



北京金隅集團股份有限公司
BBMG CORPORATION*

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

Stock Code : 2009

Interim Report

*For identification purposes only





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CORPORATE INFORMATION

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

CORPORATE INFORMATION

The Supervisory Board

Supervisors

Xu Feng (*Chairlady*)
Wang Zhicheng
Yu Kaijun
Hu Juan
Zhang Guoliang
Zhuang Zhenguo
Zhang Qicheng

Committees

Audit Committee

Tian Lihui (*Chairman*)
Wang Guangjin
Tang Jun
Ngai Wai Fung
Guo Yanming
Yu Zhongfu

Remuneration and Nomination Committee

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

Strategic Committee

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

CORPORATE INFORMATION

Authorised Representatives Jiang Deyi
Lau Fai Lawrence

Board Secretary Zheng Baojin

Company Secretary Lau Fai Lawrence

Listing Information*A Shares*

A Share registrar China Securities Depository and Clearing
Corporation Limited, Shanghai Branch
36th Floor, China Insurance Building
166 Lujiazui Road East, Pudong New District,
Shanghai, the PRC

Place of listing Shanghai Stock Exchange
Stock name BBMG
Board lot 100 shares
Stock code 601992.SH

H Shares

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

Place of listing The Stock Exchange of Hong Kong Limited
Stock name BBMG
Board lot 1,000 shares
Stock code 02009.HK

CORPORATE INFORMATION

Principal bankers

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

Independent auditor

Ernst & Young Hua Ming LLP
Certified Public Accountants

Legal advisers

Withers
As to Hong Kong law

Guantao Law Firm
As to PRC law

CHAIRMAN'S STATEMENT



Jiang Deyi
Chairman

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the **"Board"**) of BBMG Corporation* (the **"Company"** or **"BBMG"**), I am pleased to present to you the interim results of the Company for the six months ended 30 June 2018 (the **"Reporting Period"**), and report on the operating results of the Company during the said period.

Review

During the first half of the year, the Company adhered to the main theme of seeking a steady progress by focusing on the improvement of quality and effectiveness during development. Through the taken up of control of Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司), the Company has achieved the synergistic development of Beijing, Tianjin and Hebei Province in the building materials industry as a pioneer and completed all the material approval procedures of asset restructuring with Tangshan Jidong Cement Co., Ltd. The Company made historic achievement regarding strategic business layout, transformation and upgrading, innovation and development, opening-up and integration; and its production and operation maintained a positive momentum of steady and faster development.

During the Reporting Period, the Company recorded total operating revenue of RMB35,365.4 million, representing a year-on-year increase of 20.0%; net profit attributable to the shareholders of the parent company amounted to RMB2,410.2 million, representing a year-on-year increase of 30.5%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.23.

* for identification purposes only

CHAIRMAN'S STATEMENT

Prospects

On the external front, the Chinese economy maintained a stable development in general. The internal driver for a high quality development in the PRC further strengthened while the synergistic development of Beijing, Tianjin and Hebei Province and the supply-side structural reform were well underway. Meanwhile, with the impact of the escalating Sino-US trade friction, a number of uncertainties exist in the economy. In addition, with the over-capacity in the overall cement industry, market demand continued to decline, leading to more prominent contradiction between supply and demand. Adhering to the basic tone of the policy of “houses are for living, not for speculation”, the government maintained its control over the real estate industry. Internally, the organic development between different business segments and different enterprises within the Company was unbalanced and inadequate. Confronted by the abovementioned challenges amidst opportunities, the Company will grasp the opportunities, turn those challenges into chances with active response, capitalize them with scientific approach so as to maintain a positive growth momentum. The Company will strive to achieve a new round of leap-forward development with high quality.

Pursuing the development strategy of “highlighting principal businesses and strengthening specialized businesses”, the Company will take initiative in participating in significant national policies, such as synergetic development of Beijing, Tianjin and Hebei Province and the supply-side structural reform and facilitate the “Four Centers” development of Beijing. In respect of the cement and ready-mixed concrete segment and modern building materials and commerce and logistics segment, the Company will ensure the guaranteed supply of building materials for key projects such as sub-town center in Beijing, Xiong’an New Area, new capital airport, and venues for Winter Olympics, with a view to promoting a wide use of BBMG’s modern, environmentally friendly, green and energy-saving building materials in key projects with high level of market attention, extensive influence and brand popularity. At the same time, the Company will fully leverage the geographical advantages of Tianjin to consolidate and enhance the building materials and commerce and logistics business. For the property development segment and property investment and management segment, the Company will timely examine the new policies to capture new market trends so as to enhance its operating capability and nurture competitive advantages. By seizing the opportunity of accelerating the transfer of non-capital functions, the Company will further develop and utilize the self-owned land resources located in Beijing, Tianjin and Hebei Province and develop new industries and new segment formats that meet the respective local positioning of functions for the purpose of the formation and constant optimization of an industrial layout highly aligned with the national strategy of “synergistic development of Beijing, Tianjin and Hebei Province”.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to express my sincere gratitude to the shareholders and business partners of the Company for their support and assistance. I expect continued trust and support from the shareholders and business partners in our course of achieving a new round of leap-forward development for BBMG with relentless efforts.

Jiang Deyi

Chairman of the Board

Beijing, the PRC

29 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS





DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY SITUATION DURING THE REPORTING PERIOD

(I) Principal business and business model of the Company

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: The Company is the third largest cement enterprise in the country. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic regions, and continued to expand the coverage of its network, mainly with presence in 13 provinces (municipalities and autonomous regions), including Beijing, Tianjin and Hebei Province, Shaanxi, Shanxi, Inner Mongolia, Northeastern region, Chongqing, Shandong, Henan and Hunan. The production capacity of clinker amounted to approximately 110.0 million tonnes; the production capacity of cement amounted to approximately 170.0 million tonnes; the production capacity of ready-mixed concrete and ready-mixed mortar amounted to approximately 72.0 million cubic meters and approximately 2.25 million tonnes, respectively; while the production capacity of aggregates and 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 concrete in key regions and markets will be consolidated on the basis of concrete group as the platform, 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 products in the PRC. Meanwhile, the Company will insist on promoting market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,700.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

MANAGEMENT DISCUSSION AND 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 in Beijing. It provides major products and services, namely furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics, among which, the production and sales of BBMG's aerated products ranked second 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. 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 one 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. The Company took the initiative to be the major supplier for the construction materials required by the construction of the subtown center project in Beijing. Production and supply of BBMG's aerated products, BBMG coating, BBMG star stone wool, Jinhaiyan Glass Wool, mineral wool boards of STAR-USG Building Materials, Alavus doors and windows, Tiantan Furniture and sanitary agency products have been timely and duly completed up to quality standard. New building materials including BBMG aerated panel and mineral wool boards of STAR-USG Building Materials facilitated the development of the Xiong'an New Area. The product supply for the public service center of Xiong'an, the first construction project of Xiong'an New Area, has been completed. New building materials products including BBMG star stone wool, Jinhaiyan Glass Wool, mineral wool boards of STAR-USG Building Materials and BBMG fire retardant paint have facilitated the construction of the renovation project in respect of Qingdao Olympic Sailing Centre, the main venue of the SCO Summit in Qingdao. This has enhanced the image of the Company's modern building materials products in the market and made improvement to the aspects such as product quality, organisational security as well as management standard. As long as risks are under control, the Company will continuously enhance the development of commerce and logistics industry and proactively explore the developed marketing modes of e-commerce.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Property development business sector: The Company is one of the top property developers in Beijing in terms of comprehensive strength with an area under construction of 8 million sq.m. during the year. The Company has made its presence in 15 cities including Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, Nanjing, Chengdu, Hefei and Haikou and developed more than 130 property projects with a total gross floor area of approximately 30 million sq.m, developing a nationwide business presence “from Beijing to three major economic rims, namely Beijing, Tianjin and Hebei, Yangtze River Delta and Chengdu-Chongqing region”, with a comprehensive development strength covering property projects of multiple categories. As a large state-owned enterprise under Beijing municipality, the Company has been in the leading position in construction of affordable housing in Beijing for years with a total gross floor area of more than 7 million sq.m. of planned and completed affordable housing, providing over 70,000 housing units. Based on continuous consolidation of core business strengths, the Company is making efforts on nurturing new segment formats and seeking coordinated development with Beijing, Tianjin and Hebei based on the functions of non-capital cities and is actively committed to the development and use of urban mineral resources. The Company has successfully established its presence in various sectors such as featured towns, industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.
4. Property investment and management business: The Company is one of the largest investors and managers of investment properties in Beijing, holding approximately 1.2 million sq.m. of high-end office buildings (including a total area of approximately 0.72 million sq.m. of investment properties held in the core area of Beijing) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the first half of 2018, the production of cement nationwide amounted to 0.997 billion tonnes, representing a year-on-year decrease of 0.6%. Under the control and monitoring of a series of government policies such as risk prevention and deleveraging, infrastructure investment saw a substantial decrease. However, with the turnaround of real estate investment and the extension projects of infrastructure investment from last year, the year-on-year overall demand for cement for the first half of the year only decreased mildly. During the Reporting Period, the efforts focused on the national supply-side structural reform and the supervision and inspection for environmental protection continued to consolidate. In response to this, substantially most of the provinces launched and implemented various restrictive measures on production such as “staggering peak production” and “environmentally restrictive production”, which led to a noticeable change in cement supply. As such, the market demand and supply continued to improve with a substantial decrease in inventory level as compared to last year, resulting in a stabilized price and profitability at a high level.

According to the statistics of the National Bureau of Statistics, in the first half of 2018, the overall profitability in cement industry grew steadily and rapidly as the overall demand in the industry became stable. From January to May 2018, total profit of RMB51.491 billion was recorded for the entire cement industry of China, representing a year-on-year increase of 163.86%, which was historically the best performance. The promising profitability was chiefly benefited from the stabilized demand and price at a high level.

2. Property Development Industry

In the first half of 2018, the property regulation and control measures, without relaxation, continued to suppress irrational demands under varying policies with cities. Meanwhile, the “effective supply” was actively implemented and related protection policies were launched by various local authorities to substantially increase the supply of housing rental and common property rights. Insisting to pursue the unwavering goal without any relaxation, various local authorities continued to stringently implement all regulation and control measures so as to facilitate a sound development of the real estate market.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the data of the National Bureau of Statistics, in the first half of 2018, the investment in real estate development in China stood at RMB5,553.1 billion, representing a nominal increase of 9.7% over last year, among which, investment in residential properties was RMB3,899.0 billion, up by 13.6%, representing a drop of 0.6 percentage points in growth rate. Investment in residential properties accounted for 70.2% of aggregate investment in real estate development. The construction sites of real estate developers stood at 7,096.49 million sq.m., representing an increase of 2.5% over last year, among which, 4,879.33 million sq.m. were area of construction sites for residential properties, representing an increase of 3.2%. The area of newly started construction of real estates was 958.17 million sq.m., increasing by 11.8%. Among this, 706.11 million sq.m. were area of newly started construction of residential properties, which increased by 15.0%. The area of completed properties stood at 371.31 million sq.m., decreasing by 10.6%. Of this, area of completed residential properties was 259.62 million sq.m., down by 12.8%. In the first half of 2018, land area acquired by real estate developers was 110.85 million sq.m., increasing by 7.2% over last year. Area of sold commodity housing in China was 771.43 million sq.m., increasing by 3.3% over last year. Of this, area of sold residential properties, office and properties for commercial operation increased by 3.2%, decreased by 6.1% and increased by 2.4% respectively. Sales of commodity housing amounted to RMB6,694.5 billion, up by 13.2%. Of this, sales of residential properties, office and properties for commercial operation increased by 14.8%, decreased by 3.2% and increased by 5.7% respectively. As at the end of June, area of commodity housing for sales was 550.83 million sq.m., a decrease by 9.27 million sq.m. as compared with the end of May.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Information

Unit: RMB'000

| | For the six months ended 30 June | | |
|------------------------------------------------------------------------------------------|-------------------------------------|---------------------|-------------------------------------------|
| | 2018 <i>(Unaudited)</i> | 2017 (Unaudited) | Change |
| Operating revenue | 35,365,393 | 29,465,846 | 20.0% |
| Operating revenue from principal business | 34,998,521 | 28,778,106 | 21.6% |
| Gross profit from principal business | 9,606,972 | 7,598,533 | 26.4% |
| Gross profit margin from principal business (%) | 27.4 | 26.4 | an increase of 1.0 percentage point |
| Total profit | 3,923,400 | 2,427,686 | 61.6% |
| Net profit | 2,927,743 | 1,782,023 | 64.3% |
| Net profit attributable to the shareholders of the parent company | 2,410,206 | 1,846,371 | 30.5% |
| Basic earnings per share attributable to the shareholders of the parent company (RMB) | 0.23 | 0.17 | 35.3% |

MANAGEMENT DISCUSSION AND ANALYSIS

| | As at 30 June 2018 (Unaudited) | As at 31 December 2017 (Audited) | Change |
|------------------------------------------------------------------|-----------------------------------------------|----------------------------------------|--------------------------------------------|
| Cash and bank balances | 17,680,691 | 17,903,847 | -1.2% |
| Current assets | 153,871,114 | 143,589,262 | 7.2% |
| Current liabilities | 114,785,794 | 110,434,361 | 3.9% |
| Net current assets | 39,085,320 | 33,154,901 | 17.9% |
| Non-current assets | 100,282,750 | 88,618,220 | 13.2% |
| Non-current liabilities | 63,028,696 | 51,855,311 | 21.5% |
| Total assets | 254,153,863 | 232,207,482 | 9.5% |
| Equity attributable to the shareholders of the parent company | 54,291,936 | 51,162,848 | 6.1% |
| Debt ratio (total liabilities to total assets) (%) | 69.96 | 69.89 | an increase of 0.07 percentage point |

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Business Information

| | For the six months ended 30 June | | Change |
|-------------------------------------------------------------------------|-------------------------------------|-------|--------|
| | 2018 | 2017 | |
| Cement and Ready-mixed Concrete | | | |
| Segment | | | |
| Sales volume of cement (in million tonnes) | 43.63 | 45.83 | -4.8% |
| Sales volume of ready-mixed concrete (in million cubic metres) | 6.28 | 6.56 | -4.3% |
| Modern Building Materials and Commerce and Logistics Segment | | | |
| Stone wool boards (in thousand tonnes) | 30.4 | 20.4 | 49.0% |
| Property Development Segment | | | |
| Booked GFA (in thousand sq.m.) | 430.8 | 406.6 | 6.0% |
| Contracted sales GFA (in thousand sq.m.) | 518.2 | 784.7 | -34.0% |
| Property Investment and Management | | | |
| Segment | | | |
| Gross GFA of investment properties (in thousand sq.m.) | 1,085.1 | 715.5 | 51.7% |

DISCUSSION AND ANALYSIS ON OPERATIONS

During the first half of 2018, under the guidance of a new development concept, the Company adhered to the key note of seeking a steady progress by focusing on the improvement of quality and efficiency of development. Meanwhile, seizing the opportunity of deepening synergetic development of Beijing, Tianjin and Hebei Province, the Group realized its control over Tianjin Building Materials Group and completed the approval procedures of asset restructuring with Jidong Cement. Quality and efficiency of each business segment have been improved notably. Green transformation continued to make progress. Science and technology innovation has also seen remarkable achievements. Key priorities has been forged ahead in a stable way attributable to regulated and orderly basic management. During the Reporting Period, economy of the Company ran healthily, with both size and efficiency hitting records and key economic indicators showing sound and rapid growth. Operation of the Company has been progressing well and maintaining a stable and fast development.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2018, the Company recorded operating revenue of RMB35,365.4 million, of which operating revenue from its principal business amounted to RMB34,998.5 million, representing a year-on-year increase of 21.6%; total profit amounted to RMB3,923.4 million, representing a year-on-year increase of 61.6%; net profit amounted to RMB2,927.7 million, representing a year-on-year increase of 64.3%; and net profit attributable to the shareholders of the parent company amounted to RMB2,410.2 million, representing a year-on-year increase of 30.5%.

(1) Cement and Ready-mixed Concrete Segment

Based on its strategic position of “build a world-class cement industry group which is modern, professional and large in scale”, the Group optimized its management by intensifying process control to improve its operating efficiency and focus on operating results, and ultimately, to improve quality and efficiency throughout the Group. Leveraging on the results of restructuring with Jidong, the Company has taken various measures and the benefit of reform and effect of restructuring have begun to emerge increasingly.

During the first half of 2018, sales volume of cement and clinker was 43.63 million tonnes, representing a year-on-year decrease of 4.8%; operating revenue from principal business was RMB15,692.3 million, representing a year-on-year increase of 12.7%; gross profit from principal business amounted to RMB4,911.2 million, representing a year-on-year increase of 30.5%. Most enterprises of the segment posted notable increase in results performance, among which cement sales volume amounted to 37.21 million tonnes and clinker sales volume amounted to 6.4 million tonnes; the aggregated gross profit margin for cement and clinker was 36.6%, representing a year-on-year increase of 7.2 percentage points. Sales volume of concrete was 6.3 million cubic meters, representing a year-on-year decrease of 4.5%, while the gross profit margin for mixed concrete was 10.0%, representing a year-on-year increase of 2.5 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Modern Building Materials and Commerce and Logistics Segment

With an objective to achieve profit of more than ten million yuan for single manufacturing enterprise in the segment, and focused on implementing enterprise diagnosis, benchmark management and activities to “lower costs and expenses and increase production and sales volume”, the Company has put efforts to make the industry more solid, management stronger, and products better, continuing to enhance its corporate profitability and competitiveness in the market. The enterprises in the segment coordinated with each other and actively participated in the construction of key projects in China, such as sub-town center in Beijing, public service center in Xiongan New Area, renovation of the SCO Summit venue in Qingdao, new capital airport, and venues for Winter Olympics, providing green, energy-saving, and environmentally friendly building materials products and services so as to enhance product influence and brand awareness.

During the first half of 2018, modern building materials and commerce and logistics segment recorded operating revenue from principal business of RMB9,068.4 million, of which RMB1,389.0 million was derived from manufacturing sector and RMB7,679.0 million was derived from commerce and logistics sector. The segment recorded gross profit from principal business of RMB576.9 million, representing a year-on-year increase of 7.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Property Development Segment

The Company will continue to further reform to consolidate and enlarge the development of its professional control platform. With the pilot programme for professional managers basically completed and the initial establishment of platforms, such as human resource management, project development, capital management, strategic procurement and cost control, the Company's competitiveness has increased as a whole.

The property development segment recorded operating revenue from principal business of approximately RMB9,948.4 million during the first half of 2018, representing a year-on-year increase of 36.3%. The gross profit from its principal business was approximately RMB3,184.1 million, a year-on-year increase of 35.1%. The booked GFA was 430,844 sq.m. for the year, a year-on-year increase of 6.0%, among which booked GFA of commodity housing amounted to 429,544 sq.m., a year-on-year increase of 6.9%, while booked GFA of affordable housing amounted to 1,300 sq.m., a year-on-year decrease of 72.8%. The aggregated contracted sales area of the Company was 518,172 sq.m., a year-on-year decrease of 34.0%, among which contracted sales area of commodity housing amounted to 516,872 sq.m., a year-on-year decrease of 18.6%, and contracted sales area of affordable housing amounted to 1,300 sq.m., a year-on-year decrease of 99.1%. During the Reporting Period, the Company recorded contracted sales of approximately RMB9,190 million, representing a year-on-year decrease of 31.2%, and cash collection of approximately RMB9,250 million, representing a year-on-year decrease of 23.3%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 8,573,100 sq.m..

During the Reporting Period, despite the exposure to pressure of market regulation, the Company has made its efforts in promoting project sales and carefully arranging project delivery for use in various cities. The projects including Shanghai Dachengjun (上海大成郡), Hefei Nanqili (合肥南七里), Qingdao Hefu (青島和府) recorded robust sales and the phase I of Beijing Treasure Mansion House (北京金玉府) delivered for use in advance; projects including phase II of Nanjing Zijingfu (南京紫京府), Hangzhou Xuefu (杭州學府) delivered on schedule. At the same time, the construction of the project of Xisanqi Science and Technology Park has also achieved initial progress.

During the first half of 2018, the Company successfully acquired 4 parcels of land, adding 577,500 sq.m. to its land reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

Major Land Reserve Acquired by the Group in the First Half of 2018

| No | Name of projects (parcel of land) | Location | Use of the land | Land area of the project (sq.m.) | Planning plot ratio area (sq.m.) | Land price (RMB million) | Method of acquisition | Date of acquisition (year/ month/day) | Percentage of interest |
|--------------|-----------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------|--------------------------|------------------------------------------------|---------------------------|
| 1 | Plot GX2017-16 (071) (82 mu) at Zhonghe Street, Gaoxin District, Chengdu | Gaoxin District, Chengdu | Residential (R2) land | 54,999 | 110,000 | 1,430.00 | Auction | 2018-03-21 | 100% |
| 2 | Plot GX03-02-16 at Gaoxin District, Ningbo | Gaoxin District, Ningbo | Residential (R2) land | 43,404 | 145,000 | 1,980.00 | Listing | 2018-04-25 | 100% |
| 3 | Plot at Shuji Technical School, Jidong Cement Group | Lubei District, Tangshan City | Commercial land | 12,604 | 18,900 | 41.40 | Auction | 2018-04-10 | 100% |
| 4 | Plot at Jimo City, Qingdao | Jimo City, Qingdao | Residential (R2) and commercial land | 189,753 | 303,600 | 1,648.31 | Auction | 2018-06-05 | 100% |
| Total | | | | 300,760 | 577,500 | 5,099.71 | | | |

(4) Property Investment and Management Segment

The Company has proactively explored innovative operation model based on the positioning of Beijing. During the Reporting Period, the property operations maintained a positive momentum of development with a focus on operational transformation and upgrading, so as to further enhance the quality and efficiency of development. The operation performance in office buildings and apartments remained at high level. The average occupation rate was 91.3% and 96.8%, respectively. BBMG Sheraton Hotel (金隅喜來登酒店) recorded an average occupancy rate of 81%, representing a year-on-year increase of 5 percentage points. Meanwhile, the property operation companies have sought continuous improvement in service quality and made proactive efforts in market expansion in order to further establish their presences as high-end and professional property service brands.

MANAGEMENT DISCUSSION AND ANALYSIS

The property investment and management segment recorded operating revenue from principal business of approximately RMB1,887.8 million during the first half of 2018, a year-on-year increase of 13.3%. Gross profit from principal business amounted to approximately 1,103.6 million, representing a year-on-year increase of 2.6%. As at the end of the Reporting Period, the Company held investment properties totaling approximately 1,085,100 sq.m. in the core districts of Beijing and Tianjin. The consolidated average occupancy rate was 93% and the consolidated average rental unit price was RMB5.9/sq.m./day, of which the consolidated rental unit price for Beijing district was RMB8.3/sq.m./day.

Investment properties held by the Group as at 30 June 2018

| | Location | Usage | Property | | Average | Average | Unit |
|-------------------------------------------------------------|-------------------------------------|--------------------------|-----------------------------------|-----------------------------|-----------------------------------|-------------------|---------------------------|
| | | | Gross Area (thousand sq.m.) | Fair Value (RMB million) | Rental Unit Price (RMB/day) | Occupancy Rate | Fair Value (RMB/sq.m.) |
| Phase 1 of Global Trade Centre | North Third Ring Road, Beijing | Commercial | 108.2 | 3,200.3 | 11.3 | 84% | 29,581 |
| Phase 2 of Global Trade Centre | North Third Ring Road, Beijing | Commercial | 141.5 | 3,356.4 | 8.4 | 92% | 23,724 |
| Phase 3 of Global Trade Centre (Ground Floor Commercial) | North Third Ring Road, Beijing | Retail | 57.5 | 1,161.7 | 8.2 | 90% | 20,205 |
| Tengda Plaza | West Second Ring Road, Beijing | Commercial | 67.7 | 1,754.2 | 9.6 | 93% | 25,920 |
| Jin Yu Mansion | West Second Ring Road, Beijing | Commercial | 41.2 | 1,156.5 | 10.5 | 84% | 28,047 |
| Jianda Building and Building Materials Trading Tower | East Second Ring Road, Beijing | Commercial | 43.4 | 1,250.0 | 5.7 | 91% | 28,824 |
| Dacheng Building | West Second Ring Road, Beijing | Commercial | 41.4 | 1,144.4 | 11.0 | 95% | 27,619 |
| Pan Bohai Jin'an Plaza | Hexi District, Tianjin | Retail | 301.5 | 2,445.1 | 2.4 | 99% | 8,110 |
| | Sub-total | | 802.4 | 15,468.6 | | | 19,279 |
| Other properties | Beijing and Tianjin Municipality | Commercial and retail | 282.7 | 3,328.3 | | | 11,772 |
| | Total | | 1,085.1 | 18,796.9 | 5.9 | 93% | 17,323 |

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF INCOME STATEMENT AND CASH FLOWS ITEMS

1. Gains from changes in fair value of investment properties

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

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

During the Reporting Period, the gains from changes in fair value of investment properties of the Company were RMB270.2 million, accounting for 6.9% of the profit before tax. The gains from changes in fair value of investment properties increased by approximately 5.0% during the Reporting Period from the same period in the previous year.

2. Selling expenses, administrative expenses and finance costs

During the Reporting Period, the year-or-year changes in major expenses of the Group were as follows:

- (1) Selling expenses were approximately RMB1,163.7 million in the first half of 2018, an increase of approximately RMB1.5 million year-on-year.
- (2) Administrative expenses were approximately RMB3,093.6 million in the first half of 2018, an increase of approximately RMB422.5 million year-on-year, mainly attributable to the increase in employee remunerations and loss from shutdown.
- (3) Finance costs were approximately RMB1,363.9 million in the first half of 2018, an increase of approximately RMB31.2 million year-on-year, mainly attributable to the increase in interest expenses driven by the increase in loans.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Cash flows

In the first half of 2018, a net decrease of RMB1,237.7 million in cash and cash equivalents was recognised in the consolidated financial statements of the Group, of which net cash outflow generated from operating activities was RMB3,638.6 million; net cash outflow generated from investment activities was RMB6,738.3 million; net cash inflow generated from financing activities was RMB9,156.7 million; and the effect of changes in exchange rate on cash and cash equivalents decreased by RMB17.5 million.

CORE COMPETITIVENESS ANALYSIS

The Company is a leading building material enterprise in Beijing, Tianjin and Hebei Province which is devoted to environmental protection, energy-saving and emission reduction and recycling development initiatives. It actively follows the orientation of the policies in relation to synergetic development of Beijing, Tianjin and Hebei Province and the structural reform of the supply front. In 2016, the Company conducted the restructuring and merger with Jidong Development Group successfully, and thus its production capacity of cement has surged to rank number five in the world and become the third largest cement enterprise in the country. This has further increased its market control and influence. In May 2018, the Company successfully participated in the mixed-ownership reform of Tianjin Building Materials Group and commenced to own its controlling interests, enabling the Company to optimize the layout of business segments in Beijing, Tianjin and Hebei region and further consolidate its leading position in the building material sector of Beijing, Tianjin and Hebei. Being one of China's largest manufacturers of building materials and the modelling enterprise among the green building materials industry in Pan Bohai Economic Rim, the Company is one of the leading property developers in terms of comprehensive strength and among the largest affordable housing developers in Beijing region. It owns relatively low-cost land reserve for development and abundant industrial land reserve in first-tier cities. Also, the Company is one of the largest holders and managers of investment properties in Beijing. Ranking among top 500 enterprises, top 200 most cost-effective enterprises and top 100 most profitable enterprises in China, various principal business segments of the Company have experienced strong growth and synergetic development by extending their business presence to 23 provinces, cities and regions in and outside of the PRC.

The core competitiveness of the Company is detailed as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

1. Competitive Edge in the Industrial Chain:

The Company has developed its leading edge of vertically integrated core industrial chain. Through the substantial transformation and restructure processes towards an enterprise and group of securities-based share companies, the Company has developed from a traditionally single building materials products manufacturing enterprise into a large municipal state-owned holding industrial group and A share and H share dual listing company with a core industrial chain of “modern and eco-friendly building materials manufacturing – trade and services – property development and operation – property management”. By leveraging the advantages accumulated in the development of modern green building materials manufacturing industry and equipment manufacturing industry, the Company has expanded toward property development sector. While focusing on business expansion and industrial upgrade, the Company has developed towards the modern service sectors, including trade and services and high-end property management. 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 and green cement-based building materials and other products as well as the development of relevant businesses such as design, fitting-out and property management. By fully capitalizing on its competitive edges of the modern and green building materials manufacturing, real estate operation and property services sector in terms of brand, management and techniques, the Company has succeeded in the promotion of enhanced quality and values of real estate development projects and cutting inventories. In addition, the real estate development industry has optimized the business layout, explored and pioneered market of the target regions backed by various resources and advantages accumulated in the implementation of the “go global” strategy of the modern and green building material manufacturing industry. Various principal business segments support and promote the development of each other. Competitive edges in scale centralizing on the industrial chain, coordination among and integration of different segments have been cumulating.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Competitive Edge in Technological Innovation:

In the first half of 2018, with an investment of RMB0.64 billion in technology, the Company recorded revenue from sales of new products of RMB1.5 billion and obtained 58 patents with 14 patents up to national, industrial or local standards successfully. In relation to areas such as waste disposal technology, green building materials and green manufacturing, the Company has identified 28 major scientific research projects, including “Extra-low Emission of Nitrogen Oxide from the Cement Kiln (水泥窯氮氧化物超低排放)” project aiming to control the emission to below 100mg per cubic meter, “Research of High power 3,550KW or Above Permanent Magnet Direct-drive System (3550KW及以上大功率永磁直驅系統研發) aiming to achieve the R&D of key technologies and “Development of a Set of Mobile Construction Waste Decomposition Systems (移動式建築垃圾破碎成套系統開發)” aiming to achieve the manufacturing of prototype.

Beijing Jiandu Design and Research Institute under the Company was granted the title of “Small and medium sized technological enterprises” by the Ministry of Science and Technology. The fly ash disposal technology developed by BBMG Liushui Environmental Protection Technology Co., Ltd. was included in the national advanced technology catalogue of pollution prevention and control under the Ministry of Ecology and Environment. 6 projects in relation to the “Development of Graded Combustion and Denitrifying Technology for Cement Kiln Based on SNCR Technology (基於SNCR工藝的水泥窯分級燃燒脫硝技術開發)” of Jidong Development Group was listed in the 2018 catalogue of first batch of 100 innovative projects of Tangshan City.

3. Competitive Edge in Sustainable Development of Green Operations:

By fully unleashing its industrial advantages, the Company actively facilitated the “Four Centers” development of Beijing to play the role of “city air purifier partnering with the government”. As such, The Company accelerated its pace towards transformation and upgrading to embark on a sustainable path for green development. In the first half of 2018, BBMG Liushui Environmental Protection Technology Co., Ltd., Chengde BBMG Cement Co., Ltd., Laishui Jidong Cement Co., Ltd. and Yongji Company in Jilin region of BBMG Jidong Cement under the Group obtained the business permit on hazardous wastes disposal. The 2nd phase of fly ashes disposal project of BBMG Liushui Environmental Protection Technology Co., Ltd and the household garbage disposal project of Zanhuang BBMG Cement Co., Ltd. under the Group have achieved target production steadily. The sludge disposal project of Jidong Cement Luan County Co., Ltd. and the hazard waste disposal project of Xingtai BBMG Yongning Cement Co., Ltd., under the Group have completed construction. As of the date hereof, a total of 19 cement enterprises under the Company has completed the construction of their collaborative disposal lines. In the first half of the year, solid wastes disposal amounted to 0.377 million tonnes, representing 2.4 times of the corresponding period last year. The hazardous wastes disposal by the enterprises in Beijing amounted to 0.077 million tonnes, up 27% over the corresponding period last year, marking a substantial increase in the capacity of hazardous wastes disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2018, the investment of the Company in environmental protection and control amounted to RMB0.28 billion. The Company launched unorganized special rectification, environment protection and safety enhancement project and completed 622 items of rectification. By revising and promulgating the “Administrative Measures on Environmental Protection” and the system of standardized assessment parameters on environment, the Company has demonstrated the civilized concept on ecology with a noticeably enhanced awareness of corporate environmental responsibility. Under the increasingly stringent environmental regulation and monitoring, the Company promoted the standardization of environmental protection, insisted on low-carbon and green sustainable development, which has maximized the Company’s economic and resource usage efficiencies and actively contributed to urban development, environmental safety and social harmony.

4. Competitive Edge in Industry-Finance Integration:

Against the backdrop of strengthening financial regulation and deleveraging, market capital continued to be tightened while the financing costs in the real economy continued to surge. In a view to support and facilitate the development of its various principal businesses, the Company has stepped up its efforts in promoting the collaboration with various financial institutions, innovated the financial management and expanded financing channels. BBMG Finance Co., Ltd. and BBMG Finance Lease Co., Ltd. under the Group offered 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, which has laid a solid financial foundation for the sound and sustainable development of the Company.

In the first half of 2018, the external financing of the Company recorded a net increase of RMB12,700 million, among which, the main financing initiatives included: the Company successfully registered a bond facility of RMB5 billion on the Shanghai Stock Exchange and obtained approval and reply from the CSRC. The Company has successfully issued corporate bonds of RMB3 billion. With the registered debt financing instrument facility of RMB40 billion in the inter-bank bond market, the issuance of debt financing instrument amounting to RMB9.5 billion was completed, including perpetual medium-term notes of RMB2 billion, medium-term notes of RMB2 billion and super short term financing bonds of RMB5.5 billion. Facility of RMB2.4 billion for the special asset support plan of Tengda Plaza and Jianda Building has completed its registration procedure, and the issuance of the financing of RMB2 billion for the special asset support plan of Tengda Plaza was completed. The registration procedure of the debt financing plan facility of RMB2.5 billion on the Beijing Financial Assets Exchange Limited was completed and the debt has been issued in full.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Competitive Edge in Corporate Culture and Branding:

Endeavoring to promote the excellent BBMG culture oriented with the core components such as the pragmatic working culture of “work with aspiration, competence, efficiency, success and prudence”, the human spirits of “eight specials”, the development philosophy of “integration, communion, mutual benefit and prosperity” and the BBMG’s concept of “three emphasis and one endeavor” to meet all challenges, the Company will seize every opportunity, make steady progress, respond with the business trends, seek business growth pragmatically and aim for excellency. The Company will continue to strive for the ambition of positioning itself as a world-class business group and one of the world’s top 500 enterprises. 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” brand has been consecutively honored as a well-known trademark in Beijing and ranked 67th on the list of the 2018 (15th) 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 swing.

POSSIBLE RISKS FACED BY THE COMPANY

1. Risks in Policies

The development of cement and property sectors is directly subject to macroeconomic development and the state’s macro-control policies. With the impact of the escalating Sino-US trade friction, more uncertainties exist in the macro economy, which will also affect the relevant businesses of the Company to a certain extent. Transformation and upgrade as well as sustainable development in accordance with supply-side structural reform requirements remain 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Solution: The Company will enhance the interpretation, analysis and judgment of the national macroeconomic policies in response to national policies, and closely monitor US trade policies toward the PRC to adjust the relevant import and export businesses, strengthen the exchange rate management and strictly control the foreign exchange risk. 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 actively adapting to the “new normal”, making use of market trends, further raising the awareness in opportunity identification, synergy among industries and development and incrementally enhancing the abilities in institutional innovation, system innovation, technology innovation and management innovation.

2. Risks in Capital Operation

Under the background of strong financial supervision and de-leveraging, market funds continue to tighten with increasingly higher finance costs of the real economy, making it harder for corporate financing and intensifying corporate liquidity risk. 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 promote cooperation with financial institutions, innovate our financing models and expand our financing channels with a view to ensuring the safety and stability of the capital chain of the Company. Leveraging the advantages of its finance company and the finance leasing company, capital operation of the Company will be secured as a whole.

3. Risks in Market Competition

The Company conducted a strategic restructuring with Jidong Development Group successfully, which has further improved the order of the regional market of the principal business of cement. However, with continuous excessive capacity in the cement industry, market demand continues to decline, leading to more prominent contradiction between supply and demand, while fierce price competition exists among enterprises, which constrains and impedes the profitability of the cement segment of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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 continue to 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 30 June 2018, the Group's total assets amounted to RMB254,153.9 million, an increase of approximately 9.5% from the beginning of the Reporting Period, which comprised total liabilities of RMB177,814.5 million, minority interests of RMB22,047.4 million and total equity attributable to the shareholders of the parent company of RMB54,291.9 million. As at 30 June 2018, total shareholders' equity amounted to RMB76,339.4 million, an increase of approximately 9.2% from the beginning of the Reporting Period. As at 30 June 2018, the Group's net current assets were RMB39,085.3 million, an increase of approximately RMB5,930.4 million from the beginning of the Reporting Period. Debt ratio (total liabilities to total assets) was 69.96%, an increase of 0.07 percentage point from the beginning of the Reporting Period.

As at 30 June 2018, the Group's cash and bank balances amounted to RMB17,680.7 million, a decrease of RMB223.2 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, corporate bonds, short-term financing bonds, medium-term notes and banking facilities provided by its principal bankers in the PRC. As at 30 June 2018, the Group's interest-bearing bank borrowings amounted to RMB73,394.3 million (as at 31 December 2017: RMB62,448.3 million) which bore fixed interest rates and were all denominated in Renminbi. Among these borrowings, approximately RMB44,259.0 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB7,481.8 million from the beginning of the Reporting Period. Approximately RMB29,135.3 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB3,464.2 million from the beginning of the Reporting Period. The Group's interest-bearing bank borrowings were all denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB151,975 million and drew down borrowings of RMB73,270 million in Mainland China. Unutilized credit facilities was RMB78,705 million. As at the date of this report, 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 no event of default have occurred. The Company has sufficient capital for its operation. As at 30 June 2018, the Group had no future plans for material investments or capital assets.

The Company will formulate annual and monthly capital utilization plans according to the repayment arrangement for principal and interests of borrowings and bonds to be due in the future so as to allocate capital in a reasonable manner and ensure on-time repayment of interests and principal when they fall due.

The sources of capital for settling debts are mainly the cash flows generated from daily operating activities.

During the Reporting Period, in order to effectively safeguard the interests of bondholders and ensure the principal and interests of the bonds for the current period are settled as agreed, the Company has established a series of work mechanisms, including measures on opening designated account for proceeds and designated account for settlement of debts, setting up work teams which will be in charge of settlement, engaging bonds trustees and enhancing information disclosure. Those measures together will form a comprehensive system that can ensure the principal and interests of the bonds for the current period are settled as agreed.

As of the date of this report, 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.

ENVIRONMENTAL PROTECTION

During the Reporting Period, the Company conducted production and operation in strict compliance with the requirements under the national laws and regulations in respect of environmental protection. There was no breach of laws and regulations, liability for accidents and administrative penalty in relation to environmental protection that involved the company and its subsidiaries which were the key pollutant discharging units as announced by the environmental protection departments.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

On 26 March 2015, the Board resolved and proposed to place A shares of the Company to raise gross proceeds of up to RMB5,000 million to not more than 10 target subscribers (including BBMG Group Company Limited) (the “**2015 Proposed Placing**”) to finance the residential 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 gross 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 from the 2015 Proposed Placing were RMB4,637,875,039.84, which were remitted to the designated account for proceeds opened as approved by the Board on 30 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2018, the Company had utilized the proceeds from the 2013 Proposed Placing and the 2015 Proposed Placing of RMB7,381,841,587.42 (including the use of idle proceeds of RMB10,288,917,300.00 as temporary replenishment of working capital, the use of proceeds of RMB600,000,000.00 as permanent replenishment of working capital, repayment of RMB10,146,603,600.00 to the designated account for proceeds with working capital, change in use of the proceeds of RMB2,256,288,600.00, the actual use of RMB4,378,659,812.43 of the proceeds for projects, intermediary fee paid of RMB4,504,100.00 and bank charges paid of RMB75,374.99), and obtained interest earned from deposits of RMB8,498,381.88. The balance of the proceeds was RMB47,396,784.22, including the intermediary fee unpaid of RMB3,624,960.00.

To regulate the management of proceeds of the Company and secure the interest of small and medium investors, the Company established the System for Use and Management of Proceeds (hereinafter referred to as 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, 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. The nine designated accounts for proceeds include: Bank of Communications Co., Ltd., Beijing Municipal Branch, Industrial and Commercial Bank of China Limited, Beijing Hepingli Sub-branch, Industrial and Commercial Bank of China Limited, Shijingshan Sub-branch, China Construction Bank Corporation, Dachang Sub-branch, Industrial and Commercial Bank of China Limited, Beijing Anzhen Sub-branch, China Construction Bank Corporation, Beijing Urban Construction Development Professional Sub-branch (2 accounts), Agricultural Bank of China Limited, Tianjin Yong'an Road Sub-branch and Agricultural Bank of China Limited, Nanjing Xinglong Street Sub-branch. Upon the receipt of the proceeds 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

MANAGEMENT DISCUSSION AND ANALYSIS

議》) with the bank and the sponsor for the joint supervision over the use of proceeds. The principal terms of the agreement are in line with the Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (Template) (《募集資金專戶存儲三方監管協議(範本)》) of the Shanghai Stock Exchange with no significant discrepancy. As of 30 June 2018, 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.

As of 30 June 2018, the Company's deposits of the designated accounts for proceeds were as follows:

| | | | | Unit: RMB |
|--------------|-----------------------------------------------------------------------------------------------|-----------------------|---------------------------------------------------------------|----------------------|
| No. | Name of bank | Bank account | Account holder | Amount |
| 1 | Bank of Communications Co., Ltd., Beijing Municipal Branch | 110060149018170182242 | The Company | 28,977,894.80 |
| 2 | Industrial and Commercial Bank of China Limited, Beijing Hepingli Sub-branch | 0200203319020196563 | The Company | 13,878.96 |
| 3 | Industrial and Commercial Bank of China Limited, Shijingshan Sub- branch | 0200013419200040504 | Beijing Aerated Concrete Co., Ltd. | 1,411,764.95 |
| 4 | China Construction Bank Corporation, Dachang Sub-branch | 13001707748050506500 | BBMG (Dachang) Modern Industrial Park Management Co., Ltd. | 10,709,101.99 |
| 5 | Industrial and Commercial Bank of China, Beijing Anzhen Sub-branch | 0200064819024649727 | Beijing BBMG Tiantan Furniture Co., Ltd. | 57,415.89 |
| 6 | China Construction Bank, Beijing Urban Construction Development Professional Sub-branch | 11050138360000000048 | BBMG GEM Real Estate Development Co., Ltd. | 390,657.5 |
| 7 | China Construction Bank, Beijing Urban Construction Development Professional Sub-branch | 11050138360000000047 | BBMG GEM Real Estate Development Co., Ltd. | 2,371,122.65 |
| 8 | Agricultural Bank of China Limited, Tianjin Yong'an Road Sub-branch | 02280101040015072 | Jinyu Ligang (Tianjin) Property Development Co., Ltd. | 1,342,557.25 |
| 9 | Agricultural Bank of China Limited, Nanjing Xinglong Street Sub-branch | 10109201040009981 | BBMG Nanjing Real Estate Development Co., Ltd. | 2,122,390.23 |
| Total | | | | 47,396,784.22 |

Note: The savings balance in the aforesaid designated accounts for proceeds are current savings, which includes savings interest income of RMB8,498,381.88.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company strictly followed the Management Measures of Proceeds when using the proceeds from the 2013 Proposed Placing and the 2015 Proposed Placing. Details of the actual use of proceeds in proceeds-financed projects were as follows:

Breakdown of Use of Proceeds of the Company as of 30 June 2018

| Committed investment project | Changed project | Total committed investment from proceeds | Total investment adjustment | Committed investment amount as of the end of the period (1) | Investment amount during the period | Accumulated investment amount as of the end of the period (2) | Difference between accumulated investment amount and committed investment amount (3)=(2)-(1) | Investment progress as of the end of the period (%) (4)=(2)/(1) | Date of project ready for its intended use | Cumulative achieved results as at the end of the period (Note 6) | Achieve the intended results or not | Significant changes in project feasibility | Reason for failure to reach the scheduled progress | Unit: RMB'000 | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------------|-----------------------------|-------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------|-------------------------------------|--------------------------------------------|----------------------------------------------------|------------------------------------------------------|------------------------------------------------|
| | | | | | | | | | | | | | | Total proceeds used for investment during the period | Total accumulated proceeds used for investment |
| Engineering project of BBMG International Logistics Park (北京金保國際物流園工程項目)(Note 1) | - | 97,953.00 | 97,953.00 | 97,953.00 | 8,079.06 | 85,324.30 | (12,628.70) | 87.11% | Expected to be completed in December 2018 | 1,682.17 | - | No | - | 749,504.00 | 25,417.78 |
| Production line project with an annual production capacity of 0.8 million pieces of furniture (年產0.8萬件傢俱生產線項目)(Note 2) | - | 181,551.00 | 90,000.00 | 90,000.00 | 127.54 | 90,000.00 | - | 100.00% | Completed | 32,988.47 | - | No | - | 225,628.86 | 723,494.85 |
| Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project (朝陽區朝陽北路(原星牌建築材料廠)B01、B02、B03地塊二期居住、中小學校、托幼用地項目)(Note 3) | - | 90,000.00 | 46,014.42 | 46,014.42 | 499.00 | 46,014.42 | - | 100.00% | Completed | 331,090.21 | - | No | - | - | - |
| Chaoyang District Dongba Dandian secondary residential and primary school project (朝陽區東壩北地塊二期居住、中小學校、托幼用地項目)(Note 4) | - | 170,000.00 | 75,666.90 | 75,666.90 | 701.00 | 75,666.90 | - | 100.00% | Completed | 640,073.83 | - | No | - | - | - |
| BBMG Zhongbei Town residential project (金保中北鎮住宅項目)(Note 5) | - | 50,000.00 | 45,997.91 | 45,997.91 | 4,800.57 | 45,997.91 | - | 100.00% | Completed | 210,738.01 | - | No | - | - | - |
| Nanjing City Jianye District Xingdong Street North A2 project (南京市建邺區興隆大街北側A2項目)(Note 6) | - | 100,000.00 | 100,000.00 | 100,000.00 | 11,210.61 | 94,862.46 | (5,137.54) | 94.86% | Expected to be completed in April 2019 | 554,682.81 | - | No | - | - | - |
| Sub-total | | 689,504.00 | 681,261.09 | 681,261.09 | 25,417.78 | 663,494.85 | (17,666.24) | 97.39% | | 1,771,255.50 | | | | | |
| Replenishment of working capital (Note 7) | | 60,000.00 | 60,000.00 | 60,000.00 | - | 60,000.00 | - | 100.00% | | - | | | | | |
| Total | | 749,504.00 | 741,261.09 | 741,261.09 | 25,417.78 | 723,494.85 | (17,666.24) | 97.60% | | 1,771,255.50 | | | | | |

MANAGEMENT DISCUSSION AND ANALYSIS

- Note 1: Phase 1 of the engineering project of BBMG International Logistics Park has been completed, phase 2 has been basically completed and phase 3 is still under construction. It was scheduled to be completed in December 2016. Since Beijing has launched a policy in relation to orderly shift of non-capital core functions and adjusted its overall planning upon approval of the proceeds-financed project, after consideration and approval at the eighteenth meeting of the fourth session of the Board, the eleventh meeting of the fourth session of the Supervisory Board and the 2016 annual general meeting of the Company and making announcement thereof, the following adjustment will be made for the proceeds-financed project: BBMG International Logistics Park will enhance its position by proactively transforming into an advanced and international park. The completion time of the project will be extended from the end of December 2016 to the end of December 2018. As of 30 June 2018, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB126.2870 million in total.
- Note 2: Production line project with an annual production capacity of 0.8 million pieces of furniture has been completed, and the remaining balance in relation to certain construction, procurement and installation that is required to settle will be paid by the Company separately. The difference between committed investment before and after fund raising of the project was due to the deduction of issuance expense of RMB20.3041 million, as well as the change in use of proceeds of RMB895.2059 million. In 2015, the committed investment proceeds for the production line project with an annual production capacity of 0.8 million pieces of furniture changed to RMB900 million. Such change was resolved and announced at the 2014 annual general meeting of BBMG Corporation.
- Note 3: Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project has been completed. The difference between committed investment before and after fund raising was due to the deduction of issuance expense of RMB62.1250 million. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. Accordingly, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB377.7308 million to permanently replenish the working capital.
- Note 4: Chaoyang District, Dongba Dandian secondary residential and primary school project has been completed. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. In addition, during the course of project construction, due to reasons such as further optimization of proposal design, decrease in market price of building materials such as reinforced concrete to a level lower than the estimated value, and application of unused self-financing funds towards early repayment of interest-bearing liabilities upon the receipt of proceeds, the cost of construction has decreased. Taking into account of the above factors, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB943.3310 million to permanently replenish the working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Note 5: BBMG Zhongbei Town residential project has been completed, but is still required to settle the remaining balance in relation to certain construction, procurement and installation. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. Accordingly, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB40.0209 million to permanently replenish the working capital.

Note 6: Nanjing City Jianye District Xinglong Street North A2 project is expected to be completed in April 2019. As of 30 June 2018, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB51.3754 million in total.

Note 7: Replenishment of working capital is for the pre-use plan of the allocation of proceeds from non-public issuance in accordance with the disclosures of "I. Plan of Use of Proceeds from Private Issuance" under section 4 "Analysis on the Feasibility of the Use of Proceeds by the Board" in "Proposal of Private Issuance of A Shares of BBMG Corporation" published on 27 March 2015.

Note 8: Results achieved was calculated based on revenue.

The Company did not have any prepayment for investment projects and replacement of proceeds during the Reporting Period.

USE OF IDLE PROCEEDS FOR TEMPORARY REPLENISHMENT OF WORKING CAPITAL DURING THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

CHANGE OF THE PROCEEDS-FINANCED PROJECTS

During the Reporting Period, certain proceeds-financed projects of the Company were closed. The Company applied the remaining balance of the proceeds to permanently replenish the working capital, and the use of such proceeds has changed, the details of which are as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

The “resolution for closing of certain proceeds-financed projects and application of the remaining balance of the proceeds to permanently replenish the working capital” was considered and passed at the thirtieth meeting of the fourth session of the Board and the eighteenth meeting of the fourth session of the Supervisory Board convened on 29 March 2018, and the 2017 annual general meeting convened on 24 May 2018 by the Company. Given the construction of certain proceeds-financed projects from the 2015 Proposed Placing of the Company, namely “Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project”, “Chaoyang District, Dongba Dandian secondary residential and primary school project” and “BBMG Zhongbei Town residential project”, has been completed, in order to maximize the effectiveness of the proceeds, improve the efficiency of the use of funds, enhance the financial position of the Company, reduce its financial expenses and short-term debt service pressure and improve its profitability, the Company utilized the balance of the proceeds from the completed fund-raising investment projects of RMB1,361.0827 million in aggregate to permanently replenish its working capital. The independent directors, supervisory board and sponsors of the Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting.

Save as stated above, the Company had no other change of the proceeds-financed projects during the half year of 2018.

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

DISCLOSEABLE TRANSACTIONS DURING THE REPORTING PERIOD

- (1) Reference is made to the announcements of the Company dated 31 May 2016, 29 June 2016, 6 July 2016 and 4 August 2016 (the “**Original Proposal Announcements**”), the announcements of the Company dated 28 December 2017 and 7 February 2018 (the “**Adjusted Proposal Announcements**”) and the circular of the Company dated 29 July 2016 (the “**2016 Circular**”) relating to, among other things, the Equity Restructuring and Asset Restructuring of Jidong Development Group and Jidong Cement. Unless otherwise defined, capitalized terms used in this report shall have the same meanings as defined in the Original Proposal Announcements, Adjusted Proposal Announcements and 2016 Circular.

MANAGEMENT DISCUSSION AND ANALYSIS

On 11 October 2016, the Company completed the Equity Restructuring. As disclosed in the 2016 Circular, the Asset Restructuring was subject to the approval by the CSRC. Due to change of internal and external circumstances, the approval of the CSRC of the Asset Restructuring is not expected to be obtained. Therefore, on 28 December 2017, the Company and Jidong Cement entered into (i) the Termination Agreement to terminate the Asset Restructuring, pursuant to which the parties agreed to terminate the Share Issuance and Asset Purchase Agreement, the Profit Compensation Agreement and the Original Entrustment Agreement.; and (ii) the Framework Agreement in relation to the establishment of the joint venture company (the “**JV Company**”). In contemplation of the transactions under the Framework Agreement, on 28 December 2017, the Company and the Vendors also entered into the Equity Transfer Agreements, pursuant to which the Company shall purchase, and the Vendors shall sell, an aggregate of 49.0% equity interests in BBMG Mangrove (a subsidiary of the Company), upon completion of which the Company shall hold 100% of the equity interests in BBMG Mangrove. On 7 February 2018, further to the Framework Agreement, the Company and Jidong Cement entered into (i) the Joint Venture Agreement in relation to the establishment of the JV Company; (ii) the Performance Compensation Agreement in relation to the performance compensation undertaking provided by the Company to Jidong Cement in respect of the Target Mining Rights and the Target Patents and Software Copyrights; and (iii) the Trademark Licence Agreement. The Transaction Agreements will be beneficial to the Company in terms of enhancement of access to capital markets to finance the future growth and expansion of business operations. In addition, there will be more defined business focus between the Company and Jidong Cement and an increase in management focus and efficiency in resource allocation. The entering into of the Transaction Agreements can enhance the Company’s return on investment as the future returns from the Company’s indirect investment in Jidong Cement as a result of the above factors. The Equity Transfer Agreements will allow the Company to acquire the remaining 49% equity interests in BBMG Mangrove, and facilitate the injection of 100% equity interest in BBMG Mangrove to the JV Company.

For details of the above mentioned agreements and discloseable transactions entered into during the Reporting Period, please refer to the Adjusted Proposal Announcements.

MANAGEMENT DISCUSSION AND ANALYSIS

Since the adjusted proposal (the “**Adjusted Proposal**”) mentioned in the Adjusted Proposal Announcements, if materialized, will result in the disposal of the equity interests in the 10 Injected Companies held by the Company and the Entrusted Companies (all of which are subsidiaries of the Company) to Jidong Cement, which is a company listed on the Shenzhen Stock Exchange and a non-wholly owned subsidiary of the Company, the Adjusted Proposal constitutes a spin-off under Practice Note 15 of the Listing Rules. On 28 March 2018, The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) has confirmed that the Company may proceed with the Adjusted Proposal. At the 2018 first extraordinary general meeting held on 29 March 2018 (“**2018 First Extraordinary General Meeting**”), the two ordinary resolutions on the establishment of the JV Company and the matters in relation to the Performance Compensation Agreement were duly passed by the Shareholders. For details of the Adjusted Proposal as confirmed by the Hong Kong Stock Exchange and the poll results of the 2018 First Extraordinary General Meeting, please refer to the Company’s announcements dated 28 March 2018 and 29 March 2018.

On 27 April 2018, Jidong Cement has received a notice from China Securities Regulatory Commission that subsequent to the review taken at the 21st working meeting of the Merger and Reorganization Committee held on 27 April 2018, the material assets restructuring through contribution by Jidong Cement for the formation of the JV Company has been approved unconditionally.

On 10 May 2018, the Company received the “Decision on No Prohibition in Relation to the Anti-monopoly Inspection of the Concentration of Undertakings” (經營者集中反壟斷審查不予禁止審查決定書) (Fan Long Duan Shen Cha Han [2018] No.2) (反壟斷審查函[2018]第2號) dated 4 May 2018 issued by the Anti-monopoly Bureau under the State Administration for Market Regulation, which, upon inspections, determined to lift the prohibition on the case of formation of the JV Company by the Company and Jidong Cement and to approve its implementation from the same date. The Adjusted Proposal passed the anti-monopoly inspection accordingly.

On 31 May 2018, Jidong Cement received the “Reply as the Approval on the Substantial Asset Restructure of Tangshan Jidong Cement Co., Ltd” (關於核准唐山冀東水泥股份有限公司重大資產重組的批覆) (Zheng Jian Xu Ke [2018] No.887) (證監許可[2018]887號) from the China Securities Regulatory Commission, which granted approval for the Adjusted Proposal. All the decision making processes in respect of the Adjusted Proposal have been performed and completed. The necessary relevant approvals or authorizations have all been obtained. There is no outstanding decision making processes or pending approvals or authorizations.

