,777.00
	-	522,545.00	314,860.00	122,922.00	960,327.00
Supervisors					
Mr. Wang Xiaojun	-	-	-	-	-
Ms. Li Bichi	-	-	-	-	-
Mr. Yu Kaijun	50,000.00	-	-	-	50,000.00
Ms. Hu Juan	-	151,694.16	334,800.00	29,265.84	515,760.00
Mr. Zhang Dengfeng	-	152,594.16	293,800.00	29,265.84	475,660.00
Mr. Zhang Yifeng	-	142,754.16	262,400.00	29,265.84	434,420.00
Mr. Wang Xin	-	156,036.08	232,420.00	29,265.84	417,721.92
	50,000.00	603,078.56	1,123,420.00	117,063.36	1,893,561.92
	50,000.00	1,125,623.56	1,438,280.00	239,985.36	2,853,888.92

* Mr. Jiang Deyi is the Chairman and President of the Company.

** Mr. Shi Xijun was an executive director of the Company from January to July 2016, and left his post in August 2016.

*** Mr. Zhang Jianli was an executive director of the Company from January to September 2016, and left his post in October 2016.

**** Mr. Li Weidong was an executive director of the Company from January to July 2016, and left his post in August 2016.

***** Mr. Wang Shizhong was an executive director of the Company in January 2016, and left his post in February 2016.

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

4. Directors' and Supervisors' Remuneration *(continued)*

(2) Executive directors, non-executive directors and supervisors *(continued)*

2015

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Weiping	-	-	-	-	-
Mr. Jiang Deyi*	-	239,487.12	-	12,512.88	252,000.00
Mr. Wu Dong	-	333,527.04	180,000.00	26,472.96	540,000.00
Mr. Shi Xijun	-	333,527.04	180,000.00	26,472.96	540,000.00
Mr. Zhang Jianli	-	343,427.04	179,550.00	26,472.96	549,450.00
Mr. Li Weidong	-	333,527.04	180,000.00	26,472.96	540,000.00
Mr. Wang Hongjun ****	-	382,507.08	-	19,492.92	402,000.00
Mr. Zang Feng	-	333,527.04	180,000.00	26,472.96	540,000.00
Mr. Wang Shizhong	-	333,527.04	179,550.00	26,472.96	539,550.00
	-	2,633,056.44	1,079,100.00	190,843.56	3,903,000.00
Non-executive directors					
Mr. Yu Kaijun **	73,337.00	-	-	-	73,337.00
Supervisors					
Mr. Wang Xiaojun	-	-	-	-	-
Ms. Li Bichi	-	-	-	-	-
Mr. Yu Kaijun **	4,167.00	-	-	-	4,167.00
Mr. Qian Xiaoqiang ***	45,837.00	-	-	-	45,837.00
Ms. Hu Juan	-	154,367.04	335,800.00	26,472.96	516,640.00
Mr. Zhang Dengfeng	-	153,867.04	293,800.00	26,472.96	474,140.00
Mr. Zhang Yifeng	-	137,427.04	267,600.00	26,472.96	431,500.00
Mr. Wang Xin	-	143,887.04	255,600.00	26,472.96	425,960.00
	50,004.00	589,548.16	1,152,800.00	105,891.84	1,898,244.00
	123,341.00	3,222,604.60	2,231,900.00	296,735.40	5,874,581.00

* Mr. Jiang Deyi is the Chairman and President of the Company.

** Mr. Yu Kaijun was a non-executive director of the Company from January to November 2015, and was redesignated as a supervisor of the Company since December 2015.

*** Mr. Qian Xiaoqiang was a supervisor of the Company from January to November 2015, and left his post in December 2015.

**** Mr. Wang Hongjun was an executive director of the Company from January to August 2015, and left his post in September 2015.