MANAGEMENT DISCUSSION AND ANALYSIS

On 1 June 2018, the JV Company obtained the business license issued by the Tangshan Administrative Examination and Approval Bureau (Fengrun District). The Company holds 47.09% equity interests of the JV Company and Jidong Cement holds 52.91% equity interests of the JV Company.

On 21 June 2018, Tangshan Jidong Cement Co., Ltd. (Tangshan Branch) and Tangshan Jidong Cement Co., Ltd. (Marketing Branch) have completed the change of industrial and commercial registration. Jidong Cement has completed the contributions to the JV Company in form of the assets of branch companies.

On 26 July 2018, the equity interests in 10 companies including BBMG Cement Trading Co., Ltd. held by the Company and the equity interests in 20 companies including Jidong Cement Luan County Co., Ltd. held by Jidong Cement were fully transferred to the JV Company.

- (2) After completion of a tender process conducted through Tianjin Property Rights Exchange, on 4 May 2018, the Company and Tianjin Jincheng State-owned Capital Investment and Management Company Limited* (“**Tianjin Jincheng**”), entered into the Equity Transaction Agreement. Pursuant to the Equity Transaction Agreement, the Company has agreed to acquire, and Tianjin Jincheng has agreed to sell, 55% equity interests in Tianjin Building Materials (Holding) Co., Ltd. (“**Tianjin Building Materials**”) (a wholly-owned subsidiary of Tianjin Jincheng) at a total consideration of RMB4,018 million. Upon completion of the transactions contemplated under the Equity Transaction Agreement on 22 May 2018, Tianjin Building Materials became a non-wholly owned subsidiary of the Company and its financial statements was consolidated into the financial statements of the Group. For details of the Equity Transaction Agreement and the reasons for and benefits of entering into the Equity Transaction Agreement, please refer to the announcement of the Company dated 4 May 2018.

COMMITMENTS

| | <i>As at</i> 30 June 2018 <i>(Unaudited)</i> | Unit: RMB As at 31 December 2017 (Audited) |
|---------------------------------|-----------------------------------------------------------|-----------------------------------------------------|
| Contracted but not provided for | | |
| Capital commitments | 141,899,499.23 | 240,456,042.76 |
| Property development contracts | 9,498,338,882.80 | 6,402,057,932.69 |
| | 9,640,238,382.03 | 6,642,513,975.45 |

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENCIES

| | | <i>As at</i> 30 June 2018 <i>(Unaudited)</i> | Unit: RMB As at 31 December 2017 (Audited) |
|-------------------------------------------------------------|--------|-----------------------------------------------------------|-----------------------------------------------------|
| Provision of guarantee on mortgage to third parties | Note 1 | 11,703,068,498.38 | 12,052,621,076.05 |
| Provision of guarantee on loans and others to third parties | Note 2 | 3,053,500,000.00 | 4,824,000,000.00 |
| | | 14,756,568,498.38 | 16,876,621,076.05 |

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: As at 30 June 2018, Jidong Development Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB1,040,000,000.00 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). The guarantee will expire on 21 May 2029. Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司), a subsidiary of the Group, provided guarantees on the borrowings of RMB50,000,000.00 for Tianjin Longhong Composite Materials Co., Ltd. (天津市龍泓複合材料有限公司), the borrowings of RMB515,000,000.00 for Tianjin Yishang Group Co., Ltd. (天津一商集團有限公司) and the borrowings of RMB1,426,500,000.00 for Datong Coal Mine Group Co., Ltd. (大同煤礦集團有限責任公司). These guarantees will expire on 24 September 2018, 4 March 2019 and 13 December 2019, respectively.

PLEDGE OF ASSETS

As at 30 June 2018, certain of the Group's inventories, fixed assets, investment properties, land use rights and equity interest totaling RMB33,620.7 million (as at December 2017: RMB26,058.7 million) were pledged or mortgaged to secure the short-term and long-term loans of the Group, which accounted for approximately 13.2% of the total assets of the Group (as at 31 December 2017: 11.2%).

EMPLOYEES

As at 30 June 2018, the Group had 56,708 employees in total (as at 31 December 2017: 52,321). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB2,776.9 million (for the six months ended 30 June 2017: RMB2,649.9 million), representing an increase of approximately 4.8%. The Group provides its employees in the PRC with retirement insurance, medical insurance, unemployment insurance, maternity insurance and industrial injury insurance as well as a housing provident fund pursuant to PRC laws and regulations. The Group pays salaries to its employees based on a combination of factors such as their positions, lengths of service and work performance, and reviews these salaries and benefits on a regular basis.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates its business in the PRC. During the Reporting Period, sales proceeds and procurement expenses of the Group were mainly denominated in RMB. Most of the Group's financial instruments such as accounts and bills receivables, cash and bank balances are denominated in the same currency or a currency that is pegged to the functional currency of the operations to which the transactions are related. Accordingly, it is believed that the Group has minimal foreign exchange risks. The Group has not used any forward contract or currency borrowing to hedge its interest rate risks. Fluctuations of the exchange rates of foreign currencies did not constitute any material challenges to the Group or have any significant effects on its operations or working capital during the Reporting Period. However, the management will continue to monitor foreign exchange 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.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2018, the total issued share capital of the Company was 10,677,771,134 shares, of which 8,339,006,264 were A Shares and 2,338,764,870 were H Shares. To the best knowledge of the directors of the Company (the "**Directors**"), the records of interest (being 5% or more of the Company's issued share capital) as registered in the register of interests kept by the Company under section 336 of the Securities and Futures Ordinance (the "**SFO**") were as follows:

Long positions:

| Type of shareholding | Name of shareholder | Capacity and nature of interest | Number of shares held | Percentage of such shareholding in the same type of issued share capital (%) | Percentage of total issued share capital (%) |
|----------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------|------------------------------------------------------------------------------|----------------------------------------------|
| A Shares | 北京國有資本經營管理中心 (Beijing State-owned Capital Operation and Management Center, " Beijing SCOM Center ") (Note 1) | Direct beneficial owner | 4,797,357,572 | 57.53 | 44.93 |
| | 北京京國發股權投資基金 (有限合夥) (Beijing Jingguofa Equity Investment Fund (Limited Partnership)) (Note 2) | Interest of corporation controlled by the substantial shareholder | 43,115,900 | 0.52 | 0.40 |
| | State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1) | Held by controlled corporation | 4,840,473,472 | 58.05 | 45.33 |
| H Shares | BlackRock, Inc. | Interest of corporation controlled by the substantial shareholder | 197,254,179 | 8.43 | 1.85 |
| H Shares | Prime Capital Management Company Limited | Investment manager | 162,907,755 | 7.15 | 1.57 |
| H Shares | FMR LLC | Interest of corporation controlled by the substantial shareholder | 138,348,624 | 5.92 | 1.30 |

OTHER INFORMATION

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

Short positions:

| Type of shareholding | Name of shareholder | Capacity and nature of interest | Number of shares held | Percentage of such shareholding in the same type of issued share capital (%) | Percentage of total issued share capital (%) |
|----------------------|---------------------|-------------------------------------------------------------------|-----------------------|------------------------------------------------------------------------------|----------------------------------------------|
| H Shares | BlackRock, Inc. | Interest of corporation controlled by the substantial shareholder | 682,000 | 0.03 | 0.01 |

Save as disclosed above, as at 30 June 2018, so far as was known to the Directors, there were no other parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

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

As at 30 June 2018, the interests or short positions of the Company's Directors, supervisors or chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register of interests maintained by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

| Name | Position | Capacity and nature of interest | Number of shares held | Type of shareholding | Percentage | Percentage |
|------------|----------|---------------------------------|-----------------------|----------------------|-------------------------------------------------------------------|-----------------------------------|
| | | | | | of such shareholding in the same type of issued share capital (%) | of total issued share capital (%) |
| Jiang Deyi | Director | Beneficial owner | 63,000 Shares | A Shares | 0.00% | 0.00% |
| Wu Dong | Director | Beneficial owner | 60,000 Shares | A Shares | 0.00% | 0.00% |

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

As at 30 June 2018, the Directors were not aware of any issues of the Directors, supervisors and relevant employees not in compliance with the Model Code during the six months ended 30 June 2018. Specific enquiry has been made to all Directors and supervisors, who have confirmed that they had complied with the Model Code during the Reporting Period.

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Group did not sell, repurchase or redeem any of the securities of the Company during the six months ended 30 June 2018.

CORPORATE GOVERNANCE CODE

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate governance. The Board continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort identifying and formalizing the best practice. During the Reporting Period, the Company had reviewed its corporate governance documents and the Board is of the view that the Company had fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

CHANGE OF THE CHINESE NAME AND CHINESE STOCK SHORT NAME OF THE COMPANY

As the gratuitous transfer (the "**Gratuitous Transfer**") of state-owned A shares of the Company from BBMG Group Company Limited (being the original controlling shareholder and is presently renamed as BBMG Assets Management Co., Ltd.) to Beijing SCOM Center was completed on 29 December 2016, Beijing SCOM Center has become the controlling shareholder of the Company through the Gratuitous Transfer. Hence, in accordance with the requirements to deepen the comprehensive reformation of state-owned enterprises and to promote the realization of the overall development strategic objective and extend the social brand awareness of "BBMG Group", in order to streamline the management structural mechanism for the Company and BBMG Group Company Limited and enhance the operational efficiency and economic momentum of the Company, in accordance to the requirements of the relevant laws, administrative regulations and listing rules of the listing markets of the Company, the Company changed its Chinese name from "北京金隅股份有限公司" to "北京金隅集團股份有限公司" according to the proposal of Beijing SCOM Center, the controlling shareholder of the Company, and based on the Company's strategic positioning for future development with an emphasis on its core competitive advantages. The Board considers that the proposed change of the Chinese name of the Company is in the interests of the Company and the shareholders of the Company (the "**Shareholders**") as a whole. Meanwhile, in order to align with the change of the Chinese name of the Company, the Company has proposed to change the Company's Chinese stock short name from "金隅股份" to "金隅集團" upon completion of the change of the Company's Chinese name. The ordinary resolution in relation to the proposed change of the Company's Chinese name and Chinese stock short name was passed at the 2017 second extraordinary general meeting (the "**2017 Second Extraordinary General Meeting**") held on 15 December 2017. The Company has received the new business license of the Company

OTHER INFORMATION

issued by the Beijing Administration for Industry and Commerce on 19 December 2017. The change of the Company's Chinese name has become effective from 19 December 2017. On 9 January 2018, the Company received from the Companies Registry of Hong Kong the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company reflecting the change of Chinese name of the Company. The change of the Company's Chinese stock short name took effect on 19 January 2018. For details of the change of the Company's Chinese name and Chinese stock short name, please refer to the announcements of the Company dated 27 October 2017, 15 December 2017, 22 December 2017 and 15 January 2018 and the circular of the Company dated 30 October 2017.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As the Gratuitous Transfer was completed on 29 December 2016, Beijing SCOM Center has become the controlling shareholder of the Company through the Gratuitous Transfer. In order to further maintain the accuracy and timeliness of the articles of association of the Company (the "**Articles of Association**"), the Board made relevant amendments to the Articles of Association ("**First Proposed Amendments**") in accordance with the relevant laws, administrative regulations and listing rules at the locality where the Company is listed and with reference to the actual circumstances. The First Proposed Amendments have been approved as a special resolution by the Shareholders at the 2017 Second Extraordinary General Meeting and took effect on 15 January 2018. Please refer to the announcements of the Company dated 27 October 2017 and 15 December 2017 and the circular of the Company dated 30 October 2017 for details of the First Proposed Amendments.

In order to further improve the corporate governance structure of the Company and further strengthen the protection of the interests of small and medium investors, the Board made relevant amendments to the Articles of Association ("**Second Proposed Amendments**") in accordance with the relevant requirements of Beijing Administration for Industry and Commerce and the suggestions according to the requirement of the Recommendation Letter of China Securities Investor Services Center regarding Small and Medium Shareholders (《中證中小投資服務中小股東建議函》) and coping with the actual conditions of the Company. The Second Proposed Amendments have been approved as a special resolution by the Shareholders at the 2017 Annual General Meeting held on 24 May 2018 and took effect on the same date. Please refer to the announcements of the Company dated 29 March 2018 and 24 May 2018 for details of the Second Proposed Amendments.

OTHER INFORMATION

BOARD COMPOSITION

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

There is no change in the composition of the Board during the Reporting Period.

INVESTOR RELATIONS MANAGEMENT

The Group strongly believes that investor relations are an integral part of maintaining good corporate governance of a listed company. During the Reporting Period, the Group has been actively maintaining contact with investors and keeping them abreast of the industry updates, corporate information and business development in a timely manner, so as to establish a platform for fair, open and transparent information disclosure. The Board Secretary, Zheng Baojin, is responsible for the investor relations of the Group with the full support from the Board and the senior management. During the six months ended 30 June 2018, the Group actively participated in various investor relations activities and provided real-time information to investors through its company website.

1. Investor Forums and Conferences

During the six months ended 30 June 2018, the Group attended a number of investor forums, roadshows and presentations held by renowned investment and securities firms in the PRC and Hong Kong, and actively organized one-on-one and group meetings with fund managers and analysts in various regions. During the Reporting Period, the Group has met with various analysts, fund managers and financial commentators and maintained close communications with institutional investors, providing them with up-to-date information about the Group.

2. Ongoing Communications with Shareholders, Investors and Analysts

The Group has adopted an active and progressive approach to provide the shareholders and investors of the Group with the opportunity to communicate with the senior management of the Group through one-on-one and group meetings and luncheons to share with them the financial performance, business updates and future prospects of the Group.

OTHER INFORMATION

3. Results and Profit Alert Announcements

The Group had prepared detailed result reports upon release of interim and annual results accompanied by a profit alert announcement where required under Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Investors' presentations and press conferences were also held to provide updates in relation to the market environment, financial performance, operating strategies and future prospects to the public in an accurate and effective manner, so as to maintain the Group's transparent investor relations strategy and strengthen the communications with the public.

4. Maintaining Interactive Communications with Media

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

5. Timely Dissemination of Latest Corporate Updates

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

INVESTOR INFORMATION**1. Share Particulars***H Shares*

| | |
|---------------------------|--------------------------------------------------------------|
| Listing date | 29 July 2009 |
| Stock Exchange | Hong Kong Stock Exchange |
| Board lot | 1,000 shares |
| Number of issued H Shares | 2,338,764,870 shares (as at 30 June 2018 and 29 August 2018) |
| Stock code | 02009.HK |

A Shares

| | |
|---------------------------|--------------------------------------------------------------|
| Listing date | 1 March 2011 |
| Stock Exchange | Shanghai Stock Exchange |
| Board lot | 100 shares |
| Number of issued A Shares | 8,339,006,264 shares (as at 30 June 2018 and 29 August 2018) |
| Stock code | 601992.SH |

OTHER INFORMATION

2. Financial Calendar

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| 2017 annual results announcement | published on 29 March 2018 |
| 2018 first quarterly results announcement | published on 25 April 2018 |
| 2018 interim results announcement | published on 29 August 2018 |
| 2017 annual general meeting | held on 24 May 2018 |
| Closure of register of H shares members to determine the eligibility of shareholders to attend the 2017 annual general meeting | 25 April 2018 – 24 May 2018 |
| 2018 first extraordinary general meeting | held on 29 March 2018 |
| Closure of register of H shares members to determine the eligibility of shareholders to attend the 2018 first extraordinary general meeting | 24 February 2018 – 29 March 2018 |
| Financial year end | 31 December |

3. Dividends

| | |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| 2017 final dividends | RMB0.048 per share (inclusive of applicable tax) (or equivalent to HK\$0.0590807 per H share) |
| Closure of register of H shares members to determine the entitlement of shareholders to the 2017 final dividends | 2 June 2018 – 7 June 2018 |
| Payment of 2017 final dividends of H shares | 24 July 2018 |

For any queries, please contact:

BBMG Corporation
Room 2220, 22nd Floor, Tower D,
Global Trade Center
No. 36 North Third Ring East Road
Dongcheng District
Beijing 100013
The People's Republic of China

Investor Relations Department
Phone: (8610) 6641 7706
Fax: (8610) 6641 0889
Email: ir@bbmg.com.cn
Company website: www.bbmg.com.cn/listco

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established the Audit Committee pursuant to the provisions of the Listing Rules, aimed at reviewing and supervising the Group's financial reporting procedures. The Audit Committee is composed of two non-executive Directors and four independent non-executive Directors. At the meeting convened on 28 August 2018, the Audit Committee had reviewed the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2018. The Audit Committee has considered the Group's internal audit report for the first half of 2018, reviewed the accounting principles and practices adopted by the Group, considered the Group's financial statements for the first half of 2018 and recommended their adoption by the Board.

As at the date of this report, members of the Audit Committee are Mr. Guo Yanming (non-executive Director), Mr. Yu Zhongfu (non-executive director), Mr. Wang Guangjin (independent non-executive Director), Mr. Tian Lihui (independent non-executive Director), Mr. Tang Jun (independent non-executive Director) and Mr. Ngai Wai Fung (independent non-executive Director). Mr. Tian Lihui is the chairman of the Audit Committee.

AUDITORS

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

Report on Review of Interim Financial Statements



Ernst & Young Hua Ming (2018) Zhuan Zi No. 60667053_A80

To all shareholders of BBMG Corporation:

We have audited the accompanying financial statements of BBMG Corporation, which comprise the consolidated and company balance sheets as at 30 June 2018, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for the six-month period ended 30 June 2018 and the notes to the financial statements (hereinafter collectively, the “**Interim Financial Statements**”). The management of BBMG Corporation is responsible for the preparation of the Interim Financial Statements, while we are responsible for the presentation of an auditors’ report on the Interim Financial Statements based on our review.

We conducted our audit in accordance with China’s Auditing Standards for the Certified Public Accountants No. 2101 Review of Financial Statements. The standard requires our planning of and performing the audit to obtain reasonable assurance about whether the Interim Financial Statements as a whole are free from material misstatement. The review is principally based on the enquiries with the related staff of the Company and on the analysis procedures on the financial data only, therefore the extent of assurance provided by which fall below that obtained from audit. As a result of the non-performance of audit, we do not provide audit opinion.

Based on our review, we have not been aware of any convincing events that the said Interim Financial Statements had failed to be prepared in accordance with the Accounting Standards for Business Enterprises No. 32 – Interim Financial Report or failed to present fairly, in all material aspects, the financial position, the operating results and cash flows of BBMG Corporation.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: **Meng Dong**

Chinese Certified Public Accountant: **Liu Taiping**

Beijing, the PRC

29 August 2018

Unaudited Interim Consolidated Balance Sheet

As at 30 June 2018

RMB

| Assets | Note V | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------------|--------|----------------------------------|---------------------------|
| Assets | | | |
| Current assets | 1 | 17,680,691,208.86 | 17,903,847,144.72 |
| Cash and bank balances | | | |
| Financial assets at fair value through profit or loss | 2 | – | 46,226,108.99 |
| Financial assets held for trading | 3 | 1,350,141,114.85 | – |
| Bills receivable & accounts receivable | 4 | 16,424,808,133.57 | 15,867,845,894.72 |
| Prepayments | 5 | 2,038,530,443.06 | 1,792,354,290.47 |
| Other receivables | 6 | 9,210,548,208.77 | 5,890,424,799.29 |
| Inventories | 7 | 103,328,686,770.34 | 98,649,716,753.63 |
| Contractual assets | 8 | 5,168,714.52 | – |
| Assets held for sale | 9 | 109,922,395.60 | – |
| Other current assets | 10 | 3,722,616,884.59 | 3,438,847,412.19 |
| Total current assets | | <u>153,871,113,874.16</u> | <u>143,589,262,404.01</u> |
| Non-current assets | | | |
| Available-for-sale financial assets | 11 | – | 2,897,887,864.39 |
| Long-term receivables | 12 | 772,241,633.80 | 485,377,872.64 |
| Long-term equity investments | 13 | 2,501,781,932.88 | 2,174,939,257.51 |
| Other investments in equity instruments | 14 | 455,311,615.11 | – |
| Other non-current financial assets | 15 | 1,730,252,400.00 | – |
| Investment properties | 16 | 19,217,528,375.46 | 15,440,453,467.02 |
| Fixed assets | 17 | 45,521,200,463.65 | 45,895,321,483.24 |
| Construction in progress | 18 | 3,716,196,233.70 | 2,981,062,425.11 |
| Intangible assets | 19 | 17,512,556,083.47 | 10,857,085,997.78 |
| Goodwill | 20 | 2,740,287,649.80 | 2,740,287,649.80 |
| Long-term deferred expenditures | 21 | 1,173,992,323.14 | 1,134,362,027.11 |
| Deferred income tax assets | 22 | 3,157,049,532.50 | 2,952,009,690.68 |
| Other non-current assets | 23 | 1,784,351,325.83 | 1,059,431,952.41 |
| Total non-current assets | | <u>100,282,749,569.34</u> | <u>88,618,219,687.69</u> |
| Total assets | | <u>254,153,863,443.50</u> | <u>232,207,482,091.70</u> |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Balance Sheet (continued)

As at 30 June 2018

RMB

| Liabilities and shareholders' equity | Note V | 30 June 2018 | 31 December 2017 |
|---------------------------------------------|--------|----------------------------------|---------------------------|
| Current liabilities | | | |
| Short-term loans | 25 | 38,136,520,000.00 | 34,375,200,000.00 |
| Bills payable & accounts payable | 26 | 17,556,199,802.79 | 17,205,078,515.28 |
| Receipts in advance | | 191,670,784.18 | 27,340,492,780.84 |
| Contractual liabilities | 27 | 22,491,291,593.07 | – |
| Wages payable | 28 | 248,324,132.00 | 365,587,130.76 |
| Tax payable | 29 | 2,622,900,071.05 | 1,769,260,167.61 |
| Other payables | 30 | 8,917,468,574.76 | 9,075,247,809.85 |
| Held-for-sale liabilities | 9 | 40,283,885.12 | – |
| Non-current liabilities due within one year | 31 | 13,049,262,905.72 | 11,491,439,775.59 |
| Short-term financing bonds | 34 | 5,500,000,000.00 | 2,769,698,081.12 |
| Other current liabilities | 32 | 6,031,872,448.10 | 6,042,357,010.03 |
| Total current liabilities | | <u>114,785,794,196.79</u> | <u>110,434,361,271.08</u> |
| Non-current liabilities | | | |
| Long-term loans | 33 | 29,135,269,349.97 | 25,671,030,000.00 |
| Bonds payable | 34 | 19,971,170,605.73 | 18,154,840,828.51 |
| Long-term payables | 35 | 615,533,763.80 | 920,769,354.18 |
| Long-term wages payable | 36 | 682,147,912.50 | 654,032,290.50 |
| Accrued liabilities | 37 | 535,517,819.93 | 464,935,400.17 |
| Deferred income | 38 | 862,084,079.92 | 855,519,940.14 |
| Deferred income tax liabilities | 22 | 5,946,878,811.68 | 4,473,726,257.58 |
| Other non-current liabilities | 39 | 5,280,094,029.40 | 660,456,831.52 |
| Total non-current liabilities | | <u>63,028,696,372.93</u> | <u>51,855,310,902.60</u> |
| Total liabilities | | <u>177,814,490,569.72</u> | <u>162,289,672,173.68</u> |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Balance Sheet (continued)

As at 30 June 2018

RMB

| Liabilities and shareholders' equity | Note V | 30 June 2018 | 31 December 2017 |
|---------------------------------------------------------------|--------|---------------------------|--------------------|
| Shareholders' equity | | | |
| Share capital | 40 | 10,677,771,134.00 | 10,677,771,134.00 |
| Other equity instruments | 41 | 11,968,000,000.00 | 9,972,000,000.00 |
| <i>Including: perpetual bonds</i> | | 11,968,000,000.00 | 9,972,000,000.00 |
| Capital reserve | 42 | 5,374,405,026.50 | 5,820,202,037.98 |
| Other comprehensive income | 43 | 209,822,225.32 | 254,210,159.32 |
| Specific reserve | 44 | 22,887,332.39 | 12,989,928.59 |
| Surplus reserve | 45 | 1,368,019,010.35 | 1,368,019,010.35 |
| General risk reserve | 46 | 299,478,851.25 | 299,478,851.25 |
| Retained earnings | 47 | 24,371,551,943.76 | 22,758,176,658.95 |
| Equity attributable to the shareholders of the parent company | | 54,291,935,523.57 | 51,162,847,780.44 |
| Minority interests | | 22,047,437,350.21 | 18,754,962,137.58 |
| Total shareholders' equity | | 76,339,372,873.78 | 69,917,809,918.02 |
| Total liabilities and shareholders' equity | | 254,153,863,443.50 | 232,207,482,091.70 |

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2018

RMB

| | Note V | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|--------------------------------------------------------------------------|--------|---------------------------------------------|---------------------------------------------|
| Operating revenue | 48 | 35,365,393,255.98 | 29,465,846,282.85 |
| Less: Operating costs | 48 | 25,534,771,580.22 | 21,479,871,148.31 |
| Tax and surcharges | 49 | 1,053,708,401.15 | 973,940,364.57 |
| Selling expenses | 50 | 1,163,665,343.18 | 1,162,126,683.93 |
| Administrative expenses | 51 | 3,093,590,089.13 | 2,671,044,112.24 |
| Research and development expenses | 52 | 63,250,262.45 | 22,652,599.26 |
| Finance costs | 53 | 1,363,946,668.03 | 1,332,763,468.39 |
| Including: Interest income | | 119,554,528.16 | 102,242,372.45 |
| Interest expense | | 1,293,674,299.22 | 1,302,028,970.59 |
| Asset impairment losses | 54 | 14,133,583.21 | 146,941,218.69 |
| Reversal of the provision for credit impairment | 55 | (43,476,415.85) | – |
| Add: Other gains | 56 | 297,746,941.54 | 255,474,156.38 |
| Investment gains | 57 | 232,457,732.29 | 271,046,580.10 |
| Including: Share of investment gains of associates and joint ventures | | 139,008,136.74 | 52,810,274.02 |
| Gains from changes in fair value | 58 | 273,123,778.84 | 126,425,614.70 |
| Gains/(losses) on disposal of assets | 59 | 18,831,201.79 | (11,132,655.85) |
| Operating profit | | 3,943,963,398.92 | 2,318,320,382.79 |
| Add: Non-operating revenue | 60 | 88,381,624.69 | 123,912,550.58 |
| Less: Non-operating expenses | 61 | 108,945,005.24 | 14,547,290.44 |
| Total profit | | 3,923,400,018.37 | 2,427,685,642.93 |
| Less: Income tax expenses | 63 | 995,656,787.76 | 645,662,574.87 |
| Net profit | | 2,927,743,230.61 | 1,782,023,068.06 |
| Including: Net profit from continuing operations | | 2,927,743,230.61 | 1,782,023,068.06 |
| Net profit from discontinued operations | | – | – |
| Classified by attribution of ownership | | | |
| Net profit attributable to the shareholders of the parent company | | 2,410,206,116.06 | 1,846,371,188.87 |
| Minority interests | | 517,537,114.55 | (64,348,120.81) |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Income Statement (continued)

For the six months ended 30 June 2018

RMB

| | Note V | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------|---------------------------------------------|
| Net other comprehensive income after tax | | | |
| Net other comprehensive income after tax attributable to shareholders of the parent company | 43 | | |
| Other comprehensive income that cannot be reclassified to profit or loss | | | |
| Re-measurement of changes in defined benefit plan | | (18,855,736.00) | 29,061,622.00 |
| Changes in fair value of other equity instruments investments | | (21,675,850.45) | – |
| Other comprehensive income to be reclassified into profit or loss | | | |
| Other comprehensive income that may be reclassified to profit or loss under equity method | | (685,072.50) | (1,102,557.87) |
| Exchange differences on translation of financial statements prepared in foreign currency | | (3,171,275.05) | (661,099.26) |
| Changes in fair value of available-for-sale financial assets | | – | (5,235,630.29) |
| The surplus of the fair value on the date of transfer over the carrying value of the investment properties transferred from the disposal of self-occupied properties or inventories and measured with the fair value model | | – | (10,194,361.74) |
| Net other comprehensive income after deducting impact of income tax | | (44,387,934.00) | 11,867,972.84 |
| Net other comprehensive income after tax attributable to minority shareholders | 43 | (105,857,435.12) | (28,641,350.50) |
| Total comprehensive income | | 2,777,497,861.49 | 1,765,249,690.40 |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Income Statement (continued)

For the six months ended 30 June 2018

RMB

| | Note V | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-------------------------------------------------------------------------------|--------|---------------------------------------------|---------------------------------------------|
| <i>Including:</i> | | | |
| Total comprehensive income attributable to shareholders of the parent company | | 2,365,818,182.06 | 1,858,239,161.71 |
| Total comprehensive income attributable to minority shareholders | | 411,679,679.43 | (92,989,471.31) |
| Basic earnings per share (RMB/share) | 64 | 0.23 | 0.17 |
| Diluted earnings per share (RMB/share) | 64 | 0.23 | 0.17 |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

RMB

| | 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 end of the previous period | 10,677,771,134.00 | 9,972,000,000.00 | 5,820,202,037.98 | 254,210,159.32 | 12,989,928.59 | 1,368,019,010.35 | 299,478,851.25 | 22,736,176,638.95 | 51,162,847,780.44 | 18,754,962,137.58 | 69,917,809,918.02 |
| Plus: Changes in accounting policies | - | - | - | - | - | - | - | (21,093,927.93) | (21,093,927.93) | 41,192,600.82 | 20,098,672.89 |
| II. Balance at the beginning of the period | 10,677,771,134.00 | 9,972,000,000.00 | 5,820,202,037.98 | 254,210,159.32 | 12,989,928.59 | 1,368,019,010.35 | 299,478,851.25 | 22,737,082,710.02 | 51,141,753,852.51 | 18,796,154,738.40 | 69,937,908,590.91 |
| III. Movements during the period | - | - | - | (44,387,934.00) | - | - | - | 2,410,206,116.06 | 2,365,818,182.06 | 411,679,679.43 | 2,777,497,861.49 |
| (1) Total comprehensive income | - | - | (417,332,720.92) | - | - | - | - | - | (417,332,720.92) | (1,893,177,094.85) | (2,310,459,215.77) |
| (2) Capital contribution and reduction from shareholders | - | - | - | - | - | - | - | - | - | 3,780,249,724.45 | 3,780,249,724.45 |
| 1. Acquisition of minority interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | - |
| 2. Business combinations not involving entities under common control (Note VI. 1) | - | - | - | - | - | - | - | - | - | 1,077,474,893.75 | 1,077,474,893.75 |
| 3. New capital contribution from minority shareholders | - | - | - | - | - | - | - | - | - | - | - |
| 4. Reduction of minority interests upon de-registration of subsidiaries | - | - | - | - | - | - | - | - | - | (11,711,187.21) | (11,711,187.21) |
| 5. Principal amount of issued perpetual bonds (Note V. 41) | - | 1,996,000,000.00 | - | - | - | - | - | - | 1,996,000,000.00 | - | 1,996,000,000.00 |
| (3) Profit distribution | - | - | - | - | - | - | - | (512,533,014.43) | (512,533,014.43) | (7,584,516.59) | (520,117,531.02) |
| 1. Dividend to shareholders | - | - | - | - | - | - | - | (263,203,888.89) | (263,203,888.89) | (86,284,931.50) | (349,488,820.39) |
| 2. Interest on perpetual bonds | - | - | - | - | - | - | - | - | - | - | - |
| (4) Specific reserve | - | - | - | - | 27,330,453.45 | - | - | - | 27,330,453.45 | 35,345,762.62 | 62,676,216.07 |
| 1. Appropriated during the period | - | - | - | - | (17,433,049.65) | - | - | - | (17,433,049.65) | (30,937,681.24) | (48,370,730.89) |
| 2. Paid during the period | - | - | - | - | - | - | - | - | - | - | - |
| (5) Others | - | - | (28,464,890.56) | - | - | - | - | - | (28,464,890.56) | (23,822,037.05) | (52,286,927.61) |
| IV. Balance at the end of the period | 10,677,771,134.00 | 11,968,000,000.00 | 5,374,405,026.50 | 209,822,225.32 | 22,887,332.39 | 1,368,019,010.35 | 299,478,851.25 | 24,371,551,943.76 | 54,291,935,232.57 | 22,047,437,350.21 | 76,339,372,873.78 |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2017

RMB

| | Equity attributable to shareholders of the parent company | | | | | | | | | | Total equity |
|------------------------------------------------------------|-----------------------------------------------------------|------------------|-------------------------------------|-----------------|----------------------------|------------------|-------------------|----------------------|-------------------|-------------------|--------------|
| | Share capital | Perpetual bonds | Other equity instruments including: | Capital reserve | Other comprehensive income | Specific reserve | Surplus reserve | General risk reserve | Retained earnings | Subtotal | |
| I. Balance at the beginning of the period | 10,677,771,134.00 | 4,982,000,000.00 | 5,865,195,788.46 | 5,865,529.41 | 1,276,866,688.51 | 178,039,195.99 | 20,980,120,619.08 | 44,200,488,652.10 | 18,709,022,134.50 | 62,919,510,786.60 | |
| II. Movements during the period | - | - | - | - | 11,867,972.84 | - | 1,846,371,188.87 | 1,858,239,161.71 | 192,989,471.31 | 1,765,249,690.40 | |
| (1) Total comprehensive income | | | | | | | | | | | |
| (2) Capital contribution and reduction from shareholders | | | | | | | | | | | |
| 1. Ordinary shares contribution from minority shareholders | - | - | - | - | - | - | - | - | 98,675,000.00 | 98,675,000.00 | |
| (3) Profit distribution | | | | | | | | | | | |
| 1. Dividend to shareholders | - | - | - | - | - | - | (491,177,472.16) | (491,177,472.16) | (6,488,800.00) | (497,666,272.16) | |
| 2. Appropriation of general risk reserve | - | - | - | - | - | 91,642,989.45 | (91,642,989.45) | - | - | - | |
| 3. Others-interest on perpetual bonds | - | - | - | - | - | - | (186,959,166.67) | (186,959,166.67) | (86,284,931.50) | (273,244,098.17) | |
| (4) Specific reserve | | | | | | | | | | | |
| 1. Appropriated during the period | - | - | - | 27,774,851.07 | - | - | - | 27,774,851.07 | 46,350,755.86 | 74,125,606.93 | |
| 2. Paid during the period | - | - | - | (25,198,897.25) | - | - | - | (25,198,897.25) | (40,652,246.83) | (65,851,144.08) | |
| (5) Others | - | - | (2,390,395.72) | - | - | - | - | (2,390,395.72) | 1,599,007.53 | (791,388.19) | |
| III. Balance at the end of the period | 10,677,771,134.00 | 4,982,000,000.00 | 5,862,805,387.74 | 11,231,488.23 | 1,276,866,688.51 | 269,682,185.44 | 22,056,712,179.67 | 45,380,776,733.08 | 18,629,231,448.25 | 64,010,008,181.33 | |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

RMB

| | Note V | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-----------------------------------------------------------------------------------------------|--------|---------------------------------------------|---------------------------------------------|
| I. Cash flows from operating activities | | | |
| Cash received from sale of goods or rendering of services | | 36,874,565,568.62 | 28,785,905,124.32 |
| Refunds of taxes | | 147,785,613.56 | 105,897,637.27 |
| Net decrease in deposits placed with the Central Bank | | 40,627,688.18 | 852,312,723.52 |
| Cash received from other operating activities | 65 | <u>1,053,771,605.23</u> | <u>1,251,840,148.49</u> |
| Subtotal of cash inflows from operating activities | | <u>38,116,750,475.59</u> | <u>30,995,955,633.60</u> |
| | | | |
| Cash paid for goods and services | | 26,869,069,166.58 | 34,448,415,925.36 |
| Cash paid to and on behalf of employees | | 2,992,856,544.14 | 2,872,321,782.69 |
| Cash paid for all types of taxes | | 3,853,861,315.77 | 3,524,205,151.47 |
| Cash paid for other operating activities | 65 | <u>8,039,561,659.11</u> | <u>1,493,647,445.08</u> |
| Subtotal of cash outflows from operating activities | | <u>41,755,348,685.60</u> | <u>42,338,590,304.60</u> |
| Net cash flows used in operating activities | 66(1) | <u>(3,638,598,210.01)</u> | <u>(11,342,634,671.00)</u> |
| II. Cash flows from investing activities | | | |
| Cash received from redemption of investments | | – | 102,549,482.30 |
| Cash received from return on investments | | 279,348,817.24 | 135,774,918.39 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 43,553,624.35 | 126,086,788.00 |
| Net cash received from disposal of subsidiaries and other operating units | 66(2) | – | 634,885,099.31 |
| Cash received from other investing activities | 65 | <u>6,872,768,400.00</u> | <u>1,162,488,000.00</u> |
| Subtotal of cash inflows from investing activities | | <u>7,195,670,841.59</u> | <u>2,161,784,288.00</u> |
| | | | |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets | | 1,218,217,602.45 | 1,297,925,168.78 |
| Cash paid for investments | | 1,293,968,421.40 | 105,516,033.55 |
| Net cash paid for acquisition of subsidiaries and other operating units | 66(2) | 3,636,170,422.00 | 210,840,422.98 |
| Cash paid for other investing activities | 65 | <u>7,785,629,400.00</u> | <u>2,861,135,077.01</u> |
| Subtotal of cash outflows from investing activities | | <u>13,933,985,845.85</u> | <u>4,475,416,702.32</u> |
| Net cash flows used in investing activities | | <u>(6,738,315,004.26)</u> | <u>(2,313,632,414.32)</u> |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2018

RMB

| | Note V | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------------------------------------------------------|--------|---------------------------------------------|---------------------------------------------|
| III. Cash flows from financing activities | | | |
| Cash received from capital contributions | | 900,853,542.47 | 98,675,000.00 |
| <i>Including: Cash received by subsidiaries from minority interests</i> | | 900,853,542.47 | 98,675,000.00 |
| Cash received from borrowings | | 30,668,462,205.00 | 27,756,851,756.00 |
| Cash received from issuance of bonds | | 12,496,000,000.00 | 10,800,000,000.00 |
| Cash received from other financing activities | 65 | <u>—</u> | <u>357,259,000.00</u> |
| Subtotal of cash inflows from financing activities | | <u>44,065,315,747.47</u> | <u>39,012,785,756.00</u> |
| Cash paid for repayment of borrowings | | 24,022,530,202.00 | 17,123,784,762.83 |
| Cash paid for distribution of dividends or profits or for interest expenses | | 2,419,976,810.75 | 2,199,872,165.12 |
| <i>Including: Dividends and profits paid by subsidiaries to minority interests</i> | | 17,610,860.00 | 6,844,279.81 |
| Cash paid for redemption of bonds | | 8,069,048,081.12 | 6,585,305,000.00 |
| Cash paid for other financing activities | 65 | <u>397,052,351.96</u> | <u>2,731,947,406.30</u> |
| Subtotal of cash outflows from financing activities | | <u>34,908,607,445.83</u> | <u>28,640,909,334.25</u> |
| Net cash flows from financing activities | | <u>9,156,708,301.64</u> | <u>10,371,876,421.75</u> |
| IV. Effect of changes in exchange rate on cash and cash equivalents | | <u>(17,511,515.79)</u> | <u>18,255,095.79</u> |
| V. Net decrease in cash and cash equivalents | | <u>(1,237,716,428.42)</u> | <u>(3,266,135,567.78)</u> |
| Add: Cash and cash equivalents at the beginning of the period | | <u>12,914,086,803.47</u> | <u>18,110,782,535.76</u> |
| VI. Cash and cash equivalents at the end of the period | 66(3) | <u>11,676,370,375.05</u> | <u>14,844,646,967.98</u> |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Balance Sheet

As at 30 June 2018

RMB

| Assets | Note XV | 30 June 2018 | 31 December 2017 |
|-----------------------------------------|---------|---------------------------|--------------------|
| Current assets | | | |
| Cash and bank balances | | 3,919,480,213.24 | 6,259,648,184.09 |
| Accounts receivable | | – | 124,246.15 |
| Other receivables | 1 | 65,058,476,019.41 | 56,424,801,069.16 |
| Other current assets | | 7,335,795.33 | 7,511,032.83 |
| Total current assets | | 68,985,292,027.98 | 62,692,084,532.23 |
| Non-current assets | | | |
| Other investments in equity instruments | | 200,000.00 | 200,000.00 |
| Long-term equity investments | 2 | 41,921,167,167.06 | 34,720,818,298.28 |
| Investment properties | 3 | 10,349,396,166.46 | 10,164,795,183.02 |
| Fixed assets | | 1,197,353,160.57 | 1,230,783,437.66 |
| Intangible assets | | 407,761,655.97 | 414,752,345.13 |
| Deferred income tax assets | | 187,416,965.05 | 168,663,517.96 |
| Total non-current assets | | 54,063,295,115.11 | 46,700,012,782.05 |
| Total assets | | 123,048,587,143.09 | 109,392,097,314.28 |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Balance Sheet (continued)

As at 30 June 2018

RMB

| Liabilities and shareholders' equity | 30 June 2018 | 31 December 2017 |
|---------------------------------------------|--------------------------|-------------------|
| Current liabilities | | |
| Short-term loans | 22,731,550,000.00 | 20,841,550,000.00 |
| Accounts payable | 25,462,384.48 | 25,462,384.48 |
| Receipts in advance | – | 118,748,027.30 |
| Contractual liabilities | 132,260,667.78 | – |
| Wages payable | 85,430.15 | 14,420,033.15 |
| Tax payable | 67,417,231.79 | 54,341,168.83 |
| Other payables | 7,758,989,519.51 | 5,627,378,930.45 |
| Short-term financing bonds payable | 5,500,000,000.00 | 2,000,000,000.00 |
| Non-current liabilities due within one year | 6,090,456,572.56 | 7,500,000,000.00 |
| Total current liabilities | 42,306,221,806.27 | 36,181,900,544.21 |
| Non-current liabilities | | |
| Long-term loans | 16,762,970,000.00 | 13,724,470,000.00 |
| Bonds payable | 17,771,458,901.81 | 15,956,825,637.00 |
| Long-term wages payable | 372,638,251.46 | 363,073,483.46 |
| Deferred income tax liabilities | 2,127,694,804.83 | 2,081,544,558.97 |
| Other non-current liabilities | – | 717,233.77 |
| Total non-current liabilities | 37,034,761,958.10 | 32,126,630,913.20 |
| Total liabilities | 79,340,983,764.37 | 68,308,531,457.41 |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Balance Sheet (continued)

As at 30 June 2018

RMB

| Liabilities and shareholders' equity | 30 June 2018 | 31 December 2017 |
|--------------------------------------------|----------------------------------|---------------------------|
| Shareholders' equity | | |
| Share capital | 10,677,771,134.00 | 10,677,771,134.00 |
| Other equity instruments | 11,968,000,000.00 | 9,972,000,000.00 |
| <i>Including: perpetual bonds</i> | 11,968,000,000.00 | 9,972,000,000.00 |
| Capital reserve | 6,674,854,902.82 | 6,674,854,902.82 |
| Other comprehensive income | 64,422,428.79 | 82,198,530.79 |
| Surplus reserve | 1,368,019,010.35 | 1,368,019,010.35 |
| Retained earnings | <u>12,954,535,902.76</u> | <u>12,308,722,278.91</u> |
| Total shareholders' equity | <u>43,707,603,378.72</u> | <u>41,083,565,856.87</u> |
| Total liabilities and shareholders' equity | <u>123,048,587,143.09</u> | <u>109,392,097,314.28</u> |

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Hu Juan

Unaudited Interim Income Statement

For the six months ended 30 June 2018

RMB

| | Note XV | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-------------------------------------------------------------------------------------------------------------------|---------|---------------------------------------------|---------------------------------------------|
| Operating revenue | 4 | 511,791,424.76 | 468,492,202.30 |
| Less: Operating costs | 4 | 36,491,918.32 | 43,359,840.95 |
| Tax and surcharges | | 68,772,765.10 | 59,653,930.18 |
| Selling expenses | | 23,163,791.40 | 24,557,920.90 |
| Administrative expenses | | 63,743,523.95 | 54,931,703.34 |
| Finance costs | | 419,951,339.88 | 477,856,928.21 |
| Including: Interest expense | | 1,561,969,963.55 | 1,168,640,985.65 |
| Interest income | | 1,187,444,611.51 | 743,502,630.44 |
| Reversal of the provision for credit impairment | | (5,611,315.87) | – |
| Add: Other gains | | 717,233.77 | – |
| Gains from changes in fair value | | 184,600,983.44 | 135,588,436.76 |
| Investment gains | 5 | 1,348,775,859.95 | 180,178,400.59 |
| Including: Share of investment gains/(losses) of associates and joint ventures | | 24,124,522.78 | (18,671,179.76) |
| Operating profit | | 1,439,373,479.14 | 123,898,716.07 |
| Add: Non-operating revenue | | 18,309,344.52 | 4,397,055.17 |
| Less: Non-operating expenses | | 1,701.07 | 163,529.71 |
| Total profit | | 1,457,681,122.59 | 128,132,241.53 |
| Less: Income tax expenses | | 29,580,247.93 | (13,452,054.15) |
| Net profit | | 1,428,100,874.66 | 141,584,295.68 |
| Including: Net profit from continuing operations | | 1,428,100,874.66 | 141,584,295.68 |
| Net profit from discontinued operations | | – | – |
| Net other comprehensive income after tax | | | |
| Other comprehensive income not allowed to be reclassified into profit or loss in subsequent accounting periods | | | |
| Changes arising from re-measurement of net liabilities of defined benefit plans | | (17,776,102.00) | 28,590,242.00 |
| Total comprehensive income | | 1,410,324,772.66 | 170,174,537.68 |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Changes in Equity

For the six months ended 30 June 2018

RMB

| | Other equity instruments | | Capital reserve | Other comprehensive income | | Surplus reserve | Retained earnings | Total equity |
|-------------------------------------------------|--------------------------|----------------------------|-------------------------|----------------------------|-------------------------|--------------------------|--------------------------|--------------|
| | Share capital | Including: Perpetual bonds | | income | | | | |
| I. Balance as at the end of the previous period | 10,677,771,134.00 | 9,972,000,000.00 | 6,674,854,902.82 | 82,198,530.79 | 1,368,019,010.35 | 12,308,722,278.91 | 41,083,565,856.87 | |
| Plus: Changes in accounting policies | - | - | - | - | - | (6,550,347.49) | (6,550,347.49) | |
| II. Balance as at the beginning of the period | <u>10,677,771,134.00</u> | <u>9,972,000,000.00</u> | <u>6,674,854,902.82</u> | <u>82,198,530.79</u> | <u>1,368,019,010.35</u> | <u>12,302,171,931.42</u> | <u>41,077,015,509.38</u> | |
| III. Movements during the period | | | | | | | | |
| (1) Total comprehensive income | - | 1,996,000,000.00 | - | (17,776,102.00) | - | 1,428,100,874.66 | 3,406,324,772.66 | |
| (2) Profit distribution | | | | | | | | |
| 1. Dividend to Shareholders | - | - | - | - | - | (512,533,014.43) | (512,533,014.43) | |
| 2. Interest on perpetual bonds | - | - | - | - | - | (263,203,888.89) | (263,203,888.89) | |
| IV. Balance at the end of the period | <u>10,677,771,134.00</u> | <u>11,968,000,000.00</u> | <u>6,674,854,902.82</u> | <u>64,422,428.79</u> | <u>1,368,019,010.35</u> | <u>12,954,535,902.76</u> | <u>43,707,603,378.72</u> | |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Changes in Equity (continued)

For the six months ended 30 June 2017

RMB

| | Share capital | Other equity instruments Including: Perpetual bonds | Capital reserve | Other comprehensive income | Surplus reserve | Retained earnings | Total equity |
|----------------------------------------------|--------------------------|-----------------------------------------------------------|-------------------------|----------------------------|-------------------------|--------------------------|--------------------------|
| I. Balance as at the beginning of the period | <u>10,677,771,134.00</u> | <u>4,982,000,000.00</u> | <u>6,674,854,902.82</u> | <u>49,398,221.79</u> | <u>1,276,866,688.51</u> | <u>12,334,368,299.00</u> | <u>35,995,259,246.12</u> |
| II. Movements during the period | | | | | | | |
| (1) Total comprehensive income | - | - | - | 28,590,242.00 | - | 141,584,295.68 | 170,174,537.68 |
| (2) Profit distribution | | | | | | | |
| 1. Dividend to shareholders | - | - | - | - | - | (491,177,472.16) | (491,177,472.16) |
| 2. Interest on perpetual bonds | - | - | - | - | - | (186,959,166.66) | (186,959,166.66) |
| III. Balance at the end of the period | <u>10,677,771,134.00</u> | <u>4,982,000,000.00</u> | <u>6,674,854,902.82</u> | <u>77,988,463.79</u> | <u>1,276,866,688.51</u> | <u>11,797,815,955.86</u> | <u>35,487,297,144.98</u> |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Cash Flows

For the six months ended 30 June 2018

RMB

| | Note XV | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-----------------------------------------------------------------------------------------------|---------|---------------------------------------------|---------------------------------------------|
| I. Cash flows from operating activities | | | |
| Cash received from sale of goods or rendering of services | | 576,576,103.08 | 534,548,179.19 |
| Cash received from other operating activities | 6 | <u>26,137,769,938.07</u> | <u>23,046,775,269.09</u> |
| Subtotal of cash inflows from operating activities | | <u>26,714,346,041.15</u> | <u>23,581,323,448.28</u> |
| Cash paid for goods and services | | 51,944,068.59 | 40,612,490.71 |
| Cash paid to and on behalf of employees | | 30,344,062.95 | 33,026,490.68 |
| Cash paid for all types of taxes | | 66,242,928.46 | 76,811,610.70 |
| Cash paid for other operating activities | 6 | <u>31,768,587,567.13</u> | <u>33,357,893,207.72</u> |
| Subtotal of cash outflows from operating activities | | <u>31,917,118,627.13</u> | <u>33,508,343,799.81</u> |
| Net cash flows used in operating activities | 7(1) | <u>(5,202,772,585.98)</u> | <u>(9,927,020,351.53)</u> |
| II. Cash flows from investing activities | | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | — | <u>9,635.00</u> |
| Subtotal of cash inflows from investing activities | | — | <u>9,635.00</u> |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets | | 1,935,700.00 | 720,753.00 |
| Net cash paid for acquisition of subsidiaries and other operating units | | <u>6,357,858,292.61</u> | <u>211,406,183.00</u> |
| Subtotal of cash outflows from investing activities | | <u>6,359,793,992.61</u> | <u>212,126,936.00</u> |
| Net cash flows used in investing activities | | <u>(6,359,793,992.61)</u> | <u>(212,117,301.00)</u> |

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Cash Flows (continued)

For the six months ended 30 June 2018

RMB

| | Note XV | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-----------------------------------------------------------------------------|---------|---------------------------------------------|---------------------------------------------|
| III. Cash flows from financing activities | | | |
| Cash received from borrowings | | 15,541,000,000.00 | 12,851,000,000.00 |
| Cash received from issuance of bonds | | 12,500,000,000.00 | 10,000,000,000.00 |
| Subtotal of cash inflows from financing activities | | <u>28,041,000,000.00</u> | <u>22,851,000,000.00</u> |
| Cash paid for repayment of borrowings | | 10,712,500,000.00 | 5,362,000,000.00 |
| Cash paid for distribution of dividends or profits or for interest expenses | | 1,571,273,147.04 | 1,340,674,860.90 |
| Cash paid for redemption of bonds | | 6,500,000,000.00 | 6,000,000,000.00 |
| Cash paid in relation to other financing activities | | <u>35,000,000.00</u> | <u>15,600,000.00</u> |
| Subtotal of cash outflows from financing activities | | <u>18,818,773,147.04</u> | <u>12,718,274,860.90</u> |
| Net cash flows from financing activities | | <u>9,222,226,852.96</u> | <u>10,132,725,139.10</u> |
| IV. Net decrease in cash and cash equivalents | | (2,340,339,725.63) | (6,412,513.43) |
| Add: Cash and cash equivalents at the beginning of the period | | <u>6,209,927,405.16</u> | <u>6,904,569,211.47</u> |
| V. Cash and cash equivalents at the end of the period | 7(2) | <u>3,869,587,679.53</u> | <u>6,898,156,698.04</u> |

The accompanying notes form an integral part of these financial statements

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

I. BASIC INFORMATION OF THE GROUP

BBMG Corporation (hereinafter referred to as the “**Company**” or “**BBMG Group**”) is a joint stock company with limited liability incorporated in Beijing, the People’s Republic of China and was established on 22 December 2005. The Renminbi-denominated ordinary shares (A shares) and H shares of the Company are listed on the Shanghai Stock Exchange (“**Shanghai Stock Exchange**”) and The Stock Exchange of Hong Kong Limited (“**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 Company’s parent and ultimate holding company is BBMG Assets Management Co., Ltd. (北京金隅資產經營管理有限責任公司) (formerly named as “**BBMG Group Company Limited**”, hereinafter referred to as “**BBMG Assets Company**”), a company established in the People’s Republic of China, originally. On 11 November 2016, State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality agreed the gratuitous transfer of 4,797,357,572 A shares of the Company held by BBMG Assets Company to Beijing SCOM Center (hereinafter referred to as “**BSCOMC**”). On 29 December 2016, the transfer registration formalities for the gratuitous transfer of the A shares of the Company were completed, afterwhich, BSCOMC directly held 4,797,357,572 state-owned shares of the Company, representing 44.93% of the total share capital of the Company, and became the controlling shareholder of the Company.

These financial statements were approved by a resolution of the board of directors of the Company on 29 August 2018. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

The consolidation scope of consolidated financial statements was determined on the basis of control. See note VI for changes of the current period.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The interim financial statements are prepared in accordance with the requirements of Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting issued by the Ministry of Finance, and hence do not include all the information and disclosures of the audited financial statements for 2017. Accordingly, the interim financial statements should be read in conjunction with the Group’s audited financial statements for 2017 which were prepared in accordance with Accounting Standards for Business Enterprises.

The financial statements are presented on a going concern basis.

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

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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 lives 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, etc.

1. Statement of compliance with Accounting Standards for Business Enterprises

The interim financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting and present truly and fully the financial position of the Company and the Group as at 30 June 2018 and their operating results and cash flows for the six months ended 30 June 2018. Except for the implementation of newly issued or revised accounting standards, the accounting policies adopted in the preparation of the interim financial statements are the same as those adopted in the financial statements of last year which were prepared in accordance with the Accounting Standards for Business Enterprises.

2. Accounting period

The accounting year for the Group is from 1 January to 31 December of each calendar year. The accounting period for this report is from 1 January to 30 June 2018.

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 Unaudited Interim Financial Statements

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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 Unaudited Interim Financial Statements

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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 long-term equity investments in the acquiree before the acquisition date will be remeasured at fair value on the acquisition date. The difference between the fair value and the carrying amount is recognised as profit or loss for the current period; long-term equity investments in the acquiree held-prior to the date of acquisition 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. As for other equity instrument investment in the acquiree held prior to the date of the acquisition, changes in fair values before the date of acquisition will be accumulated in other comprehensive income and transferred to the retained profit or loss subsequently.

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 for the accounting period during the six months ended 30 June 2018. 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.

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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 Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 Unaudited Interim Financial Statements

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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

According to the Group's corporate business model for managing financial assets and the contractual cash flow characteristics of the financial assets, the Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, financial assets at amortised cost, financial assets at fair value through other comprehensive income and 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:

Debt instrument investment at amortised cost

Financial assets are classified as financial assets at amortised cost if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such financial assets are subsequently measured at amortised cost by using the effective interest rate method. The gains or losses arising from amortisation or impairment are recognised in profit or loss for the current period.