Notes to Financial Statements

For the year ended 31 December 2016

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

5. Top 5 paid employees

During the reporting year, 5 highest paid employees are all non-directors employees (2015: five non-director employees), the remuneration details of whom are as follows:

	2016	2015
Salaries, allowances and benefits in kind	2,273,700.00	2,246,708.16
Performance related bonuses	1,993,366.00	2,051,833.00
Pension scheme contributions	137,850.48	106,971.84
	4,404,916.48	4,405,513.00

The remuneration distribution of the non-director highest paid employees was as follows:

	Remuneration amount of employees	
	2016	2015
Hong Kong dollar 0 – 1,000,000	1	2
Hong Kong dollar 1,000,001 – 1,500,000	4	3
	5	5

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

1. Other receivables

An aging analysis of other receivables is as follows:

	2016	2015
Within 1 year (inclusive of 1 year)	33,325,425,032.73	32,029,460,118.93
1 to 2 years (inclusive of 2 years)	50,998,001.96	256,734.52
2 to 3 years (inclusive of 3 years)	256,734.52	30,326,885.36
3 to 4 years (inclusive of 4 years)	26,615,872.72	30,379,950.00
4 to 5 years (inclusive of 5 years)	30,379,950.00	–
Over 5 years	27,284,101.52	29,320,301.52
	33,460,959,693.45	32,119,743,990.33
Less: Provision for bad debts of other receivables	35,455,644.74	40,970,070.23
	33,425,504,048.71	32,078,773,920.10

There were no movement in provision for bad debts of other receivables in 2016 and 2015.

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Other receivables *(continued)*

	2016				2015			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Percentage (%)	Amount	Proportion (%)	Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	50,626,733.06	0.15	29,360,768.06	57.99	53,112,933.06	0.17	29,360,768.06	55.28
Provision for bad debts by group:								
Within 1 year (inclusive of 1 year)	4,176,306.68	0.01	-	-	13,440,850.00	0.04	-	-
Over 5 years	-	-	-	-	4,240,000.00	0.01	4,240,000.00	100.00
	4,176,306.68	0.01	-	-	17,680,850.00	0.05	4,240,000.00	-
Special credit characteristics group	33,384,685,575.58	99.78	-	-	32,040,231,268.53	99.77	-	-
Individually not significant but subject to separate provision for bad debts	21,471,078.13	0.06	6,094,876.68	28.39	8,718,938.74	0.01	7,369,302.17	84.52
	33,460,959,693.45	100.00	35,455,644.74		32,119,743,990.33	100.00	40,970,070.23	

As at 31 December 2016, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Second	20,246,783.06	20,246,783.06	100.00	Wholly uncollectible
	50,626,733.06	29,360,768.06		

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Other receivables *(continued)*

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

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	30,379,950.00	9,113,985.00	30.00	Partly uncollectible
Second	22,732,983.06	20,246,783.06	89.06	Partly uncollectible
	53,112,933.06	29,360,768.06		

As at 31 December 2016, the top 5 of other receivables were as follows:

	Closing balance	Percentage of proportion	Nature	Aging	Closing balance of provision for bad debts
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	2,950,000,000.00	8.82	Amounts due from subsidiaries	Within 1 year	-
BBMG Nanjing Real Estate Development Co., Ltd.	2,877,840,000.00	8.60	Amounts due from subsidiaries	Within 1 year	-
Shanghai BBMG Dacheng Property Development Co., Ltd.	2,480,000,000.00	7.41	Amounts due from subsidiaries	Within 1 year	-
Beijing BBMG Dacheng Property Development Co., Ltd.	2,385,782,800.50	7.13	Amounts due from subsidiaries	Within 1 year	-
BBMG GEM Real Estate Development Co., Ltd.	2,328,252,269.75	6.96	Amounts due from subsidiaries	Within 1 year	-
	13,021,875,070.25	38.92			

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Other receivables *(continued)*