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

9. Financial instruments *(continued)*

Classification and measurement of financial assets (continued)

Debt instrument investment at fair value through other comprehensive income

Financial assets are classified as financial assets at fair value through other comprehensive income if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is both to collect contractual cash flows and to dispose of the financial assets; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such 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. Changes in the fair value of such financial asset are recognised as other comprehensive income, except that impairment losses and exchange gains or losses from monetary financial assets denominated in foreign currencies are recognised as profit or loss for the current period, until such financial asset is derecognized, at which time its accumulated gain or loss is transferred to profit or loss for the current period. Interest income relating to such financial asset is recognised in profit or loss for the current period.

Equity instrument investment at fair value through other comprehensive income

The Group irrevocably elects to designate certain equity instrument investments not held for trading as financial assets at fair value through other comprehensive income, such that only relevant dividend income is recognised as profit or loss for the current period and changes in fair value are recognised as other comprehensive income, until such financial asset is derecognized, at which time its accumulated gain or loss is transferred to retained earnings.

Financial assets at fair value through profit or loss

Apart from the financial assets at amortised cost and financial assets at fair value through other comprehensive income mentioned above, other financial assets are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value. All changes in fair value are recognised in profit or loss for the current period.

Classification and measurement of financial liabilities

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

Notes to Unaudited Interim Financial Statements

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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 (including derivative which are financial liabilities) and those designated upon initial recognition at fair value through profit or loss.

It is a financial asset held for trading or a financial liability held for trading if it meets one of the following conditions: to acquire the relevant financial asset or assume the relevant financial liability is primarily for the purpose of selling or buying-back in the near term; it is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the entity recently adopts the model of short-term profit-taking; it is a derivative, except for a derivative that is designated as an effective hedging instrument, or one that is aligned with a derivative under financial guarantee contract. Financial liabilities held for trading (including derivative of financial liabilities) are subsequently measured at fair value and, save for those are related to hedging accounting, all movements of fair value are included 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

On the basis of expected credit losses, the Group makes impairment provisions and recognises loss provisions for the financial assets carried at amortised cost, investments on debt instrument at fair value through other comprehensive income, lease receivables, contractual assets, financial guarantee contracts and others.

Notes to Unaudited Interim Financial Statements

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

9. Financial instruments *(continued)*

Impairment of financial assets (continued)

Credit loss represents the difference between all contractual cash flows due to the Group under contracts discounted at the original effective interest rate and all the cash flows that the Group expects to receive, (i.e. the present value of all cash shortfalls). Among them, the financial assets acquired or originated by the Group that have impaired with credit shall be discounted at an effective interest rate adjusted in accordance with credit status of the financial assets.

For receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses throughout the lifetime.

For lease receivables, receivables with significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provisions based on the amount of expected credit losses throughout the lifetime.

In addition to the abovementioned financial assets and financial guarantee contracts for which the simplified measurement method are used, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Group measures the loss provision based on the amount of expected credit loss over its lifetime. In the event that the credit risk has not increased significantly since the initial recognition, the Group measures the loss provision based on the amount of expected credit loss over the next 12 months.

Except for certain financial assets on which expected credit losses are assessed on an individual basis, the Group also assesses the expected credit losses of financial assets at amortised cost based on the aging profile.

During assessment on expected credit losses, the Group considers all reasonable and evidenced information, including forward-looking information.

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

10. Inventories

Inventories include raw materials, work in progress, finished goods, goods in stock, turnover materials, costs to fulfill a contract 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

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

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

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

Notes to Unaudited Interim Financial Statements

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RMB

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 other equity instrument investments are transferred to retained earnings for the current period in full when the cost method is adopted. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: (i) if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; (ii) if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; (iii) if acquired by exchange of non-monetary assets, the initial investment cost is determined in accordance with Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets.

Notes to Unaudited Interim Financial Statements

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

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

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

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

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

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

Notes to Unaudited Interim Financial Statements

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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.

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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 and Tianjin where the property markets are relatively active. The Group is able to obtain market price and other related information of properties of the same category or similar nature. It is practicable for the Group to adopt the fair value model for subsequent measurement of the investment properties.

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

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

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

13. Investment properties *(continued)*

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

14. Fixed assets

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

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

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

| | Useful life | Estimated net residual value | Annual depreciation rate (%) |
|--------------------------|-------------|------------------------------|------------------------------|
| Buildings | 20-35 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% |

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

14. Fixed assets *(continued)*

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

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.

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.

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

16. Assets related to contractual costs

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

The Group recognises as the additional costs incurred to secure a contract as an asset if it expects to recover the costs.

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

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

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

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

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

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

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

17. Borrowing costs

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

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

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

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

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

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

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

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

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

18. Intangible assets

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

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

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

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

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

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

18. Intangible assets *(continued)*

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.

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

19. Impairment of assets

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

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

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

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

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

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

19. 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.

20. Long-term deferred expenditures

Long-term deferred expenditures represent expenditures incurred but should be recognised as expenses over more than one year in the current 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.

21. Employee benefits

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

Short-term benefits

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

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

21. Employee benefits *(continued)*

Post-employment benefits (the defined contribution plan)

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

Post-employment benefits (the defined benefit plan)

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

Termination benefits

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

Notes to Unaudited Interim Financial Statements

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

22. Provisions

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

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

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

23. Preference shares, perpetual bonds and other financial instruments

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

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

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

The financial instruments issued by the Group which are compound financial instruments are 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 Unaudited Interim Financial Statements

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

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

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

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

24. Revenue

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

Sales contracts of goods

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

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

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

24. Revenue *(continued)*

Contracts for provision of services

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

Sales return provisions

In terms of sales with sales return provisions, the Group recognises revenue in accordance with the amount of consideration expected to receive due to the transfer of goods to the customers and recognises liabilities according to the expected amount to be refunded due to the return of sales. Meanwhile, the Group recognises an asset based on the balance of the carrying value upon transferring the goods expected to be returned, deducting the cost anticipated to be incurred in recovering such goods (including the value impairment on the return of the goods) and the net cost of such asset carried forward according to the carrying value of the transferred goods when the transfer occurs. The Group reassesses the returns of future sales and re-measures the above assets and liabilities on each balance sheet date.

Significant financing component

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

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

24. Revenue *(continued)*

Warranty obligations

The Group provides quality assurance for the goods sold pursuant to contractual agreement and laws and regulations. The Group performs accounting treatments in accordance with Note III. 22 with a view to providing guarantee to the customers that the goods sold meet the established quality standards. In addition to providing guarantee to the customers that the goods sold meet the established quality standards, providing the customers with a separate quality assurance for services is regarded as a separate performance obligation by the Group. Based on the relative proportion of the individual selling prices of providing quality assurance for goods and services, part of the transaction price is allocated to quality assurance of services and revenue is recognized when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantee to the customers that the goods sold meet the established quality standards; the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

Variable consideration

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

Main responsible person/agent

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

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

24. Revenue *(continued)*

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.

25. Government grants

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

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 recognised in profit or loss in instalments over the useful life of the related asset in a reasonable and systematic way. If the related assets are disposed of, transferred, scrapped and damaged before the end of the useful life, the relevant remaining deferred income unallocated shall be transferred to the profit or loss for the period when the assets are disposed of. However, a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period. A government grant related to both an asset and income is accounted for separately upon distinction, otherwise is classified as a government grant related to income as a whole.

Government grants related to daily corporate activities are included in other gains or used to offset relevant cost and expenses based on the nature of the economic business. Government grants not related to daily corporate activities are included in non-operating income.

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

26. Income tax

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

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

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

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

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

A deferred income tax asset is recognised for deductible temporary differences, and unused deductible 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 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 loss.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred income tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

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

26. Income tax *(continued)*

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

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

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

27. Maintenance and quality guarantee funds

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

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

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

28. 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.

In the case of being the lessor of a finance lease

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

29. Distribution of profit

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

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

30. Production safety cost

Production safety cost appropriated pursuant to regulations is recognised in the cost of the relevant products or in profit or loss for the current period, and also in the specific reserve. The use of production safety cost is accounted for 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.

31. Fair value measurement

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

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.

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

32. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that 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 Unaudited Interim Financial Statements

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

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

Judgments (continued)

Classification of perpetual bonds

As described in Note V. 41, the Group issued perpetual bonds of RMB1 billion, RMB4 billion, RMB5 billion and RMB 2 billion in 2015, 2016, 2017 and 2018 respectively, and Jidong Development Group Co., Ltd. (hereinafter referred to as “**Jidong Group**”, being a subsidiary of the Group) issued perpetual bonds of RMB3 billion on 3 December 2015. 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, the Prospectus on 2016 Second Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2017 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2017 Second Tranche of Medium term Notes of BBMG Corporation, the Prospectus on 2018 Second Tranche of Medium-term Notes of BBMG Corporation and the Prospectus on 2015 First Tranche of Medium-term Notes of Jidong Development Group Co., Ltd., 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 income tax assets

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

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

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

Uncertainty of estimation (continued)

Impairment of financial instruments

The Group uses expected credit losses model to conduct assessment on the impairment of financial instruments. The application of expected credit losses model requires significant judgement and estimation and takes into account all reasonable and reliable information, including forward-looking information. When making such judgement and estimation, the Group predicts the expected changes in credit risk of the obligor based on its historical data of repayment together with factors such as economic policy, macroeconomic indicators and industry risk.

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

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

Impairment of goodwill

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

Land appreciation tax

The Group is subject to land appreciation tax. 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.

Notes to Unaudited Interim Financial Statements

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

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

Uncertainty of estimation (continued)

Fair value of investment properties

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

Recognition and allocation of development costs on properties under construction

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

Impairment of financial instruments

The Group adopts expected credit losses model to conduct assessment on the impairment of financial instruments. The application of expected credit losses model requires significant judgement and estimation and takes into account all reasonable and reliable information, including forward-looking information. The information used for the estimation is subject to uncertainties, which might lead to differences with the actual results.

Provision for decline in value of inventory

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

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

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

Uncertainty of estimation (continued)

Measurement of defined benefit obligations

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

Useful lives and residual values of fixed assets

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

33. Change in accounting policies and accounting estimates

Change in Accounting Policy

In 2017, the Ministry of Finance announced the revised "Accounting Standard for Business Enterprises No.14 – Revenue" (the "**New Revenue Standard**"), "Accounting Standard for Business Enterprises No.22 – Recognition and measurement for financial instruments", "Accounting Standard for Business Enterprises No.23 – Transfer of financial assets", "Accounting Standard for Business Enterprises No.24 – Hedging" and "Accounting Standard for Business Enterprises No.37 – Presentation of financial instruments" (the "**New Financial Instruments Standard**"). The Group began to implement the accounting treatment according to the newly revised standards above from 1 January 2018. According to the transitional requirements, the information for the comparable period will not be adjusted and profit or other comprehensive income will be retrospectively adjusted based on the difference between the implementation of the new standards on the first day and the current standards.

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

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

Change in Accounting Policy (continued)

The New Revenue Standard

The New Revenue Standard establishes a new model for recognizing the revenue generated from contracts with customers. The amount of revenue recognized should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount that the entity is expected to receive due to the transfer of such goods and services to the customer. At the same time, the New Revenue Standard also regulates the judgments and estimates for matters such as cost of contract, performance obligation, variable consideration, as well as principal-versus-agent. The Group only adjusted the cumulative impact of contracts that have not been completed on 1 January 2018. For changes to contracts that occurred before 1 January 2018, the Group adopted a simplified treatment method that it identifies the performance obligations that have been and have not been fulfilled, determines the transaction price, and allocated the transaction price between fulfilled and outstanding performance obligations for all contracts based on the final arrangement of contract changes.

Based on the review made for the performed sales contract as at 31 December 2017, the Group is of the opinion that the practicable expedience approach has no significant impact on the financial statements of the company. It is because the revenue recognised upon the transfer of risks and rewards is synchronized with the performance of the obligations in sales contract and a sale contract of the Group generally involves only one performance obligation.

The impact of implementing the New Revenue Standard by the Group is as follows:

For contracts with the time interval between payments from customers and ownership transfer of promised goods or services more than a year, the transaction prices of the contracts are adjusted due to the impact on inclusion of significant financing component.

Where the incremental costs incurred from obtaining contracts are expected to be recoverable, they will be capitalised as the costs of contracts, and amortised upon recognition of the income from relevant contracts. However, for contracts with the amortisation term of assets not more than a year, the incremental costs could be included in the profit or loss for the current period when they are incurred. Incremental costs mean the costs (such as sales commission) that will not be incurred if an enterprise fails to obtain a contract.

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

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

Change in Accounting Policy (continued)

The New Revenue Standard (continued)

For contracts with variable considerations, the enterprises shall, based on the expected values or the most likely amounts, determine the best estimate of the variable considerations. However, the transaction prices that include the variable considerations shall not exceed the amounts that are most unlikely to have significant reversal for accumulated recognised income when the relevant uncertainties are eliminated. In assessing whether it is most unlikely to have the significant reversal for the accumulated recognised income, the enterprises shall consider the possibility and its proportion of income reversal at the same time.

Below is the effect of the New Revenue Standard on the consolidated balance sheet of the Group on the date of initial adoption:

Consolidated Balance Sheet

| As at 31 December 2017 | Carrying amount | Assuming implementing the original standard | Impact on adopting the New Revenue Standard |
|------------------------------------------|-------------------|---------------------------------------------------|---------------------------------------------------|
| Bills receivable and accounts receivable | 15,065,293,755.04 | 15,867,845,894.72 | (802,552,139.68) |
| Long-term receivables | 1,186,951,841.33 | 485,377,872.64 | 701,573,968.69 |
| Inventories | 99,497,005,659.34 | 98,649,716,753.63 | 847,288,905.71 |
| Other non-current assets | 1,162,211,200.86 | 1,059,431,952.41 | 102,779,248.45 |
| Deferred income tax assets | 2,999,963,491.58 | 2,952,009,690.68 | 47,953,800.90 |
| Receipts in advance | 172,958,649.26 | 27,340,492,780.84 | (27,167,534,131.58) |
| Contract liabilities | 19,449,250,034.98 | – | 19,449,250,034.98 |
| Other non-current liabilities | 9,289,742,430.25 | 660,456,831.52 | 8,629,285,598.73 |
| Deferred income tax liabilities | 4,499,421,069.69 | 4,473,726,257.58 | 25,694,812.11 |
| Accrued liabilities | 492,059,836.36 | 464,935,400.17 | 27,124,436.19 |
| Retained earnings | 22,732,463,426.79 | 22,758,176,658.95 | (25,713,232.16) |
| Minority interests | 18,713,898,403.38 | 18,754,962,137.58 | (41,063,734.20) |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

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

Change in Accounting Policy (continued)

The New Revenue Standard (continued)

Material impacts of the new revenue standard on the Group for the period are as follows:

Consolidated Balance Sheet

| As at 30 June 2018 | Carrying amount | Assuming implementing the original standard | Impact on adopting the New Revenue Standard |
|------------------------------------------|--------------------|---------------------------------------------------|---------------------------------------------------|
| Bills receivable and accounts receivable | 16,424,808,133.57 | 17,000,135,942.33 | (575,327,808.76) |
| Long-term receivables | 772,241,633.80 | 269,222,956.50 | 503,018,677.30 |
| Inventories | 103,328,686,770.34 | 102,383,661,236.05 | 945,025,534.29 |
| Other non-current assets | 1,784,351,325.83 | 1,697,667,397.81 | 86,683,928.02 |
| Deferred income tax assets | 3,157,049,532.50 | 3,115,953,193.91 | 41,096,338.59 |
| Receipts in advance | 191,670,784.18 | 26,270,850,350.95 | (26,079,179,566.77) |
| Contract liabilities | 22,491,291,593.07 | – | 22,491,291,593.07 |
| Other non-current liabilities | 5,280,094,029.40 | 678,456,831.52 | 4,601,637,197.88 |
| Deferred income tax liabilities | 5,946,878,811.68 | 5,925,207,829.67 | 21,670,982.01 |
| Accrued liabilities | 535,517,819.93 | 512,165,286.94 | 23,352,532.99 |
| Retained earnings | 24,371,551,943.76 | 24,417,189,858.37 | (45,637,914.61) |
| Minority interests | 22,047,437,350.21 | 22,060,075,505.33 | (12,638,155.12) |

Notes to Unaudited Interim Financial Statements

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

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

Change in Accounting Policy (continued)

The New Revenue Standard (continued)

Income Statement

| For the six months ended 30 June 2018 | Carrying amount | Assuming implementing the original standard | Impact on adopting the New Revenue Standard |
|------------------------------------------|-------------------|---------------------------------------------------|---------------------------------------------------|
| Operating revenue | 35,365,393,255.98 | 34,965,862,636.25 | 399,530,619.73 |
| Operating costs | 25,534,771,580.22 | 25,154,233,296.09 | 380,538,284.13 |
| Selling expenses | 1,163,665,343.18 | 1,175,497,678.52 | (11,832,335.34) |
| Finance costs | 1,363,946,668.03 | 1,344,456,525.93 | 19,490,142.10 |
| Income tax expenses | 995,656,787.76 | 992,823,155.55 | 2,833,632.21 |

The New Financial Instruments Standard

The New Financial Instruments Standard changes the classification and measurement of financial assets and defines three categories for measurement: financial assets are measured at amortized cost; measured at fair value through other comprehensive income; measured at fair value through profit or loss of the current period. The above classification shall be made by the entity based on its consideration of its business model and the characteristics of contractual cash flows relating to the financial assets. Equity investments shall be measured at fair value through profit or loss of the current period. However, at initial recognition, the Company can elect to measure equity investments at fair value through other comprehensive income and the election is irrevocable. (Under this election, only dividends are recognized in profit or loss, and gains or losses on disposal are not transferred to profit and loss).

The New Financial Instruments Standard requires “expected credit loss” model for recognition and measurement of impairments in financial assets instead of “objective evidence of impairment” model. Expected credit loss model is applied in financial assets measured at amortized cost or fair value through other comprehensive income, loan commitments and financial guarantee contracts.

On the day of initial implementation, the comparison of financial assets that are classified and measured in accordance with the recognition and measurement standards for financial instruments before and after amendments is as follows:

Notes to Unaudited Interim Financial Statements

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

33. Change in accounting policies and accounting estimates (continued)

Change in Accounting Policy (continued)

The New Financial Instruments Standard (continued)

The Group

| | Recognition and measurement standards for financial instruments before amendment | | Recognition and measurement standards for financial instruments after amendment | |
|--------------------------------------------|---------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------|-------------------|
| | Measurement category | Carrying amount | Measurement category | Carrying amount |
| Bills receivables and accounts receivables | At amortised cost (loans and receivables) | 15,065,293,755.04 | At amortised cost | 15,254,140,090.78 |
| Long-term receivables | At amortised cost (loans and receivables) | 1,186,951,841.33 | At amortised cost | 1,164,859,634.57 |
| Other receivables | At amortised cost (loans and receivables) | 5,890,424,799.29 | At amortised cost | 5,838,085,078.24 |
| Equity investment | Measured at fair value through other comprehensive income (assets available for sale) | 2,309,736,754.00 | Measured at fair value through profit or loss (as per the requirements of the standard) | 1,730,252,400.00 |
| | | | Measured at fair value through other comprehensive income (designated) | 579,484,354.00 |
| Wealth management products | Measured at fair value through other comprehensive income (assets available for sale) | 588,151,110.39 | Measured at fair value through profit or loss (as per the requirements of the standard) | 588,151,110.39 |

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

33. Change in accounting policies and accounting estimates (continued)

Change in Accounting Policy (continued)

The New Financial Instruments Standard (continued)

On the day of initial implementation, the reconciliation between the original carrying value of financial assets and the adjusted new carrying value of financial assets classified and measured in accordance with the recognition and measurement standards for financial instruments after amendment is as follows:

| | Carrying amount according to the original financial instruments standard as at 31 December 2017 | Reclassification | Remeasurement | Carrying amount according to the New Financial Instruments Standard as at 1 January 2018 |
|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------|-----------------|---------------------------------------------------------------------------------------------------------|
| Financial assets measured at amortised costs | | | | |
| <i>Bills receivable and accounts receivable</i> | | | | |
| Balance presented according to original financial instruments standard | 15,065,293,755.04 | | | |
| Remeasurement: provision for expected credit loss | | | 166,754,128.98 | |
| Reclassification: provision for the long-term portion of expected credit loss | | 22,092,206.76 | | |
| Balance presented according to New Financial Instruments Standard | | | | 15,254,140,090.78 |
| <i>Long-term receivables</i> | | | | |
| Balance presented according to original financial instruments standard | 1,186,951,841.33 | | | |
| Reclassification | | (22,092,206.76) | | |
| Balance presented according to New Financial Instruments Standard | | | | 1,164,859,634.57 |
| <i>Other receivables</i> | | | | |
| Balance presented according to original financial instruments standard | 5,890,424,799.29 | | | |
| Remeasurement: provision for expected credit loss | | | (52,339,721.05) | |
| Balance presented according to New Financial Instruments Standard | | | | 5,838,085,078.24 |
| Total financial assets measured at amortised costs | 22,142,670,395.66 | | | 22,257,084,803.59 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

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

Change in Accounting Policy (continued)

The New Financial Instruments Standard (continued)

| | Carrying amount according to the original financial instruments standard as at 31 December 2017 | Reclassification | Remeasurement | Carrying amount according to the New Financial Instruments Standard as at 1 January 2018 |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------|----------------|---------------------------------------------------------------------------------------------------------|
| Available-for-sale financial assets | | | | |
| Balance presented according to original financial instruments standard | 2,897,887,864.39 | | | |
| Less: Transfer to financial assets measured at fair value through other comprehensive income-equity instruments (New Financial Instruments Standard) | | (579,484,354.00) | | |
| Less: Transfer to financial assets measured at fair value through profit or loss (New Financial Instruments Standard) | | (2,318,403,510.39) | | |
| Balance presented according to New Financial Instruments Standard | | | | - |
| Financial assets measured at fair value through other comprehensive income | | | | |
| <i>Investment in other equity instruments</i> | | | | |
| Amount presented according to original financial instruments standard | - | | | |
| Reclassification | | | 579,484,354.00 | |
| Amount presented according to New Financial Instruments Standard | | | | 579,484,354.00 |
| Financial assets measured at fair value through profit or loss | | | | |
| Amount presented according to original financial instruments standard | 46,226,108.99 | | | |
| Reclassification | | 2,318,403,510.39 | | |
| Amount presented according to New Financial Instruments Standard | | | | 2,364,629,619.38 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

33. Change in accounting policies and accounting estimates (continued)

Change in Accounting Policy (continued)

The New Financial Instruments Standard (continued)

On the day of initial implementation, the reconciliation between the impairment provision of original financial assets as at 31 December 2017 and the adjusted new impairment provision of financial assets classified and measured in accordance with the standards for financial instruments after amendment is as follows:

| Measurement category | Provision for loss made according to the original financial instruments standard | Reclassification | Remeasurement | Provision for loss made according to the New Financial Instruments Standard |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------|------------------|-----------------------------------------------------------------------------|
| Loans and receivables (original financial instruments standard)/Financial assets measured at amortised costs (New Financial Instruments Standard) | | | | |
| Bill receivable and accounts receivable, Long-term receivables | 2,420,720,346.67 | – | (166,754,128.98) | 2,253,966,217.69 |
| Other receivables | 1,284,733,038.50 | – | 52,339,721.05 | 1,337,072,759.55 |
| Total | 3,705,453,385.17 | – | (114,414,407.93) | 3,591,038,977.24 |

Presentation of financial statement

In accordance with the "Notice on the Revision of the Issuance of the Financial Statements of General Enterprises for the year 2018" (Accounting [2018] No. 15) (《關於修訂印發截至2018年度一般企業財務報表格式的通知》(財會[2018]15號)), except for the presentation changes of financial statements resulted from the implementation of the New Financial Instruments Standard and the New Revenue Standard mentioned above, the Group consolidated the "bills receivable" and "accounts receivables" to the newly added "bills receivable and accounts receivables" item, consolidated the "dividends receivable" and "interest receivable" to "other receivables", consolidated the "liquidation of fixed assets" to the "fixed assets" item, consolidated the "construction material" to the "construction in progress" item, consolidated the "bills payable" and "accounts payables" to the newly added "bills payable and accounts payables" item, consolidated the "specific payable" to the "long-term payables" item, and the "research and development expenses" item is split from the "administrative expenses" item in the income statement, the "interest expense" and "interest income" are split from the "financial expenses" item; the "change in the defined benefit plan carried forward to retained earnings" item was added to the statement of changes in equity and the Group restated the comparative period statement accordingly. This change in accounting policy has no impact on the merger and the Company's net profit and shareholders' equity.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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IV. TAXATION

(1) Major categories of taxes and respective tax rates

| | |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Value-added tax ("VAT"): | Before 1 May 2018, the VAT payable is determined by the output VAT calculated based on the taxable revenue from general taxpayers at the tax rate of 17% and the output VAT calculated based on the taxable revenue from the modern services industry at the tax rate of 6% less the deductible input VAT for the current period; for small-scale taxpayers, VAT is levied based on the sales revenue at the tax rate of 3%; for the concrete industry, VAT is levied based on the sales revenue at a simplified tax rate of 6%. For financial leasing companies, VAT is levied based on the rental income at a simplified tax rate of 6%. For the sale of immovables of property developers, the VAT payable is determined by the output VAT calculated based on the taxable revenue from general taxpayers at the tax rate of 11% less the deductible input VAT for the current period, and those general taxpayers who are eligible under the Transition Policy may choose to be levied at the simplified rate of 5%. The rate of VAT for tourism and entertainment service, and food and beverage and accommodation service is 6%, and that for immovable leasing service is 11%. Subsequent to 1 May 2018, the VAT payable is determined by the output VAT calculated based on the taxable revenue from general taxpayers at the tax rate of 16% less the deductible input VAT for the current period. |
| 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. |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

IV. TAXATION *(continued)*

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

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

IV. TAXATION *(continued)*

(2) Tax preferences

1. Value-added tax (VAT)

Certain subsidiaries of the Group are entitled to the following VAT preferences:

- (1) In accordance with the Notice concerning the Issuance of "Directory of Value-added Tax Concessions on Comprehensive Utilisation of Goods and Services" (《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) (Cai Shui [2015] No. 78) promulgated by Ministry of Finance and State Administration of Taxation of the PRC with effect from 1 July 2015, some of the Company's subsidiaries engaged in cement production enjoy 70% VAT refund upon collection preferential policy in respect of their eligible cement products.
- (2) In accordance with the requirements of the Notice on Issuing the Catalogue of Value-Added Tax Preferences for Products and Labor Services Involving the Comprehensive Utilization of Resources (《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) (Cai Shui [2015] No. 78) with effect from 1 July 2015, a minor portion of products of BBMG Mortar Co., Ltd., being a subsidiary of the Group, meet the requirement of Comprehensive Utilization of Resources, making these products be able to enjoy 70% VAT refund.
- (3) In accordance with the requirements of the Notice concerning the Value-added Tax Policy for Novel Wall Materials (《關於新型牆體材料增值稅政策的通知》) (Cai Shui [2015] No. 73), Beijing Jinyu Aerated Concrete Co., Ltd. and Tangshan Jinyu Aerated Concrete Co., Ltd., both being the Group's subsidiaries, enjoy 50% VAT refund upon collection preferential policy in respect of their eligible novel wall materials.
- (4) In accordance with the requirements of the Notice on Preferential Policies on Value-Added Tax, Real Estate Tax and Urban Land Use Tax for Heat Supply Enterprises (Cai Shui [2016] No. 94), Beijing Jinhaiyan Property Management Co., Ltd. and BBMG Dacheng Property Management Co., Ltd., both being the Group's subsidiaries, enjoy the VAT exemption for heating fee income obtained from supplying heat for resident individuals by heat supply enterprises upon the end of the heat supply period from 1 January 2016 to 2018.
- (5) In accordance with the financial and tax documents, the products of Beijing Bio-Island Science and Technology Co., Ltd., a subsidiary of the Group, compile with the qualification of products involving comprehensive utilisation of resources produced by using waste lead-acid batteries, and enjoys 50% (for industrial oil produced by waste mineral oil, such as lube base oil, gasoline and diesel) VAT refund upon collection preferential policy.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 (《國家稅務總局關於暫免徵收部分小微企業增值稅和營業稅的通知》) (Cai Shui [2013] No. 52), BBMG Human Resources Management Co., Ltd., a subsidiary of the Group, enjoys the VAT exemption for an enterprise or non-enterprise organisation with monthly sales amount of no more than RMB20,000 within smallscale VAT tax payers.
- (7) Under the project cooperation agreement entered into with the Management Committee of Tianjin Dongjiang Free Trade Zone (天津東疆保稅港區管理委員會), BBMG Finance Lease Co., Ltd., a subsidiary of the Group, enjoys a tax preference policy implemented by the tax authority in the Dongjiang Free Trade Zone, pursuant to which actual tax burden exceeding 3% will be entitled to VAT refund upon collection in accordance with the Notice concerning the Incorporation of the Railway Transportation Industry and the Postal Industry into the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《關於將鐵路運輸和郵政業納入營業稅改增值稅試點的通知》) (Cai Shui [2013] No. 106). In addition, in accordance with the Notice of Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau on Relevant Issues concerning Transitional Financial Subsidy for Pilot Program of Levying Value-added Tax in lieu of Business Tax (《天津市財政局天津市國家稅務局天津市地方稅務局關於營業稅改增值稅試點過渡性財政扶持資金申請撥付問題的通知》) (Jin Cai Shui Zheng [2013] No. 1), if the tax burden of VAT after the reform from business tax to value-added tax ("B2V Reform") is greater than that of business tax before B2V Reform, the financial subsidy for the increased tax burden will be executed according to the relevant requirements of the above documents. Pursuant to the agreement, the Dongjiang Free Trade Zone would undertake 70% of turnover tax from 2015 to 2020 supported by the preferential policies.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

- (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 Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36), in respect of borrowing and lending business, the interests charged on BBMG Finance Co., Ltd., a subsidiary of 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.
- (9) In accordance with the requirements of the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products (《財政部國家稅務總局關於軟件產品增值稅政策的通知》) (Cai Shui [2011] No. 100), Tangshan Dunshi Information and Technology Co., Ltd. enjoys the preferential VAT policy of refund in respect of the portion exceeding the 3% actual VAT bearing ratio upon VAT payment at a tax rate of 17%.

2. Resource tax

In accordance with the Notice on Issues on Specific Policies on the Reform of Resource Tax (Cai Shui [2016] No. 54), Bo'ai BBMG Cement Co., Ltd. has adopted relevant requirements concerning the VAT exemption of co-existing minerals that for mining and selling of co-existing minerals by taxpayers, the sales amounts of main minerals and co-existing minerals products shall be handled separately in accounting and the resource tax for co-existing minerals shall be temporarily exempted in order to promote the comprehensive utilization of co-existing minerals.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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 pursuant to the implementation rules of the Law on Enterprise Income Tax of the People's Republic of China and the Notice of the State Administration of Taxation of the PRC regarding Income Tax Preferences for High-tech Enterprises (《國家稅務總局關於高新技術企業所得稅優惠有關問題的通知》). Such subsidiaries include Tongda Refractory Technology Co., Ltd., Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd., Gongyi Tongda Zhongyuan Refractory Testing Center Co., Ltd., Beijing Building Material Testing Academy Co., Ltd., Beijing Building Materials Academy Co., Ltd., Beijing Jiandu Design and Research Institute Co., Ltd., Beijing Alavus Building Energy Saving Components Co., Ltd., Beijing BBMG Liushui Environmental Protection Technology 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 (Dachang) Co., Ltd., Beijing Tintan Ma Jencia Seats Co., Ltd. (北京天壇瑪金莎座椅有限公司), Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd., Dachang BBMG Coating, Tianjin Keheng New Building Material Co., Ltd., and Tangshan Dunshi Electric Gas Co., Ltd.
- (2) In accordance with the Indices on Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects (《環境保護、節能節水項目企業所得稅優惠政策目錄》), Qinyang BBMG Cement Co., Ltd. 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. enjoys tax preferences concerning small and thin profit enterprises stipulated by the State Administration of Taxation of the PRC, and are subject to corporate income tax at a rate of 15%.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

3. Corporate income tax *(continued)*

- (4) In accordance with the Indices on Income Tax Preferential Policies for Enterprises engaging in Environmental Protection as well as Energy and Water Saving Projects (《環境保護、節能節水項目企業所得稅優惠政策目錄》), Guangling BBMG Cement enjoys the preferential corporate income tax policy of “three-year exemption and three-year 50% reduction” from 1 January 2016 to 31 December 2021.
- (5) 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., Shaanxi Jidong Logistics Services Co., Ltd., Jidong Cement Fengxiang Co., Ltd., Chongqing Jushi New Building Material Co., Ltd., Sin Heng Chan (Chongqing) Co., Ltd., Jidong Cement Chongqing Concrete Co., Ltd., Mizhi Jidong Cement Co., Ltd. were subject to corporate income tax at rate of 15% after obtaining the approval from the competent tax authorities; according the Paragraph 2, Article 28, the Law on Enterprise Income Tax of the People’s Republic of China, Tangshan Jidong Cement Additive Co., Ltd. and Tangshan Dunshi Dry powder Building Material Co., Ltd. enjoyed a reduced 15% corporate income tax rate under the key support policies for High-Tech Enterprises by the country.

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

| | 30 June 2018 | 31 December 2017 |
|--------------------------------------------------------------------------|--------------------------|-------------------|
| Cash in stock | 3,292,287.37 | 908,870.81 |
| Bank deposits | 14,770,055,002.72 | 16,157,596,409.79 |
| Other monetary fund | 1,719,833,652.18 | 516,903,909.35 |
| Statutory deposit reserve placement with central bank by finance company | 1,187,510,266.59 | 1,228,437,954.77 |
| | 17,680,691,208.86 | 17,903,847,144.72 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Cash and bank balances (continued)

Including the following monetary fund with restrictions:

| | 30 June 2018 | 31 December 2017 |
|--------------------------------------------------------------------------|-------------------------|------------------|
| Monetary fund for collateral: | | |
| Statutory deposit reserve placement with central bank by finance company | 1,187,510,266.59 | 1,228,437,954.77 |
| Deposits for letter of credit | 275,728,496.49 | 59,308,277.04 |
| Quality/performance guarantees | 61,408,568.85 | 117,009,520.57 |
| Deposits for acceptance bills | 1,250,310,777.57 | 177,489,541.28 |
| Other monetary fund with restrictions: | | |
| Restricted part of property pre-sale funds | 3,096,676,915.04 | 3,245,141,712.81 |
| Others | 132,685,809.27 | 162,373,334.78 |
| | 6,004,320,833.81 | 4,989,760,341.25 |

As at 30 June 2018, the Group's monetary fund deposited overseas amounted to RMB85,544,277.32 (31 December 2017: RMB32,669,894.86).

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

2. Financial assets at fair value through profit or loss

| | 31 December 2017 |
|-----------------------------------|------------------|
| Financial assets held for trading | |
| Equity instrument investment | 46,226,108.99 |

As at 31 December 2017, such equity instrument investment mainly referred to the market value of the tradable shares of China Resources and Environment (stock code: 600217) held by Tangshan Jidong Cement Co., Ltd. (hereinafter referred to as "Jidong Cement"), as at such date.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Financial assets held for trading

| | 30 June 2018 | Gains/(loss) recognised during the period |
|-------------------------------------------------------|-------------------------|-------------------------------------------------|
| Financial assets at fair value through profit or loss | | |
| Wealth management products | 1,306,841,102.67 | 5,853,992.28 |
| Equity instrument investment | 43,300,012.18 | (2,926,096.81) |
| | 1,350,141,114.85 | 2,927,895.47 |

As at 30 June 2018, wealth management products referred to monetary fund held by BBMG Finance Co., Ltd.; while equity instrument investment referred to the fair value of shares of China Resources and Environment held by Jidong Cement and shares of Bank of Communications held by Jidong Development Group Co., Ltd..

4. Bills receivable and accounts receivable

| | | 30 June 2018 | 31 December 2017 |
|-------------------------------|-----|--------------------------|-------------------|
| Bills receivable | (1) | 7,837,252,103.41 | 8,181,663,835.79 |
| Accounts receivable | (2) | 11,027,714,532.05 | 10,106,902,405.60 |
| | | 18,864,966,635.46 | 18,288,566,241.39 |
| Less: Provision for bad debts | | 2,440,158,501.89 | 2,420,720,346.67 |
| | | 16,424,808,133.57 | 15,867,845,894.72 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Bills receivable and accounts receivable (continued)

(1) Bills receivable

| | 30 June 2018 | 31 December 2017 |
|-----------------------------|-------------------------|------------------|
| Bank acceptance bills | 6,781,791,199.53 | 6,902,433,880.50 |
| Commercial acceptance bills | 1,055,460,903.88 | 1,279,229,955.29 |
| | 7,837,252,103.41 | 8,181,663,835.79 |

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

| | 30 June 2018 | | 31 December 2017 | |
|-----------------------------|-------------------------|-------------------------|------------------|---------------------|
| | Derecognised | Not derecognised | Derecognised | Not derecognised |
| Bank acceptance bills | 7,937,522,266.63 | 2,429,933,349.82 | 3,547,596,983.95 | 3,411,269,211.02 |
| Commercial acceptance bills | - | 395,937,052.37 | - | 345,743,510.81 |
| | 7,937,522,266.63 | 2,825,870,402.19 | 3,547,596,983.95 | 3,757,012,721.83 |

As at 30 June 2018, bank acceptance bills pledged to secure bank borrowings amounted to RMB5,800,000.00 (31 December 2017: RMB5,300,000.00), details of which are set out in note V. 67.

As at the balance sheet date, there was no transfer of bills receivable into accounts receivable due to default on the part of the drawer.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Bills receivable and accounts receivable (continued)

(2) 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 is as follows:

| | 30 June 2018 | 31 December 2017 |
|------------------------------------------------------|--------------------------|-------------------|
| Within 1 year (inclusive of 1 year) | 6,353,416,189.84 | 5,594,236,704.72 |
| 1 to 2 years (inclusive of 2 years) | 1,885,689,147.78 | 1,893,391,337.30 |
| 2 to 3 years (inclusive of 3 years) | 967,454,682.55 | 998,531,700.06 |
| 3 to 4 years (inclusive of 4 years) | 713,172,610.23 | 667,986,707.04 |
| 4 to 5 years (inclusive of 5 years) | 357,081,790.51 | 387,965,394.02 |
| Over 5 years | 750,900,111.14 | 564,790,562.46 |
| | 11,027,714,532.05 | 10,106,902,405.60 |
| Less: Provision for bad debts of accounts receivable | 2,440,158,501.89 | 2,420,720,346.67 |
| | 8,587,556,030.16 | 7,686,182,058.93 |

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

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------|-------------------------|------------------|
| Balance at the end of the previous year | 2,420,720,346.67 | 2,250,876,050.03 |
| Effect of change in accounting policy | (188,846,335.74) | – |
| Opening balance for the period/year | 2,231,874,010.93 | 2,250,876,050.03 |
| Provision for the period/year | 134,679,988.89 | 550,190,679.03 |
| Transferred in upon acquisition of subsidiaries | 219,885,802.98 | 42,894.45 |
| Transferred out for the period | (103,649.00) | – |
| Reversal for the period/year | (140,353,265.16) | (355,573,980.57) |
| Write-off for the period/year | (5,824,386.75) | (24,815,296.27) |
| Closing balance for the period/year | 2,440,158,501.89 | 2,420,720,346.67 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Bills receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

| | 30 June 2018 | | | |
|--------------------------------------------------------------|--------------------------|----------------|-------------------------|----------------|
| | Gross carrying amount | | Provision for bad debts | |
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Subject to separate provision for bad debts | 1,229,568,481.13 | 11.15 | 215,729,588.30 | 17.55 |
| Provision for bad debts by credit risk characteristics group | 9,798,146,050.92 | 88.85 | 2,224,428,913.59 | 22.70 |
| | 11,027,714,532.05 | 100.00 | 2,440,158,501.89 | |

The provision for bad debt of accounts receivable determined by the Group based on the aging analysis is as follows:

| | 30 June 2018 | | |
|-------------------------------------|--------------------------------------------------|---------------------------|-------------------------------|
| | Gross carrying amount estimated to be in default | Expected credit loss rate | Lifetime expected credit loss |
| Within 1 year (inclusive of 1 year) | 5,917,932,217.08 | 2.91 | 172,473,203.36 |
| 1 to 2 years (inclusive of 2 years) | 1,585,374,894.81 | 18.53 | 293,694,619.74 |
| 2 to 3 years (inclusive of 3 years) | 741,324,953.80 | 49.17 | 364,478,991.65 |
| 3 to 4 years (inclusive of 4 years) | 556,650,360.72 | 71.30 | 396,918,474.33 |
| 4 to 5 years (inclusive of 5 years) | 317,763,411.74 | 100.00 | 317,763,411.74 |
| Over 5 years | 679,100,212.77 | 100.00 | 679,100,212.77 |
| | 9,798,146,050.92 | | 2,224,428,913.59 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Bills receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

| | 31 December 2017 | | | |
|---------------------------------------------------------------------------------|--------------------------|-------------------|-------------------------|-------------------|
| | Gross carrying amount | | Provision for bad debts | |
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Individually significant and subject to separate provision for bad debts | 165,916,230.92 | 1.64 | 95,292,154.85 | 57.43 |
| Provision for bad debts by credit risk characteristics group | | | | |
| Within 1 year (inclusive of 1 year) | 5,554,791,184.63 | 54.96 | – | – |
| 1 to 2 years (inclusive of 2 years) | 1,622,133,911.48 | 16.05 | 486,609,621.86 | 30.00 |
| 2 to 3 years (inclusive of 3 years) | 799,332,777.79 | 7.91 | 479,599,666.68 | 60.00 |
| 3 to 4 years (inclusive of 4 years) | 496,762,500.50 | 4.92 | 422,248,125.69 | 85.00 |
| 4 to 5 years (inclusive of 5 years) | 297,619,135.91 | 2.94 | 297,619,135.91 | 100.00 |
| Over 5 years | 507,630,233.09 | 5.02 | 507,630,233.09 | 100.00 |
| | 9,278,269,743.40 | 91.80 | 2,193,706,783.23 | |
| Provision for bad debts by special credit characteristics group | 324,402,353.52 | 3.21 | – | – |
| Individually not significant but subject to separate provision for bad debts | 338,314,077.76 | 3.35 | 131,721,408.59 | 38.93 |
| | <u>10,106,902,405.60</u> | <u>100.00</u> | <u>2,420,720,346.67</u> | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Bills receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

As at 31 December 2017, 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 | 78,993,168.64 | 61,474,662.37 | 77.82 | Partly uncollectible |
| Unit 2 | 51,900,000.00 | 15,570,000.00 | 30.00 | Partly uncollectible |
| Unit 3 | 17,538,494.30 | 762,924.50 | 4.35 | Partly uncollectible |
| Unit 4 | 17,484,567.98 | 17,484,567.98 | 100.00 | Uncollectible |
| | <u>165,916,230.92</u> | <u>95,292,154.85</u> | | |

As at 31 December 2017, 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 5 | Payment for goods received | Aging analysis | 6,171,287.23 | 6,171,287.23 |
| Unit 6 | Payment for goods received | Individual identification | 2,576,860.17 | 2,576,860.17 |
| Unit 7 | Payment for goods received | Individual identification | 1,509,870.50 | 1,509,870.50 |
| Unit 8 | Payment for goods received | Individual identification | 25,925.82 | 25,925.82 |
| | | | <u>10,283,943.72</u> | <u>10,283,943.72</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Bills receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

As at 30 June 2018, 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 period | Net amount |
|---------|-----------------------|---------------------------------------------------|----------------------------------------------------------------------|-----------------------|
| Unit 9 | 138,183,606.28 | 1.25 | 43,005,099.65 | 95,178,506.63 |
| Unit 10 | 99,390,666.20 | 0.90 | – | 99,390,666.20 |
| Unit 11 | 93,476,055.80 | 0.85 | – | 93,476,055.80 |
| Unit 12 | 82,520,145.87 | 0.75 | – | 82,520,145.87 |
| Unit 1 | 80,213,849.30 | 0.73 | 63,889,923.80 | 16,323,925.50 |
| | 493,784,323.45 | 4.48 | 106,895,023.45 | 386,889,300.00 |

As at 31 December 2017, 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 9 | 148,478,348.34 | 1.47 | 68,000,805.28 | 80,477,543.06 |
| Unit 1 | 80,756,418.64 | 0.80 | 63,094,799.87 | 17,661,618.77 |
| Unit 13 | 67,815,547.49 | 0.67 | – | 67,815,547.49 |
| Unit 14 | 55,938,329.62 | 0.55 | 110,694.02 | 55,827,635.60 |
| Unit 15 | 53,936,074.01 | 0.53 | 44,459,489.91 | 9,476,584.10 |
| | 406,924,718.10 | 4.02 | 175,665,789.08 | 231,258,929.02 |

For the six months ended 30 June 2018, provision for bad debts amounted to RMB134,679,988.89 (2017: RMB550,190,679.03), and provision for bad debts recovered or reversed amounted to RMB140,353,265.16 (2017: RMB355,573,980.57). The actual amount of accounts receivable written-off was RMB5,824,386.75 (2017: RMB24,815,296.27).

For the transfer of bills receivable, please refer to Note VIII. 2.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Prepayments

An aging analysis of prepayments is as follows:

| | 30 June 2018 | | 31 December 2017 | |
|----------------------------------------------|-------------------------|----------------|-----------------------|----------------|
| | Gross carrying amount | Proportion (%) | Gross carrying amount | Proportion (%) |
| Within 1 year (inclusive) | 1,886,783,407.07 | 91.97 | 1,618,250,818.14 | 88.17 |
| 1 to 2 years (inclusive) | 54,656,555.91 | 2.66 | 113,738,152.85 | 6.20 |
| 2 to 3 years (inclusive) | 48,643,507.57 | 2.37 | 28,337,468.54 | 1.54 |
| Over 3 years | 61,531,452.73 | 3.00 | 75,134,002.97 | 4.09 |
| | 2,051,614,923.28 | 100.00 | 1,835,460,442.50 | 100.00 |
| Less: Provision for bad debts of prepayments | 13,084,480.22 | | 43,106,152.03 | |
| | 2,038,530,443.06 | | 1,792,354,290.47 | |

As at 30 June 2018, 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 16 1-2 years | 9,718,872.87 | 0.47% | Transaction not yet completed |
| Unit 17 1-2 years | 9,996,589.86 | 0.48% | Transaction not yet completed |
| | 19,715,462.73 | | |

As at 31 December 2017, 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 18 1-2 years and 2-3 years | 33,079,173.18 | 1.80% | Transaction not yet completed |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Prepayments (continued)

As at 30 June 2018, the top 5 prepayments were as follows:

| | Amount | Percentage of total prepayments |
|---------|-----------------------|------------------------------------|
| Unit 19 | 136,310,637.65 | 6.64% |
| Unit 20 | 127,909,668.63 | 6.23% |
| Unit 21 | 56,416,422.30 | 2.75% |
| Unit 22 | 50,000,000.00 | 2.44% |
| Unit 23 | 48,747,764.94 | 2.38% |
| | 419,384,493.52 | 20.44% |

As at 31 December 2017, the top 5 prepayments were as follows:

| | Amount | Percentage of total prepayments |
|---------|-----------------------|------------------------------------|
| Unit 24 | 262,039,244.70 | 14.28% |
| Unit 25 | 98,603,195.88 | 5.37% |
| Unit 26 | 83,482,264.44 | 4.55% |
| Unit 27 | 33,079,173.18 | 1.80% |
| Unit 28 | 29,569,354.27 | 1.61% |
| | 506,773,232.47 | 27.61% |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------|--------------------------|------------------|
| Interests receivable | 3,562,827.64 | 1,284,128.69 |
| Dividends receivable | 11,071,936.52 | 10,071,936.52 |
| Deposits | 4,642,851,104.19 | 1,086,461,353.04 |
| Current account with other entities | 2,703,460,277.10 | 1,729,224,573.12 |
| Disbursements previously made | 1,368,810,287.31 | 1,054,864,213.70 |
| Investment receivable | 337,297,369.13 | 1,231,866,805.24 |
| Government grants receivable | 150,041,032.17 | 56,592,224.11 |
| Reserve fund | 148,288,119.41 | 155,567,050.51 |
| Other current account | 1,285,595,360.42 | 1,849,225,552.86 |
| | 10,650,978,313.89 | 7,175,157,837.79 |
| Less: Provision for bad debts of other receivables | 1,440,430,105.12 | 1,284,733,038.50 |
| | 9,210,548,208.77 | 5,890,424,799.29 |

An aging analysis of other receivables is as follows:

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------|--------------------------|------------------|
| Within 1 year (inclusive) | 6,538,546,621.10 | 3,534,634,238.35 |
| 1 to 2 years (inclusive) | 1,068,656,663.69 | 1,240,188,321.88 |
| 2 to 3 years (inclusive) | 1,194,001,290.41 | 489,456,704.83 |
| 3 to 4 years (inclusive) | 346,578,099.06 | 419,793,430.29 |
| 4 to 5 years (inclusive) | 380,313,613.50 | 253,461,395.33 |
| Over 5 years | 1,122,882,026.13 | 1,237,623,747.11 |
| | 10,650,978,313.89 | 7,175,157,837.79 |
| Less: Provision for bad debts of other receivables | 1,440,430,105.12 | 1,284,733,038.50 |
| | 9,210,548,208.77 | 5,890,424,799.29 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables (continued)

The movements in provision for bad debts of other receivables based on lifetime expected credit losses are as follows:

| | For the six months ended 30 June 2018 |
|-------------------------------------------------|---------------------------------------------|
| Balance at the end of the previous year | 1,284,733,038.50 |
| Effect of change in accounting policy | 52,339,721.05 |
| Opening balance for the period | 1,337,072,759.55 |
| Provision for the period | 50,378,182.43 |
| Transferred in upon acquisition of subsidiaries | 141,409,129.87 |
| Reversal for the period | (82,010,304.01) |
| Write-off for the period | (6,419,662.72) |
| Closing balance for the period | 1,440,430,105.12 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables (continued)

| | 31 December 2017 | | | |
|------------------------------------------------------------------------------|-------------------------|----------------|-------------------------|-----------------------------|
| | Gross carrying amount | | Provision for bad debts | |
| | Amount | Proportion (%) | Amount | Percentage of provision (%) |
| Individually significant and subject to separate provision for bad debts | 1,049,521,502.08 | 14.63 | 555,906,061.27 | 52.97 |
| Provision for bad debts by credit risk characteristics group | | | | |
| Within 1 year (inclusive) | 2,056,603,431.19 | 28.66 | – | – |
| 1 to 2 years (inclusive) | 176,255,657.72 | 2.46 | 52,876,577.32 | 30.00 |
| 2 to 3 years (inclusive) | 66,295,002.51 | 0.92 | 39,777,001.51 | 60.00 |
| 3 to 4 years (inclusive) | 41,323,846.77 | 0.58 | 35,123,721.12 | 85.00 |
| 4 to 5 years (inclusive) | 49,528,192.06 | 0.69 | 49,528,192.06 | 100.00 |
| Over 5 years | 464,503,537.95 | 6.47 | 464,503,537.95 | 100.00 |
| | 2,854,509,668.20 | 39.78 | 641,809,029.96 | |
| Provision for bad debts by special credit characteristics group | 3,140,411,904.03 | 43.77 | – | – |
| Individually not significant but subject to separate provision for bad debts | 130,714,763.48 | 1.82 | 87,017,947.27 | 66.57 |
| | <u>7,175,157,837.79</u> | <u>100.00</u> | <u>1,284,733,038.50</u> | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables (continued)

| | 30 June 2018 | | | |
|-------------------------------------------------------------------------------------------------------|--------------------------|----------------|-------------------------|-----------------------------|
| | Gross carrying amount | | Provision for bad debts | |
| | Amount | Proportion (%) | Amount | Percentage of provision (%) |
| Individual assessment of expected credit losses and provision for bad debts | 7,973,476,332.38 | 74.86 | 769,085,787.10 | 9.65 |
| Assessment of expected credit losses and provision for bad debts by credit risk characteristics group | 2,677,501,981.51 | 25.14 | 671,344,318.02 | 25.07 |
| | 10,650,978,313.89 | 100.00 | 1,440,430,105.12 | |

As at 31 December 2017, 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 29 | 193,800,000.00 | 116,280,000.00 | 60.00 | Partly uncollectible |
| Unit 30 | 126,964,897.64 | 36,569,230.67 | 28.80 | Partly uncollectible |
| Unit 31 | 124,595,646.26 | 6,229,782.31 | 5.00 | Partly uncollectible |
| Unit 1 | 116,589,327.25 | 91,915,165.90 | 78.84 | Partly uncollectible |
| Other units | 487,571,630.93 | 304,911,882.39 | 62.54 | Partly uncollectible |
| | 1,049,521,502.08 | 555,906,061.27 | | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables (continued)

The provision for bad debt of other receivables determined by the Group based on the aging analysis is as follows:

| | 30 June 2018 | | |
|---------------------------|--------------------------------------------------|---------------------------|-------------------------------|
| | Gross carrying amount estimated to be in default | Expected credit loss rate | Lifetime expected credit loss |
| Within 1 year (inclusive) | 1,763,280,787.39 | 1% | 16,077,947.85 |
| 1 to 2 years (inclusive) | 243,833,428.48 | 12% | 29,260,011.41 |
| 2 to 3 years (inclusive) | 68,283,179.52 | 44% | 30,044,598.99 |
| 3 to 4 years (inclusive) | 21,182,159.83 | 71% | 15,039,333.48 |
| 4 to 5 years (inclusive) | 45,575,763.99 | 100% | 45,575,763.99 |
| Over 5 years | 535,346,662.30 | 100% | 535,346,662.30 |
| | 2,677,501,981.51 | | 671,344,318.02 |

For the six months ended 30 June 2018, provision for bad debts amounted to RMB50,378,182.43 (2017: RMB348,610,117.91), and provision for bad debts recovered or reversed amounted to RMB82,010,304.01 (2017: RMB359,123,810.99). The actual amount of accounts receivable written-off was RMB6,419,662.72 (2017: RMB20,334,270.23).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables (continued)

As at 30 June 2018, 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 | 396,170,227.56 | 3.72 | Disbursements previously made | Within 1 year | – |
| Unit 31 | 237,722,355.94 | 2.23 | Consideration receivable for equity transfer and others | Within 1 year, over 5 years | 116,280,000.00 |
| Unit 33 | 145,045,448.61 | 1.36 | Disbursements previously made | Within 1 year, 4-5 years | 16,800,000.00 |
| Unit 30 | 126,964,897.64 | 1.19 | General current borrowings | 2-3 years, 4-5 years | 36,569,230.67 |
| Unit 1 | 116,589,327.25 | 1.09 | Current account with other companies | 1-2 years, 3-4 years | 91,915,165.90 |
| | 1,022,492,257.00 | 9.59 | | | 261,564,396.57 |

As at 31 December 2017, 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 | 546,661,460.00 | 7.62 | Consideration receivable for equity transfer | Within 1 year | – |
| Unit 31 | 193,800,000.00 | 2.70 | Consideration receivable for equity transfer | Over 5 years | 116,280,000.00 |
| Unit 35 | 156,701,654.49 | 2.18 | Disbursements previously made | Within 1 year, 1-2 years | 156,701,654.49 |
| Unit 36 | 134,248,050.00 | 1.87 | Consideration receivable for equity transfer | Within 1 year, over 5 years | – |
| Unit 30 | 126,964,897.64 | 1.77 | General current borrowings | 1-2 years, 3-4 years | 36,569,230.67 |
| | 1,158,376,062.13 | 16.14 | | | 309,550,885.16 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables (continued)

As at 30 June 2018, government grants receivable were as follows:

| | Description of government grants | Amount | Aging | Expected time of receipt |
|---------|----------------------------------|-----------------------|---------------|--------------------------|
| Unit 37 | Refunds of VAT | 37,608,721.79 | Within 1 year | 2019 |
| Unit 38 | Refunds of VAT | 24,396,541.66 | Within 1 year | 2019 |
| Unit 39 | Refunds of VAT | 12,885,479.15 | Within 1 year | 2019 |
| Unit 40 | Refunds of VAT | 11,459,244.00 | Within 1 year | 2019 |
| Unit 41 | Refunds of VAT | 10,929,207.80 | Within 1 year | 2019 |
| Unit 42 | Refunds of VAT | 10,720,394.00 | Within 1 year | 2019 |
| Unit 43 | Refunds of VAT | 8,133,437.10 | Within 1 year | 2019 |
| Unit 44 | Refunds of VAT | 5,952,216.76 | Within 1 year | 2019 |
| Unit 45 | Refunds of VAT | 4,962,861.80 | Within 1 year | 2019 |
| Unit 28 | Refunds of VAT | 4,304,297.86 | Within 1 year | 2019 |
| Unit 46 | Refunds of VAT | 4,103,108.94 | Within 1 year | 2019 |
| Unit 47 | Refunds of VAT | 2,932,681.92 | Within 1 year | 2019 |
| Unit 48 | Refunds of VAT | 2,654,814.63 | Within 1 year | 2019 |
| Unit 49 | Refunds of VAT | 2,237,511.85 | Within 1 year | 2019 |
| Unit 25 | Refunds of VAT | 2,027,469.41 | Within 1 year | 2019 |
| Unit 50 | Refunds of VAT | 1,583,494.50 | Within 1 year | 2019 |
| Unit 51 | Refunds of VAT | 1,295,549.36 | Within 1 year | 2019 |
| Unit 52 | Refunds of VAT | 1,222,011.96 | Within 1 year | 2019 |
| Unit 53 | Refunds of VAT | 265,999.19 | Within 1 year | 2019 |
| Unit 54 | Refunds of VAT | 205,249.61 | Within 1 year | 2019 |
| Unit 55 | Refunds of VAT | 129,738.88 | Within 1 year | 2019 |
| Unit 56 | Refunds of VAT | 30,000.00 | Within 1 year | 2019 |
| Unit 57 | Refunds of VAT | 1,000.00 | Within 1 year | 2019 |
| | | <u>150,041,032.17</u> | | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Other receivables (continued)

As at 31 December 2017, government grants receivable were as follows:

| | Description of government grants | Amount | Aging | Expected time of receipt |
|-------------|----------------------------------|----------------------|---------------|--------------------------|
| Unit 41 | Refunds of VAT | 38,213,505.08 | Within 1 year | 2018 |
| Unit 42 | Refunds of VAT | 9,126,462.14 | Within 1 year | 2018 |
| Unit 44 | Refunds of VAT | 2,808,813.48 | Within 1 year | 2018 |
| Unit 58 | Refunds of VAT | 2,236,400.86 | Within 1 year | 2018 |
| Unit 59 | Refunds of VAT | 1,697,238.58 | Within 1 year | 2018 |
| Unit 50 | Refunds of VAT | 1,366,570.53 | Within 1 year | 2018 |
| Unit 53 | Refunds of VAT | 265,999.19 | Within 1 year | 2018 |
| Unit 45 | Refunds of VAT | 217,328.17 | Within 1 year | 2018 |
| Unit 54 | Refunds of VAT | 205,912.34 | Within 1 year | 2018 |
| Unit 55 | Refunds of VAT | 192,299.51 | Within 1 year | 2018 |
| Other units | Refunds of VAT | <u>261,694.23</u> | Within 1 year | 2018 |
| | | <u>56,592,224.11</u> | | |

As set out in Note IV. (2) Tax, certain companies of the Group enjoy the policy of immediate refund of VAT levied. As at the balance sheet date, the value-added tax receivable refund policies have been verified by various tax bureaus.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories

| | 30 June 2018 | | |
|----------------------------|---------------------------|-----------------------------------------------------|---------------------------|
| | Gross carrying amount | Less: Provision for decline in value of inventories | Carrying value |
| Raw materials | 2,114,488,350.52 | 101,658,677.68 | 2,012,829,672.84 |
| Items in production | 837,487,453.41 | 19,641,464.80 | 817,845,988.61 |
| Finished goods | 2,129,102,648.83 | 46,868,318.43 | 2,082,234,330.40 |
| Turnover materials | 87,133,575.44 | 81,472.31 | 87,052,103.13 |
| Goods in stock | 382,895,129.13 | 395,486.62 | 382,499,642.51 |
| Development costs | 87,105,016,896.86 | 12,163,046.86 | 87,092,853,850.00 |
| Products under development | 11,014,488,805.92 | 161,117,623.07 | 10,853,371,182.85 |
| | 103,670,612,860.11 | 341,926,089.77 | 103,328,686,770.34 |

| | 30 December 2017 | | |
|----------------------------|--------------------------|-----------------------------------------------------|--------------------------|
| | Gross carrying amount | Less: Provision for decline in value of inventories | Carrying value |
| Raw materials | 1,894,373,153.74 | 100,513,654.18 | 1,793,859,499.56 |
| Items in production | 840,631,376.18 | 46,209,849.70 | 794,421,526.48 |
| Finished goods | 1,939,035,330.53 | 53,935,822.09 | 1,885,099,508.44 |
| Turnover materials | 73,467,759.77 | 81,472.31 | 73,386,287.46 |
| Goods in stock | 390,545,544.02 | 395,486.62 | 390,150,057.40 |
| Development costs | 81,490,890,193.24 | 15,632,660.41 | 81,475,257,532.83 |
| Products under development | 12,419,619,674.52 | 182,077,333.06 | 12,237,542,341.46 |
| | 99,048,563,032.00 | 398,846,278.37 | 98,649,716,753.63 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories (continued)

For the six months ended 30 June 2018, the movements in provision for decline in value of inventories are as follows:

| | Opening balance | Provision for the period | Decrease in the period | | Closing balance |
|----------------------------|-----------------------|-----------------------------|------------------------|------------------------|-----------------------|
| | | | Reversal | Write-off | |
| Raw materials | 100,513,654.18 | 3,114,844.63 | (42,273.78) | (1,927,547.35) | 101,658,677.68 |
| Items in production | 46,209,849.70 | 1,093,587.73 | (1,093,587.73) | (26,568,384.90) | 19,641,464.80 |
| Finished goods | 53,935,822.09 | 1,002,578.20 | (984,245.81) | (7,085,836.05) | 46,868,318.43 |
| Turnover materials | 81,472.31 | - | - | - | 81,472.31 |
| Goods in stock | 395,486.62 | - | - | - | 395,486.62 |
| Development costs | 15,632,660.41 | - | - | (3,469,613.55) | 12,163,046.86 |
| Products under development | 182,077,333.06 | - | - | (20,959,709.99) | 161,117,623.07 |
| | 398,846,278.37 | 5,211,010.56 | (2,120,107.32) | (60,011,091.84) | 341,926,089.77 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories (continued)

The movements in provision for decline in value of inventories in 2017 are as follows:

| | Opening balance | Provision for the year | Disposal of subsidiaries | Decrease in the year | | Closing balance |
|----------------------------|-----------------------|------------------------|--------------------------|------------------------|-------------------------|-----------------------|
| | | | | Reversal | Write-off | |
| Raw materials | 73,982,451.78 | 956,633.12 | 37,458,568.34 | (140,871.70) | (11,743,127.36) | 100,513,654.18 |
| Items in production | 72,674,203.82 | - | 11,672,783.00 | (2,296,671.00) | (35,840,466.12) | 46,209,849.70 |
| Finished goods | 80,504,007.51 | - | 63,362,726.62 | (6,871,538.39) | (83,059,373.65) | 53,935,822.09 |
| Turnover materials | 337,616.84 | - | - | (256,144.53) | - | 81,472.31 |
| Goods in stock | 1,122,050.29 | - | - | (726,563.67) | - | 395,486.62 |
| Development costs | 40,401,250.12 | - | - | - | (24,768,589.71) | 15,632,660.41 |
| Products under development | 293,601,747.06 | - | 45,401,806.07 | (43,533,161.04) | (113,393,059.03) | 182,077,333.06 |
| | <u>562,623,327.42</u> | <u>956,633.12</u> | <u>157,895,884.03</u> | <u>(53,824,950.33)</u> | <u>(268,804,615.87)</u> | <u>398,846,278.37</u> |

As at 30 June 2018, the balance of development costs included the capitalised borrowing costs of RMB4,250,957,377.13 (31 December 2017: RMB3,339,772,026.89). The capitalised borrowing costs amounted to RMB1,116,161,798.05 in aggregate during the period (2017: RMB1,318,364,035.21), and the rate of interest capitalisation was 4.86% (31 December 2017: 4.62%).

Details of pledge of inventories are set out in Note V.67.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories (continued)

(1) The following sets out the breakdown of costs of property development:

| Project name | Time of commencement | Estimated completion time of the next phase | Aggregate investment | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------------|----------------------|---------------------------------------------|----------------------|-------------------------|------------------|
| Hangzhou – Jingfangsanbao Project | May 2017 | December 2019 | 10,389,880,000.00 | 8,130,138,746.32 | 7,794,797,761.79 |
| Beijing – Fengtai Project | October 2015 | October 2018 | 6,622,570,000.00 | 6,484,564,474.88 | 5,823,383,723.90 |
| Tianjin – Airport Economic Zone | March 2018 | December 2019 | 9,119,780,000.00 | 6,359,794,904.49 | 6,154,726,837.94 |
| Hefei – Plot S1606 at Baohe District | May 2017 | April 2020 | 7,832,884,312.81 | 5,161,082,826.23 | 4,929,122,998.74 |
| Nanjing – Plot G07 at Diary Farm | December 2016 | November 2018 | 6,845,850,000.00 | 4,779,250,191.00 | 4,628,655,149.01 |
| Hefei – Nanqi Garden | March 2016 | December 2018 | 7,010,664,201.05 | 4,591,924,371.53 | 4,306,226,481.23 |
| Ningbo – Plot 07#15# at Gaixin District | March 2018 | March 2020 | 5,390,000,000.00 | 4,269,438,524.72 | 3,167,386,989.40 |
| Chongqing – Xinduhu Project | June 2018 | November 2019 | 20,117,351,300.00 | 4,214,783,700.32 | 4,104,114,958.20 |
| Beijing – Penglai Project | May 2015 | 2019 | 6,816,300,000.00 | 4,125,751,775.41 | 4,003,618,006.44 |
| Nanjing – Plot G20 at Jiulonghu | July 2018 | April 2020 | 5,051,370,000.00 | 3,425,549,234.88 | 3,327,162,601.40 |
| Qingdao – Qingdao Project | November 2015 | September 2018 | 3,400,000,000.00 | 2,753,329,258.46 | 2,445,038,410.14 |
| Beijing – Houshayu Project | October 2016 | December 2018 | 2,946,000,000.00 | 2,688,530,777.76 | 2,436,377,810.43 |
| Beijing – Yancun Project | September 2018 | N/A | 3,732,050,000.00 | 2,657,597,135.58 | 2,540,000,000.00 |
| Beijing – Yizhuang Project | August 2018 | N/A | 3,243,940,000.00 | 2,581,470,697.45 | 2,460,000,000.00 |
| Chengdu – Gaixin Zhonghe Project | September 2018 | April 2022 | 5,332,520,000.00 | 2,348,864,667.03 | 1,749,364,483.47 |
| Beijing – Airport Project | March 2018 | May 2020 | 2,830,000,000.00 | 2,191,458,347.62 | 2,029,763,499.51 |
| Beijing – Plot at Western Xijiao Gravel Plant | November 2015 | November 2018 | 2,648,303,200.00 | 2,176,531,415.96 | 1,662,886,919.26 |
| Qingdao – Jinyu Jimo | December 2018 | April 2021 | 4,151,470,000.00 | 1,723,829,891.84 | – |
| Shanghai – Jiading Juyuan | December 2015 | December 2018 | 5,500,000,000.00 | 1,533,021,001.34 | 2,837,522,654.41 |
| Anhui – Forklift Factory Project | May 2018 | April 2020 | 2,189,770,007.66 | 1,279,654,210.67 | 1,232,566,564.78 |
| Chongqing – Nanshanjun | December 2011 | October 2019 | 4,374,991,427.00 | 1,273,729,252.18 | 1,210,348,479.32 |
| Tangshan – Qixin 1889# | April 2014 | September 2019 | 810,889,940.35 | 1,122,882,143.21 | 1,047,454,794.67 |
| Chengdu – Xindu Dafeng Project | July 2018 | September 2020 | 1,654,890,000.00 | 1,106,657,077.74 | 1,069,710,676.81 |
| Haikou – Yangguangjun | April 2016 | September 2022 | 2,532,000,000.00 | 1,029,986,092.30 | 963,014,390.91 |
| Chengdu – Wuhou Longxijun Project | July 2018 | September 2020 | 1,808,840,000.00 | 839,522,528.67 | 766,475,980.57 |
| Inner Mongolia – Jinyu Global Finance Centre | July 2013 | December 2018 | 1,200,000,000.00 | 754,072,761.97 | 700,733,359.79 |
| Chongqing – Times Metro | October 2012 | September 2018 | 4,036,912,780.00 | 673,422,019.67 | 978,005,735.37 |
| Beijing – Public Rental Apartments of Technology Park | June 2015 | August 2019 | 1,377,090,000.00 | 672,826,229.42 | 490,869,688.93 |
| Tianjin – Qiaowanyuan Project | December 2016 | June 2019 | 869,000,000.00 | 634,402,243.06 | – |
| Nanhu – Jin'anshiming | March 2018 | December 2018 | 2,360,000,000.00 | 632,294,425.86 | 567,875,759.55 |
| Tangshan – Jinyu Lefu | March 2010 | December 2019 | 2,787,561,938.91 | 625,035,512.59 | 597,804,216.27 |
| Tianjin – Yingshun Building | March 2018 | June 2021 | 1,300,380,000.00 | 612,224,798.73 | – |

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories (continued)

(1) The following sets out the breakdown of costs of property development: (continued)

| Project name | Time of commencement | Estimated completion time of the next phase | Aggregate investment | 30 June 2018 | 31 December 2017 |
|------------------------------------------------------|----------------------|---------------------------------------------|----------------------|--------------------------|-------------------|
| Chengdu – Shangxifu | July 2018 | September 2020 | 960,270,000.00 | 502,894,584.29 | 485,727,813.37 |
| Beijing – Nankou Project | May 2016 | August 2018 | 682,973,619.00 | 480,692,101.67 | 348,763,167.23 |
| Tianjin – Haoyu Company Commercial Project | May 2017 | December 2018 | 578,000,000.00 | 468,019,943.28 | – |
| Ningbo – Plot at Yaojiang Chuanzha | March 2017 | April 2019 | 840,000,000.00 | 391,110,968.46 | 324,695,337.29 |
| Haikou – Xixili | April 2016 | September 2022 | 420,980,000.00 | 271,957,688.05 | 195,460,998.38 |
| Beijing – Phase II of Dandian | April 2014 | December 2018 | 4,406,665,057.79 | 263,086,202.18 | 250,288,146.91 |
| Beijing – Chaoyang New City | August 2013 | December 2018 | 4,184,808,038.41 | 182,685,861.91 | 184,219,448.30 |
| Tianjin – Jinyu Yuecheng | September 2010 | N/A | 5,157,217,800.00 | 173,996,116.92 | 174,890,456.22 |
| Beijing – Kanghuiyuan | February 2009 | February 2020 | 1,923,699,963.82 | 139,498,381.86 | 135,492,986.07 |
| Beijing – Changyang Polytechnic University Land No.1 | May 2013 | December 2018 | 2,500,000,000.00 | 118,395,721.36 | 114,277,273.80 |
| Hangzhou – Plot 2F | April 2016 | September 2022 | N/A | 86,742,630.75 | 86,113,840.39 |
| Chengde – Chengde Project | June 2018 | March 2021 | 542,000,000.00 | 85,897,427.47 | 61,529,109.20 |
| Tangshan – Laishui Dormitory | March 2009 | December 2018 | 49,479,634.00 | 46,408,551.65 | 45,745,047.51 |
| Nanjing – Plot A2 at Xinglong Street | | | | | |
| North | March 2014 | June 2018 | 4,540,170,000.00 | 35,888,053.68 | 1,921,318,371.09 |
| Hangzhou – Guanlan Times | May 2013 | Completed | 644,267,397.16 | – | 459,930,827.80 |
| Beijing – Jinyu fu | March 2012 | Completed | 928,663,517.09 | – | 269,348,903.43 |
| Others | | | | 391,958,377.58 | 392,446,873.60 |
| Total | | | | 87,092,853,850.00 | 81,475,257,532.83 |

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For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories (continued)

(2) The following sets out the breakdown of costs of property development:

| Project name | Completion date of | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|----------------------------------------------|--------------------|------------------|----------------------|----------------------|-----------------|
| | the latest phase | | | | |
| Shanghai – Jiading Juyuan | June 2018 | 317,743,217.19 | 1,658,827,746.45 | (1,067,247,597.11) | 909,323,366.53 |
| Beijing – Jiapin MALL | September 2015 | 811,471,711.72 | - | - | 811,471,711.72 |
| Beijing – Chaoyang New City | May 2016 | 766,739,866.05 | - | - | 766,739,866.05 |
| Chongqing – Nanshanjun | July 2017 | 727,854,932.86 | - | (72,277,201.70) | 655,577,731.16 |
| Tangshan – Jin'an hongbao | December 2017 | 851,944,317.34 | - | (208,666,525.39) | 643,277,791.95 |
| Tangshan – Jinyu Lefu | March 2018 | 675,421,377.17 | - | (76,887,723.60) | 598,533,653.57 |
| Hangzhou – Guanlan Times | May 2018 | 367,083,031.74 | 629,286,983.19 | (470,667,429.87) | 525,702,585.06 |
| Beijing – Shangchengjun | December 2017 | 818,715,650.89 | - | (293,842,345.19) | 524,873,305.70 |
| Nanjing – Zijinfu | May 2018 | 126,424,683.98 | 2,238,646,105.79 | (1,865,143,651.86) | 499,927,137.91 |
| Hangzhou – Jinyu Xuefu | November 2017 | 1,657,819,347.35 | 49,430,879.42 | (1,279,296,990.92) | 427,953,235.85 |
| Chengdu – Longxijun | July 2017 | 461,336,099.24 | - | (46,955,559.82) | 414,380,539.42 |
| Chongqing – Times Metro | March 2018 | 292,396,368.51 | 409,910,626.36 | (318,867,515.90) | 383,439,478.97 |
| Haikou – Xixili | October 2017 | 683,241,146.66 | - | (305,449,166.07) | 377,791,980.59 |
| Tianjin – Jinyu Yuecheng | October 2017 | 325,341,646.38 | - | (67,101,669.76) | 258,239,976.62 |
| Beijing – Treasure Mansion House | June 2018 | - | 402,371,618.96 | (162,872,393.95) | 239,499,225.01 |
| Tangshan – Phase I of Qixin 1889# | January 2016 | 238,829,891.16 | - | (3,513,610.42) | 235,316,280.74 |
| Inner Mongolia – Jinyu Elegancy City | October 2015 | 229,805,023.03 | - | - | 229,805,023.03 |
| Changyang – Polytechnic University Land No.1 | June 2017 | 257,157,055.74 | - | (42,897,427.52) | 214,259,628.22 |
| Hangzhou – Banshan Tianyuan | March 2016 | 469,121,788.16 | - | (285,753,676.58) | 183,368,111.58 |
| Tianjin – Jinyu Mantang | June 2016 | 291,174,828.28 | - | (115,107,261.57) | 176,067,566.71 |
| Ma' Anshan – Jiashanshu | June 2016 | 198,824,059.57 | - | (35,869,790.36) | 162,954,269.21 |
| Chengdu – Dachengjun | December 2014 | 156,019,318.39 | - | - | 156,019,318.39 |
| Inner Mongolia – Global Center | June 2017 | 167,533,330.37 | - | (29,248,367.96) | 138,284,962.41 |
| Beijing – Jinyu Feili | November 2016 | 255,423,127.32 | - | (141,760,282.84) | 113,662,844.48 |
| Beijing – Kanghuiyuan | September 2011 | 98,191,082.69 | - | - | 98,191,082.69 |
| Beijing – Guogongzhuang | December 2014 | 78,890,046.87 | - | - | 78,890,046.87 |
| Beijing – Tuqiao Project | December 2016 | 75,415,921.37 | - | - | 75,415,921.37 |
| Beijing – Dacheng Shida | November 2010 | 73,881,317.53 | - | - | 73,881,317.53 |
| Beijing – BBMG International | April 2005 | 72,644,672.32 | - | - | 72,644,672.32 |

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories (continued)

(2) The following sets out the breakdown of costs of property development: (continued)

| Project name | Completion date of the latest phase | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|----------------------------------------|----------------------------------------|-------------------|----------------------|----------------------|-------------------|
| | | | | | |
| Beijing – Binheyuan | June 2014 | 70,671,572.44 | - | - | 70,671,572.44 |
| Beijing – Tuqiao Phase III | August 2016 | 68,428,364.76 | - | - | 68,428,364.76 |
| Tianjin – Rongxiyuan Project | May 2015 | - | 61,153,132.45 | - | 61,153,132.45 |
| Beijing – Jiaheyuan | March 2018 | 7,138,522.71 | 302,633,426.96 | (250,668,234.86) | 59,103,714.81 |
| Beijing – Jinyu Town House | October 2014 | 57,884,417.91 | - | - | 57,884,417.91 |
| Beijing – Chang'an New City | December 2007 | 52,892,137.32 | - | - | 52,892,137.32 |
| Beijing – Huijingyuan | September 2017 | 51,458,740.72 | - | - | 51,458,740.72 |
| Inner Mongolia – Jinyu Times City | June 2014 | 64,653,083.01 | - | (14,505,481.63) | 50,147,601.38 |
| Beijing – Dacheng International | March 2018 | 30,603,408.75 | 31,487,807.48 | (21,244,706.80) | 40,846,509.43 |
| Beijing – Jinyu Lanwan | October 2016 | 34,494,759.95 | - | - | 34,494,759.95 |
| Hainan – Dacheng Business Apartments | February 2005 | 33,819,032.85 | - | - | 33,819,032.85 |
| Beijing – I Cube | February 2015 | 27,308,757.45 | - | - | 27,308,757.45 |
| Tangshan – Lixinjiayuan | September 2016 | 37,703,579.58 | - | (12,685,649.06) | 25,017,930.52 |
| Tianjin – Liulanhuyuan Project Phase I | June 2010 | - | 22,774,062.85 | - | 22,774,062.85 |
| Beijing – Huixingyuan (Xingpai) | September 2016 | 22,470,146.73 | - | - | 22,470,146.73 |
| Others | | 131,570,957.40 | - | (2,163,287.78) | 129,407,669.62 |
| Total | | 12,237,542,341.46 | 5,806,522,389.91 | (7,190,693,548.52) | 10,853,371,182.85 |

8. Contract assets

| | 30 June 2018 | | |
|----------------------|--------------------------|-----------------------------|----------------|
| | Gross carrying amount | Provision for impairment | Carrying value |
| Project construction | 5,168,714.52 | - | 5,168,714.52 |

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Contract assets (continued)

Details of closing balance of contract assets, including assets completed but not yet settled under construction contracts, are summarized as follows:

| | Aggregate costs incurred | Aggregate gross profits | Expected losses | Amounts settled |
|--------------|--------------------------------|----------------------------|--------------------|---------------------|
| 30 June 2018 | <u>13,292,338.93</u> | <u>608,198.32</u> | – | <u>8,731,822.73</u> |

9. Assets/liabilities held for sale

In December 2017, the management of the Group decided to dispose of BBMG Material Industrial (Shanghai) Co., Ltd. and submitted the Tender Notice to CBEX. In February 2018, the Company entered into a legally binding transfer agreement and classified BBMG Material Industrial (Shanghai) Co., Ltd. as held-for-sale accordingly. As at 30 June 2018, the carrying values of assets and liabilities of BBMG Material Industrial (Shanghai) Co., Ltd. are as follows:

| | 30 June 2018 |
|------------------------------------------|-----------------------|
| Cash and bank balances | 15,866,058.01 |
| Bills receivable and accounts receivable | 39,943,529.71 |
| Prepayments | 21,126,200.00 |
| Other receivables | 5,400.00 |
| Inventories | 25,646,772.31 |
| Other current assets | 513,743.54 |
| Fixed assets | 677,454.77 |
| Deferred income tax assets | <u>6,143,237.26</u> |
| Assets held for sale | <u>109,922,395.60</u> |
| Prepayments | 37,277,074.00 |
| Wages payable | 1,028,408.11 |
| Tax payable | 703.39 |
| Other payables | <u>1,977,699.62</u> |
| Liabilities held for sale | <u>40,283,885.12</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

10. Other current assets

| | 30 June 2018 | 31 December 2017 |
|------------------------------------|-------------------------|-------------------------|
| Prepaid enterprise income tax | 836,345,712.11 | 807,512,779.97 |
| Prepaid land appreciation tax | 728,912,004.16 | 807,877,261.43 |
| Prepaid business tax and other tax | 827,053,480.53 | 832,994,250.34 |
| VAT recoverable | 896,171,503.29 | 781,652,061.69 |
| VAT certifiable | 16,641,589.68 | 38,471,297.50 |
| Prepaid expenses | 26,292,562.35 | 18,928,639.83 |
| Debt investment | 200,000,000.00 | – |
| Others | 191,200,032.47 | 151,411,121.43 |
| | 3,722,616,884.59 | 3,438,847,412.19 |

11. Available-for-sale financial assets

| | | 31 December 2017 |
|---------------------------------------|-----|-------------------------|
| Available-for-sale debt instruments | (1) | 588,151,110.39 |
| Available-for-sale equity instruments | | |
| Measured at fair value | (2) | 2,303,039,303.04 |
| Measured at cost | (3) | 6,697,450.96 |
| | | 2,897,887,864.39 |

(1) As at 31 December 2017, available-for-sale debt instruments represent interbank certificates of deposit of RMB488,139,000.00 held by BBMG Finance Co., Ltd. (金隅財務有限公司) from Industrial Bank and monetary fund of RMB100,012,110.39 from Cinda Smart Steward C (信達慧管家C).

(2) As at 31 December 2017, collective trust of Noble Sky Wenjian Phase I from Yunan International Trust Co., Ltd. (雲南國際信託有限公司), amounting to RMB1,506,972,400.00 in aggregate, was held by 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 Group. BBMG Finance Lease Co., Ltd. (金隅融資租賃有限公司) purchased trust scheme (i.e. Huazheng Value No. 330) of RMB104,000,000.00 from Huarong Securities Co., Limited (華融證券股份有限公司) in July 2016 and trust scheme (i.e. FTSE New Hope No. 1) of RMB287,280,000.00 from Beijing Xinhua FTSE Asset Management Company Limited (北京新華富時資產管理有限公司) in August 2016. The finance lease company became a deeply subordinated beneficiary of the both trust schemes aforementioned. Huazheng Value No. 330 matured in July 2017 and extended for 3 years, and FTSE New Hope No. 1 matured in August 2017. The finance lease company has drawn the principal amount of RMB168,000,000.00, and the remaining of RMB119,280,000.00 has extended for 3 years.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

Tangshan Jidong Cement Co., Ltd. (唐山冀東水泥股份有限公司), a subsidiary of the Group, held 108,482,368 shares of Yatai (Group) (stock code:600881). As at 31 December 2017, the share price and market value were RMB5.28 and RMB572,786,903.04 respectively.

- (3) As at 31 December 2017, the domestic non-listed equity investments held by the Group were measured at cost due to the absence of quoted prices of these equity investments in an active market. The specific details are as follows:

2017

| | Gross carrying amount | | | 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 | 1,000,000.00 | - | 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 | - | - | - | 0.01 | 11,110.00 |
| 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 | 266,086.09 |
| *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 Xijianxinyuan 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 | - | - | - | 15.00 | - |
| 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 | - |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

(3) (continued)

2017 (continued)

| | Gross carrying amount | | | 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 | | |
| *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 | - |
| 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 | - |
| | <u>14,001,616.72</u> | <u>-</u> | <u>14,001,616.72</u> | <u>7,304,165.76</u> | <u>-</u> | <u>7,304,165.76</u> | | <u>277,196.09</u> |

* The Group holds more than 50% of the equity interests 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term receivables

| | 30 June 2018 | | |
|-------------------------------|-----------------------|---------------------------------------------------------|-----------------------|
| | Gross carrying amount | Less: provision for impairment of long-term receivables | Carrying amount |
| Sales of goods by instalments | 518,939,866.06 | 15,921,188.76 | 503,018,677.30 |
| Loans to Related parties | 269,222,956.50 | – | 269,222,956.50 |
| | 788,162,822.56 | 15,921,188.76 | 772,241,633.80 |

| | 31 December 2017 | | |
|--------------------------|-----------------------|---------------------------------------------------------|-----------------------|
| | Gross carrying amount | Less: provision for impairment of long-term receivables | Carrying amount |
| Receipt of finance lease | 229,024,145.84 | – | 229,024,145.84 |
| Loans to Related parties | 256,353,726.80 | – | 256,353,726.80 |
| | 485,377,872.64 | – | 485,377,872.64 |

The time interval between payments from customers and committed ownership transfer of goods in certain contracts regarding the Group's concrete business was more than a year, the receivables of which was presented as long-term receivables after considering the significant financing component. The Group referred to bank loan interest rate during the same period and added a premium for certain risk as a discount rate while measuring the significant financing component. The discount rate was 5% for the six months ended 30 June 2018.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term receivables (continued)

The movements in provision for bad debts of long-term receivables measured based on the lifetime expected credit loss are as follows:

| | Opening balance (restated) | Provision for the period | Reversal for the period | Closing balance |
|----------------------------------|-------------------------------|-----------------------------|----------------------------|-----------------|
| Lifetime expected credit loss | 22,092,206.76 | – | (6,171,018.00) | 15,921,188.76 |

Current accounts with the related parties mainly referred to the borrowings and interest receivable provided to Cross Point Trading 274 (Pty) Ltd (RF), 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 borrowings will be recovered before March 2044.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

13. Long-term equity investments

For the six months ended 30 June 2018

| | Opening balance | Movements during the period | | | | | | | Carrying amount at the end of the period | Provision for impairment at the end of the period | Closing net value | |
|----------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------|-----------------------------------|-------------------------|-------------------------------------|-------------------------|--------------------------|---------------------------------------------------|------------------------------------------|---------------------------------------------------|-------------------|------------------|
| | | Obtained from business combinations not under common control | Increase (Decrease) in investment | Investment gain or loss | Other movements of equity interests | Cash dividends declared | Provision for impairment | Provision for impairment at the end of the period | | | | |
| Joint ventures | | | | | | | | | | | | |
| STAR-USG Building Materials Co., Ltd. (星牌優吉建築材料有限公司) | 15,938,256.81 | - | - | 10,364,392.37 | - | - | - | - | - | 26,302,649.18 | - | 26,302,649.18 |
| BBMG Landao Commercial Operation Management Co., Ltd. (北京金匯基商業運營管理有限公司) | 3,727,572.61 | - | - | 28,331.93 | - | (56,096.24) | - | - | - | 3,700,008.30 | - | 3,700,008.30 |
| BBMG TJS Technology Incubator Co., Ltd. (北京金匯基創投孵化器有限公司) | 4,237,656.15 | - | - | 375,790.98 | - | - | - | - | - | 4,613,447.13 | - | 4,613,447.13 |
| Jidong Heibeiheberg (Fuliang) Cement Co., Ltd. (冀東海德里(扶梁)水泥有限公司) | 482,074,363.98 | - | - | 47,926,363.89 | (745,115.87) | (84,192,500.00) | - | - | - | 445,063,112.00 | - | 445,063,112.00 |
| Jidong Heibeiheberg (Jingyang) Cement Co., Ltd. (冀東海德里(經陽)水泥有限公司) | 563,347,381.44 | - | - | 60,401,732.80 | (16,780.10) | (87,500,000.00) | - | - | - | 536,222,334.14 | - | 536,222,334.14 |
| Tangshan Caofeidian Duishi New Building Material Co., Ltd. (唐山曹妃甸區石基新材料有限公司) | 139,914,786.42 | - | - | 6,261,358.88 | - | - | - | - | - | 146,176,145.30 | - | 146,176,145.30 |
| Anshan Jidong Cement Co., Ltd. (鞍山冀東水泥有限責任公司) | 235,467,546.30 | - | - | 5,255,597.24 | - | (15,000,000.00) | - | - | - | 225,743,143.54 | - | 225,743,143.54 |
| 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) | 11,781,943.45 | - | - | (1,463,494.88) | - | - | - | - | - | 10,318,448.57 | - | 10,318,448.57 |
| Cross Point Trading 274 (Pty) Ltd (RF) | 77,489,489.83 | - | - | 1,449,269.76 | (2,075,977.28) | - | - | - | - | 76,862,782.31 | - | 76,862,782.31 |
| Subtotal of joint ventures | 1,533,998,796.99 | - | - | 130,599,542.97 | (2,837,873.25) | (186,748,596.24) | - | - | - | 1,475,011,870.47 | - | 1,475,011,870.47 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

For the six months ended 30 June 2018 (continued)

| | Movements during the period | | | | | | | | Closing net value | |
|--------------------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------|-----------------------------------|---------------------------------------------|-------------------------------------|-------------------------|--------------------------|------------------------------------------|-------------------|---------------------------------------------------|
| | 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 interests | Cash dividends declared | Provision for impairment | Carrying amount at the end of the period | | Provision for impairment at the end of the period |
| Associates | | | | | | | | | | |
| Zehnder (China) Indoor Climate Co., Ltd. (森德(中国)暖通设备有限公司) | 95,352,221.83 | - | - | 5,003,425.64 | - | - | - | 100,355,347.47 | - | 100,355,347.47 |
| OCV Reinforcements (Beijing) Co., Ltd. (欧文斯科学复合材料(北京)有限公司) | 59,574,366.74 | - | - | 2,495,567.35 | - | - | - | 62,069,934.09 | - | 62,069,934.09 |
| Beijing Gaopiang Concrete Co., Ltd. (北京市高强混凝土有限责任公司) | 23,774,703.48 | - | - | 6,101,630.14 | - | - | - | 29,876,333.62 | - | 29,876,333.62 |
| Beijing Shinoabate Technology Co., Ltd. (北京金诺德技研有限公司) | 11,897,320.50 | - | - | 978,081.91 | - | (690,000.00) | - | 12,185,402.41 | - | 12,185,402.41 |
| Hebei Huisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北普泰固废工程技术研究院有限公司) | 16,239,040.84 | - | - | (17,229.62) | - | - | - | 16,221,811.22 | - | 16,221,811.22 |
| Tangshan Conch Profiles Co., Ltd. (唐山海螺型材有限责任公司) | 139,532,805.60 | - | - | 159,507.28 | - | - | - | 139,692,312.88 | - | 139,692,312.88 |
| Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd. (北京青年基金黑山教育科技有限公司) | 1,585,375.30 | - | - | (27,119.65) | - | - | - | 1,558,255.65 | - | 1,558,255.65 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

For the six months ended 30 June 2018 (continued)

| | Movements during the period | | | | | | | | Closing net value | |
|---------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------|-----------------------------------|---------------------------------------------|-------------------------------------|-------------------------|--------------------------|------------------------------------------|-------------------|---------------------------------------------------|
| | 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 interests | Cash dividends declared | Provision for impairment | Carrying amount at the end of the period | | Provision for impairment at the end of the period |
| Associates (continued) | | | | | | | | | | |
| Baogang Jidong Cement Co., Ltd. (包頭蒙東水泥有限公司) | 102,107,514.31 | - | - | (3,313,135.29) | - | - | - | 98,794,379.02 | - | 98,794,379.02 |
| Jidong Cement Fufeng Transportation Co., Ltd. (冀東水泥扶風運輸有限責任公司) | 6,479,080.36 | - | - | 35,319.20 | 1,023.79 | - | - | 6,515,423.35 | - | 6,515,423.35 |
| Jilin Changjitu Investment Co., Ltd. (吉林省長吉圖投資有限公司) | 143,393,971.16 | - | - | (943,707.80) | - | - | - | 142,450,263.36 | - | 142,450,263.36 |
| SINI TRADING PTE LTD (新加坡錫易私人有限公司) | 4,676,630.77 | - | - | (21,325.97) | - | - | - | 4,655,304.80 | - | 4,655,304.80 |
| Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. (中房華瑞(唐山)置業有限公司) | 4,991,835.01 | - | - | 1,292.10 | - | (227.62) | - | 4,992,899.49 | - | 4,992,899.49 |
| Changchun Light Rail Jidong Concrete Co., Ltd. (長春軌道東水泥有限公司) | 31,335,094.62 | - | - | 892,598.60 | - | - | - | 32,227,693.22 | - | 32,227,693.22 |
| Jilin Cement (Group) Co., Ltd. (吉林水泥集團)有限公司 | - | - | 14,285,000.00 | - | - | - | - | 14,285,000.00 | - | 14,285,000.00 |
| Tianjin Gangbei Concrete Co., Ltd. (天津岡北混凝土有限公司) | - | 6,769,973.20 | - | (75,927.18) | - | - | - | 6,693,946.02 | - | 6,693,946.02 |
| Tianjin Wanleyou Energy Saving Technology Co., Ltd. (天津萬可優節能科技有限公司) | - | 2,525,553.70 | - | (136,300.16) | - | - | - | 2,389,253.54 | - | 2,389,253.54 |
| Tianjin Xingye Longxiang Construction Co., Ltd. (天津興業龍祥建設工程有限公司) | - | 30,133,514.23 | - | (85,366.97) | - | - | - | 30,048,147.26 | - | 30,048,147.26 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

For the six months ended 30 June 2018 (continued)

| | Movements during the period | | | | | | | | | |
|---------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------|-----------------------------------|---------------------------------------------|-------------------------------------|-------------------------|--------------------------|------------------------------------------|---------------------------------------------------|-------------------|
| | 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 interests | Cash dividends declared | Provision for impairment | Carrying amount at the end of the period | Provision for impairment at the end of the period | Closing net value |
| Associates (continued) | | | | | | | | | | |
| Beijing Xinyuan Concrete Co., Ltd. (北京新源混凝土有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Xianjiang Jidong High New Concrete Co., Ltd. (咸陽東高新混凝土有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Fuxin Jidong Xiangtie Concrete Co., Ltd. (阜新冀東社合混凝土有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Liquan Qinling Cement Co., Ltd. (禮泉秦嶺水泥有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Shaanxi Yan Qinling Cement Grinding Co., Ltd. (陝西延安秦嶺水泥粉磨有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Shaanxi Qinling Cement Group Special Cement Co., Ltd. (陝西秦嶺水泥集團特種水泥有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Tangshan Fengrun First Transportation Company (唐山市豐潤第一運輸公司)** | - | - | - | - | - | - | - | - | - | - |
| Tangshan Haiqiang Tongzhou Construction Materials Company Limited (唐山海強通州建材有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Subtotal of associates | 640,940,460.52 | 363,825,211.93 | 14,285,000.00 | 8,408,533.79 | 1,023.79 | (690,227.62) | - | 1,026,770,062.41 | - | 1,026,770,062.41 |
| Total | 2,174,959,257.51 | 363,825,211.93 | 14,285,000.00 | 139,008,136.76 | (2,856,849.46) | (187,438,223.86) | - | 2,501,781,932.88 | - | 2,501,781,932.88 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

13. Long-term equity investments (continued)

2017

| | 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 interests | Cash dividends declared | Provision for impairment | Carrying amount at the end of the year | Provision for impairment at the end of the year | Closing net value |
| Joint ventures | | | | | | | | | | |
| STAR-USG Building Materials Co., Ltd. (星牌美特吉建業材料有限公司) | - | - | - | 15,938,256.81 | - | - | - | 15,938,256.81 | - | 15,938,256.81 |
| BBMG Landax Commercial Operation Management Co., Ltd. (北京金隆基商業運營管理有限公司) | 3,725,369.48 | - | - | 62,329.30 | - | (60,126.17) | - | 3,727,572.61 | - | 3,727,572.61 |
| BBMG TUS Technology Incubator Co., Ltd. (北京金隆基建科技術孵化器有限公司) | 3,683,994.60 | - | - | 553,461.55 | - | - | - | 4,237,456.15 | - | 4,237,456.15 |
| Jidong Hebelberg (Fuliang) Cement Co., Ltd. (隴東海堡(扶風)水泥有限公司) | 490,907,685.52 | - | - | 64,055,419.54 | (723,741.08) | (72,165,000.00) | - | 482,074,363.98 | - | 482,074,363.98 |
| Jidong Hebelberg (Jingyang) Cement Co., Ltd. (隴東海堡(涇陽)水泥有限公司) | 531,865,534.19 | - | - | 81,486,909.63 | (5,062.38) | (50,000,000.00) | - | 563,347,381.44 | - | 563,347,381.44 |
| Tangshan Caofedian Dunshi New Building Material Co., Ltd. (唐山曹妃甸盾石新型建材有限公司) | 100,944,300.10 | - | - | 38,970,486.32 | - | - | - | 139,914,786.42 | - | 139,914,786.42 |
| Anshan Jidong Cement Co., Ltd. (鞍山隴東水泥有限公司) | 234,064,065.95 | - | - | 6,423,480.35 | - | (5,000,000.00) | - | 235,487,546.30 | - | 235,487,546.30 |
| Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. (隴東太平洋(北京)環潔工程技術有限公司) | 111,129,657.22 | - | - | 652,286.23 | - | - | - | 111,781,943.45 | - | 111,781,943.45 |
| Cross Point Trading 274 (Pty) Ltd (RF) | 72,671,080.66 | - | - | (4,722,375.78) | 9,540,784.95 | - | - | 77,489,489.83 | - | 77,489,489.83 |
| Subtotal of joint ventures | 1,448,991,687.72 | - | - | 203,420,253.95 | 8,811,981.49 | (127,225,126.17) | - | 1,533,998,796.99 | - | 1,533,998,796.99 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

2017 (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 interests | Cash dividends declared | Provision for impairment | Carrying amount at the end of the year | Provision for impairment at the end of the year | Closing net value |
| Associates | | | | | | | | | | |
| Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司) | 72,371,175.20 | - | (68,401,982.43) | (3,969,192.77) | - | - | - | - | - | - |
| Zehnder (China) Indoor Climate Co., Ltd. (森德(中國)暖通設備有限公司) | 142,904,803.94 | - | - | (15,211,882.11) | - | (32,340,000.00) | - | 95,352,921.83 | - | 95,352,921.83 |
| OCY Reinforcements (Beijing) Co., Ltd. (歐文斯科學複合材料(北京)有限公司) | 63,680,856.42 | - | - | (4,106,489.68) | - | - | - | 59,574,366.74 | - | 59,574,366.74 |
| Beijing Gaoliang Concrete Co., Ltd. (北京市高強混凝土有限責任公司) | 25,067,432.00 | - | - | (1,038,728.52) | - | (254,000.00) | - | 23,774,703.48 | - | 23,774,703.48 |
| Beijing Sinobade Technology Co., Ltd. (北京金時特技術有限公司) | 10,592,819.89 | - | - | 1,304,500.61 | - | - | - | 11,897,320.50 | - | 11,897,320.50 |
| Hebei Huisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北匯素固廢工程技術研究院有限公司) | 16,128,846.71 | - | - | 110,194.13 | - | - | - | 16,239,040.84 | - | 16,239,040.84 |
| Tangshan Conch Profiles Co., Ltd. (唐山海螺型材有限責任公司) | 143,126,171.52 | - | - | 406,634.08 | - | (4,000,000.00) | - | 139,532,805.60 | - | 139,532,805.60 |
| Beijing Youth Camp Jinyu Fengshban Education Technology Co., Ltd. (北京青年營金盪鳳山教育科技 有限公司) | 1,502,187.19 | - | - | 83,188.11 | - | - | - | 1,585,375.30 | - | 1,585,375.30 |
| Baogang Jidong Cement Co., Ltd. (包鋼冀東水泥有限公司) | 97,816,593.99 | - | - | 4,288,920.32 | - | - | - | 102,107,514.31 | - | 102,107,514.31 |
| Jidong Cement Fufeng Transportation Co., Ltd. (冀東水 泥扶風運輸有限責任公司) | 6,471,985.71 | - | - | 7,094.65 | - | - | - | 6,479,080.36 | - | 6,479,080.36 |
| Jilin Changjiu Investment Co., Ltd. (吉林省長久投資有限公司) | 148,817,651.91 | - | - | (5,423,680.75) | - | - | - | 143,393,971.16 | - | 143,393,971.16 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

2017 (continued)

| | Movements during the year | | | | | | | | Closing net value | |
|--------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------------------------|-----------------------------------|---------------------------------------------|-------------------------------------|-------------------------|--------------------------|----------------------------------------|-------------------|-------------------------------------------------|
| | 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 interests | Cash dividends declared | Provision for impairment | Carrying amount at the end of the year | | Provision for impairment at the end of the year |
| Associates (continued) | | | | | | | | | | |
| Tangshan Fengqun First Transportation Company (唐山市豐潤區第一運輸公司)** | - | - | - | - | - | - | - | - | - | - |
| Tangshan Haigang Dazang Tongzhou Construction Materials Company Limited (唐山海港大唐同濟建材有限公司)** | - | - | - | - | - | - | - | - | - | - |
| Subtotal of associates | 784,659,287.05 | - | (68,401,982.43) | (14,688,123.63) | - | (60,628,720.47) | - | 640,940,460.52 | - | 640,940,460.52 |
| Total | 2,233,650,974.77 | - | (68,401,982.43) | 188,732,130.32 | 8,811,981.49 | (187,853,846.64) | - | 2,174,939,257.51 | - | 2,174,939,257.51 |

* See details in Note VI. 1.

** Such companies are joint ventures and associates of Jidong Development Group Co., Ltd. and Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司). Fair values of such companies at the time and date of acquisition by the Group were nil.

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

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Investment in other equity instruments

30 June 2018

| | Cost | Changes in fair value accumulated in other comprehensive income | Fair value | Dividend income for the period | |
|-----------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------|----------------|------------------------------------------------|-------------------------|
| | | | | Equity instruments derecognized for the period | Equity instruments held |
| Investments in listed companies | 512,797,331.24 | (93,837,290.60) | 418,960,040.64 | - | - |
| 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 | 1,024,826.61 | 4,024,826.61 | - | 531,473.78 |
| Beijing Beizhuan Gas Station (北京市北磚加油站) | 357,250.00 | - | 357,250.00 | - | - |
| 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) | - | - | - |
| Hebei ZCJY Project Management Co., Ltd. (河北眾誠建業工程項目管理有限公司) | 500,000.00 | (500,000.00) | - | - | - |
| Sinoma Hanjiang Cement Co., Ltd. (中材漢江水泥股份有限公司) | 600,000.00 | 486,186.22 | 1,086,186.22 | - | - |
| Xi'an High-Tech Industry Company (西安高科實業公司) | 1,220,000.00 | (1,220,000.00) | - | - | - |
| 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) | - | - | - |
| Tangshan Productivity Promotion Center Co., Ltd. (唐山市生產力促進中心有限公司) | 500,000.00 | (305,799.04) | 194,200.96 | - | - |
| Beijing Tianyun Trading Co., Ltd. (北京天雲實業有限公司) | 75,000.00 | - | 75,000.00 | - | - |
| Beijing Yadu Science and Technology Co., Ltd. (北京亞都科技股份有限公司) | 200,000.00 | - | 200,000.00 | - | - |
| Hainan Dihao Furniture Co., Ltd. (海南帝豪家具公司) | 2,645,418.54 | (2,645,418.54) | - | - | - |
| Taali Information Industry Co., Ltd. (太力信息產業股份有限公司) | 14,454,136.85 | - | 14,454,136.85 | - | - |
| Koemmerling (Tianjin) Kunststoff Co., Ltd. (柯梅令(天津)高分子型材有限公司) | 7,632,973.83 | - | 7,632,973.83 | - | - |
| Tianjin Huanbohaim Technology Development Co., Ltd. (天津市環渤海科技發展有限公司) | 7,000,000.00 | - | 7,000,000.00 | - | - |
| Guojian Alliance Media Investment (Beijing) Co., Ltd. (國建聯盟傳媒投資(北京)有限公司) | 1,000,000.00 | - | 1,000,000.00 | - | - |
| Tianjin Wangle Technology Development Co., Ltd. (天津市網樂技術開發有限公司) | 100,000.00 | - | 100,000.00 | - | - |
| Tianjin Hualian Commercial Building Co., Ltd. (天津華聯商廈股份有限公司) | 126,000.00 | - | 126,000.00 | - | - |
| Guan County Rufeng Plastic Products Co., Ltd. (固安縣如峰塑膠製品有限公司) | 5,846,991.84 | (5,846,991.84) | - | - | - |
| Tianjin Longhui Carbon And Graphite Products Co., Ltd. (天津龍匯碳石墨製品有限公司) | 480,000.00 | (480,000.00) | - | - | - |
| | 559,086,102.30 | (103,774,487.19) | 455,311,615.11 | - | 531,473.78 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Other non-current financial assets

30 June 2018

| | |
|--------------------------------------------------------------------|-------------------------|
| Financial assets at fair value through profit or loss | |
| Designated asset management of Huazheng Value No. 330 (Note V. 11) | 104,000,000.00 |
| FTSE New Hope No. 1 (Note V. 11) | 119,280,000.00 |
| Collective trust of Noble Sky Wenjian Phase I (Note V. 11) | 1,506,972,400.00 |
| | 1,730,252,400.00 |

16. Investment properties

Fair value model is applied to investment properties of the Group for subsequent measurement:

For the six months ended 30 June 2018:

| | Buildings | Land use rights | Total |
|-----------------------------------------------------------------|--------------------------|-----------------------|--------------------------|
| Opening balance | 15,440,453,467.02 | – | 15,440,453,467.02 |
| Business combination not under common control | 3,079,529,250.00 | – | 3,079,529,250.00 |
| Acquisition for the year | 28,329,648.64 | 432,009,126.42 | 460,338,775.06 |
| Transfer of investment properties into self-occupied properties | (32,988,999.99) | – | (32,988,999.99) |
| Changes in fair value | 270,195,883.37 | – | 270,195,883.37 |
| Closing balance | 18,785,519,249.04 | 432,009,126.42 | 19,217,528,375.46 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Investment properties (continued)

2017

| | Buildings |
|-----------------------------------------------------------------|--------------------------|
| Opening balance | 14,976,628,345.79 |
| Disposal and retirement | (62,526,015.74) |
| Transfer of self-occupied properties into investment properties | 12,467,043.03 |
| Changes in fair value | <u>513,884,093.94</u> |
| Closing balance | <u>15,440,453,467.02</u> |

All the above investment properties are located in the PRC and mainly held under operating commercial leases.

The Group's investment properties were valued by Savills Valuation and Beijing Guorong Xinghua Asset Appraisal Company Limited (北京國融興華資產評估有限責任公司), independent valuers with professional qualifications, using future earnings method and market-based approach on an open market and existing use basis, the appraised value of which as at 30 June 2018 was RMB19,217,528,375.46 (31 December 2017: RMB15,440,453,467.02).

As at the balance sheet date, The carrying amount for investment properties pending completion of the procedures for the title certificates amounted to RMB1,218,364,680.00. These investment properties were acquired through business combination under common control in 2011 and business combination not under common control for the period, respectively, and the Group was in the process of handling the procedures for changing the relevant titles. The management was of the view that the Group had the legitimate and valid right to occupy and use or dispose of the above properties and the above matters would not impose material adverse effect on the overall financial position of the Group as at 30 June 2018.

Details of pledge of investment properties are set out in Note V. 67.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Fixed assets

For the six months ended 30 June 2018

| | Buildings | Machinery and equipment | Transportation equipment | Other equipments | Total |
|--------------------------------------------------|--------------------------|--------------------------|--------------------------|-----------------------|--------------------------|
| Cost | | | | | |
| Opening balance | 29,492,547,790.90 | 27,803,469,106.66 | 2,034,078,198.14 | 677,408,152.34 | 60,007,503,248.04 |
| Addition | 2,916,811.45 | 90,402,833.39 | 45,381,727.96 | 21,293,763.47 | 159,995,136.27 |
| Transfer from construction in progress | 300,982,889.55 | 218,617,683.65 | 368,546.99 | 3,411,501.06 | 523,380,621.25 |
| Business combination not under common control | 1,038,592,638.40 | 138,439,892.82 | 43,815,738.92 | 10,276,292.86 | 1,231,124,563.00 |
| Classified as held for trading | - | - | (1,328,500.00) | (526,286.45) | (1,854,786.45) |
| Disposal or retirement | (473,543,321.77) | (170,270,003.80) | (174,744,768.30) | (15,926,365.10) | (834,484,458.97) |
| Closing balance | <u>30,361,496,808.53</u> | <u>28,080,659,512.72</u> | <u>1,947,570,943.71</u> | <u>695,937,058.18</u> | <u>61,085,664,323.14</u> |
| Accumulated depreciation | | | | | |
| Opening balance | 4,825,210,669.20 | 7,513,672,795.22 | 869,043,773.49 | 473,499,551.88 | 13,681,426,789.79 |
| Provision for the period | 591,069,297.97 | 1,071,282,121.23 | 127,498,930.29 | 32,531,535.01 | 1,822,381,884.50 |
| Classified as held for trading | - | - | (719,711.92) | (457,619.75) | (1,177,331.67) |
| Disposal or retirement | (140,598,647.18) | (65,727,201.54) | (144,698,102.12) | (14,861,688.00) | (365,885,638.84) |
| Closing balance | <u>5,275,681,319.99</u> | <u>8,519,227,714.91</u> | <u>851,124,889.74</u> | <u>490,711,779.14</u> | <u>15,136,745,703.78</u> |
| Provision for impairment | | | | | |
| Opening balance | 152,820,438.85 | 254,443,957.54 | 22,167,534.24 | 1,323,044.38 | 430,754,975.01 |
| Provision for the period | 5,744,131.69 | 516,364.70 | 2,648,644.13 | 64,155.40 | 8,973,295.92 |
| Disposal or retirement | (10,550,971.65) | (1,291,998.97) | (167,144.60) | - | (12,010,115.22) |
| Closing balance | <u>148,013,598.89</u> | <u>253,668,323.27</u> | <u>24,649,033.77</u> | <u>1,387,199.78</u> | <u>427,718,155.71</u> |
| Carrying amount | | | | | |
| At the end of the year | <u>24,937,801,889.65</u> | <u>19,307,763,474.54</u> | <u>1,071,797,020.20</u> | <u>203,838,079.26</u> | <u>45,521,200,463.65</u> |
| At the beginning of the period | <u>24,514,516,682.85</u> | <u>20,035,352,353.90</u> | <u>1,142,866,890.41</u> | <u>202,585,556.08</u> | <u>45,895,321,483.24</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Fixed assets (continued)

2017

| | Buildings | Machinery and equipment | Transportation equipment | Other equipments | Total |
|--------------------------------------------------|-------------------|-------------------------|--------------------------|------------------|-------------------|
| Cost | | | | | |
| Opening balance | 28,236,098,712.18 | 25,424,018,671.00 | 2,067,898,477.06 | 645,256,766.95 | 56,373,272,627.19 |
| Addition | 22,334,493.76 | 237,008,962.61 | 80,766,292.32 | 55,735,666.02 | 395,845,414.71 |
| Transfer from construction in progress | 1,378,040,147.01 | 2,050,702,994.02 | 1,313,869.56 | 14,509,643.91 | 3,444,566,654.50 |
| Business combination not under common control | - | 336,163,975.77 | 212,834.95 | 1,264,130.44 | 337,640,941.16 |
| Disposal or retirement | (143,925,562.05) | (244,425,496.74) | (116,113,275.75) | (30,407,634.18) | (534,871,968.72) |
| Disposal of subsidiaries | - | - | - | (8,950,420.80) | (8,950,420.80) |
| Closing balance | 29,492,547,790.90 | 27,803,469,106.66 | 2,034,078,198.14 | 677,408,152.34 | 60,007,503,248.04 |
| Accumulated depreciation | | | | | |
| Opening balance | 3,614,797,393.14 | 5,644,174,493.05 | 641,847,766.21 | 430,907,331.58 | 10,331,726,983.98 |
| Provision for the year | 1,277,411,034.19 | 2,027,067,451.26 | 317,146,021.41 | 64,952,239.01 | 3,686,576,745.87 |
| Disposal or retirement | (66,997,758.13) | (157,569,149.09) | (89,950,014.13) | (21,083,104.52) | (335,600,025.87) |
| Disposal of subsidiaries | - | - | - | (1,276,914.19) | (1,276,914.19) |
| Closing balance | 4,825,210,669.20 | 7,513,672,795.22 | 869,043,773.49 | 473,499,551.88 | 13,681,426,789.79 |

2017

| | Buildings | Machinery and equipment | Transportation equipment | Other equipments | Total |
|---------------------------------|-------------------|-------------------------|--------------------------|------------------|-------------------|
| Provision for impairment | | | | | |
| Opening balance | 76,123,698.84 | 182,592,424.18 | 7,472,042.08 | 2,073,884.36 | 268,262,049.46 |
| Provision for the year | 85,207,792.62 | 81,652,404.17 | 15,022,238.90 | 266,628.02 | 182,149,063.71 |
| Disposal or retirement | (8,511,052.61) | (9,800,870.81) | (326,746.74) | (1,017,468.00) | (19,656,138.16) |
| Closing balance | 152,820,438.85 | 254,443,957.54 | 22,167,534.24 | 1,323,044.38 | 430,754,975.01 |
| Carrying amount | | | | | |
| At the end of the year | 24,514,516,682.85 | 20,035,352,353.90 | 1,142,866,890.41 | 202,585,556.08 | 45,895,321,483.24 |
| At the beginning of the year | 24,545,177,620.20 | 19,597,251,753.77 | 1,418,578,668.77 | 212,275,551.01 | 45,773,283,593.75 |

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For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Fixed assets (continued)

The carrying amounts of the fixed assets under finance leases and sale and lease back are as follows:

| | 30 June 2018 | 31 December 2017 |
|--------------------------|-------------------------|------------------|
| Machinery and equipment | 4,343,354,480.14 | 4,039,734,333.63 |
| Buildings | 47,345,215.69 | 49,826,439.11 |
| Transportation equipment | 48,206,251.03 | 62,337,952.11 |
| Carrying amount | 4,438,905,946.86 | 4,151,898,724.85 |

The carrying amounts of the fixed assets leased out under operating leases are as follows:

| | 30 June 2018 | 31 December 2017 |
|--------------------------|-----------------------|------------------|
| Machinery and equipment | 10,424,370.33 | 4,939,122.54 |
| Buildings | 135,243,856.97 | 21,889,223.73 |
| Transportation equipment | 6,441,766.07 | – |
| Other equipments | 18,113.94 | – |
| | 152,128,107.31 | 26,828,346.27 |

As at 30 June 2018, the carrying amounts of buildings pending for completion of the procedures for title certificates amounted to RMB626,944,719.40. The procedures for title certificates for these buildings were in progress. The management of the Company is of the view that there would not be any material adverse impact on the business operation of the Group from the aforementioned incomplete procedures for the title certificates.