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

	Closing balance	Percentage of proportion	Nature	Aging	Closing balance of provision for bad debts
Beijing BBMG Dacheng Property Development Co., Ltd.	6,878,312,800.50	21.41	Amounts due from subsidiaries	Within 1 year	-
BBMG GEM Real Estate Development Co., Ltd.	5,563,943,638.75	17.32	Amounts due from subsidiaries	Within 1 year	-
Beijing BBMG Property Investment Co., Ltd.	3,291,400,000.00	10.25	Amounts due from subsidiaries	Within 1 year	-
Shanghai BBMG Dacheng Property Development Co., Ltd.	1,680,000,000.00	5.23	Amounts due from subsidiaries	Within 1 year	-
Chengdu BBMG Dacheng Property Development Co., Ltd.	1,320,263,719.75	4.11	Amounts due from subsidiaries	Within 1 year	-
	<u>18,733,920,159.00</u>	<u>58.32</u>			

Other receivables included the amounts due from subsidiaries, joint ventures and associates, which are as follows:

	2016	2015
Amounts due from subsidiaries	33,305,999,626.71	31,971,632,410.19
Amounts due from joint ventures	104,188,940.00	96,688,940.00
Amounts due from associates	7,396,000.00	-
	<u>33,417,584,566.71</u>	<u>32,068,321,350.19</u>

Other receivables due from related parties are unsecured, and have no fixed terms of repayment other than amounts due from joint ventures.

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Long-term equity investments

2016

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of share-holding (%)	Percentage of voting right (%)	Cash dividends for the year
Cost method:							
Beijing Liushui Environmental Protection Technology Co., Ltd.	690,005,052.96	684,505,052.96	5,500,000.00	690,005,052.96	100	100	-
Beijing BBMG Concrete Co., Ltd.	509,235,910.27	509,235,910.27	-	509,235,910.27	100	100	-
Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd.	1,093,444,400.00	1,093,444,400.00	-	1,093,444,400.00	51	51	104,550,000.00
Hebei BBMG Dingxin Cement Co., Ltd.	1,471,400,000.00	1,454,400,000.00	17,000,000.00	1,471,400,000.00	100	100	290,000,000.00
Hebei Taihang Huaxin Building Materials Co. Ltd.	191,952,088.44	191,952,088.44	-	191,952,088.44	100	100	-
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67	67	-
Baoding Taihang Heyi Cement Co., Ltd.	120,000,000.00	120,000,000.00	-	120,000,000.00	75	75	37,500,000.00
Handan BBMG Taihang Cement Co., Ltd.	719,986,626.30	719,986,626.30	-	719,986,626.30	94	94	168,308,710.00
Zanhuang BBMG Cement Co., Ltd.	700,000,000.00	600,000,000.00	100,000,000.00	700,000,000.00	100	100	-
Beijing BBMG Cement Trading Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100	100	-
Beijing BBMG Cement Energy Saving Technology Co., Ltd.	35,000,000.00	25,000,000.00	10,000,000.00	35,000,000.00	100	100	29,000,000.00