Details of pledge of fixed assets are set out in Note V. 67.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress

| | 30 June 2018 | | | 31 December 2017 | | |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| Beijing Liushui Environmental Protection | | | | | | |
| – Construction waste resources optimization | 71,320,265.52 | – | 71,320,265.52 | 57,780,767.18 | – | 57,780,767.18 |
| – Improvement and expansion project of fly ash | 36,209,046.67 | – | 36,209,046.67 | 34,986,805.15 | – | 34,986,805.15 |
| – Conveying system for the base of clinker silos no.1 to 5 | 1,497,729.70 | – | 1,497,729.70 | 4,252,364.10 | – | 4,252,364.10 |
| – Capacity improvement, optimization and renovation project of the disposal of fly ashes | 13,408,264.49 | – | 13,408,264.49 | 11,777,217.29 | – | 11,777,217.29 |
| – Project concerning comprehensive utilization of fly ash | 6,429,138.46 | – | 6,429,138.46 | 5,647,066.46 | – | 5,647,066.46 |
| Beijing Jianhua-Bulangni Concrete | | | | | | |
| – Relocation of production line of 4.5 cubic meters in Qingyundian Town | 7,300,000.00 | – | 7,300,000.00 | 7,300,000.00 | – | 7,300,000.00 |
| – Project for building basement and material shed of concrete mixing tower for Bulangni (Qingyundian) | 2,100,000.00 | – | 2,100,000.00 | 2,100,000.00 | – | 2,100,000.00 |
| Hebei BBMG Dingxin Cement | | | | | | |
| – Projects for managing sheds in branches no. 1, 2 and 3 and stone plant in 2017 | 4,345,401.34 | – | 4,345,401.34 | 3,322,733.39 | – | 3,322,733.39 |
| – Project concerning comprehensive technological improvement on new powder separation and energy-saving in branch no. 2 in 2017 | 475,026.11 | – | 475,026.11 | 4,374,560.14 | – | 4,374,560.14 |
| – Sealing of conveyor belt in branch no. 2 in 2018 | 2,099,692.00 | – | 2,099,692.00 | – | – | – |
| – Renovation project concerning warm-air ventilation in 2017 | 1,850,157.39 | – | 1,850,157.39 | – | – | – |
| Baoding Taihang Heyi | | | | | | |
| – Renovation project of air compressors | 1,589,655.17 | – | 1,589,655.17 | – | – | – |
| Handan BBMG Taihang Cement | | | | | | |
| – Collaborative project of the disposal of garbage for cement kiln | 585,168.80 | – | 585,168.80 | – | – | – |
| – Renovation project concerning raw coal shed for XM-2017-044#, 5# | 9,955,792.08 | – | 9,955,792.08 | 9,633,883.02 | – | 9,633,883.02 |
| – Renovation project concerning sandstone shed | 3,626,396.40 | – | 3,626,396.40 | 2,456,000.00 | – | 2,456,000.00 |
| – Renovation of staff canteen for XM2013-08 | 1,774,327.68 | – | 1,774,327.68 | – | – | – |
| – Renovation of the direct drive of coal mill for 2017-056# | 1,449,802.83 | – | 1,449,802.83 | – | – | – |
| – Concentrated office renovation of sports center for 2011-17 | 1,427,382.95 | – | 1,427,382.95 | – | – | – |

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|-------------------------------------------------------------------------|-----------------------|--------------------------|------------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| Cheng'an BBMG Taihang Cement | | | | | | |
| – Material shed | 4,552,735.81 | – | 4,552,735.81 | 3,702,396.11 | – | 3,702,396.11 |
| Handan BBMG Taihang Building Materials | | | | | | |
| – Land expenses | 21,212,641.62 | – | 21,212,641.62 | 6,167,550.30 | – | 6,167,550.30 |
| Handan Shexian BBMG Cement | | | | | | |
| – Project concerning comprehensive utilisation of mining mullock | 1,822,497.71 | – | 1,822,497.71 | 1,822,497.71 | – | 1,822,497.71 |
| Zanhuang BBMG Cement | | | | | | |
| – Collaborative disposal of household garbage and sludge in cement kiln | 73,693,946.59 | – | 73,693,946.59 | 44,926,265.56 | – | 44,926,265.56 |
| – Sandstone mine | 1,609,395.88 | – | 1,609,395.88 | – | – | – |
| Tianjin BBMG Concrete | | | | | | |
| – Binhai creative investment office building | 23,650,000.00 | – | 23,650,000.00 | 23,650,000.00 | – | 23,650,000.00 |
| – Construction project of new station in Wuqing | 2,691,447.45 | – | 2,691,447.45 | 2,677,497.45 | – | 2,677,497.45 |
| Lingchuan BBMG Cement | | | | | | |
| – Comprehensive ancillary material shed project | 2,927,434.77 | – | 2,927,434.77 | – | – | – |
| Bo'ai BBMG Cement | | | | | | |
| – Bo'ai Zhaihuoxiang limestone mine | 14,097,169.75 | – | 14,097,169.75 | 14,097,169.75 | – | 14,097,169.75 |
| Guangling BBMG Cement | | | | | | |
| – Technological improvement of clinker shed | 14,378,796.46 | – | 14,378,796.46 | 14,080,459.89 | – | 14,080,459.89 |
| – Renovation project of a workshop | – | – | – | 2,711,497.77 | – | 2,711,497.77 |
| – Construction of a new cement warehouse with a storage of 1,200 tonnes | 1,613,709.34 | – | 1,613,709.34 | 2,559,925.67 | – | 2,559,925.67 |
| – Cogeneration projects | 384,500.83 | – | 384,500.83 | 2,483,383.91 | – | 2,483,383.91 |
| Chengde BBMG Cement | | | | | | |
| – Project concerning comprehensive utilisation of hazardous waste | 37,735.85 | – | 37,735.85 | 28,015,172.27 | – | 28,015,172.27 |
| – Intelligent engineering projects | 1,655,877.40 | – | 1,655,877.40 | 402,564.10 | – | 402,564.10 |
| Xingtai BBMG Yongning Cement | | | | | | |
| – Collaborative disposal of wastes in cement kiln | 17,287,609.82 | – | 17,287,609.82 | 8,626,215.61 | – | 8,626,215.61 |
| Beijing BBMG Tiantan Furniture | | | | | | |
| – Intelligent manufacturing workshop | 301,518,333.11 | – | 301,518,333.11 | 139,236,575.77 | – | 139,236,575.77 |
| – Renovation of a plant of Longshuncheng | 30,725,326.11 | – | 30,725,326.11 | 14,188,487.82 | – | 14,188,487.82 |
| Dachang BBMG Tiantan Furniture | | | | | | |
| – Construction of Dachang project | 22,715,386.45 | – | 22,715,386.45 | 20,774,294.83 | – | 20,774,294.83 |
| Beijing Aerated Concrete | | | | | | |
| – Logistics park project | 1,007,578,218.26 | – | 1,007,578,218.26 | 955,230,172.52 | – | 955,230,172.52 |
| Beijing Building Material Test Centre | | | | | | |
| – Establishment of information platform | 2,997,369.17 | – | 2,997,369.17 | 3,487,392.11 | – | 3,487,392.11 |

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

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18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| BBMG (Dachang) Modern Industrial Park | | | | | | |
| – Furniture project standard plant | 25,195,976.26 | – | 25,195,976.26 | 25,195,976.26 | – | 25,195,976.26 |
| – Coating product warehouse and test center | 8,070,502.80 | – | 8,070,502.80 | 8,070,502.80 | – | 8,070,502.80 |
| BBMG Weiguan (Cangzhou) Chemical | | | | | | |
| – Adhesive and poly-hydroxy-acid alkaline agent | 29,448,954.98 | – | 29,448,954.98 | 46,739,986.14 | – | 46,739,986.14 |
| – Plants on land lot no. 7#9# of Tiantan project | | | | | | |
| Jianan Engineering | 21,338,120.62 | – | 21,338,120.62 | – | – | – |
| Hongye Ecological | | | | | | |
| – Jianjin Building decoration project | – | – | – | 28,026,857.13 | – | 28,026,857.13 |
| Jidong Development Group | | | | | | |
| – Caofeidian industrial park | 68,576,964.41 | – | 68,576,964.41 | 67,352,913.55 | – | 67,352,913.55 |
| – Sand making project | 4,324,624.50 | – | 4,324,624.50 | 4,324,624.50 | – | 4,324,624.50 |
| – Further treatment and transformation of a mine | 2,721,801.07 | – | 2,721,801.07 | 2,393,961.68 | – | 2,393,961.68 |
| Tangshan Jidong Concrete | | | | | | |
| – ERP project | 5,046,908.00 | – | 5,046,908.00 | 7,884,948.85 | – | 7,884,948.85 |
| Jidong Sand Gravel Aggregate | | | | | | |
| – Construction project of a production line of 2.5 million tonnes dolomite | 25,881,151.95 | – | 25,881,151.95 | 23,466,333.46 | – | 23,466,333.46 |
| – Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials | 26,516,621.96 | – | 26,516,621.96 | 14,044,839.69 | – | 14,044,839.69 |
| Jidong Development Machinery and Equipment | | | | | | |
| – Relocation and capacity expansion projects | 742,275,763.80 | – | 742,275,763.80 | 656,537,545.30 | – | 656,537,545.30 |
| BBMG Jidong Tangshan Concrete Environmental Technology Group (金隅冀東唐山混凝土環保科技集團) | | | | | | |
| – Material shed project | 3,200,000.00 | – | 3,200,000.00 | 1,800,000.00 | – | 1,800,000.00 |
| – SAP project | 2,819,745.85 | – | 2,819,745.85 | 2,819,745.85 | – | 2,819,745.85 |
| – Construction of material shed | 1,509,000.00 | – | 1,509,000.00 | 1,509,000.00 | – | 1,509,000.00 |
| – Machine-made sand project of Bishan station | 1,443,860.00 | – | 1,443,860.00 | 66,465.00 | – | 66,465.00 |
| Changji Jidong Cement Co., Ltd. (昌黎冀東水泥有限公司) | | | | | | |
| – Expansion project concerning a raw coal and auxiliary material shed | 5,432,390.86 | – | 5,432,390.86 | – | – | – |
| Jidong Cement (Yantai) Co., Ltd. (冀東水泥(煙臺)有限責任公司) | | | | | | |
| – Construction project of new raw material shed | 5,017,506.38 | – | 5,017,506.38 | 175,270.19 | – | 175,270.19 |
| – Renovation and technological improvement project concerning electric dust collection at the entrance of a kiln | 3,032,478.64 | – | 3,032,478.64 | – | – | – |

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|---------------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| Yangquan Jidong Cement Co., Ltd. (陽泉冀東水泥有限責任公司) | | | | | | |
| – Material shed project | 4,746,938.29 | - | 4,746,938.29 | - | - | - |
| Tang County Jidong Cement Co., Ltd. (Headquarters) (唐縣冀東水泥有限責任公司(本部)) | | | | | | |
| – Wet slag shed project | 3,264,072.73 | - | 3,264,072.73 | - | - | - |
| Hebei Mining Engineering | | | | | | |
| – Construction project of explosive depot in Yutian | 3,018,519.37 | - | 3,018,519.37 | 3,018,519.37 | - | 3,018,519.37 |
| Huahai Wind Power | | | | | | |
| – Caofeidian new wind power project | 107,045,976.72 | - | 107,045,976.72 | 107,045,976.72 | - | 107,045,976.72 |
| Yan Dong Construction | | | | | | |
| – Production line for Jicheng Housing plate-making workshop | - | - | - | 3,989,307.93 | - | 3,989,307.93 |
| – Plate-making workshop – composite plate production line | - | - | - | 3,550,750.56 | - | 3,550,750.56 |
| – Hainan villa | 2,336,304.83 | - | 2,336,304.83 | 2,336,304.83 | - | 2,336,304.83 |
| – Upgrading production line in plate-making workshop | - | - | - | 2,315,063.08 | - | 2,315,063.08 |
| – Composite-free plate production line for comprehensive foaming and heating platform | - | - | - | 61,590.89 | - | 61,590.89 |
| – Plate-making workshop-thin plate workshop production line | 4,650,851.22 | - | 4,650,851.22 | 197,076.95 | - | 197,076.95 |
| Cement museum | | | | | | |
| – Museum project | 12,282,726.72 | - | 12,282,726.72 | 804,718.62 | - | 804,718.62 |
| Yi County Xinhai Mining | | | | | | |
| – Project concerning crushed stone production of 1.2 million cubic meters per annum | - | - | - | 55,942,478.74 | - | 55,942,478.74 |
| Jidong Cement Heilongjiang | | | | | | |
| – Cement production line using new drying process with clinker | 83,331,222.04 | - | 83,331,222.04 | 53,164,479.34 | - | 53,164,479.34 |
| Jidong Cement Tongchuan | | | | | | |
| – Conveyor belt project | 28,893,452.21 | 5,795,465.90 | 23,097,986.31 | 28,893,452.21 | 3,978,739.01 | 24,914,713.20 |

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| Chengde Jidong Cement | | | | | | |
| – Technological improvement project of mining | 17,505,260.94 | – | 17,505,260.94 | 15,983,664.78 | – | 15,983,664.78 |
| – Aerated shed project of Wet slag | 2,015,206.69 | – | 2,015,206.69 | 1,459,282.71 | – | 1,459,282.71 |
| – Technological improvement on enhancing kiln production – technological improvement project for diagonal pulling chains | 1,438,717.96 | – | 1,438,717.96 | – | – | – |
| Baotou Jidong Cement | | | | | | |
| – Flux limestone crushing and screening project, phase II | 15,760,000.00 | – | 15,760,000.00 | 15,614,377.59 | – | 15,614,377.59 |
| Jidong Haitian Cement Wenxi | | | | | | |
| – Clinker storage tent | 12,764,571.46 | – | 12,764,571.46 | 11,711,711.71 | – | 11,711,711.71 |
| – Closure of long conveyor belt and transfer station | 1,459,063.55 | – | 1,459,063.55 | 1,581,081.08 | – | 1,581,081.08 |
| – Sealing project concerning limestone shed and unloading area | 3,633,806.31 | – | 3,633,806.31 | – | – | – |
| – Long conveyor belt of the mine | 1,972,500.00 | – | 1,972,500.00 | 1,972,500.00 | – | 1,972,500.00 |
| – Slag shed project | 1,849,358.00 | – | 1,849,358.00 | – | – | – |
| Yantai Jidong Runtai Building Materials | | | | | | |
| – Production line project | 10,257,807.77 | – | 10,257,807.77 | 10,437,308.14 | – | 10,437,308.14 |
| Jidong Cement Chongqing Jiangjin | | | | | | |
| – Avenue leading to plant | 9,483,126.04 | – | 9,483,126.04 | 7,476,867.80 | – | 7,476,867.80 |
| – Synergetic use of cement kiln for the disposal of solid waste | 2,236,694.25 | – | 2,236,694.25 | 1,667,723.01 | – | 1,667,723.01 |
| Laishui Jidong Cement | | | | | | |
| – Project of hazardous solid waste disposal | 433,418.50 | – | 433,418.50 | 6,898,595.34 | – | 6,898,595.34 |
| – Renovation project of conveying de-sulphur gypsum | 2,721,808.88 | – | 2,721,808.88 | 189,146.33 | – | 189,146.33 |
| Jidong Cement Yongji | | | | | | |
| – Project concerning a change of exploration right to mining right of Qincaigou mine | 6,398,927.35 | – | 6,398,927.35 | 6,268,841.07 | – | 6,268,841.07 |
| – Technology improvement project concerning a new raw coal shed | 2,053,661.45 | – | 2,053,661.45 | 20,552.07 | – | 20,552.07 |
| – Technology improvement project concerning low ammonia and denitrification | 1,549,678.01 | – | 1,549,678.01 | – | – | – |
| Mizhi Jidong Cement | | | | | | |
| – Project concerning cement production by comprehensive utilization using new dry process | 7,470,170.69 | – | 7,470,170.69 | 5,926,650.40 | – | 5,926,650.40 |
| – Renovation project concerning the electric dust collector at the entrance of a kiln | 5,646,548.04 | – | 5,646,548.04 | – | – | – |

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For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| Tangshan Jidong Cement | | | | | | |
| - Collaborative project of the disposal of solid wastes for cement kiln of the Plant no.2 | - | - | - | 5,693,379.69 | - | 5,693,379.69 |
| - Closure and comprehensive treatment of sheds in Plant no.2 | 4,474,534.01 | - | 4,474,534.01 | - | - | - |
| - Environmental renovation project concerning slag shed and the loading system of auxiliary material, such as slags and limestones, in Plant no.1 | 3,998,891.52 | - | 3,998,891.52 | - | - | - |
| - Comprehensive treatment project concerning the conveying corridor in Plant no.2 | 3,932,207.22 | - | 3,932,207.22 | - | - | - |
| - Closure project concerning the conveyor belt in Plant no.1 | 3,385,183.08 | - | 3,385,183.08 | - | - | - |
| - Comprehensive treatment project concerning dust emission in Plant no.2 | 2,164,955.16 | - | 2,164,955.16 | 299.14 | - | 299.14 |
| - Renovation and upgrading project of slags in Plant no.1 | 1,677,702.57 | - | 1,677,702.57 | 1,133,632.59 | - | 1,133,632.59 |
| - Renovation project concerning the occupational health standards attainment of packaging and bagging system in Plant no.1 | 1,517,525.84 | - | 1,517,525.84 | 597.44 | - | 597.44 |
| - the cement supply chain of BBMG Jidong | 2,327,509.85 | - | 2,327,509.85 | 975,044.36 | - | 975,044.36 |
| - Projects concerning the optimized integration of management and system, and standardization of ERP blueprint process of BBMG Jidong | 3,143,660.37 | - | 3,143,660.37 | 1,847,301.87 | - | 1,847,301.87 |
| Datong Jidong Cement | | | | | | |
| - Original flood command center | 5,067,326.00 | - | 5,067,326.00 | 5,067,326.00 | - | 5,067,326.00 |
| - Restoration project of the No.1 kiln dome body of Datong Company | 20,594,504.97 | - | 20,594,504.97 | - | - | - |
| - Renovation project concerning the grate cooler of Datong Company | 5,916,360.13 | - | 5,916,360.13 | - | - | - |
| - Renovation project concerning the limestone reclaimers | 1,841,933.96 | - | 1,841,933.96 | - | - | - |
| - Renovation of the preheater of Datong Company for energy-saving | 1,744,824.74 | - | 1,744,824.74 | - | - | - |

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For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| Inner Mongolia Yili Jidong Cement | | | | | | |
| – Upgrading project of filter press | - | - | - | 4,760,256.42 | - | 4,760,256.42 |
| Jilin Jidong Logistics | | | | | | |
| – Construction project concerning energy saving and environmental protection | 4,107,624.29 | - | 4,107,624.29 | 4,107,624.29 | - | 4,107,624.29 |
| Tangshan Jidong Qixin Cement | | | | | | |
| – Construction project of a new slag shed | 4,362,713.49 | - | 4,362,713.49 | 3,619,000.77 | - | 3,619,000.77 |
| – Final treatment project of side slopes of a mine | 3,504,179.95 | - | 3,504,179.95 | 3,377,477.87 | - | 3,377,477.87 |
| – Renovation project of ancillary material shed | 15,468,322.84 | - | 15,468,322.84 | 15,687,753.02 | - | 15,687,753.02 |
| Jidong Cement Huludao | | | | | | |
| – Cement production line using new drying process with clinker | 3,308,185.11 | - | 3,308,185.11 | 3,190,260.58 | - | 3,190,260.58 |
| Liaoyang Jidong Cement | | | | | | |
| – Cogeneration projects of Liaoyang company | 3,312,582.06 | - | 3,312,582.06 | 3,037,775.33 | - | 3,037,775.33 |
| Jidong Haitian Cement | | | | | | |
| – Project concerning bag filter revamping from ESP at the entrance of a kiln | 4,882,117.05 | - | 4,882,117.05 | 3,017,094.01 | - | 3,017,094.01 |
| Jidong Cement Chongqing Hechuan | | | | | | |
| – Relocation project of 110KV power supply line | 2,423,354.13 | - | 2,423,354.13 | 2,423,354.13 | - | 2,423,354.13 |
| – Renovation project concerning the ancillary conveying system for enhancing kiln production | 1,416,909.97 | - | 1,416,909.97 | - | - | - |
| Tangshan Jidong Cement Sanyou | | | | | | |
| – Project concerning design of connection system of 12MW cogeneration project phase II and its upgrading of grid connection | - | - | - | 2,365,193.14 | - | 2,365,193.14 |
| – Closure project of conveyor belt | 1,771,495.90 | - | 1,771,495.90 | - | - | - |
| Linli Jidong Cement | | | | | | |
| – Technological improvement project of conveying limestone | 3,930,723.13 | - | 3,930,723.13 | 2,360,872.86 | - | 2,360,872.86 |
| – Environmental protection plug project in ancillary material shed areas | 3,390,627.16 | - | 3,390,627.16 | 2,033,056.26 | - | 2,033,056.26 |
| – Upgrading project of desulphurization of exhaust gas at the end of a kiln | 7,440,939.68 | - | 7,440,939.68 | 2,665,117.24 | - | 2,665,117.24 |
| Jidong Cement Luan County | | | | | | |
| – Technological improvement project of grid connection for generating sets phase II | - | - | - | 2,153,680.09 | - | 2,153,680.09 |

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|-----------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| - Improvement project of energy management center | 2,147,008.55 | - | 2,147,008.55 | 2,147,008.55 | - | 2,147,008.55 |
| - Collaborative disposal project in cement kiln | 4,413,844.17 | - | 4,413,844.17 | - | - | - |
| - Closure project of conveyor belts in the whole plant | 2,865,384.07 | - | 2,865,384.07 | - | - | - |
| Jidong Cement Fengxiang Co., Ltd. (冀東水泥鳳翔有限責任公司) | | | | | | |
| - Construction project concerning new clinker shed | 2,842,867.81 | - | 2,842,867.81 | - | - | - |
| Wubao Jidong Special Cement Co., Ltd. (吳堡冀東特種水泥有限公司) | | | | | | |
| - Project concerning bag filter revamping from ESP of the electric dust collector at the entrance of kiln | 2,760,172.63 | - | 2,760,172.63 | - | - | - |
| Shanxi Shuangliang Dingxin Cement Co., Ltd. (山西雙良鼎新水泥有限公司) | | | | | | |
| - Construction project of a new raw coal shed in Shuangliang company | 1,902,094.05 | - | 1,902,094.05 | 1,550,838.07 | - | 1,550,838.07 |
| - Project concerning image improvement of plant area of Shuangliang company | 1,620,053.14 | - | 1,620,053.14 | 744,452.55 | - | 744,452.55 |
| Jidong Cement Panshi Co., Ltd. (冀東水泥磐石有限責任公司) | | | | | | |
| - Environmental technology improvement project of raw material and ancillary material shed | 1,907,339.64 | - | 1,907,339.64 | - | - | - |
| - Yantong Lazi mining | 1,666,926.89 | - | 1,666,926.89 | 1,666,926.89 | - | 1,666,926.89 |
| Tianjin Jidong Cement Co., Ltd. (天津冀東水泥有限公司) | | | | | | |
| - Renovation and technology improvement on direct drives of cement mills | 1,549,893.33 | - | 1,549,893.33 | 1,178,624.50 | - | 1,178,624.50 |
| Tangshan Jidong Equipment & Engineering (唐山冀東裝備工程) | | | | | | |
| - Reserved plant for heavy machinery hotworking center | 5,909,090.27 | - | 5,909,090.27 | - | - | - |
| Quyang BBMG Cement Co., Ltd. (曲陽金隅水泥有限公司) | | | | | | |
| - Technology improvement project of cogeneration and cold end energy-saving system | 1,555,555.16 | - | 1,555,555.16 | - | - | - |
| - Clinker shed conveying system | 1,486,224.55 | - | 1,486,224.55 | 190,704.08 | - | 190,704.08 |

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For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

| | 30 June 2018 | | | 31 December 2017 | | |
|------------------------------------------------------------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | Gross carrying amount | Provision for impairment | Carrying amount | Gross carrying amount | Provision for impairment | Carrying amount |
| Lanxian BBMG Cement Co., Ltd. (嵐縣金隅水泥有限公司) | | | | | | |
| – Project concerning bag filter revamping from ESP at the entrance of a kiln | 3,338,232.14 | – | 3,338,232.14 | – | – | – |
| – Raw material shed | 3,064,803.35 | – | 3,064,803.35 | – | – | – |
| Beijing Chinafarge Cement Co., Ltd. (北京興發水泥有限公司) | | | | | | |
| – Chinafarge upgrading project | 19,060,113.20 | – | 19,060,113.20 | 5,651,361.34 | – | 5,651,361.34 |
| Badaling Hot Spring | | | | | | |
| – Upgrading net value of real estates in 2018 | 20,443,907.01 | – | 20,443,907.01 | – | – | – |
| – Upgrading resorts in 2018 | 5,517,387.77 | – | 5,517,387.77 | 1,264,150.93 | – | 1,264,150.93 |
| BBMG Xing Energy-Saving Technology (Tangshan) Co., Ltd. (金隅星節能保溫科技(唐山)有限公司) | | | | | | |
| – Caofeidian project | 21,869,696.59 | – | 21,869,696.59 | – | – | – |
| Parent Company of Jidong Group | | | | | | |
| – Caofeidian technology building | 76,612,066.48 | – | 76,612,066.48 | – | – | – |
| – Caofeidian project (dunshi machinery) | 16,155,896.51 | – | 16,155,896.51 | 15,260,504.18 | – | 15,260,504.18 |
| Construction materials | 111,515,940.53 | 15,190,693.73 | 96,325,246.80 | 124,743,026.77 | 15,171,060.40 | 109,571,966.37 |
| Others | 283,829,113.30 | 30,624,254.06 | 253,204,859.24 | 135,514,876.07 | 30,624,254.06 | 104,890,622.01 |
| | 3,767,806,647.39 | 51,610,413.69 | 3,716,196,233.70 | 3,030,836,478.58 | 49,774,053.47 | 2,981,062,425.11 |

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

18. Construction in progress (continued)

The movements in significant construction in progress from January to June 2018 are as follows:

| Projects | Budget (thousand RMB) | Opening balance | Increase in the period | Business combination not under common control | Transferred to fixed assets in the period | Other decreases (note) | Closing balance | Source of funding | Percentage of project investment in budget (%) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|---------------------------|--------------------------------------------------------|-------------------------------------------------|------------------------------|--------------------|---------------------------------|------------------------------------------------------------|
| Beijing Lushui Environmental Technology – Construction waste resources optimization | 72,240 | 57,780,767.18 | 13,539,498.34 | – | – | – | 71,320,265.52 | Self-financing and borrowing | 98.73 |
| – Improvement and expansion project of fly ash Hebei BBMG Dingxin Cement | 70,910 | 34,986,805.15 | 1,222,241.52 | – | – | – | 36,209,046.67 | Self-financing | 51.06 |
| – Project concerning comprehensive technological improvement on new powder separation and energy-saving in branch no. 2 in 2017 Handan Shexian BBMG Cement | 90,000 | 4,374,560.14 | 78,598,377.42 | – | (82,497,911.45) | – | 475,026.11 | Self-financing | 92.19 |
| – Project concerning comprehensive utilisation of mining mullock Zhuolu Jinyu Cement | 46,000 | 1,822,497.71 | – | – | – | – | 1,822,497.71 | Group funding | 3.96 |
| – Shed project of 0.3 million tonnes of clinker Tianjin BBMG Concrete | 25,481 | 61,320.75 | 476,075.25 | – | – | – | 537,396.00 | Self-financing | 2.11 |
| – Binhai creative investment office building Qinyang BBMG Cement | 33,816 | 23,650,000.00 | – | – | – | – | 23,650,000.00 | Self-financing | 69.94 |
| – Collaborative project of hazardous waste disposal with cement production line Zuoquan BBMG Cement | 31,073 | 651,116.51 | 47,169.81 | – | – | – | 698,286.32 | Self-financing | 2.25 |
| – limestone (for cement use) mine project Beijing Chinedarge Cement Co., Ltd. | 42,227 | – | 1,165,057.71 | – | – | – | 1,165,057.71 | Self-financing | 2.76 |
| – Chinedarge upgrading project | 580,000 | 5,651,361.34 | 13,408,751.86 | – | – | – | 19,060,113.20 | Self-financing | 3.29 |

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For the six months ended 30 June 2018

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

18. Construction in progress (continued)

The movements in significant construction in progress from January to June 2018 are as follows: (continued)

| Projects | Budget (thousand RMB) | Opening balance | Increase in the period | Business combination not under common control | Transferred to fixed assets in the period | Other decreases (note) | Closing balance | Source of funding | Percentage of project investment in budget (%) |
|---------------------------------------------------------------------------------|--------------------------|--------------------|---------------------------|--------------------------------------------------------|-------------------------------------------------|------------------------------|--------------------|--------------------------------------------------|------------------------------------------------------------|
| Bo'ai BBMG Cement | | | | | | | | | |
| – Bo'ai Zhaihuoxiang limestone mine | 21,103 | 14,097,169.75 | – | – | – | – | 14,097,169.75 | Self-financing and borrowing | 66.80 |
| – Hazardous waste disposal project | 34,723 | 681,593.73 | – | – | – | – | 681,593.73 | Self-financing | 1.96 |
| Chengde BBMG Cement | | | | | | | | | |
| – Project concerning comprehensive utilisation of hazardous waste | 39,140 | 28,015,172.27 | 6,060,129.17 | – | (34,037,565.59) | – | 37,735.85 | Group funding | 87.06 |
| – Intelligent engineering projects | 45,197 | 402,564.10 | 1,253,313.30 | – | – | – | 1,655,877.40 | Self-financing | 3.66 |
| Xingtai BBMG Yongning Cement | | | | | | | | | |
| – Collaborative disposal of wastes in cement kiln | 42,057 | 8,626,215.61 | 8,661,394.21 | – | – | – | 17,287,609.82 | Self-financing | 41.11 |
| Beijing BBMG Tiantan Furniture | | | | | | | | | |
| – Intelligent manufacturing workshop | 281,400 | 139,236,575.77 | 162,281,757.34 | – | – | – | 301,518,333.11 | Group funding | 86.63 |
| – Renovation of a plant of Longshuncheng | 42,000 | 14,188,487.82 | 16,536,838.29 | – | – | – | 30,725,326.11 | Group funding | 59.15 |
| Dachang BBMG Tiantan Furniture | | | | | | | | | |
| – Construction of Dachang project | 558,600 | 20,774,294.83 | 1,941,091.62 | – | – | – | 22,715,386.45 | Appropriation by the state, self-financing | 4.07 |
| Beijing Aerated Concrete | | | | | | | | | |
| – Logistics park project | 1,367,600 | 818,008,893.56 | 189,569,324.70 | – | – | – | 1,007,578,218.26 | Self-financing | 73.67 |
| BBMG (Dachang) Modern Industrial Park | | | | | | | | | |
| – Tiantan Furniture project standard plant | 37,201 | 25,195,976.26 | – | – | – | – | 25,195,976.26 | Self-financing | 67.73 |
| – Tiantan Furniture phase I at Lot 4#, 10-2# under Tiantan Furniture project | 97,813 | 821,813.06 | – | – | – | – | 821,813.06 | Self-financing | 0.84 |
| – Tiantan Furniture project-GSHF project | 88,000 | 112,506.29 | – | – | – | – | 112,506.29 | Self-financing | 0.13 |
| – Sanchong Mirror project | 27,524 | 65,000.00 | – | – | – | – | 65,000.00 | Self-financing | 0.24 |

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For the six months ended 30 June 2018

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

18. Construction in progress (continued)

The movements in significant construction in progress from January to June 2018 are as follows: (continued)

| Projects | Budget (thousand RMB) | Opening balance | Increase in the period | Business combination not under common control | Transferred to fixed assets in the period | Other decreases (note) | Closing balance | Source of funding | Percentage of project investment in budget (%) |
|-----------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|---------------------------|--------------------------------------------------------|-------------------------------------------------|------------------------------|-------------------------|----------------------|------------------------------------------------------------|
| - Cement production line using new drying process with clinker | 790,000 | 3,190,260.58 | 117,924.53 | - | - | - | 3,308,185.11 | Group funding | 0.42 |
| Liaoyang Jidong Cement | | | | | | | | | |
| - Cogeneration projects of Liaoyang company | 33,070 | 3,037,775.33 | 274,806.73 | - | - | - | 3,312,582.06 | Self-financing | 10.02 |
| Jidong Haitian Cement Wenxi | | | | | | | | | |
| - Conveyor belts of a mine | 98,220 | 1,972,500.00 | - | - | - | - | 1,972,500.00 | Self-financing | 2.01 |
| Jidong Cement Parsi | | | | | | | | | |
| - Yantong Lazi mining | 99,408 | 1,666,926.89 | - | - | - | - | 1,666,926.89 | Self-financing | 1.68 |
| Shanxi Shuangliang Dingxin Cement | | | | | | | | | |
| - Technological improvement project of collaborative disposal of cement kiln in Shuangliang company | 40,000 | 478,274.23 | - | - | - | - | 478,274.23 | Self-financing | 1.20 |
| Construction materials | | 124,743,026.77 | 60,124,167.86 | - | - | (73,351,254.10) | 111,515,940.53 | | |
| Others | | 588,589,635.07 | 480,124,759.00 | 38,938,793.52 | (238,112,495.39) | (1,554,271.97) | 867,986,420.23 | | |
| | | <u>3,030,836,478.58</u> | <u>1,345,095,038.49</u> | <u>38,938,793.52</u> | <u>(523,380,621.25)</u> | <u>(123,683,041.95)</u> | <u>3,767,806,647.39</u> | | |

Note: Other decreases mainly represent the transfer of Jianjin Building decoration project of Hongye Ecological Co., Ltd., a subsidiary of the Company, to long-term deferred expenditures of RMB 28,329,648.64, in aggregate.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

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

For the six-month period ended 30 June 2018

| | Progress of works (%) | Accumulated amount of interest capitalized | Of which: Interest capitalized for the period | Capitalization rate for the period (%) |
|------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------------------|-----------------------------------------------|----------------------------------------|
| Beijing Liushui Environmental – Construction waste resources optimization | 87.28 | 531,666.66 | 317,066.66 | 3.49 |
| Zanhuang BBMG Cement – Collaborative disposal of household garbage and sludge in cement kiln projects | 35.76 | 603,683.33 | – | – |
| Handan Shexian BBMG Cement – Relocation and technological improvement project of cement grinding station | 0.45 | 434,916.66 | 434,916.66 | 4.35 |
| Jidong Development Group – Caofeidian industrial park | 2.79 | 20,718,267.70 | 1,755,504.94 | 5.18 |
| Laishui Jinglai Building Materials – Construction project of a production line of 2.5 million tonnes dolomite | 21.55 | 2,346,909.29 | – | – |
| Tangshan Dunshi Machinery Manufacturing – Dunshi machinery manufacturing project | 24.04 | 11,243,496.83 | 6,896,363.20 | 7.74 |
| Jidong Cement Heilongjiang Co., Ltd. – Cement production line using new drying process with clinker | 10.83 | 127,075,779.80 | 1,494,733.79 | 4.82 |
| Jidong Cement Yongji – Project concerning a change of exploration right to mining right of Qincaigou mine | 5.21 | 160,090.67 | 55,805.33 | 4.37 |
| – Technological improvement project of construction of new raw coal shed | 37.92 | 30.23 | – | – |
| Jidong Cement Panshi – Yantong Lazi mining | 1.68 | 1,666,926.89 | – | – |
| | | 164,781,768.06 | 10,954,390.58 | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

2017

| | Progress of works (%) | Accumulated amount of interest capitalized | Of which: Interest capitalized for the year | Capitalization rate for the period (%) |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| Beijing Liushui Environmental Protection Technology | | | | |
| – Construction waste resources optimization | 79.98 | 214,600.00 | 214,600.00 | 3.48 |
| Zanhuang BBMG Cement | | | | |
| – Collaborative disposal of household garbage and sludge in cement kiln projects | 35.76 | 603,683.33 | 603,683.33 | 3.48 |
| Chengde BBMG Cement | | | | |
| – Project concerning comprehensive utilisation of hazardous waste | 71.58 | 616,880.75 | 485,554.75 | 3.76 |
| Jidong Development Group | | | | |
| – Caofeidian industrial park | 2.74 | 18,962,762.76 | 3,923,296.72 | 5.18 |
| Laishui Jinglai Building Materials | | | | |
| – Construction project of a production line of 2.5 million tonnes dolomite | 19.54 | 2,177,481.95 | 13,910.57 | – |
| Jidong Development Jingyang Building Materials | | | | |
| – Aggregates production line with annual production capacity of 3 million tonnes of Jingyang Building Materials | 62.75 | 25,593,870.64 | 1,107,583.92 | 5.46 |
| Tangshan Dunshi Machinery Manufacturing | | | | |
| – Dunshi machinery manufacturing project | 4.92 | 4,347,133.63 | – | – |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

2017 (continued)

| | Progress of works (%) | Accumulated amount of interest capitalized | Of which: Interest capitalized for the year | Capitalization rate for the period (%) |
|-----------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| Yi County Xinhai Mining Co., Ltd. | | | | |
| – Project concerning crushed stone production of 1.2 million cubic meters per annum | 60.69 | 5,430,594.84 | 1,962,028.92 | 4.53 |
| Jidong Cement Heilongjiang Co., Ltd. | | | | |
| – Cement production line using new drying process with clinker | 66.40 | 125,581,046.01 | 57,080,337.94 | 4.82 |
| Jidong Cement Yongji | | | | |
| – Project concerning a change of exploration right to mining right of Qincaigou mine | 5.10 | 104,285.34 | 104,285.34 | 4.37 |
| – Project of intelligent delivery and transportation plaza in front of plant and roads nearby | 81.87 | 242.26 | 242.26 | 4.37 |
| – Technological improvement project of construction of new raw coal shed | 0.38 | 30.23 | 30.23 | 4.37 |
| – Collaborative disposal of sludge in cement kiln | 98.80 | 2,406.99 | 13,365.48 | 4.39 |
| Jidong Cement Panshi | | | | |
| – Yantong Lazi mining | 1.68 | 1,666,926.89 | – | – |
| | | <u>185,301,945.62</u> | <u>65,508,919.46</u> | |

Note: The amount of capitalized interests included in construction in progress for the first half of 2018 was RMB11,706,877.68 (2017: RMB86,331,737.21), among which, RMB752,487.10 (2017: RMB20,822,817.75) had been transferred to fixed assets.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

Provision for impairment of construction in progress for the six months ended 30 June 2018:

| | Opening balance | Increase in the period | Decrease in the period | Closing balance | Reason for impairment |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------|---------------------------|----------------------|------------------------------------------------------|
| Hebei BBMG Dingxin Co., Ltd. – Project for the first branch | 1,299,924.00 | - | - | 1,299,924.00 | Project suspension |
| Jidong Group – Nanhu Yingbinguan | 25,696,028.66 | - | - | 25,696,028.66 | Recoverable amount is lower than the carrying amount |
| Jingyang Jinhui Building Materials Co., Ltd. – 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 Co., Ltd. – 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 Co., Ltd. – Conveyor belt project | 3,978,739.01 | 1,816,726.89 | - | 5,795,465.90 | Recoverable amount is lower than the carrying amount |
| Construction Materials | 15,171,060.40 | 19,633.33 | - | 15,190,693.73 | Recoverable amount is lower than the carrying amount |
| | <u>49,774,053.47</u> | <u>1,836,360.22</u> | <u>-</u> | <u>51,610,413.69</u> | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Construction in progress (continued)

Provision for impairment of construction in progress for 2017:

| | Opening balance | Increase in the year | Decrease in the year | Closing balance | Reason for impairment |
|----------------------------------------------------------------------------------------------|----------------------|-------------------------|-------------------------|----------------------|------------------------------------------------------|
| Hebei BBMG Dingxin Co., Ltd. | | | | | |
| – Project for the first branch | 1,299,924.00 | – | – | 1,299,924.00 | Project suspension |
| Jidong Group | | | | | |
| – Nanhu Yingbinguan | – | 25,696,028.66 | – | 25,696,028.66 | Recoverable amount is lower than the carrying amount |
| Jingyang Jinhui Building Materials Co., Ltd. | | | | | |
| – 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 Co., Ltd. | | | | | |
| – 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 Co., Ltd. | | | | | |
| – Conveyor belt project | 1,556,436.49 | 2,422,302.52 | – | 3,978,739.01 | Recoverable amount is lower than the carrying amount |
| Construction Materials | 14,512,244.21 | 1,430,205.69 | 771,389.50 | 15,171,060.40 | Recoverable amount is lower than the carrying amount |
| | <u>20,996,906.10</u> | <u>29,548,536.87</u> | <u>771,389.50</u> | <u>49,774,053.47</u> | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

19. Intangible assets

For the six months ended 30 June 2018

| | Computer software | | | | | Total |
|--------------------------------------------------|--------------------------|-----------------------|-------------------------|----------------------|-----------------------|--------------------------|
| | Land use rights | licenses | Mining rights | Trademark rights | Others | |
| Cost | | | | | | |
| Opening balance | 9,126,604,942.70 | 167,093,919.84 | 2,806,043,512.90 | 83,414,700.00 | 197,289,497.90 | 12,380,446,573.34 |
| Addition | 153,165,135.52 | 6,371,237.22 | 3,259,802.30 | - | - | 162,796,175.04 |
| Business combination not under common control | 6,670,458,320.35 | 1,062,425.00 | 33,029,955.88 | - | - | 6,704,550,701.23 |
| Disposal or retirement | (35,946,212.59) | (1,022,759.15) | - | - | (3,917.05) | (36,972,888.79) |
| Closing balance | <u>15,914,282,185.98</u> | <u>173,504,822.91</u> | <u>2,842,333,271.08</u> | <u>83,414,700.00</u> | <u>197,285,580.85</u> | <u>19,210,820,560.82</u> |
| Accumulated amortisation | | | | | | |
| Opening balance | 970,003,171.86 | 63,873,740.72 | 355,658,391.06 | - | 46,865,377.82 | 1,436,400,681.46 |
| Provision for the period | 130,060,508.67 | 15,850,684.36 | 49,363,605.41 | - | 5,106,195.53 | 200,380,993.97 |
| Disposal or retirement | (27,849,919.81) | (677,765.86) | - | - | - | (28,527,685.67) |
| Closing balance | <u>1,072,213,760.72</u> | <u>79,046,659.22</u> | <u>405,021,996.47</u> | <u>-</u> | <u>51,971,573.35</u> | <u>1,608,253,989.76</u> |
| Provision for impairment | | | | | | |
| Opening balance | 6,235,685.06 | - | 67,943,968.48 | 5,000,000.00 | 7,780,240.56 | 86,959,894.10 |
| Provision for the period | 3,050,593.49 | - | - | - | - | 3,050,593.49 |
| Closing balance | <u>9,286,278.55</u> | <u>-</u> | <u>67,943,968.48</u> | <u>5,000,000.00</u> | <u>7,780,240.56</u> | <u>90,010,487.59</u> |
| Carrying amount | | | | | | |
| At the end of the period | <u>14,832,782,146.71</u> | <u>94,458,163.69</u> | <u>2,369,367,306.13</u> | <u>78,414,700.00</u> | <u>137,533,766.94</u> | <u>17,512,556,083.47</u> |
| At the beginning of the period | <u>8,150,366,085.78</u> | <u>103,220,179.12</u> | <u>2,382,441,153.36</u> | <u>78,414,700.00</u> | <u>142,643,879.52</u> | <u>10,857,085,997.78</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

19. Intangible assets (continued)

2017

| | Computer software | | | | | Total |
|-----------------------------------------------|-------------------|----------------|------------------|------------------|-----------------|-------------------|
| | Land use rights | licenses | Mining rights | Trademark rights | Others | |
| Cost | | | | | | |
| Opening 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 |
| Addition | 315,689,402.26 | 26,243,746.95 | 109,577,423.54 | - | 1,704,156.00 | 453,214,728.75 |
| Business combination not under common control | - | 91,190.88 | - | - | - | 91,190.88 |
| Disposal or retirement | (55,538,456.96) | (1,926,494.23) | (413,482,726.95) | (11,670,000.00) | (18,999,932.30) | (501,617,610.44) |
| Closing balance | 9,126,604,942.70 | 167,093,919.84 | 2,806,043,512.90 | 83,414,700.00 | 197,289,497.90 | 12,380,446,573.34 |
| Accumulated amortisation | | | | | | |
| Opening balance | 732,431,123.22 | 36,730,494.14 | 199,584,853.48 | - | 42,018,390.34 | 1,010,764,861.18 |
| Provision for the year | 245,154,513.58 | 28,910,294.55 | 179,079,273.95 | - | 11,223,385.11 | 464,367,467.19 |
| Disposal or retirement | (7,582,464.94) | (1,767,047.97) | (23,005,736.37) | - | (6,376,397.63) | (38,731,646.91) |
| Closing balance | 970,003,171.86 | 63,873,740.72 | 355,658,391.06 | - | 46,865,377.82 | 1,436,400,681.46 |
| Provision for impairment | | | | | | |
| Opening balance | 6,235,685.06 | - | 48,811,850.42 | 5,000,000.00 | 7,780,240.56 | 67,827,776.04 |
| Provision for the year | - | - | 19,132,118.06 | - | - | 19,132,118.06 |
| Closing balance | 6,235,685.06 | - | 67,943,968.48 | 5,000,000.00 | 7,780,240.56 | 86,959,894.10 |
| Carrying amount | | | | | | |
| At the end of the year | 8,150,366,085.78 | 103,220,179.12 | 2,382,441,153.36 | 78,414,700.00 | 142,643,879.52 | 10,857,085,997.78 |
| At the beginning 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 |

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

19. Intangible assets (continued)

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

| | 30 June 2018 | 31 December 2017 |
|--------------------|--------------------------|-------------------------|
| Less than 50 years | 14,832,782,146.71 | 8,150,366,085.78 |

Details of pledge of intangible assets are set out in Note V.67.

As at 30 June 2018, the useful life of trademark rights with a carrying amount of RMB78,414,700.00 was indefinite (31 December 2017: RMB78,414,700.00). The Group can apply for extension at the end of the expiration of protection periods of trademark rights with lower handling fees, and according to comprehensive judgment of product life cycle, market conditions and other factors, these trademark rights will bring economic benefits to the Group during future periods. After evaluated by the management of the Group, no provision for impairment is necessary.

As at 30 June 2018, the carrying value of intangible assets of the Group pending completion of the procedures for title certificates was amounted to RMB42,113,487.96. The management of the Company is of the view that there would not be any material adverse impact on the business operation of the Group from the aforementioned incomplete procedures for the title certificates.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Goodwill

| | 30 June 2018 | 31 December 2017 |
|-----------------------------------------------------------------------------------------|-------------------------|------------------|
| Hebei BBMG Dingxin Cement Co., Ltd. | 189,815,999.91 | 189,815,999.91 |
| Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. | 3,967,009.95 | 3,967,009.95 |
| Handan BBMG Taihang Cement Co., Ltd. | 26,884,752.28 | 26,884,752.28 |
| Beijing Taihang Prospect Environmental Protection Technology Co., Ltd. (北京太行前景環保科技有限公司) | 9,482,871.64 | 9,482,871.64 |
| Baoding Taihang Heyi Cement Co., Ltd. | 11,428,946.82 | 11,428,946.82 |
| Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司) | 2,742,710.29 | 2,742,710.29 |
| Tianjin Zhenxing Cement Co., Ltd. | 10,931,009.96 | 10,931,009.96 |
| Handan Shexian BBMG Cement Co., Ltd. | 56,276,121.38 | 56,276,121.38 |
| Jidong Cement Business | 2,013,854,242.93 | 2,013,854,242.93 |
| Jidong Equipment Business | 477,549,380.23 | 477,549,380.23 |
| | 2,802,933,045.39 | 2,802,933,045.39 |
| Less: Provision for impairment of goodwill | 62,645,395.59 | 62,645,395.59 |
| | 2,740,287,649.80 | 2,740,287,649.80 |

Movements in provision for impairment of goodwill are as follows:

For the six months ended 30 June 2018

| | Opening balance | Provision for the period | Decrease in the period | Closing balance |
|-----------------------------------------------------------------------------------------|----------------------|--------------------------|------------------------|----------------------|
| Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. | 3,967,009.95 | - | - | 3,967,009.95 |
| Tianjin Zhenxing Cement Co., Ltd. | 10,931,009.96 | - | - | 10,931,009.96 |
| Beijing Taihang Prospect Environmental Protection Technology Co., Ltd. (北京太行前景環保科技有限公司) | 9,482,871.64 | - | - | 9,482,871.64 |
| 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 |
| | 62,645,395.59 | - | - | 62,645,395.59 |

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For the six months ended 30 June 2018

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Goodwill (continued)

Movements in provision for impairment of goodwill are as follows: (continued)

2017

| | Opening balance | Provision for the year | Decrease in the year | Closing balance |
|---------------------------------------------------------------------------------------------------|----------------------|---------------------------|-------------------------|----------------------|
| Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. | 3,967,009.95 | – | – | 3,967,009.95 |
| Tianjin Zhenxing Cement Co., Ltd. | 10,931,009.96 | – | – | 10,931,009.96 |
| Beijing Taihang Prospect Environmental Protection Technology Co., Ltd. (北京太 行前景环保科技有限公司) | – | 9,482,871.64 | – | 9,482,871.64 |
| 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>9,482,871.64</u> | <u>–</u> | <u>62,645,395.59</u> |

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

The recoverable amount was determined based on the higher of the net amount of fair value of the assets group less costs to sell and the present value of the estimated future cash flow of the asset.

The net amount of fair value of the assets group less costs to sell was adjusted 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 30 June 2018, and determined 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% (2017: 10% – 11%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%-3% (2017: 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 Unaudited Interim Financial Statements

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RMB

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

21. Long-term deferred expenditures

For the six months ended 30 June 2018

| | Opening balance | Increase for the period | Increase in business combination not under common control | Amortisation for the period | Other decreases | Closing balance |
|--------------------------------------------------|-------------------------|----------------------------|--------------------------------------------------------------------|--------------------------------|-----------------------|-------------------------|
| Decoration | 117,765,888.69 | 23,680,930.21 | 18,265,390.25 | (20,003,841.20) | - | 139,708,367.95 |
| Leasehold improvement for fixed assets rented | 20,425,942.92 | 2,503,324.00 | 524,044.30 | (3,583,430.30) | - | 19,869,880.92 |
| Land lease prepayments | 338,573,072.61 | 8,725,359.00 | - | (10,883,605.42) | (1,828,452.43) | 334,586,373.76 |
| Cost of stripping mines | 494,325,767.23 | 29,024,506.60 | - | (11,182,612.17) | (714,900.64) | 511,452,761.02 |
| Others | 163,271,355.66 | 36,692,909.75 | 25,083.99 | (31,417,552.64) | (196,857.27) | 168,374,939.49 |
| | <u>1,134,362,027.11</u> | <u>100,627,029.56</u> | <u>18,814,518.54</u> | <u>(77,071,041.73)</u> | <u>(2,740,210.34)</u> | <u>1,173,992,323.14</u> |

2017

| | Opening balance | Increase for the year | Increase in business combination not under common control | Amortisation for the year | Other decreases | Closing balance |
|--------------------------------------------------|-------------------------|--------------------------|--------------------------------------------------------------------|------------------------------|------------------------|-------------------------|
| Decoration | 112,437,313.26 | 46,839,545.96 | - | (33,395,860.73) | (8,115,109.80) | 117,765,888.69 |
| Leasehold improvement for fixed assets rented | 22,292,358.49 | 7,977,768.61 | - | (9,844,184.18) | - | 20,425,942.92 |
| Land lease prepayments | 344,206,231.57 | 15,017,440.41 | - | (20,150,599.33) | (500,000.04) | 338,573,072.61 |
| Cost of stripping mines | 423,596,008.33 | 91,850,487.22 | - | (20,376,937.86) | (743,790.46) | 494,325,767.23 |
| Others | 110,271,037.21 | 108,356,116.60 | 22,101.66 | (50,533,886.42) | (4,844,013.39) | 163,271,355.66 |
| | <u>1,012,802,948.86</u> | <u>270,041,358.80</u> | <u>22,101.66</u> | <u>(134,301,468.52)</u> | <u>(14,202,913.69)</u> | <u>1,134,362,027.11</u> |

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For the six months ended 30 June 2018

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

22. Deferred income tax assets/liabilities

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

| | 30 June 2018 | | 31 December 2017 | |
|---------------------------------------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|
| | Deductible temporary differences | Deferred income tax assets | Deductible temporary differences | Deferred income tax assets |
| Deferred income tax assets | | | | |
| Provision for LAT | 2,646,811,784.24 | 661,702,946.06 | 2,462,289,487.36 | 615,572,371.84 |
| Deductible losses | 3,090,721,299.76 | 772,680,324.94 | 2,743,348,954.68 | 685,837,238.67 |
| Provision for impairment of assets | 2,856,628,647.96 | 714,157,161.99 | 2,752,435,448.72 | 688,108,862.18 |
| Difference in accounting and tax of revenue recognition | 59,676,356.24 | 14,919,089.06 | 74,968,816.36 | 18,742,204.09 |
| Accrual of property development cost | 2,650,282,979.32 | 662,570,744.83 | 2,699,765,097.60 | 674,941,274.40 |
| Floating loss from other equity investment | 45,942,594.56 | 11,485,648.64 | – | – |
| Unrealised profits and losses of internal transactions | 860,464,228.44 | 215,116,057.11 | 771,760,173.12 | 192,940,043.28 |
| Others | 417,670,239.48 | 104,417,559.87 | 303,470,784.88 | 75,867,696.22 |
| | 12,628,198,130.00 | 3,157,049,532.50 | 11,808,038,762.72 | 2,952,009,690.68 |

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 income tax assets are recognized for the above items.

| | 30 June 2018 | | 31 December 2017 | |
|---------------------------------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| Deferred income tax liabilities | | | | |
| Revaluation gains of investment properties | 11,399,914,507.60 | 2,849,978,626.90 | 8,775,739,306.96 | 2,193,934,826.74 |
| Deductible difference of accumulated depreciation | 1,336,575,894.88 | 334,143,973.72 | 1,336,575,894.88 | 334,143,973.72 |
| Fair value adjustment arising from business combination | 9,671,421,996.76 | 2,417,855,499.19 | 6,329,150,784.88 | 1,582,287,696.22 |
| Floating profit from other equity investment | – | – | 118,905,453.76 | 29,726,363.44 |
| Deferred relocation compensation income | 501,500,387.29 | 125,375,096.82 | 501,500,387.29 | 125,375,096.82 |
| Others | 878,102,460.20 | 219,525,615.05 | 833,033,202.55 | 208,258,300.64 |
| | 23,787,515,246.73 | 5,946,878,811.68 | 17,894,905,030.32 | 4,473,726,257.58 |

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For the six months ended 30 June 2018

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

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

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

| | 30 June 2018 | 31 December 2017 |
|----------------------------------|--------------------------|-------------------|
| Deductible losses | 7,732,605,243.38 | 7,137,027,656.13 |
| Deductible temporary differences | 5,980,757,644.62 | 3,340,755,629.93 |
| | 13,713,362,888.00 | 10,477,783,286.06 |

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

| | 30 June 2018 | 31 December 2017 |
|------|-------------------------|------------------|
| 2018 | 68,233,620.26 | 440,777,797.37 |
| 2019 | 174,749,956.28 | 107,555,461.59 |
| 2020 | 813,729,124.61 | 921,492,836.20 |
| 2021 | 3,632,982,329.64 | 3,625,822,913.21 |
| 2022 | 2,054,068,376.49 | 2,041,378,647.76 |
| 2023 | 988,841,836.10 | – |
| | 7,732,605,243.38 | 7,137,027,656.13 |

23. Other non-current assets

| | | 30 June 2018 | 31 December 2017 |
|--------------------------------------------------|-----|-------------------------|------------------|
| Repurchase | (1) | 460,843,080.58 | 460,843,080.58 |
| Prepayment for projects, equipment and plants | | 1,036,263,108.98 | 397,704,657.68 |
| Prepayment for lands | | 116,261,199.38 | 136,326,054.15 |
| Prepayment for exploration rights | | 84,300,008.87 | 64,558,160.00 |
| Cost of obtaining a contract | | | |
| Sales commission | (2) | 86,683,928.02 | – |
| | | 1,784,351,325.83 | 1,059,431,952.41 |

- (1) 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

23. Other non-current assets (continued)

- (2) Cost of obtaining a contract refers to the sales commission occurred by the entering into a sales contract of commodity housing and is amortized with the recognition of revenue from relevant contract, details of which are the following:

For the six months ended 30 June 2018:

| | Opening balance (Restated) | Increase in the period | Amortization in the period | Closing balance |
|------------------------------|----------------------------------|---------------------------|-------------------------------|----------------------|
| Cost of obtaining a contract | | | | |
| Sales commission | 102,779,248.45 | 11,832,335.34 | (27,927,655.77) | 86,683,928.02 |

24. Provisions for impairment of assets

For the six months ended 30 June 2018

| | Restated opening balance | Provision in the period | Acquisition of subsidiaries | Transferred to Assets held for sale | Decrease in the year | | Closing balance |
|-------------------------------------------------------------------|-----------------------------|----------------------------|--------------------------------|-------------------------------------------|-------------------------|--------------------------|-------------------------|
| | | | | | Reversal | Write-back/ Write-off | |
| Provision for bad debts: | 3,634,145,129.27 | 185,058,171.32 | 361,294,932.85 | (24,572,949.00) | (230,562,054.66) | (15,768,953.79) | 3,909,594,275.99 |
| Of which: Accounts receivable | | | | | | | |
| (Note V.4) | 2,231,874,010.93 | 134,679,988.89 | 219,885,802.98 | (103,649.00) | (140,353,265.16) | (5,824,386.75) | 2,440,158,501.89 |
| Other receivables | | | | | | | |
| (Note V.6) | 1,337,072,759.55 | 50,378,182.43 | 141,409,129.87 | - | (82,010,304.01) | (6,419,662.72) | 1,440,430,105.12 |
| Prepayments (Note V.5) | 43,106,152.03 | - | - | (24,469,300.00) | (2,027,467.49) | (3,524,904.32) | 13,084,480.22 |
| Long-term receivables (Note V.12) | 22,092,206.76 | - | - | - | (6,171,018.00) | - | 15,921,188.76 |
| Provision for decline in value of inventories (Note V.7) | 398,846,278.37 | 5,211,010.56 | - | - | (2,120,107.32) | (60,011,091.84) | 341,926,089.77 |
| Provision for impairment of fixed assets (Note V.17) | 430,754,975.01 | 8,973,295.92 | - | - | - | (12,010,115.22) | 427,718,155.71 |
| Provision for impairment of construction materials (Note V.18) | 49,774,053.47 | 1,836,360.22 | - | - | - | - | 51,610,413.69 |
| Provision for impairment of intangible assets (Note V.19) | 86,959,894.10 | 3,050,593.49 | - | - | - | - | 90,010,487.59 |
| Provision for impairment of goodwill (Note V.20) | 62,645,395.59 | - | - | - | - | - | 62,645,395.59 |
| Others | 2,754,674.63 | - | - | - | (790,102.17) | - | 1,964,572.46 |
| | 4,665,880,400.44 | 204,129,431.51 | 361,294,932.85 | (24,572,949.00) | (233,472,264.15) | (87,790,160.85) | 4,885,469,390.80 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

24. Provisions for impairment of assets (continued)

2017

| | Restated opening balance | Provision for the period | Acquisition of subsidiaries | Disposal of subsidiaries | Decrease in the period | | Closing balance |
|--------------------------------------------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|-------------------------|--------------------------|-------------------------|
| | | | | | Reversal | Write-back/ Write-off | |
| Provision for bad debts: | 3,606,558,585.22 | 905,930,357.85 | 102,894.45 | (60,000.00) | (718,031,387.88) | (45,940,912.44) | 3,748,559,537.20 |
| Of which: Accounts receivable | 2,250,876,050.03 | 550,190,679.03 | 42,894.45 | - | (355,573,980.57) | (24,815,296.27) | 2,420,720,346.67 |
| Other receivables | 1,315,581,001.81 | 348,610,117.91 | 60,000.00 | (60,000.00) | (359,123,810.99) | (20,334,270.23) | 1,284,733,038.50 |
| Prepayments | 40,101,533.38 | 7,129,560.91 | - | - | (3,333,596.32) | (791,345.94) | 43,106,152.03 |
| Provision for decline in value of inventories | 562,623,327.42 | 157,895,884.03 | 956,633.12 | - | (53,824,950.33) | (268,804,615.87) | 398,846,278.37 |
| Provision for impairment of available-for-sale financial assets | 7,304,165.76 | - | - | - | - | - | 7,304,165.76 |
| Provision for impairment of fixed assets | 268,262,049.46 | 182,149,063.71 | - | - | - | (19,656,138.16) | 430,754,975.01 |
| Provision for impairment of construction in progress | 20,996,906.10 | 29,548,536.87 | - | - | - | (771,389.50) | 49,774,053.47 |
| Provision for impairment of intangible assets | 67,827,776.04 | 19,132,118.06 | - | - | - | - | 86,959,894.10 |
| Provision for impairment of goodwill | 53,162,523.95 | 9,482,871.64 | - | - | - | - | 62,645,395.59 |
| Others | 12,829.03 | 2,741,845.60 | - | - | - | - | 2,754,674.63 |
| | <u>4,586,748,162.98</u> | <u>1,306,880,677.76</u> | <u>1,059,527.57</u> | <u>(60,000.00)</u> | <u>(771,856,338.21)</u> | <u>(335,173,055.97)</u> | <u>4,787,598,974.13</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

25. Short-term loans

| | 30 June 2018 | 31 December 2017 |
|---------------------------|---------------------------------|---------------------------------|
| Guaranteed loans (Note 1) | 2,392,500,000.00 | 1,840,000,000.00 |
| Credit loans | 34,414,970,000.00 | 32,029,900,000.00 |
| Mortgaged loans (Note 2) | 513,000,000.00 | – |
| Pledged loans (Note 3) | 816,050,000.00 | 505,300,000.00 |
| | <u>38,136,520,000.00</u> | <u>34,375,200,000.00</u> |

Note 1: As at 30 June 2018, guaranteed loans were guaranteed by Tianjin Yishang Group Co., Ltd. (天津一商集團有限公司) in the amount of RMB540,000,000.00; and the remaining part was guaranteed by entities within the Group.

Note 2: As at 30 June 2018, breakdown of collateral in respect of the mortgaged loans of the Group and values thereof are set out in Note V.67.

Note 3: As at 30 June 2018, pledged loans of the Group included loans of RMB777,000,000.00 secured by equity interests with a carrying amount of RMB269,299,741.71, loans of RMB33,250,000.00 secured by deposit certificates and loans of RMB5,800,000.00 by discounting the bills receivable of the Group's subsidiaries, details of which are set out in Note V.67.

As at 30 June 2018, the interest rates of the above loans were 2.80%-7.50% per annum (31 December 2017: 3.30%-8.40%). As at 30 June 2018, the Group had no outstanding loans that were due.

26. Bills payable and accounts payable

| | 30 June 2018 | 31 December 2017 |
|-----------------------------------------|---------------------------------|---------------------------------|
| Bills payable | 1,897,770,792.69 | 1,457,987,393.20 |
| <i>Including: Bank acceptance bills</i> | 1,712,698,812.75 | 1,448,906,903.71 |
| <i>Commercial acceptance bills</i> | 185,071,979.94 | 9,080,489.49 |
| Account payables | 15,658,429,010.10 | 15,747,091,122.08 |
| | <u>17,556,199,802.79</u> | <u>17,205,078,515.28</u> |

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 Unaudited Interim Financial Statements

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

26. Bills payable and accounts payable *(continued)*

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

The aging analysis of bills payable and accounts payable were the following:

| | 30 June 2018 | 31 December 2017 |
|---------------------------|---------------------------------|--------------------------|
| Within 1 year (inclusive) | 14,551,318,323.51 | 14,872,129,418.17 |
| 1 to 2 years (inclusive) | 1,844,204,318.93 | 1,199,775,599.39 |
| 2 to 3 years (inclusive) | 371,391,738.43 | 551,774,237.03 |
| Over 3 years | 789,285,421.92 | 581,399,260.69 |
| | <u>17,556,199,802.79</u> | <u>17,205,078,515.28</u> |

As at 30 June 2018, significant accounts payable of the Group aging over 1 year are as follows:

| Name of Customer | Relationship with the Group | Amount | Percentage of total accounts payable (%) | Reasons for non-payment |
|------------------|-----------------------------|---------------|------------------------------------------|---------------------------------|
| Customer 60 | Third party | 40,300,000.00 | 0.26 | construction yet to be finished |
| Customer 61 | Third party | 34,713,828.85 | 0.22 | In process |
| Customer 62 | Third party | 25,831,182.78 | 0.16 | Payment of materials |
| Customer 63 | Third party | 18,718,263.31 | 0.12 | In process |
| Customer 64 | Third party | 16,951,326.02 | 0.11 | In process |
| Customer 65 | Third party | 16,428,882.19 | 0.10 | In process |
| Customer 66 | Third party | 15,540,117.07 | 0.10 | In process |
| Customer 67 | Third party | 14,996,718.56 | 0.10 | construction yet to be finished |
| Customer 68 | Third party | 12,553,163.74 | 0.08 | construction yet to be finished |
| Customer 69 | Third party | 11,720,000.00 | 0.07 | construction yet to be finished |

Notes to Unaudited Interim Financial Statements

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

27. Contract liabilities

| | Opening balance (Restated) | Increase in the period | Carry-forward revenue | Business combination not under joint control | Closing balance |
|------------------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------------------------|--------------------------|
| Advances on pre-sale of properties | 25,645,999,724.85 | 8,974,947,024.35 | (10,113,222,869.16) | | 24,507,723,880.04 |
| Advances on sale of goods | 1,887,290,435.52 | 5,919,071,810.94 | (6,003,429,644.89) | 221,727,823.98 | 2,024,660,425.55 |
| Advances on construction costs | 215,280,517.23 | 247,695,131.41 | (304,427,271.97) | 80,204,853.63 | 238,753,230.30 |
| Advances on property fees | 329,964,956.12 | 245,483,887.98 | (253,657,589.04) | | 321,791,255.06 |
| | 28,078,535,633.72 | 15,387,197,854.68 | (16,674,737,375.06) | 301,932,677.61 | 27,092,928,790.95 |
| Including: Non-current portion | 8,629,285,598.74 | | | | 4,601,637,197.88 |
| Current portion | 19,449,250,034.98 | | | | 22,491,291,593.07 |

Details of advances on pre-sale of properties as at the balance sheet date are as follows:

| Project | Expected settlement date of the next batch | Proportion of pre-sales | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------|-----------------------------------------------------|----------------------------|-------------------------|------------------|
| Beijing – Treasure Mansion House | December 2018 | 81% | 4,723,025,300.87 | 4,222,064,132.05 |
| Hefei – Nanqi Garden | December 2018 | 37% | 3,758,333,447.66 | 2,295,969,583.00 |
| Beijing – Wangchuan Beiyuan | July 2018 | 56% | 3,613,877,787.62 | 3,030,140,764.94 |
| Qingdao – Beizutuan | September 2018 | 68% | 3,367,662,876.69 | 2,733,284,906.09 |
| Beijing – Shunyi Jinchengyu Garden (順義金成裕雅苑) | January 2019 | 80% | 1,742,739,654.96 | 1,070,430,125.00 |
| Beijing – Jinyu Feili | December 2018 | 100% | 943,300,977.16 | 564,491,929.03 |
| Nanjing – Jinyu Zijingfu | June 2018 | 96% | 871,324,307.18 | 3,543,777,965.70 |
| Shanghai – Juyuan | July 2018 | 63% | 803,628,165.39 | 1,129,515,771.91 |
| Haikou – Xixili | December 2018 | 80% | 645,663,513.78 | 623,698,987.70 |
| Hangzhou – Guanlan Times | December 2018 | 97% | 615,011,376.82 | 693,820,353.46 |
| Hangzhou – Jinyu Xuefu | July 2018 | 93% | 522,624,082.90 | 1,739,304,781.36 |
| Beijing – Nankou housing with a price cap | December 2018 | 100% | 434,205,485.68 | 391,628,128.81 |
| Hangzhou – Banshan project | September 2018 | 99% | 269,597,057.69 | 300,187,537.56 |

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

27. Contract liabilities *(continued)*

Details of advances on pre-sale of properties as at the balance sheet date are as follows: *(continued)*

| Project | Expected settlement date of the next batch | Proportion of pre-sales | 30 June 2018 | 31 December 2017 |
|---------------------------------------------------------|--------------------------------------------|-------------------------|-----------------------|------------------|
| Chongqing – Times Metro | July 2018 | 55% | 244,667,611.81 | 476,886,198.59 |
| Inner Mongolia – Jinyu Global Finance Centre | September 2018 | 97% | 229,286,652.16 | 97,339,051.11 |
| Tangshan – Jinyu Lefu | July 2018 | 85% | 204,861,976.77 | 130,114,909.12 |
| Beijing – Shangchengjun | August 2018 | 69% | 194,708,089.95 | 201,298,419.15 |
| Beijing – Nankou Affordable Housing | December 2018 | 95% | 182,865,169.20 | 169,434,021.00 |
| Beijing -Changyang University of Science and Technology | September 2018 | 86% | 155,372,713.59 | 163,606,689.88 |
| Tianjin – Jinyu Yuecheng | July 2018 | 99% | 149,876,055.94 | 127,688,795.47 |
| Chongqing – Nanshanjun | July 2018 | 82% | 130,304,516.83 | 93,134,275.43 |
| Beijing – Chaoyang New City | June 2019 | 100% | 121,309,964.06 | 115,947,085.64 |
| Tianjin – Jinyu Mantang | July 2018 | 100% | 63,684,201.48 | 105,044,999.19 |
| Beijing – Jiaheyuan | December 2018 | 95% | 40,473,214.56 | 171,432,398.51 |
| Hefei – Baohe Project | April 2020 | 0.35% | 31,221,695.00 | – |
| Beijing – Chang'an New City | December 2018 | 100% | 28,513,839.74 | 32,614,620.00 |
| Beijing – Tuqiao Phase III | December 2018 | 95% | 19,837,415.95 | 17,438,169.07 |
| Inner Mongolia – Jinyu Times City | September 2018 | 99% | 16,741,991.01 | 21,107,694.51 |
| Chengdu – Longxijun | September 2018 | 93% | 16,711,875.30 | 62,802,676.23 |
| Beijing – Jinyu Town–House | December 2018 | 100% | 14,633,752.81 | 13,609,436.24 |
| Inner Mongolia – Jinyu Elegancy City | September 2018 | 91% | 14,562,141.56 | 5,840,910.89 |
| Beijing – Meiheyuan | December 2018 | 100% | 13,567,052.94 | 10,045,138.83 |
| Chengdu – Shuangliu project | September 2018 | 100% | 12,988,965.98 | 8,334,260.00 |
| Beijing – Ruiheyuan | December 2018 | 100% | 12,186,223.62 | 10,413,331.89 |
| Beijing – Jinyu Lanwan | December 2018 | 98% | 11,071,816.71 | 10,917,821.99 |
| Beijing – Tuqiao Huashijiang | December 2018 | 99% | 9,911,179.37 | 14,811,929.84 |
| Beijing – Kanghuiyuan | December 2018 | 97% | 8,912,710.07 | 5,532,743.55 |
| Beijing – Dachengjun | December 2018 | 99% | 8,778,657.92 | 8,828,610.30 |
| Beijing – Tuqiao Ziyouzhu | December 2018 | 98% | 5,273,473.60 | 5,311,155.62 |

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

27. Contract liabilities *(continued)*

Details of advances on pre-sale of properties as at the balance sheet date are as follows: *(continued)*

| Project | Expected settlement date of the next batch | Proportion of pre-sales | 30 June 2018 | 31 December 2017 |
|---------------------------------------------------|--------------------------------------------|-------------------------|--------------------------|-------------------|
| Qingdao – Site in Jिंगgangshan Rd. | December 2018 | 99% | 4,906,221.53 | 2,697,954.86 |
| Beijing – Tuqiao Tongheyuan | December 2018 | 100% | 4,353,458.87 | 7,201,634.04 |
| Beijing – Liyuan Jincheng Center | December 2018 | 99% | 4,064,641.89 | 4,036,546.66 |
| Beijing – Jinyu Huijingyuan | December 2018 | 100% | 3,292,137.99 | 7,329,231.60 |
| Beijing – Binheyuan | December 2018 | 100% | 2,709,593.88 | 3,328,752.28 |
| Beijing – Jinyu Huixingyuan | December 2018 | 100% | 2,169,286.07 | 3,492,074.98 |
| Beijing – Guogongzhuang project | December 2018 | 94% | 1,772,857.15 | 3,926,875.25 |
| Beijing – I Cube | December 2018 | 99% | 708,775.13 | 3,189,128.01 |
| Ma'anshan – Eastern Foot of Jiashan Hill | July 2018 | 91% | 190,000.00 | 7,329,003.84 |
| Beijing – Jinyu Vanke City | December 2018 | 100% | 10,000.00 | 10,000.00 |
| Jidong Tangshan – Jin'an hongbao, Lixin and Qixin | July 2018 | 65% | 134,283,209.70 | 197,281,742.68 |
| Others | | | 95,946,705.50 | 77,324,969.85 |
| | | | 24,507,723,880.04 | 24,734,998,222.71 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

28. Wages payable

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|---------------------------------------------------------|-----------------------|---------------------------|---------------------------|-----------------------|
| Short-term remunerations | 297,848,583.63 | 2,470,744,011.10 | (2,545,658,638.97) | 222,933,955.76 |
| Post-employment benefits (defined contribution plan) | 35,723,955.91 | 298,265,801.78 | (316,440,581.45) | 17,549,176.24 |
| Termination benefits | 32,014,591.22 | 7,841,000.00 | (32,014,591.22) | 7,841,000.00 |
| | 365,587,130.76 | 2,776,850,812.88 | (2,894,113,811.64) | 248,324,132.00 |

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---------------------------------------------------------|-----------------------|-------------------------|---------------------------|-----------------------|
| Short-term remunerations | 349,055,936.48 | 4,877,968,336.66 | (4,929,175,689.51) | 297,848,583.63 |
| Post-employment benefits (defined contribution plan) | 48,200,679.31 | 592,019,626.82 | (604,496,350.22) | 35,723,955.91 |
| Termination benefits | 2,835,797.39 | 32,410,593.43 | (3,231,799.60) | 32,014,591.22 |
| | 400,092,413.18 | 5,502,398,556.91 | (5,536,903,839.33) | 365,587,130.76 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

28. Wages payable (continued)

Details of short-term remunerations are as follows:

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|------------------------------------------------|-----------------------|---------------------------|---------------------------|-----------------------|
| Salaries, bonuses, allowances and subsidies | 208,846,996.99 | 1,922,634,328.67 | (2,014,247,649.31) | 117,233,676.35 |
| Staff welfare | – | 140,495,494.09 | (140,495,494.09) | – |
| Social insurance | 9,235,934.89 | 182,317,355.05 | (184,296,406.61) | 7,256,883.33 |
| Of which: Medical insurance | 7,649,678.21 | 154,755,592.03 | (156,049,660.93) | 6,355,609.31 |
| Work injury insurance | 1,175,668.47 | 17,754,193.24 | (18,509,146.52) | 420,715.19 |
| Maternity insurance | 410,588.21 | 9,807,569.78 | (9,737,599.16) | 480,558.83 |
| Housing funds | 7,694,117.71 | 162,247,702.90 | (161,090,713.39) | 8,851,107.22 |
| Union fund and employee education fund | 52,350,745.92 | 46,260,805.95 | (43,925,995.35) | 54,685,556.52 |
| Others | 19,720,788.12 | 16,788,324.44 | (1,602,380.22) | 34,906,732.34 |
| | <u>297,848,583.63</u> | <u>2,470,744,011.10</u> | <u>(2,545,658,638.97)</u> | <u>222,933,955.76</u> |

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|------------------------------------------------|-----------------------|-------------------------|---------------------------|-----------------------|
| Salaries, bonuses, allowances and subsidies | 167,202,401.24 | 3,788,401,055.23 | (3,746,756,459.48) | 208,846,996.99 |
| Staff welfare | 4,801.00 | 300,544,606.01 | (300,549,407.01) | – |
| Social insurance | 61,831,894.04 | 364,184,876.74 | (416,780,835.89) | 9,235,934.89 |
| Of which: Medical insurance | 59,346,531.02 | 308,105,177.52 | (359,802,030.33) | 7,649,678.21 |
| Work injury insurance | 1,901,642.71 | 38,526,443.16 | (39,252,417.40) | 1,175,668.47 |
| Maternity insurance | 583,720.31 | 17,553,256.06 | (17,726,388.16) | 410,588.21 |
| Housing funds | 19,416,158.00 | 308,581,387.61 | (320,303,427.90) | 7,694,117.71 |
| Union fund and employee education fund | 47,415,963.38 | 82,378,144.13 | (77,443,361.59) | 52,350,745.92 |
| Others | 53,184,718.82 | 33,878,266.94 | (67,342,197.64) | 19,720,788.12 |
| | <u>349,055,936.48</u> | <u>4,877,968,336.66</u> | <u>(4,929,175,689.51)</u> | <u>297,848,583.63</u> |

As at the balance sheet date, there was no wages payable in arrears.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

28. Wages payable *(continued)*

Details of post-employment benefits (defined contribution plan) as at the balance sheet date are as follows:

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|------------------------|----------------------|---------------------------|---------------------------|----------------------|
| Basic pension | 34,016,342.42 | 267,792,679.81 | (285,902,406.36) | 15,906,615.87 |
| Unemployment insurance | 1,164,549.03 | 10,364,099.51 | (10,473,918.66) | 1,054,729.88 |
| Corporate annuity | 543,064.46 | 20,109,022.46 | (20,064,256.43) | 587,830.49 |
| | <u>35,723,955.91</u> | <u>298,265,801.78</u> | <u>(316,440,581.45)</u> | <u>17,549,176.24</u> |

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|------------------------|----------------------|-------------------------|-------------------------|----------------------|
| Basic pension | 42,595,443.29 | 532,439,843.90 | (541,018,944.77) | 34,016,342.42 |
| Unemployment insurance | 3,085,064.29 | 20,825,478.59 | (22,745,993.85) | 1,164,549.03 |
| Corporate annuity | 2,520,171.73 | 38,754,304.33 | (40,731,411.60) | 543,064.46 |
| | <u>48,200,679.31</u> | <u>592,019,626.82</u> | <u>(604,496,350.22)</u> | <u>35,723,955.91</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 employees of enterprises.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

29. Tax payable

| | 30 June 2018 | 31 December 2017 |
|---------------------------------------|--------------------------------|-------------------------|
| Corporate income tax | 1,084,245,243.86 | 982,515,360.34 |
| VAT | 562,960,573.58 | 397,466,917.54 |
| Land appreciation tax | 95,670,224.19 | 181,605,784.99 |
| Real estate tax | 81,183,173.22 | 40,607,067.92 |
| Urban and rural land use tax | 60,616,020.50 | 25,169,007.14 |
| Resource tax | 11,879,047.30 | 7,260,281.07 |
| Individual income tax | 10,102,877.68 | 24,725,077.76 |
| City maintenance and construction tax | 35,995,711.32 | 25,632,955.58 |
| Education surcharges | 31,329,015.21 | 20,498,275.73 |
| Business tax | 15,235,856.40 | 461,068.69 |
| Deed tax and others | 633,682,327.79 | 63,318,370.85 |
| | <u>2,622,900,071.05</u> | <u>1,769,260,167.61</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

30. Other payables

| | 30 June 2018 | 31 December 2017 |
|------------------------------------------------------------------------|-------------------------|------------------|
| Interests payable | 824,967,388.84 | 858,108,769.82 |
| Interests on borrowings | 707,942,681.09 | 136,525,059.42 |
| Of which: Interests on long-term borrowings | 21,560,833.45 | 56,329,360.17 |
| Interests on short-term borrowings | 686,381,847.64 | 80,195,699.25 |
| Interests of corporate bonds | 117,024,707.75 | 721,583,710.40 |
| Dividends payable | 1,037,090,703.52 | 190,801,504.66 |
| Dividends payable to minority shareholders | 19,450,317.14 | 35,182,953.10 |
| Sinoma | 38,847,720.00 | 16,770,600.00 |
| Other shareholders | 495,216,456.32 | 4,760,561.89 |
| Interests on perpetual bonds | 483,576,210.06 | 134,087,389.67 |
| Other payables | 7,055,410,482.40 | 8,026,337,535.37 |
| Amounts collected on behalf and temporary receipts | 3,185,785,086.20 | 2,911,688,273.45 |
| Deposits | 1,857,601,660.85 | 1,549,719,228.45 |
| Payables for land use right | 153,204,868.98 | 2,056,379,654.91 |
| Construction costs payable | 189,927,986.85 | 179,517,391.27 |
| Payables for relocation compensation | 192,908,005.94 | 260,196,816.96 |
| Freight and miscellaneous charges payable | 164,002,141.09 | 178,953,768.60 |
| Payables for acquisition of equity investments | 43,978,417.50 | 49,782,791.64 |
| Payables to related parties (Note X.7) | 3,421,843.92 | 1,380,753.06 |
| Utilities | 66,107,442.08 | 65,110,139.65 |
| Public maintenance fund payable | 52,968,889.18 | 47,872,372.87 |
| Current portion of net liabilities of defined benefit plan (Note V.36) | 69,848,478.69 | 70,648,301.69 |
| Others | 1,075,655,661.12 | 655,088,042.82 |
| | 8,917,468,574.76 | 9,075,247,809.85 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

30. Other payables *(continued)*

As at 30 June 2018, 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 70 | Third party | 184,159,559.25 | 2.07 | Not yet settled |
| Customer 71 | Third party | 103,401,947.89 | 1.16 | Not yet settled |
| Customer 72 | Third party | 55,782,501.50 | 0.63 | Not yet settled |
| Customer 73 | Third party | 52,783,085.77 | 0.59 | Not yet settled |
| Customer 74 | Third party | 52,000,000.00 | 0.58 | Not yet settled |

31. Non-current liabilities due within one year

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------|--------------------------|-------------------|
| Long-term loans due within one year (Note V.33) | 6,122,471,290.77 | 2,402,037,997.00 |
| Bonds payable due within one year (Note V.34) | 6,267,948,424.60 | 8,374,629,908.13 |
| Long-term payables due within one year (Note V.35) | 658,843,190.35 | 714,771,870.46 |
| | 13,049,262,905.72 | 11,491,439,775.59 |

Details of long-term loans due within one year are as follows:

| | 30 June 2018 | 31 December 2017 |
|------------------|-------------------------|------------------|
| Guaranteed loans | 1,065,550,000.00 | 502,600,000.00 |
| Credit loans | 3,125,241,290.77 | 1,741,897,997.00 |
| Mortgaged loans | 1,691,980,000.00 | 157,540,000.00 |
| Pledged loans | 239,700,000.00 | — |
| | 6,122,471,290.77 | 2,402,037,997.00 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

32. Other current liabilities

| | 30 June 2018 | 31 December 2017 |
|---------------------------------------------|-------------------------|------------------|
| Accrued expenses | | |
| Of which: Accrued development cost | 3,132,295,599.05 | 3,272,200,988.66 |
| Provision for LAT | 2,647,805,312.95 | 2,562,713,668.13 |
| Accrued costs for treatment of solid wastes | 189,661,666.68 | 127,089,285.59 |
| Other accrued expenses | 62,109,869.42 | 80,353,067.65 |
| | 6,031,872,448.10 | 6,042,357,010.03 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

33. Long-term borrowings

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------------|--------------------------|-------------------|
| Mortgaged loans (Note 1) | 7,862,330,000.00 | 6,704,237,997.00 |
| Guaranteed loans (Note 2) | 7,576,700,000.00 | 6,507,360,000.00 |
| Credit loans | 16,519,510,640.74 | 11,921,470,000.00 |
| Pledged loans (Note 1) | 3,299,200,000.00 | 2,940,000,000.00 |
| Closing balance | 35,257,740,640.74 | 28,073,067,997.00 |
| Less: Long-term loans due within one year (Note V.31) | 6,122,471,290.77 | 2,402,037,997.00 |
| Non-current portion | 29,135,269,349.97 | 25,671,030,000.00 |

An analysis on maturity of long-term loans as at the balance sheet date is as follows:

| | 30 June 2018 | 31 December 2017 |
|---------------------------|--------------------------|-------------------|
| Within 1 year (inclusive) | 6,122,471,290.77 | 2,402,037,997.00 |
| 1 to 2 years (inclusive) | 7,233,870,000.00 | 5,347,800,000.00 |
| 2 to 3 years (inclusive) | 9,702,800,000.00 | 12,323,760,000.00 |
| 3 to 4 years (inclusive) | 3,418,750,000.00 | 680,000,000.00 |
| 4 to 5 years (inclusive) | 223,750,000.00 | 800,000,000.00 |
| Over 5 years | 8,556,099,349.97 | 6,519,470,000.00 |
| | 35,257,740,640.74 | 28,073,067,997.00 |

For the six months ended 30 June 2018, the above loans bore interest rates of 1.2%-10.50% (2017: 1.2%-10.34%) per annum.

Note 1: As at 30 June 2018, details and value of collaterals corresponding to mortgaged and pledged loans of the Group are set out in note V. 67.

Note 2: As at the balance sheet date, the guaranteed loans of the Group were guaranteed by the Group and its subsidiaries.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

34. Short-term Financing Bonds and Bonds Payable

| | 30 June 2018 | 31 December 2017 |
|------------------------------------------------------|--------------------------|-------------------|
| Corporate bonds | 18,239,119,030.33 | 15,230,995,736.64 |
| Medium-term notes | 7,000,000,000.00 | 5,000,000,000.00 |
| Private bonds | 500,000,000.00 | 5,798,475,000.00 |
| Debt financing plan | 500,000,000.00 | 500,000,000.00 |
| Balance at the end of the period/year | 26,239,119,030.33 | 26,529,470,736.64 |
| Including: Bonds payable within one year (Note V.31) | 6,267,948,424.60 | 8,374,629,908.13 |
| Non-current portion | 19,971,170,605.73 | 18,154,840,828.51 |
| | 30 June 2018 | 31 December 2017 |
| Analysis of maturity of bonds payable: | | |
| within 1 year (inclusive) | 6,267,948,424.60 | 8,374,629,908.13 |
| 1 to 2 years (inclusive) | 6,732,856,872.66 | 9,420,108,004.27 |
| 2 to 5 years (inclusive) | 13,238,313,733.07 | 8,734,732,824.24 |
| | 26,239,119,030.33 | 26,529,470,736.64 |
| Current portion | | |
| Short-term financing bonds | 5,500,000,000.00 | 2,769,698,081.12 |

As at the balance sheet date, the short-term financing bonds above would be due within one year.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

34. Short-term Financing Bonds and Bonds Payable (continued)

For the six months end 30 June 2018

| | Par value | Issuance date | Term | Issuance amount | Opening balance | Issuance amount during the period | Business | | | Reclassified to due within one year | Closing balance |
|-------------------------------------|-----------------|-------------------|----------|------------------|------------------|-----------------------------------|-----------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------|
| | | | | | | | issuance amount during the period | combination not under joint control | Interest charged during the period | | |
| Non-current portion: | | | | | | | | | | | |
| 1) RMB1.5 billion medium-term notes | RMB1.5 billion | 14 October 2013 | 5 years | 1,500,000,000.00 | 1,500,000,000.00 | - | - | 43,500,000.00 | - | (1,500,000,000.00) | - |
| 2) RMB2 billion medium-term notes | RMB2 billion | 15 October 2014 | 5 years | 2,000,000,000.00 | 2,000,000,000.00 | - | - | 53,500,000.00 | - | - | 2,000,000,000.00 |
| 2) RMB1.5 billion medium-term notes | RMB1.5 billion | 17 November 2014 | 5 years | 1,500,000,000.00 | 1,500,000,000.00 | - | - | 39,750,000.00 | - | - | 1,500,000,000.00 |
| 3) RMB2 billion private bonds | RMB2 billion | 5 February 2015 | 3 years | 2,000,000,000.00 | 2,000,000,000.00 | - | - | 11,000,000.00 | - | (2,000,000,000.00) | - |
| 3) RMB2.5 billion private bonds | RMB2.5 billion | 19 March 2015 | 3 years | 2,500,000,000.00 | 2,500,000,000.00 | - | - | 30,333,333.33 | - | (2,500,000,000.00) | - |
| 3) RMB0.5 billion private bonds | RMB0.5 billion | 20 July 2015 | 3 years | 500,000,000.00 | 500,000,000.00 | - | - | 12,875,000.00 | - | (500,000,000.00) | - |
| 4) RMB3.2 billion corporate bonds | RMB3.2 billion | 14 March 2016 | 3 years | 3,200,000,000.00 | 3,188,753,555.19 | - | - | 51,655,826.84 | 1,703,017.38 | (3,190,456,572.57) | - |
| 4) RMB1.8 billion corporate bonds | RMB1.8 billion | 14 March 2016 | 5 years | 1,800,000,000.00 | 1,792,420,728.61 | - | - | 32,171,367.73 | 657,338.76 | - | 1,793,078,067.37 |
| 5) RMB0.8 billion corporate bonds | RMB0.8 billion | 13 September 2012 | 7 years | 800,000,000.00 | 38,911,200.00 | - | - | 1,218,402.74 | 26,400.00 | - | 38,937,600.00 |
| 6) RMB0.3 billion private bonds | RMB0.3 billion | 4 May 2015 | 3 years | 300,000,000.00 | 298,475,000.00 | - | - | 7,076,712.33 | 300,000.00 | (298,775,000.00) | - |
| 6) RMB0.5 billion private bonds | RMB0.5 billion | 3 June 2015 | 3 years | 500,000,000.00 | 500,000,000.00 | - | - | 14,101,369.75 | 575,000.00 | (500,575,000.00) | - |
| 7) RMB1.6 billion corporate bonds | RMB1.6 billion | 30 August 2011 | 7 years | 1,600,000,000.00 | 1,076,154,908.13 | - | - | 33,847,237.50 | 1,336,945.90 | (1,077,491,852.03) | - |
| 7) RMB0.9 billion corporate bonds | RMB0.9 billion | 20 March 2012 | 8 years | 900,000,000.00 | 415,400,880.64 | - | - | 11,681,590.50 | 698,447.48 | - | 416,099,328.12 |
| 8) RMB0.45 billion corporate bonds | RMB0.45 billion | 15 October 2012 | 7 years | 450,000,000.00 | 449,128,818.21 | - | - | 13,275,000.00 | 235,220.39 | - | 449,364,038.60 |
| 8) RMB0.8 billion corporate bonds | RMB0.8 billion | 15 October 2012 | 10 years | 800,000,000.00 | 797,104,074.72 | - | - | 24,000,000.00 | 266,226.61 | - | 797,370,301.33 |
| 9) RMB3.5 billion corporate bonds | RMB3.5 billion | 19 May 2017 | 5 years | 3,500,000,000.00 | 3,467,864,532.24 | - | - | 92,242,938.09 | 1,227,998.11 | - | 3,469,092,531.35 |
| 9) RMB0.5 billion corporate bonds | RMB0.5 billion | 19 May 2017 | 7 years | 500,000,000.00 | 498,195,688.05 | - | - | 13,565,591.46 | 118,125.44 | - | 498,313,813.49 |
| 10) RMB1.25 billion corporate bonds | RMB1.25 billion | 13 July 2017 | 2 years | 1,250,000,000.00 | 1,245,844,212.93 | - | - | 33,270,385.28 | 770,585.28 | - | 1,246,614,798.21 |

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

34. Short-term Financing Bonds and Bonds Payable (continued)

For the six months end 30 June 2018 (continued)

| | Par value | Issuance date | Term | Issuance amount | Opening balance | Issuance amount during the period | Business combination not under joint control | | | Reclassification to due within one year | Closing balance |
|-----------------------------------------------|-----------------|-------------------|-----------|--------------------------|--------------------------|-----------------------------------|----------------------------------------------|------------------------------------|----------------------------------|-----------------------------------------|--------------------------|
| | | | | | | | Issuance amount during the period | Interest charged during the period | Amortisation of discount/premium | | |
| <i>Non-current portion: (continued)</i> | | | | | | | | | | | |
| 11) RMB1.75 billion corporate bonds | RMB1.75 billion | 13 July 2017 | 3 years | 1,750,000,000.00 | 1,743,746,919.98 | - | 46,987,771.40 | 612,771.42 | - | - | 1,744,359,691.40 |
| 12) RMB0.5 billion short-term bonds | RMB0.5 billion | 17 November 2017 | 2 years | 500,000,000.00 | 500,000,000.00 | - | 13,750,000.00 | - | - | - | 500,000,000.00 |
| 13) RMB0.5 billion corporate bonds | RMB0.5 billion | 30 June 2017 | 3 years | 500,000,000.00 | 497,470,217.94 | - | 14,950,000.00 | 470,217.92 | - | - | 497,940,435.86 |
| 14) RMB2 billion medium-term notes | RMB2 billion | 22 January 2018 | 5 years | 2,000,000,000.00 | - | 2,000,000,000.00 | 51,675,000.00 | - | - | - | 2,000,000,000.00 |
| 15) RMB0.5 billion short-term bonds | RMB0.5 billion | 27 February 2018 | 3+2 years | 500,000,000.00 | - | 500,000,000.00 | 9,908,333.33 | - | - | - | 500,000,000.00 |
| 16) RMB2.5 billion short-term bonds | RMB2.5 billion | 25 June 2018 | 3 years | 2,500,000,000.00 | - | 2,500,000,000.00 | 2,167,500.00 | - | - | - | 2,500,000,000.00 |
| | | | | 33,350,000,000.00 | 26,529,470,736.64 | 5,000,000,000.00 | 658,537,420.28 | 8,998,295.69 | (5,293,350,000.00) | (6,267,946,444.60) | 19,971,170,605.73 |
| <i>Current portion:</i> | | | | | | | | | | | |
| 17) RMB1 billion short-term financing bonds | RMB1 billion | 21 June 2017 | 270 days | 1,000,000,000.00 | 799,698,081.12 | - | - | - | (799,698,081.12) | - | - |
| 18) RMB2 billion ultrashort financing bonds | RMB2 billion | 28 September 2017 | 270 days | 2,000,000,000.00 | 1,970,000,000.00 | - | 47,638,868.89 | - | (1,970,000,000.00) | - | - |
| 19) RMB2 billion ultrashort financing bonds | RMB2 billion | 29 January 2018 | 180 days | 2,000,000,000.00 | - | 2,000,000,000.00 | 44,755,555.56 | - | - | - | 2,000,000,000.00 |
| 20) RMB2 billion ultrashort financing bonds | RMB2 billion | 5 March 2018 | 180 days | 2,000,000,000.00 | - | 2,000,000,000.00 | 33,345,000.00 | - | - | - | 2,000,000,000.00 |
| 21) RMB1.5 billion ultrashort financing bonds | RMB1.5 billion | 23 April 2018 | 270 days | 1,500,000,000.00 | - | 1,500,000,000.00 | 13,005,000.00 | - | - | - | 1,500,000,000.00 |
| | | | | 8,500,000,000.00 | 2,769,698,081.12 | 5,500,000,000.00 | 138,744,444.45 | - | (2,769,698,081.12) | - | 5,500,000,000.00 |
| | | | | 41,850,000,000.00 | 29,299,168,817.76 | 10,500,000,000.00 | 797,271,864.73 | 8,998,295.69 | (8,069,046,081.12) | (6,267,946,444.60) | 25,471,170,605.73 |

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

34. Short-term Financing Bonds and Bonds Payable (continued)

2017

| | Par value | Issuance date | Term | Issuance amount | Opening balance | Issuance amount during the year | Business combination not under joint control | | Interest charged during the year | Amortisation of discount/premium | Repayment during the year | Reclassified to due within one year | Closing balance |
|-------------------------------------|-----------------|-------------------|----------|------------------|------------------|---------------------------------|----------------------------------------------|-------------------------------------|----------------------------------|----------------------------------|---------------------------|-------------------------------------|------------------|
| | | | | | | | issuance amount | combination not under joint control | | | | | |
| Non-current portion: | | | | | | | | | | | | | |
| RMB2 billion medium-term notes | RMB2 billion | 20 September 2012 | 5 years | 2,000,000,000.00 | 2,000,000,000.00 | - | - | 80,600,000.00 | - | (2,000,000,000.00) | - | - | - |
| 1) 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) | - | - |
| 2) 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 | - |
| 2) 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 | - |
| 3) 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) | - | - |
| 3) 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) | - | - |
| 3) RMB0.5 billion private bonds | RMB0.5 billion | 20 July 2015 | 3 years | 500,000,000.00 | 500,000,000.00 | - | - | 25,750,000.00 | - | - | (500,000,000.00) | - | - |
| 4) RMB3.2 billion corporate bonds | RMB3.2 billion | 14 March 2016 | 5 years | 3,200,000,000.00 | 3,165,369,201.77 | - | - | 103,224,353.43 | 3,384,353.42 | - | - | - | 3,168,753,555.19 |
| 4) RMB1.8 billion corporate bonds | RMB1.8 billion | 14 March 2016 | 7 years | 1,800,000,000.00 | 1,791,115,290.53 | - | - | 64,305,438.09 | 1,305,438.08 | - | - | - | 1,792,420,728.61 |
| 9) RMB3.5 billion corporate bonds | RMB3.5 billion | 19 May 2017 | 5 years | 3,500,000,000.00 | - | 3,500,000,000.00 | - | 113,747,865.59 | (12,135,467.76) | - | - | - | 3,487,864,532.24 |
| 9) RMB0.5 billion corporate bonds | RMB0.5 billion | 19 May 2017 | 7 years | 500,000,000.00 | - | 500,000,000.00 | - | 16,734,021.40 | (1,804,311.95) | - | - | - | 498,195,688.05 |
| 10) RMB1.25 billion corporate bonds | RMB1.25 billion | 13 July 2017 | 2 years | 1,250,000,000.00 | - | 1,250,000,000.00 | - | 31,052,546.27 | (4,155,787.07) | - | - | - | 1,245,844,212.93 |
| 11) RMB1.75 billion corporate bonds | RMB1.75 billion | 13 July 2017 | 3 years | 1,750,000,000.00 | - | 1,750,000,000.00 | - | 43,855,253.31 | (6,253,080.02) | - | - | - | 1,743,746,919.98 |
| 12) Debt financing plan | RMB0.5 billion | 17 November 2017 | 2 years | 500,000,000.00 | - | 500,000,000.00 | - | 3,315,068.49 | - | - | - | - | 500,000,000.00 |
| 5) RMB0.8 billion corporate bonds | RMB0.8 billion | 13 September 2012 | 7 years | 800,000,000.00 | 797,106,000.00 | - | - | 35,820,073.95 | 2,805,200.00 | (761,000,000.00) | - | - | 38,911,200.00 |
| RMB1.5 billion corporate bonds | RMB1.5 billion | 24 July 2015 | 3 years | 1,500,000,000.00 | 1,495,500,000.00 | - | - | 62,167,945.21 | 4,500,000.00 | (1,500,000,000.00) | - | - | - |
| 2007 corporate bonds | RMB0.6 billion | 1 August 2007 | 10 years | 600,000,000.00 | 598,097,435.08 | - | - | 19,215,000.00 | 1,902,564.92 | (600,000,000.00) | - | - | - |
| Jidong RMB0.1 billion private bonds | RMB0.1 billion | 20 May 2014 | 3 years | 100,000,000.00 | 99,882,371.87 | - | - | 2,670,967.74 | 117,628.13 | (100,000,000.00) | - | - | - |
| Jidong RMB0.9 billion private bonds | RMB0.9 billion | 19 September 2014 | 3 years | 900,000,000.00 | 898,129,125.34 | - | - | 39,000,000.00 | 1,870,874.66 | (900,000,000.00) | - | - | - |
| 7) RMB1.6 billion corporate bonds | RMB1.6 billion | 30 August 2011 | 7 years | 1,600,000,000.00 | 1,073,589,155.24 | - | - | 67,644,475.00 | 2,565,752.89 | - | (1,076,154,908.13) | - | - |
| 7) RMB0.9 billion corporate bonds | RMB0.9 billion | 20 March 2012 | 8 years | 900,000,000.00 | 895,366,562.66 | - | - | 30,077,385.75 | 1,339,317.98 | (481,305,000.00) | - | - | 415,400,880.64 |
| 8) RMB0.8 billion corporate bonds | RMB0.8 billion | 15 October 2012 | 5 years | 800,000,000.00 | 799,073,408.72 | - | - | 35,783,333.33 | 926,591.28 | (800,000,000.00) | - | - | - |

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

34. Short-term Financing Bonds and Bonds Payable (continued)

2017 (continued)

| | Par value | Issuance date | Term | Issuance amount | Opening balance | Issuance amount during the year | Business combination root | | Interest charged during the year | Amortisation of discount/premium | Repayment during the year | Reclassified to due within one year | Closing balance |
|---------------------------------------------|-----------------|-------------------|----------|-------------------|-------------------|---------------------------------|---------------------------|------------------|----------------------------------|----------------------------------|---------------------------|-------------------------------------|-------------------|
| | | | | | | | under joint control | combination root | | | | | |
| Non-current portion: (continued) | | | | | | | | | | | | | |
| 8) RMB0.45 billion corporate bonds | RMB0.45 billion | 15 October 2012 | 7 years | 450,000,000.00 | 448,679,516.54 | - | - | - | 26,550,000.00 | 449,301.67 | - | - | 449,128,818.21 |
| 8) RMB0.8 billion corporate bonds | RMB0.8 billion | 15 October 2012 | 10 years | 800,000,000.00 | 796,595,816.71 | - | - | 48,000,000.00 | 48,000,000.00 | 508,258.01 | - | - | 797,104,074.72 |
| 6) RMB0.3 billion private bonds | RMB0.3 billion | 4 May 2015 | 3 years | 300,000,000.00 | 296,075,000.00 | - | - | 21,622,876.71 | 21,622,876.71 | 2,400,000.00 | - | (298,475,000.00) | - |
| 6) RMB0.5 billion private bonds | RMB0.5 billion | 3 June 2015 | 3 years | 500,000,000.00 | 500,000,000.00 | - | - | 34,000,000.00 | 34,000,000.00 | - | - | (500,000,000.00) | - |
| 13) RMB0.5 billion corporate bonds | RMB0.5 billion | 30 June 2017 | 3 years | 500,000,000.00 | - | 497,000,000.00 | - | 14,950,000.00 | 470,217.94 | - | - | - | 497,470,217.94 |
| | | | | 34,250,000.00 | 25,674,578,884.46 | 7,997,000,000.00 | - | 1,440,046,604.27 | 196,652.18 | (7,142,316,000.00) | (8,374,629,908.13) | - | 18,154,840,828.51 |
| Current portion: | | | | | | | | | | | | | |
| RMB3 billion ultrashort financing bonds | RMB3 billion | 20 May 2016 | 266 days | 3,000,000,000.00 | 3,000,000,000.00 | - | - | 11,633,333.33 | - | (3,000,000,000.00) | - | - | - |
| RMB3 billion ultrashort financing bonds | RMB3 billion | 13 January 2017 | 88 days | 3,000,000,000.00 | - | 3,000,000,000.00 | - | 29,250,000.00 | - | (3,000,000,000.00) | - | - | - |
| RMB3 billion ultrashort financing bonds | RMB3 billion | 14 March 2017 | 245 days | 3,000,000,000.00 | - | 3,000,000,000.00 | - | 40,838,333.33 | - | (3,000,000,000.00) | - | - | - |
| 17) RMB1 billion short-term financing bonds | RMB1 billion | 21 June 2017 | 270 days | 1,000,000,000.00 | - | 798,620,000.00 | - | 26,883,444.62 | 1,078,081.12 | - | - | - | 799,698,081.12 |
| 18) RMB2 billion ultrashort financing bonds | RMB2 billion | 28 September 2017 | 270 days | 2,000,000,000.00 | - | 2,000,000,000.00 | - | 24,969,863.01 | - | (90,000,000.00) | - | - | 1,970,000,000.00 |
| | | | | 12,000,000,000.00 | 3,000,000,000.00 | 8,798,620,000.00 | - | 133,584,972.29 | 1,078,081.12 | (9,030,000,000.00) | - | - | 2,789,698,081.12 |
| | | | | 46,250,000,000.00 | 28,674,578,884.46 | 16,795,620,000.00 | - | 1,573,631,576.56 | 1,274,933.30 | (16,172,305,000.00) | (8,374,629,908.13) | - | 20,924,538,909.63 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

34. Short-term Financing Bonds and Bonds Payable *(continued)*

- 1) Pursuant to the document Zhong Shi Xie Zhu [2013] No. MTN279 issued by the National Association of Financial Market Institutional Investors (hereinafter referred to as the “NAFMII”), 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 rate of 5.8%.
- 2) 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 rate 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 rate of 5.3%.
- 3) 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 rate 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 rate 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 rate of 5.15%.
- 4) 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 3 years and a coupon rate 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 5 years and a coupon rate of 3.5%.
- 5) 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%.
- 6) Pursuant to the approval document (Zhong Shi Xie Zhu [2015] No. PPN73) issued by the NAFMII, 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

34. Short-term Financing Bonds and Bonds Payable *(continued)*

- 7) 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). The total sale back amount as announced on 17 March 2017 is RMB481,305,000.00 (exclusive of interests) with the remaining amount of RMB416,099,328.12 (exclusive of interests) due on 20 March 2020.
- 8) Pursuant to the document (Zheng Jian Xu Ke [2012] No. 1000) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB1,250,000,000 to the public. On 15 October 2012, it issued 2012 Jidong 02 Bonds in an amount of RMB450,000,000 with a term of 7 years, a coupon rate of 5.90% and an effective interest rate of 6.02%. The maturity date is 15 October 2019. On 15 October 2012, it issued 2012 Jidong 03 Bonds in an amount of RMB800,000,000 with a term of 10 years, a coupon rate of 6.00% and an effective interest rate of 6.09%. The maturity date is 15 October 2022.
- 9) Upon consideration and approval by the 4th meeting of the 4th session of the Board held on 23 March 2016 and the 2015 annual general meeting of the Company held on 18 May 2016, the Company intended to issue corporate bonds of no more than RMB4,000,000,000. Pursuant to the document [2017] No. 46 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2017 on 19 May 2017, totaling RMB3,500,000,000 with a term of 5 years and a coupon rate of 5.2%; and the Company issued its first tranche of corporate bonds (type two) for 2017 on 19 May 2017, totaling RMB500,000,000 with a term of 7 years and a coupon rate of 5.38%.
- 10) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,250,000,000 with a term of 2 years. The bonds bear an annual coupon rate of 5.20% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

34. Short-term Financing Bonds and Bonds Payable *(continued)*

- 11) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,750,000,000 with a term of 3 years. The bonds bear an annual interest rate of 5.30% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.
- 12) Upon consideration and approval by the 18th meeting by the 4th session of the Board held on 26 April 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the document Debt Financing Plan [2017] No. 0192 issued by Beijing Financial Assets Exchange Limited, the Company successfully issued the first tranche of debt financing plan for 2017 on 17 November 2017 for a term of 2 years. The interest commencement date was 17 November 2017. The actual listing amount totalled RMB500,000,000 with a coupon rate of 5.50%. The interests are calculated at fixed rate and allocated based on actual number of days.
- 13) Upon consideration and approval by the 13th meeting of the 7th session of the Board held on 13 December 2015 and the 2015 second extraordinary general meeting of the Company held on 30 December 2015, and pursuant to the No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Issuance of Corporate Bonds for 2016 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2016] No. 471) (《關於唐山冀東水泥股份有限公司2016年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2016]471號)) issued by the Shenzhen Stock Exchange, the Company issued the first tranche of corporate bonds by way of non-public issuance on 3 July 2017 with a term of 3 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the second year. The interest commencement date was 30 June 2017 and the actual amount issued totalled RMB500,000,000. The bonds bear an interest rate of 5.98%.
- 14) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》(中市協注[2017]MTN512號)) issued by the NAFMII, the Company successfully issued the first tranche of medium term notes for 2018 of BBMG Corporation on 22 January 2018. The amount issued totalled RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.85%.

Notes to Unaudited Interim Financial Statements

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

34. Short-term Financing Bonds and Bonds Payable *(continued)*

- 15) The Company successfully issued the first tranche of debt financing plan for 2018 named "18BBMGZR001 (18京金隅ZR001)" on 27 February 2018 for a term of 2+3 years. The interest commencement date was 27 February 2018 and expiry date will be 27 February 2023. The actual listing amount totalled RMB500,000,000 with a coupon rate of 5.80%.
- 16) The Company successfully issued the second tranche of debt financing plan for 2018 named "18BBMGZR0 (18京金隅ZR0)" on 25 June 2018 for a term of 3 years. The expiry date will be 25 June 2021. The actual listing amount totalled RMB2,500,000,000 and the listing price was 6.30% with a coupon rate of 6.30%.
- 17) Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP[174] issued by the NAFMII, it was agreed that Tangshan Jidong Concrete Co., Ltd. issued its first tranche of ultrashort financing bonds for 2017 in open market on 21 June 2017, totaling RMB1,000,000,000 with a term of 270 days and a coupon rate of 5.1%. The maturity date is 18 March 2018.
- 18) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the NAFMII, the Company successfully issued the third tranche on 28 September 2017 ultrashort financing bonds for a term of 270 days. The interest commencement date was 29 September 2017 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.90%.
- 19) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the NAFMII, the Company successfully issued the first tranche of super short term financing bonds for 2018 on 29 January 2018 for a term of 180 days. The interest commencement date was 29 January 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 5.30%.