Zhangjiakou Jinyu Cement Co., Ltd.	391,071,805.81	353,071,805.81	38,000,000.00	391,071,805.81	100	100	-
Tianjin Zhenxing Cement Co., Ltd.	422,950,236.38	422,950,236.38	-	422,950,236.38	62	62	-
Quyuan Jinyu Cement Co., Ltd.	245,747,261.65	245,747,261.65	-	245,747,261.65	90	90	27,000,000.00
Tianjin BBMG Concrete Co., Ltd.	447,454,707.80	447,454,707.80	-	447,454,707.80	91	91	-
Siping BBMG Cement Co., Ltd.	156,000,000.00	156,000,000.00	-	156,000,000.00	52	52	-
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	202,047,000.00	202,047,000.00	-	202,047,000.00	97	97	-
Lanxian BBMG Cement Co., Ltd.	160,240,000.00	160,240,000.00	-	160,240,000.00	80	80	-
Qinyang BBMG Cement Co., Ltd.	144,145,100.00	144,145,100.00	-	144,145,100.00	86	86	-
Zhuolu Jinyu Cement Co., Ltd.	366,677,498.05	286,677,498.05	80,000,000.00	366,677,498.05	100	100	-
Handan Shexian BBMG Cement Co., Ltd.	181,678,700.00	181,678,700.00	-	181,678,700.00	91	91	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100	100	-
Lingchuan BBMG Cement Co., Ltd.	350,000,000.00	250,000,000.00	100,000,000.00	350,000,000.00	100	100	-
Beijing Jinyu Pinggu Cement Co., Ltd.	150,000,000.00	150,000,000.00	-	150,000,000.00	100	100	-
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95	95	-
BBMG Shunfa Lafarge Cement Co., Ltd.	110,681,119.42	110,681,119.42	-	110,681,119.42	70	70	-
Zuoquan BBMG Cement Co., Ltd.	530,000,000.00	365,300,000.00	164,700,000.00	530,000,000.00	100	100	-
Xuanhua BBMG Cement Co., Ltd.	3,250,000.00	3,250,000.00	-	3,250,000.00	65	65	-
Chengde BBMG Cement Co., Ltd.	340,000,000.00	340,000,000.00	-	340,000,000.00	85	85	-
Bo'ai BBMG Cement Co., Ltd.	285,000,000.00	285,000,000.00	-	285,000,000.00	95	95	-
BBMG Mortar Co., Ltd.	95,000,000.00	80,000,000.00	15,000,000.00	95,000,000.00	100	100	11,040,000.00
Guangling Jinyu Cement Co., Ltd.	317,000,000.00	317,000,000.00	-	317,000,000.00	100	100	-
Handan Fengfeng BBMG Concrete Co., Ltd.	66,000,000.00	66,000,000.00	-	66,000,000.00	100	100	5,500,000.00
Handan Hanshan BBMG Concrete Co. Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92	92	11,040,000.00
Handan BBMG Concrete Co., Ltd.	27,600,000.00	27,600,000.00	-	27,600,000.00	92	92	12,880,000.00
Wei County BBMG Concrete Co., Ltd.	9,200,000.00	9,200,000.00	-	9,200,000.00	92	92	1,840,000.00
Xingtai BBMG Yongning Cement Co., Ltd.	245,668,600.00	245,668,600.00	-	245,668,600.00	60	60	-
Beijing BBMG Tiantan Furniture Co., Ltd.	464,305,960.36	464,305,960.36	-	464,305,960.36	97	97	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.16	54,556,261.16	-	54,556,261.16	100	100	-
Tongda Refractory Technology Co., Ltd.	498,030,444.48	498,030,444.48	-	498,030,444.48	92	92	-