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

34. Short-term Financing Bonds and Bonds Payable *(continued)*

- 20) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the NAFMII, the Company successfully issued the second tranche of super short term financing bonds for 2018 on 5 March 2018 for a term of 180 days. The interest commencement date was 5 March 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 5.13%.
- 21) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the NAFMII, the Company successfully issued the third tranche of super short term financing bonds for 2018 on 20 April 2018 for a term of 270 days. The interest commencement date was 23 April 2018 and the actual amount issued totalled RMB1,500,000,000 with a coupon rate of 4.59%.

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

35. Long-term payables

| | 30 June 2018 | 31 December 2017 |
|--------------------------------------------------------------|-------------------------|------------------|
| Finance leases (Note 1) | 1,234,809,571.07 | 1,595,973,841.56 |
| Others (Note 2) | 39,567,383.08 | 39,567,383.08 |
| | 1,274,376,954.15 | 1,635,541,224.64 |
| Less: Long-term payables due within one year (Note V. 31) | 658,843,190.35 | 714,771,870.46 |
| Non-current portion | 615,533,763.80 | 920,769,354.18 |

| | 30 June 2018 | 31 December 2017 |
|--------------------------------------------|-------------------------|------------------|
| Analysis of maturity of long-term payables | | |
| Within 1 year (inclusive) | 658,843,190.35 | 714,771,870.46 |
| 1 to 2 years (inclusive) | 550,300,999.29 | 642,102,218.16 |
| 2 to 5 years (inclusive) | 65,232,764.51 | 278,667,136.02 |
| | 1,274,376,954.15 | 1,635,541,224.64 |

Notes to Unaudited Interim Financial Statements

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

35. Long-term payables *(continued)*

Note 1: BBMG Badaling Hot Spring Resort Co., Ltd., a subsidiary of the Group, leased geothermal well equipment under finance lease in 2013. The value of the fixed asset under finance lease initially recognised was RMB29,168,129.40, with a term of 8 years and bearing an interest rate of 6.55% per annum. As at 30 June 2018, the original value of the long-term payables was RMB14,658,900.00 and the unrecognized finance lease payment was RMB1,190,023.03 (As at 31 December 2017, the original value of the long-term payables was RMB16,958,700.00 and the unrecognized finance lease payment was RMB1,423,997.95).

BBMG Mortar Co., Ltd., a subsidiary of the Group, leased mortar cans under finance lease in 2017. The value of the fixed assets under finance lease initially recognised was RMB5,138,451.28, with a term of 2 years and bearing an interest rate of 4.75% per annum. As at 30 June 2018, the original value of the long-term payables was RMB4,561,096.90 and the unrecognized finance lease payment was RMB106,773.88 (31 December 2017: the original value of the long-term payables was RMB6,459,257.01 and the unrecognized finance lease payment was RMB223,712.06).

The finance lease payment under sale and leaseback of the Group payable to the Bank of Communications Financial Leasing Co., Ltd., CCB Financial Leasing Corporation Limited and China National Foreign Trade Financing & Leasing Co., Ltd. As at 30 June 2018, the original value of long-term payables amounted to RMB1,307,063,365.69 and unrecognized finance lease payment was RMB90,176,994.61 (As at 31 December 2017, the original value of long-term payables amounted to RMB1,699,917,757.54 and unrecognized finance lease payment was RMB125,714,162.98).

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), which contracted to be due on 29 July 2018.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

36. Long-term wages payable

| | 30 June 2018 | 31 December 2017 |
|-----------------------------------------|-----------------------|------------------|
| Net liabilities of defined benefit plan | 682,147,912.50 | 654,032,290.50 |

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 30 June 2018 using the projected accumulated benefit units method.

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

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------------|--------------------|------------------|
| Discount rate (%) | 3.50%-4.50% | 4.00%-4.25% |
| Expected growth rate of future retiree benefit costs (%) | 2.50% | 2.50% |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

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

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

30 June 2018

| | Increase/(decrease) in present value of defined benefit obligations | | Increase/(decrease) in present value of defined benefit obligations | |
|-------------------------------------------------------------|------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------|-----------------|
| | Increase % | | Decrease % | |
| Discount rate (%) | 0.25 | (17,894,392.00) | (0.25) | 18,822,608.00 |
| Expected growth rate of future retiree benefit costs (%) | 0.25 | 22,916,854.00 | (0.25) | (21,073,953.00) |

2017

| | Increase/(decrease) in present value of defined benefit obligations | | Increase/(decrease) in present value of defined benefit obligations | |
|-------------------------------------------------------------|------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------|-----------------|
| | Increase % | | Decrease % | |
| Discount rate (%) | 0.25 | (16,151,364.00) | (0.25) | 17,475,604.00 |
| Expected growth rate of future retiree benefit costs (%) | 0.50 | 22,131,679.00 | (0.50) | (20,374,573.00) |

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

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

Relevant costs recognised in the income statement are as follows:

| | For the six months ended 30 June 2018 | 2017 |
|---------------------------------------------------|---------------------------------------------|---------------|
| Net interest expenses charged to finance expenses | 7,966,566.00 | 23,979,700.00 |
| Charged to management expenses | 121,000.00 | 37,958,656.33 |

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

| | For the six months ended 30 June 2018 | 2017 |
|-------------------------------------------------------------------------------------------|---------------------------------------------|-----------------|
| Amount at the beginning of the period/year | 724,680,592.19 | 795,812,425.46 |
| Increase of business combination not under common control (Note VI. 1) | 17,421,000.00* | – |
| Interest expenses for the period/year | 7,966,566.00 | 23,979,700.00 |
| Service costs for the period/year | 121,000.00 | 37,958,656.33 |
| Welfare benefits paid for the period/year | (17,620,003.00) | (80,126,564.60) |
| Actuarial gains/(losses) recognised in other comprehensive income | 19,427,236.00 | (52,943,625.00) |
| Of which: Actuarial changes arising from changes in demographic statistics assumptions | – | 7,357,000.00 |
| Actuarial changes arising from changes in financial assumptions | – | (13,392,000.00) |
| Actuarial gains/(losses) on difference in experience | 19,427,236.00 | (46,908,625.00) |
| Amount at the end of the period/year | 751,996,391.19 | 724,680,592.19 |
| Of which: Current portion of net liabilities of defined benefit plan (Note V. 30) | 69,848,478.69 | 70,648,301.69 |
| Non-current portion | 682,147,912.50 | 654,032,290.50 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

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

Expected future payments to the defined benefit plan:

| | 30 June 2018 | 31 December 2017 |
|---------------|--------------------------------|-------------------------|
| Within 1 year | 69,848,478.69 | 70,648,301.69 |
| 2 to 5 years | 271,790,364.67 | 256,299,613.67 |
| 6 to 10 years | 213,651,844.80 | 217,260,376.80 |
| Over 10 years | 584,637,734.57 | 596,287,934.57 |
| | <u>1,139,928,422.73</u> | <u>1,140,496,226.73</u> |

* Business combination not under common control increased long-term wages payable of RMB17,421,000.00 in which long-term and current portions amounted to RMB17,398,000.00 and RMB23,000.00 respectively.

37. Accrued liabilities

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance | |
|---------------------------------------------|------------------------------|-----------------------------|-------------------------------|------------------------------|-------|
| Accrued concrete loss | 30,214,465.69 | 414,002.68 | (6,103,633.14) | 24,524,835.23 | Note1 |
| Restoration cost of mines | 281,111,097.14 | 32,306,815.28 | (3,985,765.06) | 309,432,147.36 | Note2 |
| Finance charges from sale and repurchase | 152,922,000.00 | 27,951,000.00 | - | 180,873,000.00 | Note3 |
| Others | 687,837.34 | 20,000,000.00 | - | 20,687,837.34 | |
| | <u>464,935,400.17</u> | <u>80,671,817.96</u> | <u>(10,089,398.20)</u> | <u>535,517,819.93</u> | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

37. Accrued liabilities *(continued)*

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance | |
|---------------------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------|
| Accrued concrete loss | 32,733,222.62 | 1,899,665.81 | (4,418,422.74) | 30,214,465.69 | Note1 |
| Restoration cost of mines | 241,526,126.35 | 46,490,526.03 | (6,905,555.24) | 281,111,097.14 | Note2 |
| Finance charges from sale and repurchase | 97,020,000.00 | 55,902,000.00 | – | 152,922,000.00 | Note3 |
| Others | – | 687,837.34 | – | 687,837.34 | |
| | <u>371,279,348.97</u> | <u>104,980,029.18</u> | <u>(11,323,977.98)</u> | <u>464,935,400.17</u> | |

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

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

Note 3: A subsidiary of the Group engaged in real estate has entered into an en bloc sales agreement for a commercial property in Chongqing on 16 December 2015. As the agreement provided for a possible repurchase after five years, the expected return rate may not be satisfied for the year. Finance charges were expected based on the relevant agreement.

38. Deferred income

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|-------------------|-----------------------|---------------------------|---------------------------|-----------------------|
| Government grants | <u>855,519,940.14</u> | <u>39,627,819.99</u> | <u>33,063,680.21</u> | <u>862,084,079.92</u> |

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|-------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Government grants | <u>922,615,398.60</u> | <u>42,426,314.79</u> | <u>109,521,773.25</u> | <u>855,519,940.14</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

38. Deferred income (continued)

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

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------|-----------------------|------------------|
| Government grants related to assets | | |
| Environmental protection projects | 407,443,430.09 | 432,674,914.50 |
| Cogeneration projects | 27,772,878.91 | 28,159,631.79 |
| Relocation compensation | 299,755,469.00 | 260,443,532.70 |
| Specific funds | 48,824,242.66 | 49,745,454.76 |
| Others | 75,339,771.06 | 81,714,238.73 |
| Government grants related to income | | |
| Research and development funds | 2,948,288.20 | 2,782,167.66 |
| Closing balance | 862,084,079.92 | 855,519,940.14 |

As at 30 June 2018, the major items related to government grants were as follows:

| | Opening balance | Increase in the period | Recognised in other income in the period | Closing balance | Related to assets/gains |
|------------------------------------------------------------------------------------|--------------------|---------------------------|------------------------------------------------|--------------------|----------------------------|
| Asset subsidy for relocation compensation of Tiantan | 173,235,980.36 | 6,985,908.12 | 2,548,798.06 | 177,673,090.42 | Related to assets |
| Subsidy for environmental protection equipment for Bio-Island project | 156,915,120.74 | - | 7,501,092.62 | 149,414,028.12 | Related to assets |
| Appropriation for mud project of Beijing Cement Plant | 27,899,722.24 | - | 1,488,333.33 | 26,411,388.91 | Related to assets |
| Relocation compensation for Jianji | 49,745,454.76 | - | 921,212.10 | 48,824,242.66 | Related to assets |
| Subsidy for Zanzhuang – 2,500 tonnes new cement clinker production line project | 7,245,777.74 | - | 365,333.34 | 6,880,444.40 | Related to assets |
| Raw material storage tent of Zhenxing | 8,736,000.00 | - | 336,000.00 | 8,400,000.00 | Related to assets |
| Air pollution control project of Zanzhuang | 7,017,833.36 | - | 269,916.66 | 6,747,916.70 | Related to assets |
| Heat supply renovation project of Liulihe | 6,874,999.97 | - | 250,000.02 | 6,624,999.95 | Related to assets |
| Tangshan Qixin Cement Industry Museum project | 50,688,412.70 | - | 7,208,538.26 | 43,479,874.44 | Related to assets |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

38. Deferred income (continued)

As at 31 December 2017, the major items related to government grants were as follows:

| | Opening balance | Increase in the year | Recognised in other income in the year | Closing balance | Related to assets/gains |
|-----------------------------------------------------------------------------------|--------------------|-------------------------|----------------------------------------------|-----------------|----------------------------|
| Asset subsidy for relocation compensation of Tiantan | 203,027,594.00 | – | 29,791,613.64 | 173,235,980.36 | Related to assets |
| Subsidy for environmental protection equipment for Bio-Island project | 172,477,904.58 | – | 15,562,783.84 | 156,915,120.74 | Related to assets |
| Appropriation for mud project of Beijing Cement Plant | 30,876,388.89 | – | 2,976,666.65 | 27,899,722.24 | Related to assets |
| Relocation compensation for Jianji | 51,587,878.96 | – | 1,842,424.20 | 49,745,454.76 | Related to assets |
| Subsidy for Zanhuang – 2,500 tonnes new cement clinker production line project | 7,976,444.42 | – | 730,666.68 | 7,245,777.74 | Related to assets |
| Raw material storage tent of Zhenxing | 9,408,000.00 | – | 672,000.00 | 8,736,000.00 | Related to assets |
| Air pollution control project of Zanhuang | 7,557,666.68 | – | 539,833.32 | 7,017,833.36 | Related to assets |
| Heat supply renovation project of Liulihe | 7,375,000.00 | – | 500,000.03 | 6,874,999.97 | Related to assets |
| Tangshan Qixin Cement Industry Museum project | 50,688,412.70 | – | – | 50,688,412.70 | Related to assets |

39. Other non-current liabilities

| | 30 June 2018 | 31 December 2017 |
|-----------------------------------------|-------------------------|------------------|
| Repurchase payment (Note V.23) | 660,456,831.52 | 660,456,831.52 |
| Advance payment for housing (Note V.27) | 4,601,637,197.88 | – |
| Advance payment for rent | 18,000,000.00 | – |
| | 5,280,094,029.40 | 660,456,831.52 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

40. Share capital

For the six months ended 30 June 2018

| | Opening balance | Increase/(decrease) in the period | | 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 | 188,679,244.00 | - | - | - | 188,679,244.00 |
| 2. Other domestic shareholdings | 4,848,000.00 | - | - | - | 4,848,000.00 |
| Total shares subject to lock-up restriction | 193,527,244.00 | - | - | - | 193,527,244.00 |
| II. Shares not subject to lock-up restriction | | | | | |
| 1. RMB ordinary shares | 8,145,479,020.00 | - | - | - | 8,145,479,020.00 |
| 2. Foreign listed shares | 2,338,764,870.00 | - | - | - | 2,338,764,870.00 |
| Total shares not subject to lock-up restriction | 10,484,243,890.00 | - | - | - | 10,484,243,890.00 |
| Total share capital | 10,677,771,134.00 | - | - | - | 10,677,771,134.00 |

2017

| | Opening balance | Increase/(decrease) in the year | | Subtotal | Closing balance |
|-------------------------------------------------|-------------------|------------------------------------------------------------|-------------------------------------|--------------------|-------------------|
| | | Increase of share capital by conversion of capital reserve | Shares released from lock-up period | | |
| I. Shares subject to lock-up restriction | | | | | |
| 1. State-owned legal person shareholdings | 1,084,736,590.00 | - | (896,057,346.00) | (896,057,346.00) | 188,679,244.00 |
| 2. Other domestic shareholdings | 110,837,102.00 | - | (105,989,102.00) | (105,989,102.00) | 4,848,000.00 |
| Total shares subject to lock-up restriction | 1,195,573,692.00 | - | (1,002,046,448.00) | (1,002,046,448.00) | 193,527,244.00 |
| II. Shares not subject to lock-up restriction | | | | | |
| 1. RMB ordinary shares | 7,143,432,572.00 | - | 1,002,046,448.00 | 1,002,046,448.00 | 8,145,479,020.00 |
| 2. Foreign listed shares | 2,338,764,870.00 | - | - | - | 2,338,764,870.00 |
| Total shares not subject to lock-up restriction | 9,482,197,442.00 | - | 1,002,046,448.00 | 1,002,046,448.00 | 10,484,243,890.00 |
| Total share capital | 10,677,771,134.00 | - | - | - | 10,677,771,134.00 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

41. Other equity instruments

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; on 11 October 2017 and 6 November 2017, the Company issued 25,000,000 and 25,000,000 medium-term notes at par value of RMB100 to specific investors respectively, and the actual proceeds after deducting related issue expenses amounted to RMB4,990,000,000.00. In 2017, the Company registered with the National Association of Financial Market Institutional Investors and issued medium-term notes totaling RMB10 billion. On 7 June 2018, the Company issued 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 RMB1,996,000,000.00.

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, the Prospectus on 2016 Second Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2017 First Tranche of Medium-term Notes of BBMG Corporation, the Prospectus on 2017 Second Tranche of Medium-term Notes of BBMG Corporation and the Prospectus on 2018 Second Tranche of Medium-term Notes of BBMG Corporation, the major terms of the medium-term notes are as follows:

- | | |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maturity date | – The medium-term notes have no fixed maturity date, which are on a long-term basis until redemption by the Company according to the requirement of the issuance provisions, and will expire when the Company redeems the notes according to the requirement of the issuance provisions. |
| Deferred distribution | – Unless a mandatory interest payment event has occurred, on each interest payment date of the medium-term notes, the Company can elect to defer payment of interest due and all interest deferred according to the issuance provisions and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the requirement. Interest shall accrue on each of the deferred interest at the prevailing coupon rate over the period of deferral. |
| Mandatory distribution payment events | – If any of the following events occurs within 12 months prior to the interest payment date, the Company shall not defer the payment of interest due or all interest deferred pursuant to this term and its fruits: (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. |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

41. Other equity instruments *(continued)*

- Interest rate determination – 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 three 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 3 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.

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

41. 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.

For the six months ended 30 June 2018, the interest accrued amounted to RMB618,043,333.35.

42. Capital reserve

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|---------------|-------------------------|---------------------------|---------------------------|-------------------------|
| Share premium | <u>5,820,202,037.98</u> | <u>-</u> | <u>(445,797,011.48)</u> | <u>5,374,405,026.50</u> |

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Share premium | <u>5,865,195,783.46</u> | <u>-</u> | <u>(44,993,745.48)</u> | <u>5,820,202,037.98</u> |

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

43. Other comprehensive income

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

| | 1 January 2018 | Increase/ (decrease) | 30 June 2018 |
|-----------------------------------------------------------------------------|-----------------------|-------------------------|-------------------------------|
| Re-measurement of changes in defined benefit plan | 70,072,510.00 | (18,855,736.00) | 51,216,774.00 |
| Transfer of inventories/self-occupied properties into investment properties | 176,722,075.98 | – | 176,722,075.98 |
| Effect on changes in other owners' equity of investee under equity method | 3,127,570.81 | (685,072.50) | 2,442,498.31 |
| Foreign currency translation | 931,829.28 | (3,171,275.05) | (2,239,445.77) |
| Changes in fair value of other equity investment | <u>3,356,173.25</u> | <u>(21,675,850.45)</u> | <u>(18,319,677.20)</u> |
| | <u>254,210,159.32</u> | <u>(44,387,934.00)</u> | <u>209,822,225.32</u> |

| | 1 January 2017 | Increase/ (decrease) | 31 December 2017 |
|-----------------------------------------------------------------------------|-----------------------|-------------------------|-----------------------|
| Re-measurement of changes in defined benefit plan | 28,174,585.00 | 41,897,925.00 | 70,072,510.00 |
| Transfer of inventories/self-occupied properties into investment properties | 186,916,437.72 | (10,194,361.74) | 176,722,075.98 |
| Effect on changes in other owners' equity of investee under equity method | (20,888.22) | 3,148,459.03 | 3,127,570.81 |
| Foreign currency translation | 10,862,702.22 | (9,930,872.94) | 931,829.28 |
| Available-for-sale financial assets | <u>5,906,864.93</u> | <u>(2,550,691.68)</u> | <u>3,356,173.25</u> |
| | <u>231,839,701.65</u> | <u>22,370,457.67</u> | <u>254,210,159.32</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

43. Other comprehensive income *(continued)*

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

For the six months ended 30 June 2018

| | 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 defined benefit plan | (19,427,236.00) | - | - | (18,855,736.00) | (571,500.00) |
| Changes in fair value of other equity investment | (171,731,944.57) | - | (43,094,192.79) | (21,675,850.45) | (106,961,901.33) |
| Other comprehensive income that will be reclassified to profit or loss in subsequent periods | | | | | |
| Effect on changes in other shareholders' equity of investee under equity method | (2,075,977.28) | - | - | (685,072.50) | (1,390,904.78) |
| Exchange differences on foreign currency translation | (104,404.06) | - | - | (3,171,275.05) | 3,066,870.99 |
| | <u>(193,339,561.91)</u> | <u>-</u> | <u>(43,094,192.79)</u> | <u>(44,387,934.00)</u> | <u>(105,857,435.12)</u> |

Notes to Unaudited Interim Financial Statements

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

43. Other comprehensive income *(continued)*

For the six months ended 30 June 2017

| | 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 | 29,061,622.00 | - | - | 29,061,622.00 | - |
| 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 | - | 13,592,482.32 | (3,398,120.58) | (10,194,361.74) | - |
| Effect on changes in other shareholders' equity of investee under equity method | (3,573,352.36) | - | - | (1,102,557.87) | (2,470,794.49) |
| Exchange differences on foreign currency translation | (336,192.92) | - | - | (661,099.26) | 324,906.34 |
| Available-for-sale financial assets | <u>(42,308,123.52)</u> | <u>-</u> | <u>(10,577,030.88)</u> | <u>(5,235,630.29)</u> | <u>(26,495,462.35)</u> |
| | <u>(17,156,046.80)</u> | <u>13,592,482.32</u> | <u>(13,975,151.46)</u> | <u>11,867,972.84</u> | <u>(28,641,350.50)</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

44. Specific reserve

For the six months ended 30 June 2018

| | Opening balance | Amount provided for the period | Amount paid for the period | Closing balance |
|------------------------|----------------------|-----------------------------------|-------------------------------|----------------------|
| Production safety cost | <u>12,989,928.59</u> | <u>27,330,453.45</u> | <u>17,433,049.65</u> | <u>22,887,332.39</u> |

2017

| | Opening balance | Amount provided for the year | Amount paid during the year | Closing balance |
|------------------------|---------------------|---------------------------------|--------------------------------|----------------------|
| Production safety cost | <u>8,655,529.41</u> | <u>63,436,796.09</u> | <u>59,102,396.91</u> | <u>12,989,928.59</u> |

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

45. Surplus reserve

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|---------------------------|-------------------------|---------------------------|---------------------------|-------------------------|
| Statutory surplus reserve | <u>1,368,019,010.35</u> | <u>–</u> | <u>–</u> | <u>1,368,019,010.35</u> |

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Statutory surplus reserve | <u>1,276,866,688.51</u> | <u>91,152,321.84</u> | <u>–</u> | <u>1,368,019,010.35</u> |

Notes to Unaudited Interim Financial Statements

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

45. Surplus reserve *(continued)*

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has exceeded 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserve. Upon approval, discretionary surplus reserve can be used to make up for losses from previous years or to increase the share capital.

46. General risk reserve

For the six months ended 30 June 2018

| | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|----------------------|-----------------------|---------------------------|---------------------------|-----------------------|
| General risk reserve | <u>299,478,851.25</u> | <u>-</u> | <u>-</u> | <u>299,478,851.25</u> |

2017

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|----------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| General risk reserve | <u>178,039,195.99</u> | <u>121,439,655.26</u> | <u>-</u> | <u>299,478,851.25</u> |

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 period/year pursuant to the Administrative Measures on Provision of Reserves of Financial Enterprises (金融企業準備金計提管理辦法) issued by the Ministry of Finance.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

47. Retained earnings

| | For the six months ended 30 June 2018 | 2017 |
|----------------------------------------------------------------------|---------------------------------------------|-------------------|
| Retained earnings as at the end of the previous year | 22,758,176,658.95 | 20,980,120,619.08 |
| Add: changes in accounting policy | (21,093,927.93) | – |
| Net profit attributable to the shareholders of the parent company | 2,410,206,116.06 | 2,836,664,933.59 |
| Less: Cash dividends declared for ordinary shares (Note 1) | 512,533,014.43 | 491,177,472.16 |
| Less: Appropriation of surplus reserve (Note V.45) | – | 91,152,321.84 |
| Less: Interest of perpetual bonds (Note V.41) | 263,203,888.89 | 354,839,444.46 |
| Less: Appropriation of general risk reserve (Note V.46) | – | 121,439,655.26 |
| Retained earnings at the end of the period/year | 24,371,551,943.76 | 22,758,176,658.95 |

Note 1: Upon the consideration and approval by the 2017 annual general meeting of the Company convened on 24 May 2018, profit distribution for the year 2017 was calculated based on 10,677,771,134 ordinary shares in issue as of 31 December 2017, with the distribution of a dividend of RMB0.48 per 10 shares (tax inclusive) in an aggregate amount of cash dividends of RMB512,533,014.43.

48. Operating revenue and operating costs

| | For the six months ended 30 June 2018 | | For the six months ended 30 June 2017 | |
|----------------------|------------------------------------------|--------------------------|------------------------------------------|-------------------|
| | Revenue | Costs | Revenue | Costs |
| Principal operations | 34,998,521,382.42 | 25,391,549,752.00 | 28,778,106,439.91 | 21,179,573,587.19 |
| Other operations | 366,871,873.56 | 143,221,828.22 | 687,739,842.94 | 300,297,561.12 |
| | 35,365,393,255.98 | 25,534,771,580.22 | 29,465,846,282.85 | 21,479,871,148.31 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

48. Operating revenue and operating costs (continued)

The principal businesses are the following:

| | For the six months ended 30 June 2018 | | For the six months ended 30 June 2017 | |
|---------------------------------------------|------------------------------------------|--------------------------|------------------------------------------|--------------------------|
| | Revenue | Costs | Revenue | Costs |
| Sale of products | 16,691,762,445.41 | 11,497,460,937.86 | 14,703,815,505.97 | 10,781,304,651.52 |
| Bulk commodity trade | 5,798,692,112.10 | 5,756,570,676.88 | 4,295,423,070.67 | 4,191,989,825.53 |
| Sale of properties | 9,955,463,235.75 | 6,816,228,978.21 | 7,346,395,932.14 | 4,965,631,414.32 |
| Rental income from investment properties | 646,537,184.55 | 59,384,760.16 | 646,855,908.42 | 41,253,781.27 |
| Property management | 435,264,429.59 | 327,777,514.10 | 397,505,348.07 | 289,830,873.44 |
| Hotel management | 212,893,202.89 | 110,845,647.24 | 202,153,741.55 | 103,199,401.73 |
| Income from decoration | 322,286,697.74 | 282,307,744.27 | 428,100,134.10 | 416,644,859.52 |
| Treatment of solid wastes | 453,942,695.63 | 238,700,814.34 | 280,268,621.47 | 190,804,433.37 |
| Others | 481,679,378.76 | 302,272,678.94 | 477,588,177.52 | 198,914,346.49 |
| | 34,998,521,382.42 | 25,391,549,752.00 | 28,778,106,439.91 | 21,179,573,587.19 |

Operating revenue are as follows:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Sale of products | 16,691,762,445.41 | 14,703,815,505.97 |
| Bulk commodity trade | 5,798,692,112.10 | 4,295,423,070.67 |
| Sale of properties | 9,955,463,235.75 | 7,346,395,932.14 |
| Lease income | 759,136,003.43 | 723,566,360.78 |
| Of which: Rental income from investment properties | 646,537,184.55 | 646,855,908.42 |
| Other lease income | 112,598,818.88 | 76,710,452.36 |
| Property management | 435,264,429.59 | 397,505,348.07 |
| Hotel management | 212,893,202.89 | 202,153,741.55 |
| Income from decoration | 322,286,697.74 | 428,100,134.10 |
| Treatment of solid wastes | 453,942,695.63 | 280,268,621.47 |
| Others | 735,952,433.44 | 1,088,617,568.10 |
| | 35,365,393,255.98 | 29,465,846,282.85 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

48. Operating revenue and operating costs *(continued)*

The reporting segments are the following:

| | For the six months ended 30 June 2018 | | For the six months ended 30 June 2017 | |
|-------------------------------------------------------------|--------------------------------------------------|------------------------------------|--------------------------------------------------|------------------------------------|
| | Commodity (transferred at a point of time) | Service (provided over time) | Commodity (transferred at a point of time) | Service (provided) over time |
| Cement segment | 14,124,217,015.86 | 453,942,695.63 | 13,005,383,233.88 | 280,268,621.47 |
| Building materials and commerce and logistics segment | 8,574,141,741.27 | 322,286,697.74 | 6,547,693,878.18 | 428,100,134.10 |
| Property segment | 9,974,060,860.17 | – | 7,334,205,335.26 | – |
| Property investment and management segment | 1,268,586,612.83 | 648,157,632.48 | 1,270,535,990.34 | 599,659,089.62 |
| Total | 33,941,006,230.13 | 1,424,387,025.85 | 28,157,818,437.66 | 1,308,027,845.19 |

Please refer to Note XIV. 2 Segment Report for details of the principal operating locations and type of products.

49. Tax and surcharges

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------------------------|---------------------------------------------|---------------------------------------------|
| Business tax | 50,794,937.59 | 86,382,293.16 |
| City maintenance and construction tax | 91,931,674.41 | 87,964,279.52 |
| Education surcharges | 78,682,790.62 | 63,932,594.98 |
| Land appreciation tax | 491,140,914.91 | 460,059,550.41 |
| Real estate tax | 115,689,182.96 | 106,407,410.39 |
| Others | 225,468,900.66 | 169,194,236.11 |
| | 1,053,708,401.15 | 973,940,364.57 |

Other taxes principally include real estate tax, land use tax, vehicle and vessel tax, stamp duty and related taxes incurred from corporate operating activities.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

50. Selling expenses

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-----------------------------|---------------------------------------------|---------------------------------------------|
| Employee remunerations | 405,786,840.86 | 379,762,814.66 |
| Office and service expenses | 93,484,337.78 | 98,758,795.94 |
| Lease fee | 66,337,198.61 | 75,455,612.60 |
| Agency intermediary fee | 96,049,910.14 | 100,744,325.69 |
| Advertisement fee | 157,054,858.75 | 133,302,374.75 |
| Transportation expenses | 319,736,820.32 | 332,299,012.04 |
| Others | 25,215,376.72 | 41,803,748.25 |
| | <u>1,163,665,343.18</u> | <u>1,162,126,683.93</u> |

51. Administrative expenses

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-------------------------------|---------------------------------------------|---------------------------------------------|
| Employee remunerations | 1,218,358,079.49 | 1,177,148,649.00 |
| Office and service expenses | 526,422,811.56 | 503,361,772.60 |
| Professional fees | 101,991,748.68 | 96,314,676.03 |
| Lease and utilities | 130,202,084.84 | 94,062,312.59 |
| Sewage and afforestation fees | 27,487,527.07 | 76,479,225.79 |
| Suspension of operation | 436,027,925.63 | 187,640,160.35 |
| Others | 653,099,911.86 | 536,037,315.88 |
| | <u>3,093,590,089.13</u> | <u>2,671,044,112.24</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

52. Research and Development Expenses

| | For the six months end 30 June 2018 | For the six months end 30 June 2017 |
|---------------|-------------------------------------------|-------------------------------------------|
| Material cost | 6,324,171.03 | 1,759,846.66 |
| Employee cost | 47,665,212.66 | 16,260,186.43 |
| Others | 9,260,878.76 | 4,632,566.17 |
| | 63,250,262.45 | 22,652,599.26 |

53. Finance costs

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Interest expenses | 2,421,542,974.95 | 2,262,646,885.32 |
| <i>Of which: Interests on bank loans and other loans to be fully repaid within 5 years</i> | 2,416,824,321.32 | 2,258,566,041.90 |
| <i>Interests on bank loans and other loans to be fully repaid over 5 years</i> | 4,718,653.63 | 4,080,843.42 |
| Less: Interest income | 119,554,528.16 | 102,242,372.45 |
| Less: Capitalised interest (Note) | 1,127,868,675.73 | 960,617,914.73 |
| Exchange gains and losses | 17,511,515.78 | (18,255,095.79) |
| Bank charges | 61,148,038.90 | 47,829,987.78 |
| Others | 111,167,342.29 | 103,401,978.26 |
| | 1,363,946,668.03 | 1,332,763,468.39 |

Note: The amount of capitalized borrowing cost has been included in construction in progress of RMB11,706,877.68 and costs for properties under development of RMB1,116,161,798.05 (for the first half of 2017: the amount of capitalised borrowing cost was included in construction in progress of RMB45,683,124.92 and costs of properties under development of RMB914,934,789.81).

Notes to Unaudited Interim Financial Statements

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

53. Finance costs *(continued)*

The breakdown of interest income was as follows:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------|---------------------------------------------|---------------------------------------------|
| Monetary fund | <u>119,554,528.16</u> | <u>102,242,372.45</u> |

For the six months ended 30 June 2018, the above interest income has no interest income arising from impaired financial assets (for the first half of 2017: Nil).

54. Asset impairment losses

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|--------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Losses on bad debts | – | 182,395,052.15 |
| Losses/(reversal of provision) on decline in value of inventory | 3,090,903.24 | (40,839,361.85) |
| Losses on impairment of fixed assets | 8,973,295.92 | 3,932,146.88 |
| Losses on impairment of intangible assets | 3,050,593.49 | – |
| Losses on impairment of construction in progress | 1,836,360.22 | 1,453,381.51 |
| Losses on impairment of prepayments | (2,027,467.49) | – |
| Others | (790,102.17) | – |
| | <u>14,133,583.21</u> | <u>146,941,218.69</u> |

55. Credit impairment losses

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------|---------------------------------------------|---------------------------------------------|
| Losses on bad debts | <u>(43,476,415.85)</u> | – |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

56. Other gains

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 | Relevant to asset/income |
|----------------------------------------|---------------------------------------------|---------------------------------------------|-----------------------------|
| Refunds of VAT | 241,425,207.62 | 193,350,474.55 | Relevant to income |
| Income from relocation compensation | 3,425,126.02 | 5,496,291.65 | Relevant to asset/income |
| Income from other subsidies | 51,284,765.20 | 55,508,697.44 | Relevant to asset/income |
| Grants of sale of heat | 1,611,842.70 | 1,118,692.74 | Relevant to income |
| | 297,746,941.54 | 255,474,156.38 | |

57. Investment gains

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Long-term equity investment gains measured under cost method | – | 266,086.09 |
| Long-term equity investment gains measured under equity method | 139,008,136.76 | 52,810,274.02 |
| Investment gains from disposal of subsidiaries | – | 154,210,544.33 |
| Investment gains from the holding of financial assets at fair value through profit or loss | 61,546,654.49 | – |
| Gains from the holding of available-for-sale financial assets | – | 43,417,264.38 |
| Investment gains from the holding of financial assets at amortized cost | 24,407,626.67 | – |
| Investment gains from the holding of equity investment at fair value through other comprehensive Income | 531,473.76 | – |
| Investment gains from disposal of financial assets held for trading | 1,539,602.17 | 3,244,610.12 |
| Gains on re-measurement of equity interests in the acquiree not under joint control but controllable due to additional investment on the date of acquisition at fair value | – | 14,563,139.38 |
| Others | 5,424,238.44 | 2,534,661.78 |
| | 232,457,732.29 | 271,046,580.10 |

There were no significant restrictions on the repatriation of investment income of the Group as of 30 June 2018.

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For the six months ended 30 June 2018

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

58. Gains from changes in fair value

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Financial assets held for trading | 2,927,895.47 | – |
| Financial assets at fair value through profit or loss | – | (131,020,832.78) |
| Investment properties measured at fair value (Note V.16) | <u>270,195,883.37</u> | <u>257,446,447.48</u> |
| | <u>273,123,778.84</u> | <u>126,425,614.70</u> |

59. Gains/(losses) on disposal of assets

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|------------------------------------|---------------------------------------------|---------------------------------------------|
| Gains on disposal of assets | 21,476,624.01 | 9,401,693.25 |
| Less: losses on disposal of assets | <u>2,645,422.22</u> | <u>20,534,349.10</u> |
| | <u>18,831,201.79</u> | <u>(11,132,655.85)</u> |

60. Non-operating income

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 | Recognised in non-recurring profit and loss for the six months ended 30 June 2018 |
|-----------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------|
| Gains from debt restructuring | 13,576,256.77 | 10,650,578.99 | 13,576,256.77 |
| Net gains from fines | 22,928,047.87 | 10,821,773.69 | 22,928,047.87 |
| Relocation compensation/ Government grants | 1,634,830.25 | 35,147,805.28 | 1,634,830.25 |
| Unpayable amounts | 11,292,107.94 | 10,199,797.08 | 11,292,107.94 |
| Others | <u>38,950,381.86</u> | <u>57,092,595.54</u> | <u>38,950,381.86</u> |
| | <u>88,381,624.69</u> | <u>123,912,550.58</u> | <u>88,381,624.69</u> |

Notes to Unaudited Interim Financial Statements

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

61. Non-operating expenses

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 | Recognised in non-recurring profit and loss for the six months ended 30 June 2018 |
|-----------------------------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------|
| Losses from disposal of non-current assets | 41,333,767.02 | 4,554,937.22 | 41,333,767.02 |
| <i>Of which: Losses from disposal of fixed assets</i> | 41,321,148.53 | 4,537,356.07 | 41,321,148.53 |
| <i>Losses from disposal of intangible assets</i> | – | 8,156.95 | – |
| <i>Losses from disposal of other non-current assets</i> | 12,618.49 | 9,424.20 | 12,618.49 |
| Abnormal losses | – | 4,922.64 | – |
| Losses from debt restructuring | 1,313,442.84 | 387,092.98 | 1,313,442.84 |
| Charity donation expenses | 100,000.03 | 17,708.76 | 100,000.03 |
| Expense on compensation, penalties and fines | 46,815,569.79 | 5,682,850.36 | 46,815,569.79 |
| Others | 19,382,225.56 | 3,899,778.48 | 19,382,225.56 |
| | 108,945,005.24 | 14,547,290.44 | 108,945,005.24 |

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

62. Expenses by nature

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

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Consumption of raw materials | 7,334,522,415.42 | 7,060,780,722.92 |
| Procurement costs of tradable goods | 7,032,383,236.60 | 4,915,892,493.90 |
| Cost of sales of real estate | 6,816,228,978.21 | 4,965,631,414.32 |
| Changes in work in progress, finished goods and trading goods | (147,558,489.41) | (663,398,686.08) |
| Employees' remuneration | 2,776,850,812.88 | 2,649,898,277.78 |
| Depreciation and amortisation | 2,099,833,920.20 | 2,101,125,398.05 |
| Rentals | 256,625,792.17 | 187,456,771.52 |
| Maintenance expenses | 575,036,441.39 | 671,108,237.47 |
| Transportation fee | 486,627,915.48 | 488,643,404.06 |
| Advertising costs | 157,054,858.75 | 133,302,374.75 |
| Office and service expenses | 88,344,112.13 | 82,440,967.17 |
| Intermediary fee | 198,041,658.82 | 244,181,788.77 |
| Others | <u>2,181,285,622.34</u> | <u>2,498,631,379.11</u> |
| | <u>29,855,277,274.98</u> | <u>25,335,694,543.74</u> |

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

63. Income tax expense

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-----------------------------|---------------------------------------------|---------------------------------------------|
| Current income tax expense | 1,082,588,352.32 | 772,280,210.87 |
| Deferred income tax expense | (86,931,564.56) | (126,617,636.00) |
| | 995,656,787.76 | 645,662,574.87 |

A reconciliation of income tax expense and total profit is set out as follows:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Total profit | 3,923,400,018.37 | 2,427,685,642.93 |
| Income tax expense at the statutory tax rate of 25% (note 1) | 980,850,004.59 | 606,921,410.73 |
| Effect of different tax rates applicable to some subsidiaries | (38,157,503.73) | (20,872,944.40) |
| Share of profits and losses of joint ventures and associates | (39,108,268.33) | (21,489,437.80) |
| Expenses not deductible | 8,167,589.32 | 6,703,140.20 |
| Deductible temporary differences and deductible losses utilized from previous years | (96,020,961.35) | (146,854,619.17) |
| Adjustments on the current income tax of previous periods | (41,163,567.33) | (19,100,307.79) |
| Deductible temporary difference and deductible losses not recognized | 221,089,494.59 | 240,355,333.10 |
| | 995,656,787.76 | 645,662,574.87 |

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.

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

64. Earnings per share

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

The calculation of basic earnings per share is as follows:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Earnings | | |
| Net profit for the year attributable to ordinary shareholders of the Company | <u>2,410,206,116.06</u> | <u>1,846,371,188.87</u> |
| Shares | | |
| Weighted average number of ordinary shares in issue of the Company | <u>10,677,771,134.00</u> | <u>10,677,771,134.00</u> |
| Earnings per share | <u>0.23</u> | <u>0.17</u> |

The Company did not have potentially dilutive ordinary shares.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

65. Notes to items of statement of cash flows

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Cash received from other operating activities | | |
| Deposits and relevant amounts received | 198,133,218.49 | 142,685,878.60 |
| Compensation received | 24,892,883.96 | 53,574,997.09 |
| Current accounts and other current account | 830,745,502.78 | 1,055,579,272.80 |
| | 1,053,771,605.23 | 1,251,840,148.49 |
| Cash paid relating to other operating activities | | |
| Bidding deposits of land items and relevant amounts | 2,979,218,170.86 | – |
| Relocation compensation paid | 67,288,811.02 | 47,877,281.24 |
| Selling and administrative expenses etc. paid | 2,034,067,804.61 | 1,445,770,163.84 |
| Other current accounts | 2,958,986,872.62 | – |
| | 8,039,561,659.11 | 1,493,647,445.08 |
| Cash received from other investing activities | | |
| Disposal of financial products such as short-term funds or bonds | 2,300,000,000.00 | 1,161,998,000.00 |
| Repayment of borrowings from the minority shareholder, Beijing Vanke Enterprise Co., Ltd. | – | 490,000.00 |
| Disposal of large-amount certificate of deposits | 2,572,568,400.00 | – |
| Disposal of reverse repurchase assets | 2,000,200,000.00 | – |
| | 6,872,768,400.00 | 1,162,488,000.00 |
| Cash paid relating to other investing activities | | |
| Purchase of financial products such as short-term funds or bonds | 3,501,000,000.00 | 1,161,998,000.00 |
| Purchase of large-amount certificate of deposits | 2,084,429,400.00 | 1,699,137,077.01 |
| Purchase of reverse repurchase assets | 2,200,200,000.00 | – |
| | 7,785,629,400.00 | 2,861,135,077.01 |
| Cash received from other financing activities | | |
| Borrowings from the minority shareholder, Nuode Investment Co., Ltd. of China Railway Construction Engineering Group | – | 357,259,000.00 |
| Cash paid relating to other financing activities | | |
| Repayment of financing of sale and lease back business | 397,052,351.96 | 2,731,947,406.30 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

66. Supplemental information to statement of cash flows

(1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Net profit | 2,927,743,230.61 | 1,782,023,068.06 |
| Add: Credit impairment losses | (43,476,415.85) | – |
| Assets impairment losses | 14,133,583.21 | 146,941,218.69 |
| Depreciation of fixed assets | 1,822,381,884.50 | 1,818,000,065.00 |
| Amortisation of intangible assets | 200,380,993.97 | 222,427,738.70 |
| Amortisation of long-term deferred expenses | 77,071,041.73 | 60,697,594.35 |
| Net losses from disposal of fixed assets, intangible assets and other long-term assets | 22,502,565.23 | 15,398,707.60 |
| Gains from changes in fair value | (273,123,778.84) | (126,425,614.70) |
| Finance expenses | 1,311,185,815.00 | 1,269,930,613.35 |
| Investment gains | (232,457,732.29) | (271,046,580.10) |
| (Increase)/decrease in deferred income tax assets | (70,154,196.78) | 37,306,864.58 |
| Increase in deferred income tax liabilities | (3,715,981.93) | (163,924,500.59) |
| Increase in inventories | (1,738,150,777.27) | (20,480,555,549.16) |
| (Increase)/decrease in operating receivables | (2,170,725,177.68) | 3,015,707,463.97 |
| (Decrease)/increase in operating payables | (5,482,193,263.62) | 1,330,884,239.25 |
| Net cash flows used in operating activities | <u>(3,638,598,210.01)</u> | <u>(11,342,634,671.00)</u> |
| Material financing activities not involving cash: Debt-to-equity swap of a minority shareholder (Note) | <u>147,000,000.00</u> | – |
| Operation receivables from third parties set-off against long-term payables to third parties | <u>–</u> | <u>260,432,616.92</u> |
| Endorsement and transfer of bills: Endorsement and transfer of bank acceptance bills received from sale of goods or rendering of services | <u>3,548,995,501.48</u> | <u>5,298,976,379.66</u> |

Note: Nuode Investment Co., Ltd. of China Railway Construction Engineering Group (中鐵建工集團諾德投資有限公司), a minority shareholder of BBMG China Railway Noble (Hangzhou) Property Development Co., Ltd. (金隅中鐵諾德(杭州)房地產開發有限公司), which, in turn, is a subsidiary of the Group, made additional investment to it in a way of debt-to-equity swap, with a capital increase of RMB147,000,000.00.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

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

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

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Net movements in cash and cash equivalents: | | |
| Balances of cash at end of the period | 11,676,370,375.05 | 14,844,646,967.98 |
| Less: Balances of cash at beginning of the period | 12,914,086,803.47 | 18,110,782,535.76 |
| Net decrease in cash and cash equivalents | (1,237,716,428.42) | (3,266,135,567.78) |

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

Information on disposal of subsidiaries and other operating units

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Consideration of disposal of subsidiaries and other operating units for the period (Note) | – | 30,350,000.00 |
| Cash and cash equivalents received from the prior year disposal of subsidiaries and other operating units for the period | – | 636,620,000.00 |
| Less: Cash and cash equivalents held by subsidiaries and other operating units disposed of | – | 1,734,900.69 |
| Net cash received from disposal of subsidiaries and other operating units | – | 634,885,099.31 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

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

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

Information on acquisition of subsidiaries and other operating units

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Payments for the acquisition of subsidiaries and other operating units (Note VI.1) | 4,018,176,372.21 | 1,608,710.67 |
| Restricted monetary fund from the acquisition of subsidiaries and other operating units (Note VI.1) | – | 209,797,472.00 |
| Less: Cash and cash equivalents held by subsidiaries and other operating units acquired | 382,005,950.21 | 565,759.69 |
| Net cash paid for acquisition of subsidiaries and other operating units | 3,636,170,422.00 | 210,840,422.98 |

Note: The Group received the amount of RMB30,350,000.00 as the consideration of disposal of subsidiaries and other operating units for the period in December 2016.

(3) Cash and cash equivalents

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------------------|--------------------------|-------------------|
| Cash | 11,676,370,375.05 | 12,914,086,803.47 |
| <i>Including: Cash on hand</i> | 3,292,287.37 | 908,870.81 |
| <i>Bank deposits readily withdrawn on demand</i> | 11,673,078,087.68 | 12,912,454,696.98 |
| <i>Other monetary fund readily withdrawn on demand</i> | – | 723,235.68 |
| Balance of cash and cash equivalents at end of the period/year | 11,676,370,375.05 | 12,914,086,803.47 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

67. Assets with restricted titles or right to use

| | Note | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------------------------|------|--------------------------|-------------------|
| Pledged assets | | | |
| Cash and bank balances | | | |
| Statutory deposit reserve placement | | | |
| with central bank by Finance Company | (1) | 1,187,510,266.59 | 1,228,437,954.77 |
| Guarantee deposits for L/C | (1) | 275,728,496.49 | 59,308,277.04 |
| Quality/performance deposits | (1) | 61,408,568.85 | 117,009,520.57 |
| Guarantee deposits for acceptance bills | (1) | 1,250,310,777.57 | 177,489,541.28 |
| Inventories | (2) | 16,092,346,008.34 | 8,571,416,008.34 |
| Bills receivable and accounts receivable | (3) | 5,800,000.00 | 5,300,000.00 |
| Fixed assets | (2) | 3,742,685,900.11 | 4,274,246,121.07 |
| Investment properties | (2) | 7,599,987,014.63 | 7,599,987,014.63 |
| Equity interests | (2) | 5,894,407,341.71 | 5,494,299,741.71 |
| Land use rights | (2) | 291,285,099.50 | 118,768,976.72 |
| Cash and bank balances whose titles are restricted for other reasons | | | |
| Cash and bank balances | | | |
| Restricted cash arising from pre-sales of properties | (4) | 3,096,676,915.04 | 3,245,141,712.81 |
| Other restricted cash | | 132,685,809.27 | 162,373,334.78 |
| | | 39,630,832,198.10 | 31,053,778,203.72 |

Note 1: As at 30 June 2018, the total amount of the Group's pledged cash and bank balances was RMB2,774,958,109.50 (31 December 2017: RMB1,582,245,293.66), of which the amount paid by BBMG Finance Co., Ltd. (金隅財務有限公司) to the People's Bank of China as statutory deposit reserve in accordance with relevant regulations which cannot be used for daily operations was RMB1,187,510,266.59 (31 December 2017: RMB1,228,437,954.77).

Note 2: As at 30 June 2018, the Group obtained short-term borrowings of RMB1,323,250,000.00 (31 December 2017: RMB505,300,000.00) and long-term borrowings of RMB11,161,530,000.00 (31 December 2017: RMB9,644,237,997.00) secured by inventories with a carrying amount of RMB16,092,346,008.34 (31 December 2017: RMB8,571,416,008.34), fixed assets with a carrying amount of RMB3,742,685,900.11 (31 December 2017: RMB4,274,246,121.07), investment properties with a carrying amount of RMB7,599,987,014.63 (31 December 2017: RMB7,599,987,014.63) and land use rights with a carrying amount of RMB291,285,099.50 (31 December 2017: RMB118,768,976.72) and pledged by equity interests with a carrying amount of RMB5,894,407,341.71 (31 December 2017: RMB5,494,299,741.71).

Note 3: As at 30 June 2018, the Group obtained short-term borrowings of RMB5,800,000.00 (31 December 2017: RMB5,300,000.00) by discounting bills receivable not qualified for derecognition.

Note 4: In accordance with relevant provisions, funds from pre-sales of commodity housing of property developers have to be deposited in special bank accounts of funds from pre-sales of real estates for supervision to ensure that the pre-sales funds are used for construction projects first, and written application have to be made to the supervisory bank before using the funds. Where pre-sale projects under supervision have been completed and accepted and other required conditions have been satisfied, application for lifting supervision of the funds may be made.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

68. Foreign currency monetary items

| | 30 June 2018 | | | 31 December 2017 | | |
|-----------------------|--------------------|---------------|------------------|-------------------|---------------|------------------|
| | Original currency | Exchange rate | As RMB | Original currency | Exchange rate | As RMB |
| Bank deposits | | | | | | |
| USD | 9,751,420.48 | 6.5775 | 64,139,968.21 | 12,114,512.24 | 6.5342 | 79,158,645.88 |
| HKD | 131,240.57 | 0.8959 | 117,578.43 | 1,917,852.76 | 0.8359 | 1,603,133.12 |
| EUR | - | 7.3034 | - | 1.39 | 7.8023 | 10.85 |
| JPY | 24,259,937.00 | 0.0600 | 1,455,596.22 | 24,259,925.00 | 0.0579 | 1,404,649.66 |
| MNT | 364,508,492.59 | 0.0027 | 984,172.93 | 1,246,231,165.99 | 0.0027 | 3,364,824.15 |
| ZAR | - | 0.4803 | - | 32,523,224.05 | 0.5277 | 17,162,505.33 |
| Accounts receivable | | | | | | |
| USD | 70,827,757.34 | 6.5775 | 465,869,573.90 | 80,533,480.10 | 6.5342 | 526,221,865.67 |
| EUR | 78,645.84 | 7.3034 | 574,382.03 | 802,285.44 | 7.8023 | 6,259,671.69 |
| HKD | 210,398.43 | 0.8959 | 188,495.95 | - | - | - |
| MNT | 3,481,219,640.74 | 0.0027 | 9,399,293.03 | - | - | - |
| Accounts payable | | | | | | |
| USD | (121,479,489.08) | 6.5775 | (799,031,339.42) | (70,461,342.96) | 6.5342 | (460,408,507.17) |
| MNT | (8,076,740,629.63) | 0.0027 | (21,807,199.70) | - | - | - |
| Other receivables | | | | | | |
| USD | 1,740,227.40 | 6.5775 | 11,446,345.72 | 2,959,772.60 | 6.5342 | 19,339,746.12 |
| MNT | 161,362,740.74 | 0.0027 | 435,679.40 | - | - | - |
| HKD | 309,974.00 | 0.8959 | 277,705.71 | 285,974.00 | 0.8359 | 239,045.67 |
| Other payables | | | | | | |
| USD | - | - | - | (2,270,097.00) | 6.5342 | (14,833,267.82) |
| ZAR | - | - | - | - | - | - |
| HKD | - | - | - | (2,647,219.28) | 0.8359 | (2,212,810.60) |
| Long-term receivables | | | | | | |
| ZAR | 560,530,827.61 | 0.4803 | 269,222,956.50 | 485,794,441.54 | 0.5277 | 256,353,726.80 |
| Long-term payables | | | | | | |
| USD | (2,358,853.51) | 6.5775 | (15,515,358.95) | (2,388,600.00) | 6.5342 | (15,607,590.12) |
| | | | (12,242,150.04) | | | 418,045,649.23 |

Notes to Unaudited Interim Financial Statements

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VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Business combination not under common control

On 29 January 2018, Tianjin Jincheng State-owned Capital Investment and Management Company Limited (天津津誠國有資本投資運營有限公司) (“**Jincheng Capital**”) transferred 55% equity interests in Tianjin Building Materials (Holding) Co., Ltd. (“**Tianjin Building Materials**”) through Tianjin Property Rights Exchange by way of public tender. On 4 May 2018, the Company entered into the Equity Transfer Contact and the Joint Venture And Cooperation Agreement with Jincheng Capital to obtain 55% equity interests in Tianjin Building Materials at a consideration of RMB4,018 million. On 10 May 2018, the Company paid in full the consideration for equity transfer to Tianjin Property Rights Exchange. On 22 May 2018, Tianjin Building Materials made amendments to its articles of association. On 22 May 2018, the date fell on which the articles of association was amended, the Company began to own beneficial control over Tianjin Building Materials by virtue of holding 55% equity interests in Tianjin Building Materials, and became its controlling shareholder.

The fair values and carrying values of identifiable assets and liabilities of Tianjin Building Materials on acquisition date are set out as follows:

| | Fair value as at 22 May 2018 | Carrying value as at 22 May 2018 |
|---------------------------------------------|---------------------------------|-------------------------------------|
| Cash and bank balances | 1,306,893,706.52 | 1,306,893,706.52 |
| Bills receivable and accounts receivable | 615,040,977.41 | 615,040,977.41 |
| Prepayments | 340,949,726.06 | 340,949,726.06 |
| Other receivables | 1,087,522,946.48 | 1,087,522,946.48 |
| Inventories | 1,845,899,887.37 | 1,845,899,887.37 |
| Other current assets | 85,126,592.53 | 58,669,752.35 |
| Long-term equity investments | 530,323,924.74 | 530,323,924.74 |
| Investment in other equity instruments | 94,470,233.85 | 83,159,875.68 |
| Investment properties | 3,079,529,250.00 | 3,079,529,250.00 |
| Fixed assets | 1,231,124,563.00 | 855,606,774.27 |
| Construction in progress | 38,938,793.52 | 38,938,793.52 |
| Intangible assets | 6,704,550,701.23 | 3,756,720,585.84 |
| Long-term deferred expenditures | 18,814,518.54 | 18,814,518.54 |
| Deferred income tax assets | 110,365,470.37 | 110,365,470.37 |
| Other non-current assets | 778,476,769.32 | 625,853,016.06 |
| Short-term loans | (1,916,570,000.00) | (1,916,570,000.00) |
| Bills payable and accounts payable | (1,309,610,408.82) | (1,309,610,408.82) |
| Contract liabilities | (301,932,677.61) | (301,932,677.61) |
| Wages payable | (35,392,231.57) | (35,392,231.57) |
| Tax payable | (1,078,962,175.13) | (1,078,962,175.13) |
| Other payables | (1,493,787,805.15) | (1,493,787,805.19) |
| Non-current liabilities due within one year | (1,958,361,290.77) | (1,958,361,290.77) |
| Other current liabilities | (7,042,403.07) | (7,042,403.07) |
| Long-term loans | (425,129,349.97) | (425,129,349.97) |
| Accrued liabilities | (20,000,000.00) | (20,000,000.00) |
| Deferred income | (5,120,515.04) | (5,120,515.04) |
| Deferred income tax liabilities | (1,482,295,108.15) | (602,589,155.75) |
| Long-term wages | (17,398,000.00) | (17,398,000.00) |
| Other non-current liabilities | (18,000,000.00) | (18,000,000.00) |
| | <u>7,798,426,095.66</u> | <u>5,164,393,192.29</u> |
| Minority interests | <u>(3,780,249,724.45)</u> | <u>(2,572,947,988.65)</u> |
| Consideration for acquisition | <u>4,018,176,371.21</u> | |

Notes to Unaudited Interim Financial Statements

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VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combination not under common control *(continued)*

The operation results and cash flows of Tianjin Building Materials from the acquisition date to the end of the period are set out as follows:

| | From 22 May to 30 June 2018 |
|-------------------|--------------------------------|
| Operating revenue | 486,030,828.40 |
| Net (loss) | (34,698,592.23) |
| Net cash flows | 1,404,612,527.14 |

2. Deregistration of subsidiaries

Five subsidiaries, namely Gongyi Tongda Zhongyuan Refractory Testing Center Co., Ltd. (鞏義通達中原耐火材料檢測中心有限公司), Beijing BBMG Dongrun Construction Materials Co., Ltd. (北京金隅東潤建材有限公司), Beijing Hengxing Land Real Estate Co., Ltd. (北京恆興置地房地產有限公司), Jidong Development Group Dunshi Industrial Co., Ltd. (冀東發展集團盾石實業公司) and Tang Ren Investment Development Limited (唐人投資發展有限公司) were deregistered by the Company during the period.