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

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

2016 *(continued)*

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Percentage of share-holding (%)	Percentage of voting right (%)	Cash dividends for the year
Beijing Jinyu Energy-Saving Technology Co., Ltd.	402,450,576.31	402,450,576.31	-	402,450,576.31	100	100	6,786,000.00
Beijing Aerated Concrete Co., Ltd.	166,166,021.38	166,166,021.38	-	166,166,021.38	56	100	-
Beijing Jinyu Aerated Concrete Co., Ltd.	107,946,419.68	107,946,419.68	-	107,946,419.68	100	100	3,654,000.00
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100	100	3,693,763.78
Beijing Building Materials Academy Co., Ltd.	194,167,784.68	162,467,784.68	31,700,000.00	194,167,784.68	100	100	-
Beijing Keshi Hardware Co., Ltd.	64,098,826.55	64,098,826.55	-	64,098,826.55	100	100	1,872,000.00
Beijing Jiandu Design and Research Institute Co., Ltd.	9,405,299.48	9,405,299.48	-	9,405,299.48	100	100	2,649,232.51
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	500,000,000.00	500,000,000.00	-	500,000,000.00	100	100	1,000,719.67
Beijing Alavus Energy Saving Components Co., Ltd.	29,980,669.86	29,980,669.86	-	29,980,669.86	82	82	-
Beijing BBMG Business and Trading Co., Ltd.	660,000,000.00	660,000,000.00	-	660,000,000.00	100	100	-
BBMG Material Industrial (Shanghai) Co., Ltd.	40,800,000.00	40,800,000.00	-	40,800,000.00	51	51	-
Beijing Dynea Chemical Industry Co., Ltd.	95,358,791.69	35,358,791.69	60,000,000.00	95,358,791.69	100	100	-
BBMG GEM Real Estate Development Co., Ltd.	3,065,138,411.45	3,065,138,411.45	-	3,065,138,411.45	100	100	972,425,125.68
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	123,580,431.35	123,580,431.35	-	123,580,431.35	100	100	-
BBMG Property Management Co., Ltd.	99,264,530.92	99,264,530.92	-	99,264,530.92	100	100	-
BBMG Fengshan Hot Spring Resort Co., Ltd.	370,680,361.57	202,480,361.57	168,200,000.00	370,680,361.57	100	100	-
Beijing Jianji Assets Management Co., Ltd.	776,172,150.30	776,172,150.30	-	776,172,150.30	100	100	67,101,227.76
Beijing Jinhaiyan Assets Management Co., Ltd.	78,479,818.89	78,479,818.89	-	78,479,818.89	100	100	65,100,000.00
Beijing Jinhaiyan Property Management Co., Ltd.	14,333,292.75	13,133,292.75	1,200,000.00	14,333,292.75	100	100	-
BBMG Property Operation Management Co., Ltd.	99,000,000.00	99,000,000.00	-	99,000,000.00	100	100	-
Beijing BBMG Chengyuan Property Development Co., Ltd.	473,509,857.53	473,509,857.53	-	473,509,857.53	100	100	23,409,000.00
Beijing BBMG Dacheng Property Development Co., Ltd.	2,994,735,641.87	2,994,735,641.87	-	2,994,735,641.87	100	100	-
Beijing Building Decoration and Design Engineering Co., Ltd.	82,429,882.34	82,429,882.34	-	82,429,882.34	100	100	4,599,000.00
Beijing Lvduhangke Science and Technology Co., Ltd.	-	43,615,552.98	(43,615,552.98)	-	100	100	-
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	152,788,777.09	152,788,777.09	-	152,788,777.09	100	100	-
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100	100	23,540,000.00
BBMG Dacheng Property Management Co., Ltd.	16,198,711.92	16,198,711.92	-	16,198,711.92	100	100	-
BBMG Hongye Ecological Science and Technology Co., Ltd.	815,331,413.51	815,331,413.51	-	815,331,413.51	100	100	71,993,450.90
BBMG Hong Kong Limited	288,057,387.91	288,057,387.91	-	288,057,387.91	100	100	-
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	513,676,100.00	50,000,000.00	463,676,100.00	513,676,100.00	100	100	-
Beijing BBMG Finance Co., Ltd.	3,000,000,000.00	1,000,000,000.00	2,000,000,000.00	3,000,000,000.00	100	100	-
BBMG Finance Lease Co., Ltd.	393,876,000.00	-	393,876,000.00	393,876,000.00	60	60	5,140,800.00
Jidong Development Group Co., Ltd.	5,225,000,000.00	-	5,225,000,000.00	5,225,000,000.00	55	55	-
Total under cost method	33,841,025,393.46	25,010,788,846.44	8,830,236,547.02	33,841,025,393.46			1,951,623,030.30

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Long-term equity investments (continued)

Equity method:

2016

	Change for the year							
	Opening balance	Increase in Investment	Investment income or loss under equity method	Other changes in equity	Cash dividend declared	Provisions for impairment	Closing carrying amount	Provision for year-end impairment
Joint ventures								
STAR-USG Building Materials Co., Ltd.	2,318,884.75	-	(2,318,884.75)	-	-	-	-	-
Associates								
Krono (Beijing) Flooring Co., Ltd.	-	-	-	-	-	-	-	-
Krono (Beijing) Woods Co., Ltd.	86,783,222.28	-	(14,412,047.09)	-	-	-	72,371,175.19	-
Zehnder (China) Indoor Climate Co., Ltd.	99,135,472.21	-	67,553,877.20	-	(23,784,545.46)	-	142,904,803.95	-
OCV Reinforcements (Beijing) Co., Ltd.	64,172,528.48	-	7,145,248.48	-	(7,636,920.57)	-	63,680,856.39	-
Beijing Gaoqiang Concrete Co., Ltd.	24,153,611.73	-	913,820.27	-	-	-	25,067,432.00	-
Tanshan Conch Profiles Co., Ltd.	-	195,822,240.00	-	-	-	-	195,822,240.00	-
Subtotal for associates	274,244,834.70	195,822,240.00	61,200,898.86	-	(31,421,466.03)	-	499,846,507.53	-
Total under equity method	276,563,719.45	195,822,240.00	58,882,014.11	-	(31,421,466.03)	-	499,846,507.53	-

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Investment properties

Measured subsequently through fair value model:

2016

	Buildings
Opening balance	9,399,343,431.98
Changes in fair value	496,580,863.78
Closing balance	9,895,924,295.76

2015

	Buildings
Opening balance	9,045,893,879.03
Changes in fair value	<u>353,449,552.95</u>
Closing balance	9,399,343,431.98

All the above investment properties are located in the PRC, leased out in form of operating leases and held under mid-term leases.

As at 31 December 2016, there was no investment property for which the procedures for obtaining title certificates were incomplete.

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

4. Operating revenue and costs

Operating revenue is as follows:

	2016	2015
Revenue from principal business	943,606,378.53	873,687,933.91
Revenue from other business	11,328,018.54	5,624,958.40
	954,934,397.07	879,312,892.31

Operating costs is as follows:

	2016	2015
Costs of principal business	99,209,108.56	90,490,734.04
Costs of other business	–	1,305,947.40
	99,209,108.56	91,796,681.44

Information by products is as follows:

	2016		2015	
	Revenue	Costs	Revenue	Costs
Rental income	943,606,378.53	99,209,108.56	873,687,933.91	90,490,734.04
Others	11,328,018.54	–	5,624,958.40	1,305,947.40
	954,934,397.07	99,209,108.56	879,312,892.31	91,796,681.44

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

5. Investment gains

	2016	2015
Gains from long-term equity investments under cost method	1,948,728,242.07	2,115,723,752.38
Gains from long-term equity investments under equity method	58,882,014.12	(19,972,856.35)
	2,007,610,256.19	2,095,750,896.03

6. Notes to items of statement of cash flows

	2016	2015
Cash received relating to other operating activities		
Cash received from superior units	19,243,271,124.72	26,255,959,022.66
Cash received from internal borrowings among subsidiaries	23,951,288,611.56	18,184,363,557.09
Interests income	78,063,224.69	53,916,453.11
	43,272,622,960.97	44,494,239,032.86
Cash paid relating to other operating activities		
Cash paid to subordinate units	19,990,588,706.35	23,699,462,018.69
Current accounts of subsidiaries	28,104,845,488.72	26,088,141,360.10
Expenses of the headquarters	169,947,883.35	153,264,447.48
	48,265,382,078.42	49,940,867,826.27

Notes to Financial Statements

For the year ended 31 December 2016

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

7. Supplemental information to statement of cash flows

(1) Reconciliation of net profit to cash flows from operating activities:

	2016	2015
Net profit	2,235,807,188.42	2,247,906,934.00
Add: (Reversal of provisions)/loss		
for assets impairment	(1,330,781.12)	9,769,003.63
Depreciation of fixed assets	68,395,137.77	69,378,982.66
Amortisation of intangible assets	13,480,925.40	13,698,310.16
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	235,051.56	(103,616.00)
Gains from changes in fair value	(496,580,863.78)	(353,449,552.95)
Finance expenses	1,996,485,575.75	2,082,326,424.85
Investment gains	(2,007,610,256.19)	(2,095,750,896.03)
Increase in deferred tax assets	(47,335,426.33)	(37,776,698.62)
Increase in deferred tax liabilities	124,145,215.94	88,362,388.24
Increase in operating receivables	(1,619,468,828.30)	(5,755,200,438.26)
Decrease in operating payables	(4,459,768,400.89)	(1,014,863,976.91)
Net cash flows used in operating activities	<u>(4,193,545,461.77)</u>	<u>(4,745,703,135.23)</u>

(2) Cash and cash equivalents

	2016	2015
Cash	6,904,569,211.47	8,258,522,946.00
Including: Bank deposits on demand	<u>6,904,569,211.47</u>	<u>8,258,522,946.00</u>
Closing balance of cash and cash equivalents	<u>6,904,569,211.47</u>	<u>8,258,522,946.00</u>

Supplementary Information

For the year ended 31 December 2016

1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS

	2016
Profit and loss from disposal of non-current assets	(118,949,474.22)
Government grants recognised through profit or loss for the current period (excluding those closely related to the Company's ordinary business operations, in line with national policies and entitled continuously in accordance with certain standard based on a fixed amount or quantity)	312,014,899.29
Profit and loss from debt restructuring	11,608,479.02
Profit and loss from fair value change of investment properties measured subsequently through fair value model	592,679,140.75
Other non-operating income and expenses other than the above items	<u>(33,010,345.00)</u>
Total non-recurring profit and loss	764,342,699.84
Impact of income tax	191,085,674.96
Impact of minority interests	<u>38,677,787.56</u>
	<u>534,579,237.32</u>

Items included in the government grants recognised through profit or loss for the period, but were not regarded as non-recurring profit or loss due to their close relation to the ordinary business operations of the Group, in line with national policies and were entitled continuously in accordance with certain standard based on a fixed amount or quantity were as follows:

	2016	Reason for being recognised as recurring profit or loss
Refunds of VAT	315,598,698.93	Related to operations
Grants for heat supply	<u>9,764,578.32</u>	Related to operations

The Group recognised non-recurring profit and loss items in accordance with the requirement under Explanatory Announcement No. 1 on Information Disclosure for Companies Making Public Offering of Securities – Non-recurring Profit and Loss (CSRC Announcement [2008] No. 43).

Supplementary Information

For the year ended 31 December 2016

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2016

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6.69	0.25	0.25
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	5.36	0.20	0.20

2015

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	6.24	0.20*	0.20*
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	3.88	0.12*	0.12*

The Company did not have potentially dilutive ordinary shares.

* Restated, details are set out in V.61.

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

	2016	2015	2014	2013	2012
	RMB' 000	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING REVENUE	47,738,773	40,925,341	41,241,474	44,789,759	34,054,096
NET PROFIT	2,690,348	1,951,068	2,708,973	3,243,158	3,153,855
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	2,686,654	2,017,454	2,422,722	3,215,183	2,968,714
DIVIDEND	491,177	160,167	239,232	373,202	304,145
DIVIDEND PER SHARE (Note)	RMB0.046	RMB0.015	RMB0.025	RMB0.039	RMB0.0355
BASIC EARNINGS PER SHARE (Note)	RMB0.25	RMB0.20	RMB0.26	RMB0.375	RMB0.345

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2016	2015	2014	2013	2012
	RMB' 000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS	88,918,392	41,411,072	40,666,165	38,682,324	36,059,925
CURRENT ASSETS	119,478,725	89,335,633	75,018,806	60,157,226	47,101,879
TOTAL ASSETS	209,397,117	130,746,704	115,684,971	98,839,550	83,161,804
CURRENT LIABILITIES	94,964,190	65,186,574	59,513,656	52,059,973	43,462,947
NON-CURRENT LIABILITIES	50,523,416	23,378,256	19,923,927	16,754,264	14,666,087
TOTAL LIABILITIES	145,487,606	88,564,830	79,437,583	68,814,237	58,129,034
MINORITY INTERESTS	18,709,022	4,098,901	5,140,120	3,745,173	2,120,785
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	44,200,489	38,082,973	31,107,268	26,280,140	22,911,984
NET ASSETS VALUE PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (Note)	RMB4.14	RMB3.567	RMB3.25	RMB3.065	RMB2.675

Note: The figures of dividend per share, basic earnings per share and net assets value per share attributable to the shareholders of the parent company for 2012 to 2015 have been adjusted for the bonus issue in 2016.

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