3. Establishment of new subsidiaries

Certain new subsidiaries were established by the Company during the period, details of which are set out in Note VII. 1.

Notes to Unaudited Interim Financial Statements

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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 RMB0'000 | Percentage of shareholding (%) | |
|--------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways | | | | | |
| Beijing Liushui Environmental Protection 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責任公司) | Beijing | Disposal of hazardous waste etc. | 169,815.09 | 51.00 | - |
| Hebei BBMG Mangrove Environmental Protection Technology Co., Ltd. (河北金隅紅樹林環保技術有限責任公司) | Sanhe | Treatment and disposal of hazardous waste | 1,000.00 | - | 100.00 |
| Beijing Jinyu Pinggu Cement Co., Ltd. (北京金隅平谷水泥有限公司) | Beijing | Manufacture and sale of cement etc. | 15,000.00 | 100.00 | - |
| Cangzhou Lingang Jinyu Cement Co., Ltd. (滄州臨港金隅水泥有限公司) | Cangzhou | Manufacture and sale of cement and cement product | 15,000.00 | - | 100.00 |
| Cheng'an BBMG Taihang Concrete Co., Ltd. (成安金隅太行混凝土有限公司) | Cheng'an County | Manufacture and sale of 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 | - |

Notes to Unaudited Interim Financial Statements

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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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| 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 ore and mining products etc. | 500.00 | 100.00 | – |
| Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司) | Zuoquan County | Technical consultation service in relation to 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 clinker | 500.00 | 65.00 | – |
| Bo'ai BBMG Cement Co., Ltd. (博愛金隅水泥有限公司) | Bo'ai County | Manufacture and sale of cement and clinker | 30,000.00 | 95.00 | – |
| Guangling Jinyu Cement Co., Ltd. (廣靈金隅水泥有限公司) | Guangling County | Manufacture and sale of cement 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 and mixed 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 |
| Handan BBMG Commerical Concrete Technology Co., Ltd. (邯鄲金隅商砼科技有限公司) | 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 | – |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| 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 | 97.68 | 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 Quinette Great Wall Seats Co., Ltd. (北京奇耐特長城座椅有限公司) | Beijing | Manufacture of furniture and decoration materials and 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 various 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 distribution of refractory materials etc. | 1,050.00 | - | 100.00 |
| Beijing Jinyu Energy-Saving Technology Co., Ltd. (北京金隅節能保溫科技有限公司) | Beijing | Manufacture and sale of building materials | 37,496.77 | 100.00 | - |
| Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司) | Handan | Sale of prepared components | 1,000.00 | - | 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 |
| 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 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| 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 |
| 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 new 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 metal materials 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 projects 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責任公司) | Beijing | Design of modern building materials etc. | 954.12 | 100.00 | – |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| Beijing Jiantuo Engineering Management Co., Ltd. (北京建拓工程管理有限公司) | Beijing | Agent for construction tendering | 300.00 | - | 100.00 |
| Beijing Sanchong Mirror Co., Ltd. (北京三重鏡業有限公司) | Beijing | Manufacture and sale of glass-made spectacle lenses | 5,766.00 | - | 100.00 |
| BBMG (Dachang) Modern Industrial Park Management Co., Ltd. (大廠金隅現代工業園管理有限公司) | Dachang County | Manufacture of various modern building materials etc. | 50,000.00 | 100.00 | - |
| Yangquan Tongda BBMG Refractory Materials Co., Ltd. (陽泉金隅通達高溫材料有限公司) | Yangquan | Manufacture and sale of refractory ceramic etc. | 6,000.00 | - | 100.00 |
| Beijing BBMG Business and Trading Co., Ltd. (北京金隅商貿有限公司) | Beijing | Wholesale of building materials and metal materials 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 operation 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 brokerage | 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 operation 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 operation 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 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| BBMG (Tianjin) Property Development Co., Ltd. (金隅(天津)房地產開發有限公司) | Tianjin | Property development and sales etc. | 80,000.00 | – | 100.00 |
| Tangshan BBMG Julong Property Development Co., Ltd. (唐山金隅巨龍房地產開發有限公司) | Tangshan | Property development and operation etc. | 5,000.00 | – | 80.00 |
| Beijing BBMG Property Development Co., Ltd. (北京金隅置地房地產開發有限公司) | Beijing | Property development and sales etc. | 5,000.00 | – | 100.00 |
| Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. (北京西三旗高新建材城經營開發有限公司) | Beijing | Property rental and development etc. | 6,129.76 | 100.00 | – |
| Chengdu BBMG Dacheng Property Development Co., Ltd. (成都金隅大成房地產開發有限公司) | Chengdu | Property development etc. | 5,000.00 | – | 80.00 |
| Chongqing BBMG Dacheng Property Development Co., Ltd. (重慶金隅大成房地產開發有限公司) | Chongqing | Property development and consultation etc. | 20,000.00 | – | 100.00 |
| Beijing BBMG Chengyuan Property Development Co., Ltd. (北京金隅程遠房地產開發有限公司) | Beijing | Property development and sale of commodity housing etc. | 45,944.06 | 100.00 | – |
| Beijing Jinyexincheng Property Management Co., Ltd. (北京市金業新城物業管理有限責任公司) | Beijing | Property management | 50.00 | – | 100.00 |
| Inner Mongolia BBMG Dacheng Property Management Co., Ltd. (內蒙古金隅大成物業管理有限公司) | Hohhot | Property management | 200.00 | – | 100.00 |
| BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司) | Beijing | Property management | 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 | – |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| Beijing Jinhaiyan Assets Management Co., Ltd. (北京金海燕資產經營有限責任公司) | Beijing | Self-owned property rental, investment management etc. | 8,292.36 | 100.00 | - |
| Beijing Jinhaiyan Property Management Co., Ltd. (北京金海燕物業管理有限公司) | Beijing | Property management | 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 management 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 property 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 Hengtai Commercial Property Management Co., Ltd. (北京萬成恆泰商業物業管理有限公司) | Beijing | Property management | 200.00 | - | 100.00 |
| Jinyu Ligang (Tianjin) Property Development Co., Ltd. (金隅麗港(天津)房地產開發有限公司) | Tianjin | Property development and operation etc. | 39,000.00 | - | 100.00 |
| Beijing Jinyu Chaoxin Tiandi Property Investment Co., Ltd. (北京金隅朝新天地置業有限公司) | Beijing | Property development and property 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) | Ma'anshan | Property development and sale of commodity housing etc. | 5,000.00 | - | 100.00 |
| 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 | - |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| 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 |
| Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd. (北京金隅長陽嘉業地產開發有限公司) | Beijing | Property development and sale of commodity housing etc. | 237,254.90 | – | 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 sales of housing 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 property management etc. | 1,000.00 | – | 100.00 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|------------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| Handan BBMG Taihang International Economic & Technical Cooperation Co., Ltd. (邯鄲金隅太行對外經濟技術合作有限公司) | Handan | Consulting services of international economic and trading information and technology | 600.00 | – | 100.00 |
| Liaocheng BBMG Hongjun Concrete Co., Ltd. (聊城金隅泓均砼業有限公司) | Liaocheng | Manufacture and sale of commercial concrete | 1,000.00 | – | 80.00 |
| Liaocheng BBMG Yonghui Concrete Co., Ltd. (聊城金隅永輝砼業有限公司) | Liaocheng | Manufacture and sale of commercial concrete | 2,000.00 | – | 80.00 |
| Dachang BBMG Tiantan Furniture Co., Ltd. (大廠金隅天壇傢俱有限責任公司) | 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 building materials, etc. | 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 centralized 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 property management, etc. | 50,000.00 | – | 100.00 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| 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; Sale of commodity housing etc. | 150,000.00 | – | 100.00 |
| BBMG Finance Lease Co., Ltd. (金隅融資租賃有限公司) | 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) | 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) | 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) | Langfang | Manufacture and sale of glass-made spectacle lenses | 5,800.00 | – | 100.00 |
| BBMG Weiguan (Cangzhou) Chemical Co., Ltd. (金隅微觀(滄州)化工有限公司) | 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) | 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) | Nanjing | Property development | 50,000.00 | – | 100.00 |
| Fujian BBMG Coating Co., Ltd. (福建金隅塗料有限公司) | 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) | 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) | Tianjin | Property development | 10,000 | – | 100.00 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| Beijing BBMG Beijia Engineering Technology Co., Ltd. (北京金隅北加工程技術有限公司) | Beijing | Engineering technology services | 2,000 | – | 100.00 |
| BBMG China Railway Nuode (Hangzhou) Property Development Co., Ltd. (金隅中鐵諾德(杭州)房地產開發有限公司) | Hangzhou | Property development | 20,000 | – | 51.00 |
| BBMG Jinghua Property Development Hefei Co., Ltd. (金隅京華房地產開發合肥有限公司) | Hefei | Property development | 50,000 | – | 100.00 |
| Dacheng Meixi International Property Development (Beijing) Co., Ltd. (大成美西國際置業發展(北京)有限公司) | Beijing | Property development | 10,000 | – | 100.00 |
| Beijing BBMG Konggang Development Co., Ltd. (北京金隅空港開發有限公司) | Beijing | Property development | 10,000 | – | 95.00 |
| Beijing BBMG Business Management Co., Ltd. (北京金隅商業管理有限公司) | Beijing | Corporate management | 1,000 | – | 100.00 |
| BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd. (金隅京遠(寧波)房地產開發有限公司) | Ningbo | Property development | 20,000 | – | 100.00 |
| Chengdu BBMG Yuehuang Real Estate Co., Ltd. (成都金隅岳煌置業有限公司) | Chengdu | Property development | 5,000 | – | 100.00 |
| Beijing BBMG Aixin Binhe Elderly Services Co., Ltd. (北京金隅愛馨濱和養老服務有限公司) | Beijing | Elderly services | 50 | – | 70.00 |
| Chengdu BBMG Jingfeng Real Estate Development Co., Ltd. (成都金隅京峰房地產開發有限公司) | Chengdu | Property development | 5,000 | – | 100.00 |
| Chengdu BBMG Wancheng Real Estate Development Co., Ltd. (成都金隅萬成房地產開發有限公司) | Chengdu | Property development | 5,000 | – | 100.00 |
| Chengde BBMG Real Estate Development Co., Ltd. (承德金隅房地產開發有限公司) | Chengde | Property development | 5,000 | – | 100.00 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 RMB0'000 | Percentage of shareholding (%) | |
|-----------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through establishment, investment or other ways <i>(continued)</i> | | | | | |
| BBMG Jiaxing Nanjing Real Estate Development Co., Ltd. (金隅嘉星南京房地產開發有限公司) | Nanjing | Property development | 10,000 | – | 70.00 |
| Beijing BBMG Xingda Real Estate Development Co., Ltd. (北京金隅興大房地產開發有限公司)(1) | Beijing | Property development | 5,000 | 100.00 | – |
| Beijing Longyuan Real Estate Development Co., Ltd. (北京隆源房地產開發有限公司)(1) | Beijing | Property development | 5,000 | 100.00 | – |
| BBMG Wenchao (Hangzhou) Real Estate Development Co., Ltd. (金隅閩潮(杭州)房地產開發有限公司)(1) | Hangzhou | Property development | 5,000 | 100.00 | – |
| BBMG Keshi (Caofeidian) Precision Manufacture Co., Ltd. (金隅科實(曹妃甸)精密製造有限公司)(1) | Tangshan | Processing of mechanical part and components | 8,000 | 100.00 | – |
| BBMG Tiantan (Tangshan) Wood Technology Co., Ltd. (金隅天壇(唐山)木業科技有限公司)(1) | Tangshan | Processing of wood | 10,000 | 100.00 | – |
| BBMG Star Insulation and Energy Conservation Technology (Tangshan) Co., Ltd. (金隅星節能保溫科技(唐山)有限公司)(1) | Tangshan | Technology development of insulation materials | 5,000 | 100.00 | – |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | 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 | - |
| Quyang Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司) | Quyang 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 BBMG Zhenxing Environment Protection Technology Co., Ltd. (天津金隅振興環保科技有限公司) | Tianjin | Manufacture of cement | 57,943.97 | 62.09 | 24.09 |
| 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 BBMG Sanming Building Materials Co., Ltd. (上海金隅三明明材有限公司) | 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 | - | 100.00 |
| Beijing Hengxing Land Real Estate Co., Ltd. (北京恆興置地房地產有限公司) | Beijing | Property development, etc. | 4,635.00 | - | 100.00 |
| Haikou Dacheng Property Investment Co., Ltd. (海口大成置業有限公司) | Haikou | Property development, etc. | 1,600.00 | - | 100.00 |
| BBMG Hong Kong Limited (金隅香港有限公司) | Hong Kong | Self-owned property rental | (HKD)100.00 | 100.00 | - |
| Beijing Building Decoration and Design Engineering Co., Ltd. (北京市建築裝飾設計工程有限公司) | Beijing | Design of projects' decoration and furniture decoration, etc. | 8,500.00 | 100.00 | - |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | Percentage of shareholding (%) | |
|---------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through business combination under common control <i>(continued)</i> | | | | | |
| 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 service | 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. (北京金隅實店科技企業管理有限公司) | Beijing | Manufacture of insulation and energy-saving building materials, etc. | 15,037.66 | 100.00 | - |
| BBMG Badaling Hot Spring Resort Co., Ltd. (北京金隅八達嶺溫泉度假村有限責任公司) | Beijing | Provision of travelling service and guest rooms rental, 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 | - | 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 | 100.00 | - |
| BBMG Dacheng Property Management Co., Ltd. (北京金隅大成物業管理有限公司) | Beijing | Property management | 500 | 100.00 | - |
| BBMG Dacheng Property Development Co., Ltd. (北京金隅大成開發有限公司) | Beijing | Property development, etc. | 290,000.00 | 100.00 | - |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | Percentage of shareholding (%) | |
|------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through business combination | | | | | |
| not under common control | | | | | |
| 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 | – |
| Hebei BBMG Dingxin Cement Co., Ltd. (河北金隅鼎盛水泥有限公司) | 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 | – |
| 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 |
| Yixian Tenghui Mineral Building Materials Company Limited (易縣騰輝礦產建材有限公司) | Yi County | Sale of lime and rock materials, etc. | 2,100.00 | – | 100.00 |
| Beijing Qianglian Cement Co., Ltd. (北京強聯水泥有限公司) | Beijing | Manufacture of cement | 2,000.00 | – | 60.00 |
| Handan BBMG Taihang Cement Co., Ltd. (邯鄲金隅太行水泥有限責任公司) | Handan | Manufacture of cement | 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 commercial 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) | Tianjin | Concrete project construction and manufacturing, etc. | 39,590.51 | 91.01 | 8.99 |
| 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 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | Percentage of shareholding (%) | |
|--------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through business combination | | | | | |
| not under common control <i>(continued)</i> | | | | | |
| Beijing Chinefarge Cement Co., Ltd. (北京興發水泥有限公司) | Beijing | Manufacture of cement and clinker, etc. | 31,500.00 | 95.70 | – |
| BBMG Shunfa 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 | – |
| Beijing Oriental Royal Banquet Restaurant Co., Ltd. (北京東方御宴大酒樓有限公司)(2) | 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)(2) | 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)(2) | Shijiazhuang | Other construction and installation industry | 2,000.00 | – | 85.00 |
| 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 sale of housing, 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 | Manufacture and sale of cement clinker | 33,000.00 | 60.00 | – |
| Jidong Group (2) | 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)(2) | Tangshan | State-owned enterprise (machinery manufacturing industry) | 8,400.00 | – | 100.00 |
| Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司) | Beijing | Manufacture, sale and technology services of decoration panels | 44,987.38 | 100.00 | – |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | 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)(2) | 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)(2) | Tangshan | Transportation and storage of general goods, etc. | 10,000.00 | - | 100.00 |
| Huawai Wind Power Development Co., Ltd. (華海風能發展有限公司)(2) | Tangshan | Wind power equipment manufacturing | 15,000.00 | - | 58.95 |
| China-Africa Jidong Building Materials Investment Co., Ltd. (中非冀東建材投資有限責任公司)(2) | 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)(2) | Shijiazhuang | Property development and operation, etc. | 10,000.00 | - | 65.00 |
| Jidong Development (HK) International Ltd. (冀東發展(香港)國際有限公司)(2) | Hong Kong | Commodities trading | 6,294.36 | - | 100.00 |
| Hebei Dunshi Trading Co., Ltd. (河北盾石商貿有限公司)(2) | Tangshan | Wholesale and retail of cement, clinker and concrete, etc. | 15,000.00 | - | 100.00 |
| Tangshan Qixin Jiye Property Services Co., Ltd. (唐山啟新記憶物業服務有限公司)(2) | 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)(2) | Tangshan | Manufacture and sales of machinery equipment and accessories | 55,000.00 | - | 100.00 |
| Tangshan Jixin Cement Transition Co., Ltd. (唐山冀新水泥中轉有限公司)(2) | Tangshan | Loading, offloading and handling | (USD)600 | - | 60.00 |
| Tangshan Qixin Cement Industry Museum (唐山啟新水泥工業博物館)(2) | Tangshan | Cultural relic collection and exhibition to promote national culture, etc. | 6,724.00 | - | 100.00 |
| 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)(2) | Tangshan | Real estate | 75,000.00 | - | 100.00 |
| Tangshan Jidong Property Services Co., Ltd. (唐山冀東物業服務有限公司)(2) | 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)(2) | Beijing | Trading agent | 10,000.00 | - | 100.00 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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 RMB0'000 | Percentage of shareholding (%) | |
|------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|----------|
| | | | | Direct | Indirect |
| Subsidiaries acquired through business combination | | | | | |
| not under common control <i>(continued)</i> | | | | | |
| Tangshan Dunshi Real Estate Development Co., Ltd. (唐山盾石房地產開發有限公司)(2) | 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)(2) | 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)(2) | Tangshan | Construction industry | 10,000.00 | - | 59.00 |
| Tangshan Qixin Cement Co., Ltd. (唐山啟新水泥有限公司)(2) | Tangshan | Manufacture of limestone, cement and cement 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)(2) | Tangshan | Manufacture of cement and cement products | 16,747.00 | - | 100.00 |
| Jidong Development Group Tangshan Xinxing Knitting Factory (冀東發展集團唐山新星針織總廠)(2) | Tangshan | Knitting processing | 4,171.00 | - | 100.00 |
| Tangshan Jidong Concrete Co., Ltd. (唐山冀東混凝土有限公司)(2) | 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)(2) | 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)(2) | Tangshan | Manufacturing | 22,700.00 | - | 30.00 |
| Jidong Cement (3) | Tangshan | Manufacture and sales of cement and clinker, etc. | 134,752 | - | 30.00 |
| Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司) | Beijing | Production and sale of artificial panels | 44,987.38 | 100.00 | - |
| BBMG Jidong Caifeidian Supply Chain Management Co., Ltd. (金隅冀東曹妃甸供應鏈管理有限公司)(1) | Tangshan | Supply chain management services | 20,000.00 | - | 100.00 |
| Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司)(4) | Tianjin | Manufacture and sales of building materials and decoration materials Lease of self-owned properties, market exploration services as well as exports and imports businesses, etc. | 308,222.35 | 55 | - |

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

- (1) Newly-established subsidiaries during the period.
- (2) In 2016, 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.
- (3) 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 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 operation 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.
- (4) During the period, the Company obtained 55% equity interests in Tijian Buiding Materials through business combination not under common control, and became a controlling shareholder of Tijian Buiding Materials.

Subsidiaries with significant minority interests are as follows:

| | Percentage of minority shareholding | Profit or loss attributable to minority shareholders | Dividend paid to minority shareholders | Accumulated equity attributable to minority interests at the end of the period/year | |
|---------------------------------------------------------------------|-------------------------------------|------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------|-------------------|
| | | | | Others | |
| For the six months ended 30 June 2018 | | | | | |
| BBMG Vanke Property Development Co., Ltd. | 49.00% | 32,319,492.12 | - | - | 403,614,407.97 |
| Jidong Group | 45.00% | 325,651,093.23 | (7,552,860.00) | (112,557,730.74) | 16,055,661,368.69 |
| Tianjin Building Materials* | 45.00% | (21,686,364.77) | - | 898,441,215.64 | 4,657,004,575.31 |
| 2017 | | | | | |
| BBMG Vanke Property Development Co., Ltd. | 49.00% | 17,556,989.47 | - | - | 371,294,915.85 |
| Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. | 49.00% | 31,320,520.56 | - | 1,436,839.23 | 1,286,804,025.23 |
| Jidong Group | 45.00% | 51,059,995.85 | 9,106,956.15 | (2,104,677.36) | 15,850,120,866.20 |

* Upon the acquisition of Tijian Buiding Materials through business combination not under common control, the Company and Jincheng Capital contributed additional capital of RMB1,100,000,000.00 and RMB900,000,000.00 to Tijian Buiding Materials in proportion to their percentage of shareholding of 55% and 45%, respectively.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

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

30 June 2018

| | BBMG Vanke Property Development Co., Ltd. | Jidong Group | Tianjin Building Materials |
|----------------------------------------------------|----------------------------------------------|--------------------------|-------------------------------|
| Current assets | 888,154,183.53 | 23,363,595,273.65 | 6,456,806,126.24 |
| Non-current assets | 2,568,982.67 | 41,841,900,323.82 | 12,581,038,890.57 |
| Total assets | <u>890,723,166.20</u> | <u>65,205,495,597.47</u> | <u>19,037,845,016.81</u> |
| Current liabilities | 67,020,292.80 | 37,967,438,834.09 | 7,322,083,971.34 |
| Non-current liabilities | – | 8,973,157,034.75 | 1,098,358,110.75 |
| Total liabilities | <u>67,020,292.80</u> | <u>46,940,595,868.84</u> | <u>8,420,442,082.09</u> |
| For the six months ended 30 June 2018 | | | |
| Operating revenue | 5,859,331.05 | 13,034,153,416.73 | 486,030,828.40 |
| Net profit/(loss) | 65,958,147.19 | 461,961,035.51 | (39,422,056.98) |
| Total comprehensive income | <u>65,958,147.19</u> | <u>332,763,352.67</u> | <u>(42,886,022.23)</u> |
| Net cash flows from/(used in) operating activities | <u>(5,389,161.35)</u> | <u>481,248,367.34</u> | <u>(4,135,760.00)</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

31 December 2017

| | Beijing Vanke Property Development Co., Ltd. | Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. | Jidong Group |
|-------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------|-----------------------------|
| Current assets | 880,698,129.09 | 1,897,360,292.23 | 21,073,005,497.99 |
| Non-current assets | 3,094,442.72 | 1,445,999,819.05 | 42,717,758,669.76 |
| Total assets | 883,792,571.81 | 3,343,360,111.28 | 63,790,764,167.75 |
| Current liabilities | 126,047,845.59 | 499,984,152.80 | 37,892,321,644.39 |
| Non-current liabilities | – | 217,245,228.13 | 7,755,694,131.89 |
| Total liabilities | 126,047,845.59 | 717,229,380.93 | 45,648,015,776.28 |
| | 2017 | 2017 | October to December 2017 |
| Operating revenue | 21,851,596.14 | 1,091,467,127.63 | 22,663,384,834.71 |
| Net profit/(loss) | 35,830,590.76 | 63,919,431.33 | (311,031,708.52) |
| Total comprehensive income | 35,830,590.76 | 63,919,431.33 | (299,531,097.22) |
| Net cash flows from/(used in) operating activities | 15,720,116.93 | 279,788,507.95 | 3,046,511,000.43 |

2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

In December 2017, the Company entered into an equity transfer agreement with the minority shareholders of Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限公司) to acquire an aggregate of 49% equity interests in Mangrove Environmental Protection held by those minority shareholders, at a consideration of RMB1,753,806,765.40. Completion of such equity transfer took place in June 2018, upon which, the percentage of shareholding of the Company increased from 51% to 100%. Based on the percentage of shareholding of the minority shareholders of 49% as at the acquisition date, an amount of RMB1,348,269,654.77 in respect of net asset was recognised, resulting a decrease of RMB405,537,110.63 in capital reserve at consolidation level.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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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 *(continued)*

In May 2018, the Company acquired tradable shares of Tangshan Jidong Cement Co., Ltd. at a consideration of RMB304,241,209.40. Accordingly, the Company's percentage of direct shareholding increased by 2%. Based on the fair value determined in respect of acquisition of Tangshan Jidong Cement Co., Ltd. through business combination not under common control of the Company on a reoccurring basis, the amount of 2% net asset of Tangshan Jidong Cement Co., Ltd. was RMB292,613,097.28, resulting a decrease of RMB11,628,112.12 in capital reserve at consolidation level.

3. Interests in joint ventures and associates

| | Place of registration/principal business | Business nature | Registered capital RMB'000 | 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 |
| BBMG TUS 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 Material 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 |

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For the six months ended 30 June 2018

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

| | Place of registration/principal business | Business nature | Registered capital RMB'000 | Percentage of shareholding (%) | | 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 |
| 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. (歐文斯科寧複合材料(北京)有限公司) | Beijing | Complete non-standard control of concrete and pumping | 55,000 | 20.00 | – | Equity method |
| Beijing Sinobaide Technology Co., Ltd. (北京金時佰德技術有限公司) | Beijing | Design and production of equipment | 10,000 | – | 23.00 | Equity method |
| Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. (河北睿索固廢工程技術研究院有限公司) | Chengde | Technology research and testing for comprehensive utilization of solid waste, 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 |
| SINUI TRADING PTE LTD (新翼貿易私人有限公司) | 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. (吉林市長吉圖投資有限公司) | Jilin | Service industry, etc. | 500,000 | – | 30.00 | Equity method |
| Tangshan Hangdao Marine Heavy Industry Co., Ltd. (唐山航島海洋重工有限公司) | Tangshan | Research and development of offshore platform technology | 150,000 | – | 30.00 | Equity method |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates *(continued)*

| | Place of registration/principal business | Business nature | Registered capital RMB'000 | Percentage of shareholding (%) | | Accounting treatment |
|-----------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------|--------------------------------|----------|----------------------|
| | | | | Direct | Indirect | |
| Associates <i>(continued)</i> | | | | | | |
| Beijing XinYuan Concrete Co., Ltd. (北京新源混凝土有限公司) | Beijing | Manufacture and sales of concrete, etc. | 20,000 | – | 65.00 | Equity method |
| Xianyang Jidong High New Concrete Co., Ltd. (咸陽冀東高新混凝土有限公司) | Xianyang | Manufacture and sales of concrete, etc. | 25,000 | – | 60.00 | Equity method |
| Tangshan Fengrun District the First Transportation Co., Ltd. (唐山市豐潤區第一運輸公司) | Tangshan | Transportation services etc. | 4,503 | – | 17.38 | Equity method |
| Jilin Cement (Group) Co., Ltd. (吉林水泥(集團)有限公司) | Jilin | Manufacture and sales of clinker, cement, etc. | 50,000 | – | 28.60 | Equity method |
| Tianjin Gangbei Concrete Co., Ltd. (天津岡北混凝土有限公司) | Tianjin | Manufacture of cement, ready-mixed concrete and concrete products, etc. | 20,000 | – | 30.00 | Equity method |
| Tianjin Wankeyou Energy Saving Technology Co., Ltd. (天津萬可優節能科技有限公司) | Tianjin | Sales of insulation materials and ancillary products of building exterior walls, etc. | 9,600 | – | 35.00 | Equity method |
| Tianjin Xingye Longxiang Construction Co., Ltd. (天津市興業龍祥建設工程有限公司) | Tianjin | Undertaking the construction of various types of projects, etc. | 100,000 | – | 30.00 | Equity method |
| Tianjin SYP Glass Co., Ltd. (天津耀皮玻璃有限公司) | Tianjin | Manufacture and sale of various types of plate glass, etc. | 736,166 | – | 23.00 | Equity method |
| Tianjin Xinling Environmental Protection Engineering Co., Ltd. (天津市新菱環保工程有限公司) | Tianjin | Design, manufacture and sales of sound isolation and noise reduction products, etc. | 25,000 | – | 44.00 | Equity method |
| Tianjin Binhai Jiantai Investment Co., Ltd. (天津濱海建泰投資有限公司) | Tianjin | Investments in high-tech industry, etc. | 15,625 | – | 48.00 | Equity method |

Notes to Unaudited Interim Financial Statements

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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:

| | For the six months ended 30 June 2018 | 2017 |
|-----------------------------------------------|---------------------------------------------|------------------|
| Joint ventures | | |
| Total carrying amount of investments | 1,475,011,870.47 | 1,533,998,796.99 |
| Total amount calculated based on shareholding | | |
| Net profit | 130,599,542.97 | 203,420,253.95 |
| Total comprehensive income | 128,523,565.69 | 212,232,235.44 |
| Associates | | |
| Total carrying amount of investments | 1,026,770,062.41 | 640,940,460.52 |
| Total amount calculated based on shareholding | | |
| Net profit/(loss) | 8,408,593.79 | (14,688,123.63) |
| Total comprehensive income | 8,408,593.79 | (14,688,123.63) |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

30 June 2018

| Financial assets | Financial assets at fair value through profit or loss | Financial assets carried at amortised cost | Financial assets at fair value through other comprehensive income | Total |
|------------------------------------------|-------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------|--------------------------|
| Cash and bank balances | - | 17,680,691,208.86 | - | 17,680,691,208.86 |
| Financial assets held for trading | 1,350,141,114.85 | - | - | 1,350,141,114.85 |
| Bills receivable and accounts receivable | - | 16,424,808,133.57 | - | 16,424,808,133.57 |
| Other receivables | - | 8,799,349,692.41 | - | 8,799,349,692.41 |
| Debt investments | - | 200,000,000.00 | - | 200,000,000.00 |
| Long-term receivables | - | 772,241,633.80 | - | 772,241,633.80 |
| Investment in other equity instruments | - | - | 455,311,615.11 | 455,311,615.11 |
| Other non-current financial assets | 1,730,252,400.00 | - | - | 1,730,252,400.00 |
| | 3,080,393,514.85 | 43,877,090,668.64 | 455,311,615.11 | 47,412,795,798.60 |

| Financial liabilities | Financial liabilities carried at amortised cost |
|---------------------------------------------|-------------------------------------------------|
| Short-term loans | 38,136,520,000.00 |
| Bills payable and accounts payable | 17,556,199,802.79 |
| Other payables | 8,572,106,367.18 |
| Non-current liabilities due within one year | 13,049,262,905.72 |
| Long-term loans | 29,135,269,349.97 |
| Bonds payable | 19,971,170,605.73 |
| Short-term financing bonds | 5,500,000,000.00 |
| Long-term payables | 615,533,763.80 |
| Other non-current liabilities | 660,456,831.52 |
| | 133,196,519,626.71 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

2017

| Financial assets | Financial assets held for trading at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Total |
|------------------------------------------------------------------------|------------------------------------------------------------------------|--------------------------|-------------------------------------|--------------------------|
| Cash and bank balances | - | 17,903,847,144.72 | - | 17,903,847,144.72 |
| Financial assets held for trading at fair value through profit or loss | 46,226,108.99 | - | - | 46,226,108.99 |
| Bills receivable and accounts receivable | - | 15,867,845,894.72 | - | 15,867,845,894.72 |
| Other receivables | - | 5,572,834,876.99 | - | 5,572,834,876.99 |
| Available-for-sale financial assets | - | - | 2,897,887,864.39 | 2,897,887,864.39 |
| Long-term receivables | - | 485,377,872.64 | - | 485,377,872.64 |
| | <u>46,226,108.99</u> | <u>39,829,905,789.07</u> | <u>2,897,887,864.39</u> | <u>42,774,019,762.45</u> |

| Financial liabilities | Financial liabilities carried at amortised cost |
|---------------------------------------------|-------------------------------------------------|
| Short-term loans | 34,375,200,000.00 |
| Bills payable and accounts payable | 17,205,078,515.28 |
| Other payables | 8,693,194,770.94 |
| Non-current liabilities due within one year | 11,491,439,775.59 |
| Long-term loans | 25,671,030,000.00 |
| Bonds payable | 18,154,840,828.51 |
| Short-term financing bonds | 2,769,698,081.12 |
| Long-term payables | 920,769,354.18 |
| Other non-current liabilities | <u>660,456,831.52</u> |
| | <u>119,941,708,157.14</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets

Financial assets transferred but not yet fully derecognised

As at 30 June 2018, the Group endorsed bank acceptance bills and commercial acceptance bills with a carrying amount of RMB2,421,700,694.30 and RMB394,337,052.37 respectively (31 December 2017: RMB3,407,019,211.02 and RMB344,693,510.81) to its suppliers for settlement of accounts payable but not yet derecognized, and discounted bank acceptance bills and commercial acceptance bills with a carrying amount of RMB8,232,655.52 and RMB1,600,000.00 respectively (31 December 2017: bank acceptance bills of RMB4,250,000.00 and commercial acceptance bills of RMB1,150,000.00) to the banks. As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognise them and the settled accounts payable or short-term loans associated therewith in full. After the endorsement or discount, the Group no longer reserves the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third parties. As at 30 June 2018, the carrying amount of accounts payable settled or short-terms loans secured by the Group through these financial assets amounted to RMB2,820,070,402.19 and RMB5,800,000.00 respectively (31 December 2017: RMB3,751,712,721.83 and RMB5,300,000.00).

Transferred financial assets fully derecognised but with continuing involvement

As at 30 June 2018, the carrying amount of bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks and derecognized by the Group was RMB7,937,522,266.63 (31 December 2017: RMB3,547,596,983.95). As at 30 June 2018, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("**Continuing Involvement**") if the relevant acceptance bank defaults. As the Group is of the opinion that the Group has transferred substantially all their risks and rewards, the Group has derecognised them and the settled accounts payable associated therewith (carrying amounts). The maximum exposure to loss from the Continuing Involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

For the six months ended 30 June 2018, no gains or losses were recognised on their dates of transfer by the Group. No income or expenses were recognised for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in derecognised financial assets. Endorsements were incurred basically evenly during the year.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial instruments risks

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group is mainly comprised of cash and bank balances, equity investment, debt investment, loans, bills receivable and accounts receivable and bills payable and accounts payable, etc. Risks related to these financial instruments and the Group's risk management policies adopted to reduce such risks are described as follows.

Directors are responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyse the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of market risk, credit risk and liquidity risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the risk management committee in accordance with the policies approved by the board. Risk management committee identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures, and submit the audit results to the audit committee of the Group.

The Group spreads the risks from financial instruments by diversified investment and business portfolio, and develops risk management policies accordingly to mitigate the risk of overconcentration on any single industry, particular region or particular counterparties.

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.

Since the counterparties of cash and bank balances, financial assets held for trading and other non-current financial assets are placed in the well-established banks and other financial institutions with high credit ratings, these financial instruments are exposed to lower credit risk.

The credit risk of the Group's other financial assets, which comprise bills receivable and accounts receivable, other receivables, long-term receivables and other non-current financial assets, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. Contingencies.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial instruments risks *(continued)*

Credit risk *(continued)*

Amount due from customers

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.

30 June 2018

Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Quantitative criteria mainly comprises of the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition
- Qualitative criteria mainly comprises of the circumstances that significant adverse change in debtor's operation or financial status and being listed on the watch-list, etc.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial instruments risks *(continued)*

Credit risk *(continued)*

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of expected credit loss ("ECL") measurement

The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial instruments risks *(continued)*

Credit risk *(continued)*

Parameters of ECL measurement (continued)

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment throughout the entire remaining lifetime. The Group's PD is adjusted based on historical loss rate, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated throughout the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

As at 30 June 2018, the accounts receivable that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

As at 30 June 2018, 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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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 RMB94.326 billion as at 30 June 2018, of which approximately RMB47.493 billion remained unused.

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

As at 30 June 2018

| | Within 1 year | 1-2 years | 2-5 years | Over 5 years | Total |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| Bills payable and accounts payable | 17,556,199,802.79 | - | - | - | 17,556,199,802.79 |
| Other payables | 8,572,106,367.18 | - | - | - | 8,572,106,367.18 |
| Long-term payables | 658,843,190.35 | 550,300,999.29 | 65,232,764.51 | - | 1,274,376,954.15 |
| Short-term loans | 39,085,188,870.14 | - | - | - | 39,085,188,870.14 |
| Long-term loans | 7,119,260,580.55 | 8,088,436,815.12 | 14,321,652,773.47 | 10,875,900,325.37 | 40,405,250,494.51 |
| Short-term financing bonds | 5,566,013,888.89 | - | - | - | 5,566,013,888.89 |
| Bonds payable | 10,560,760,000.00 | 12,359,960,000.00 | 11,664,070,000.00 | 4,020,900,000.00 | 38,605,690,000.00 |
| Other non-current liabilities | 716,358,831.52 | 27,951,000.00 | - | - | 744,309,831.52 |
| | <u>89,834,731,531.42</u> | <u>21,026,648,814.41</u> | <u>26,050,955,537.98</u> | <u>14,896,800,325.37</u> | <u>151,809,136,209.18</u> |

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For the six months ended 30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk *(continued)*

As at 31 December 2017

| | Within 1 year | 1-2 years | 2-5 years | Over 5 years | Total |
|------------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|---------------------------|
| Bills payable and accounts payable | 17,205,078,515.28 | - | - | - | 17,205,078,515.28 |
| Other payables | 8,693,194,770.94 | - | - | - | 8,693,194,770.94 |
| Long-term payables | 710,941,503.78 | 642,102,218.16 | 283,096,579.82 | - | 1,636,140,301.76 |
| Bank borrowings | 38,680,625,634.95 | 6,360,351,562.47 | 14,709,665,638.79 | 7,889,711,129.92 | 67,640,353,966.13 |
| Bonds payable | 10,200,740,000.00 | 11,099,940,000.00 | 7,600,550,000.00 | 1,374,900,000.00 | 30,276,130,000.00 |
| Other non-current liabilities | <u>716,358,831.52</u> | <u>55,902,000.00</u> | <u>-</u> | <u>-</u> | <u>772,260,831.52</u> |
| | <u>76,206,939,256.47</u> | <u>18,158,295,780.63</u> | <u>22,593,312,218.61</u> | <u>9,264,611,129.92</u> | <u>126,223,158,385.63</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 profit or loss of 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 six months ended 30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

For the six months ended 30 June 2018

| | 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 | 1% increase in interest rate | (21,270,328.86) | – | (21,270,328.86) |

2017

| | 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 | 1% increase in interest rate | (23,561,224.47) | – | (23,561,224.47) |

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 MNT.

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, MNT 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Foreign exchange risk *(continued)*

For the six months ended 30 June 2018

| | Increase/ (decrease) In exchange rate | Increase/ (decrease) in net profit or loss | Increase/ (decrease) in net other comprehensive income after tax | Increase/ (decrease) in total shareholder's equity |
|------------------------------|---------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------|
| USD appreciation against RMB | 1% | 18,452,853.90 | – | 18,452,853.90 |
| HKD appreciation against RMB | 1% | 7,339.03 | 3,334,436.60 | 3,341,775.63 |
| EUR appreciation against RMB | 1% | 4,307.87 | – | 4,307.87 |
| JPY appreciation against RMB | 1% | 10,916.97 | – | 10,916.97 |
| ZAR appreciation against RMB | 1% | 246,867.89 | – | 246,867.89 |
| MNT appreciation against RMB | 1% | 2,548,043.20 | – | 2,548,043.20 |

2017

| | 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% | 950,756.10 | – | 950,756.10 |
| HKD appreciation against RMB | 1% | 21,278.34 | 3,378,186.94 | 3,399,465.28 |
| EUR appreciation against RMB | 1% | 41,271.45 | – | 41,271.45 |
| JPY appreciation against RMB | 1% | 10,534.87 | – | 10,534.87 |
| MNT appreciation against RMB | 1% | 25,236.18 | – | 25,236.18 |
| ZAR appreciation against RMB | 1% | 2,051,371.74 | – | 2,051,371.74 |

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. 3) and other equity instrument investment (Note V. 14) as at 30 June 2018. 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.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. During the six months ended 30 June 2018 and 2017, there was no change in the Group's capital management objectives, policies or procedures.

The Group controls its capital using debt ratio, which is calculated by dividing total liabilities by total assets. As at 30 June 2018 and 31 December 2017, the debt ratio was as follows:

| | 30 June 2018 | 31 December 2017 |
|-------------------|----------------------------------|---------------------------|
| Total liabilities | 177,814,490,569.72 | 162,289,672,173.68 |
| Total assets | <u>254,153,863,443.50</u> | <u>232,207,482,091.70</u> |
| Debt ratio | <u>69.96%</u> | <u>69.89%</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

IX. DISCLOSURE OF FAIR VALUE

1. Assets measured at fair value

30 June 2018

| | Fair value as at 30 June 2018 | | | 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 held for trading | 1,350,141,114.85 | – | – | 1,350,141,114.85 |
| Investment in other equity instruments | 418,960,040.64 | – | 36,351,574.47 | 455,311,615.11 |
| Other non-current financial assets | 1,506,972,400.00 | – | 223,280,000.00 | 1,730,252,400.00 |
| Investment properties | – | 990,228,140.00 | 18,227,300,235.46 | 19,217,528,375.46 |
| Total | 3,276,073,555.49 | 990,228,140.00 | 18,486,931,809.93 | 22,753,233,505.42 |

| | Fair value as at 31 December 2017 | | | 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 | 46,226,108.99 | – | – | 46,226,108.99 |
| Available-for-sale financial assets | 1,506,972,400.00 | 572,786,903.04 | 811,431,110.39 | 2,891,190,413.43 |
| Investment properties | – | 492,000,000.00 | 14,948,453,467.02 | 15,440,453,467.02 |
| | 1,553,198,508.99 | 1,064,786,903.04 | 15,759,884,577.41 | 18,377,869,989.44 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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IX. DISCLOSURE OF FAIR VALUE *(continued)*

1. Assets measured at fair value *(continued)*

The following sets forth the valuation method and key inputs used for the valuation of fair value of the investment properties for the six months ended 30 June 2018:

| Valuation method | Significant unobservable inputs | Range of variation |
|----------------------------|---------------------------------|--------------------|
| Income approach | Unit rental (RMB/sq.m./day) | 1.22-17.46 |
| | Term yield | 5.50%-8.00% |
| | Reversionary yield | 6.00%-8.50% |
| Market comparable approach | Similar properties | N/A |

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, as for certain investment properties, 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 conditions of the property, etc.

2. Assets and liabilities disclosed at fair value

Set out below are the carrying amount and fair value of each category of financial instruments of the Group other than short-term financial instruments with minor differences between the carrying amount and fair value:

| | Carrying amount | | Fair value | |
|-------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| Financial assets | | | | |
| Long-term receivables | 772,241,633.80 | 485,377,872.64 | 772,241,633.80 | 485,377,872.64 |
| Financial liabilities | | | | |
| Long-term loans | 29,135,269,349.97 | 25,671,030,000.00 | 29,135,269,349.97 | 25,671,030,000.00 |
| Bonds payable | 19,971,170,605.73 | 18,154,840,828.51 | 19,971,170,605.73 | 18,154,840,828.51 |
| Long-term payables | 615,533,763.80 | 920,769,354.18 | 615,533,763.80 | 920,769,354.18 |
| Other non-current liabilities | 660,456,831.52 | 660,456,831.52 | 660,456,831.52 | 660,456,831.52 |
| | 50,382,430,551.02 | 45,407,097,014.21 | 50,382,430,551.02 | 45,407,097,014.21 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Assets and liabilities disclosed at fair value *(continued)*

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bill receivable and accounts receivable, other receivables, short-term borrowings, short-term financing bonds, bills payable and accounts payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short residual term of these instruments.

The Group's finance team is led by the manager of the finance and capital department, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the value of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief financial officer. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value.

The fair values of long-term borrowings, bonds payable and long-term payables are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 30 June 2018, the Group's exposure to non-performance risk associated with the long-term borrowings, bonds payable and long-term payables is assessed as insignificant.

3. Valuation of fair value

The following table sets forth the changes in Level 3 fair value of the investment properties of the Group for the six months ended 30 June 2018:

| | Commercial properties |
|-----------------------------------------------------------------|--------------------------|
| Value as at 1 January 2018 | 14,948,453,467.02 |
| Business combination not under common control | 2,581,301,110.00 |
| Purchase during the year | 460,338,775.06 |
| Transfer of investment properties into self-occupied properties | (32,988,999.99) |
| Changes in fair value | <u>270,195,883.37</u> |
| Value as at 30 June 2018 | <u>18,227,300,235.46</u> |

For the six months ended 30 June 2018, there was no change between different fair value levels of investment properties of the Group.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

| | Place of registration | Business nature | Registered capital RMB'000 | Over the Company | |
|--------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------|-------------------------------|
| | | | | Proportion of shareholding (%) | Proportion of votes (%) |
| BSCOMC | Beijing | Investment and investment management, assets management, as well as the organization of the restructure or merger of assets of enterprises | 35,000,000 | 44.93 | 44.93 |

As at 30 June 2018, BSCOMC is the parent company of the Company, and the State-Owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality is the ultimate controlling party of the Company.

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 |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| BBMG Assets Company | Having common key management personnel with the Company |
| Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee | Other related parties |
| Beijing Xisha Assets Management Co., Ltd. | Other related parties |
| Beijing Dacheng Real Estate Development Co., Ltd. | Other related parties |
| Handan Hanni Building Materials Co., Ltd. | Other related parties |
| Beijing Longfengshan Sands and Stone Factory | Other related parties |
| Beijing Jinyu Scien-tech School | Other related parties |
| Beijing Guanghua Woodworking Factory | Other related parties |
| BBMG Properties Limited | Other related parties |
| Beijing Jianmao Property Management Co., Ltd. | Other related parties |
| Beijing Doors and Windows Co., Ltd. | Other related parties |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

5. Major transactions between the Group and related parties

(1) Transactions concerning goods and services with related parties

| | Type of goods or services | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------|---------------------------------------------|
| Purchase of goods and receipt of services from related parties | | | |
| Transactions with joint ventures and associates | | | |
| Anshan Jidong Cement Co., Ltd. | Purchase of goods | 34,085,120.13 | 12,111,764.23 |
| Jidong Heidelberg (Fufeng) Cement Co., Ltd. | Purchase of goods | 6,392,178.29 | 7,213.67 |
| Baogang Jidong Cement Co., Ltd. | Purchase of goods | 5,052,600.60 | 1,212,710.40 |
| Jidong Heidelberg (Shaanxi) Logistics Co., Ltd. | Purchase of goods | 785,210.39 | – |
| Jidong Cement Fufeng Transportation Co., Ltd. | Receipt of services | 685,563.92 | 382,926.65 |
| Jidong Heidelberg (Jingyang) Cement Co., Ltd. | Purchase of goods | 660,697.77 | 1,049,273.79 |
| Zehnder (China) Indoor Climate Co., Ltd. | Purchase of goods | 254,686.77 | – |
| Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd. | Purchase of goods | 59,101.00 | – |
| Tangshan Caofeidian Dunshi New Building Materials Co., Ltd. | Purchase of goods | – | 2,675,048.49 |
| Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. | Purchase of goods | – | 3,205,879.10 |
| Beijing Sinobaide Technology Co., Ltd. | Purchase of goods | – | 427,350.43 |
| | | 47,975,158.87 | 21,072,166.76 |
| Transactions with other related parties | | | |
| Beijing Jinyu Scien-tech School | Receipt of training services | 172,763.11 | 17,603.77 |
| Beijing Dacheng Real Estate Development Co., Ltd. | Receipt of services | – | 46,763.00 |
| Beijing Longfengshan Sands and Stone Factory | Receipt of services | – | 7,884.00 |
| | | 48,147,921.98 | 72,250.77 |
| Sale of goods and rendering of services to related parties | | | |
| BBMG Assets Company | Rendering of property services | – | 540,600.00 |

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

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

| | Type of goods or services | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------|---------------------------------------------|
| Transactions with joint ventures and associates | | | |
| Jidong Heidelberg (Jingyang) Cement Co., Ltd. | Sale of goods | 54,653,379.36 | 9,391,337.47 |
| Jidong Heidelberg (Fufeng) Cement Co., Ltd. | Sale of goods and rendering of services | 37,037,500.95 | 9,426,689.06 |
| Changchun Light Rail Jidong Concrete Co., Ltd. | Sale of goods | 23,060,237.20 | 18,316,249.33 |
| Tangshan Caofeidian Dunshi New Building Materials Co., Ltd. | Sale of goods | 13,414,072.20 | 41,880.34 |
| Anshan Jidong Cement Co., Ltd. | Sale of goods | 27,120,592.91 | 2,464,469.14 |
| Mamba Cement Company (Pty) Ltd (RF) | Sale of goods | 7,489,716.51 | - |
| Jidong Cement Fufeng Transportation Co., Ltd. | Rendering of services | 7,766,774.57 | 2,959,966.06 |
| Baogang Jidong Cement Co., Ltd. | Sale of goods | 879,904.10 | 12,561,399.65 |
| STAR-USG Building Materials Co., Ltd. | Rendering of services | 677,316.37 | - |
| Jidong Heidelberg (Shaanxi) Logistics Co., Ltd. | Rendering of services | 237,738.32 | - |
| Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. | Sale of goods | 2,627.36 | - |
| OCV Reinforcements (Beijing) Co., Ltd. | Sale of goods | - | 7,917,360.33 |
| Beijing Gaoqiang Concrete Co., Ltd. | Sale of goods | - | 475,045.64 |
| | | 172,339,859.85 | 63,554,397.02 |

| | Type of goods or services | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------------------------------------|--------------------------------|---------------------------------------------|---------------------------------------------|
| Transactions with other related parties | | | |
| Beijing Dacheng Real Estate Development Co., Ltd. | Rendering of property services | 352,048.38 | 355,371.33 |
| Handan Hanni Building Materials Co., Ltd. | Sale of goods | 237,382.58 | 265,900.23 |
| | | 589,430.96 | 621,271.56 |

Purchase/sale of goods and receipt/rendering of services from/to related parties by the Group are negotiated and determined based on market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Unaudited Interim Financial Statements

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

5. Major transactions between the Group and related parties *(continued)*

(2) Leases with related parties

As lessor

| Name of the lessee | Category of leased assets | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------------------------------------|---------------------------|------------------------------------------|------------------------------------------|
| Beijing Dacheng Real Estate Development Co., Ltd. | Building | 2,519,579.60 | 757,996.88 |
| STAR-USG Building Materials Co., Ltd. | Building | – | 3,949,930.20 |
| OCV Reinforcements (Beijing) Co., Ltd. | Plant | – | 142,857.12 |
| Beijing Sinobaide Technology Co., Ltd. | Building | – | 457,684.82 |
| Beijing Doors and Windows Co., Ltd. | Building | – | 181,587.50 |
| | | 2,519,579.60 | 5,490,056.52 |

As lessee

| Name of the lessor | Category of leased assets | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------------------------------------|---------------------------|------------------------------------------|------------------------------------------|
| Beijing Doors and Windows Co., Ltd. | Building | 373,415.00 | – |
| Beijing Dacheng Real Estate Development Co., Ltd. | Building | 164,000.00 | – |
| Beijing Xisha Assets Management Co., Ltd. | Building | – | 861,359.00 |
| | | 3,056,994.60 | 6,351,415.52 |

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.

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

5. Major transactions between the Group and related parties *(continued)*

(3) Guarantees received from/provided to related parties

Guarantees received from related parties

For the six months ended 30 June 2018

| Guarantor | Guaranteed party | Amount guaranteed | Starting date | Maturity date | Completion of performance of guarantee or not |
|---------------------|------------------|-----------------------|---------------|---------------|-----------------------------------------------|
| BBMG Assets Company | BBMG GEM | 600,000,000.00 | 20 April 2017 | 19 April 2022 | No |
| BBMG Assets Company | BBMG GEM | 200,000,000.00 | 27 May 2017 | 26 May 2022 | No |
| | | <u>800,000,000.00</u> | | | |

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

Guarantees provided to related parties

| Guarantor | Guaranteed party | Amount guaranteed | Starting date | Maturity date | Completion of performance of guarantee or not |
|---------------|----------------------|----------------------|------------------|------------------|-----------------------------------------------|
| Jidong Cement | Anshan Jidong Cement | 20,000,000.00 | 18 July 2017 | 17 July 2018 | No |
| Jidong Cement | Anshan Jidong Cement | 18,000,000.00 | 16 November 2017 | 16 November 2018 | No |
| Jidong Cement | Anshan Jidong Cement | 14,000,000.00 | 30 November 2017 | 30 November 2018 | No |
| | | <u>52,000,000.00</u> | | | |

As at 30 June 2018, 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 RMB52,000,000.00.

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

5. Major transactions between the Group and related parties *(continued)*

(4) Lending to/borrowing from related parties

Borrowings

As at 30 June 2018

| | Amount of lending/ borrowing | Commencement date | Maturity date |
|---------------------|------------------------------------|----------------------|--------------------|
| BBMG Assets Company | 50,000,000.00 | 30 November 2017 | 25 November 2018 |
| BBMG Assets Company | 81,000,000.00 | 13 February 2018 | 25 January 2019 |
| BSCOMC | 20,550,000.00 | 25 August 2017 | 25 August 2018 |
| BSCOMC | <u>60,000,000.00</u> | <u>29 May 2018</u> | <u>29 May 2019</u> |

As at 31 December 2017

| | Amount of lending/ borrowing | Commencement date | Maturity date |
|---------------------|------------------------------------|----------------------|--------------------|
| BBMG Assets Company | 50,000,000.00 | 30 November 2017 | 25 November 2018 |
| BBMG Assets Company | 81,000,000.00 | 25 January 2017 | 24 January 2018 |
| BSCOMC | 20,550,000.00 | 25 August 2017 | 25 August 2018 |
| BSCOMC | <u>60,000,000.00</u> | <u>27 May 2017</u> | <u>27 May 2018</u> |

Note: Through financial institutions, the Group obtained entrusted loans of RMB81,000,000.00 from BBMG Assets Company and entrusted loans of RMB60,000,000.00 from BSCOMC in 2018, which were used for liquidity purposes. As at 30 June 2018, the balance of such loans amounted to RMB211,550,000.00 (31 December 2017: RMB211,550,000.00). The interest rate of each 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 six months ended 30 June 2018, the total interest expenses recognised for the loans were RMB2,995,173.17 (During the six months ended 30 June 2017: RMB2,595,258.33).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

5. Major transactions between the Group and related parties *(continued)*

(4) Lending to/borrowing from related parties *(continued)*

Lending:

During the six months ended 30 June 2018, the Group had accumulated lending to STAR-USG Building Materials Co., Ltd. of RMB104,188,940.00 (30 June 2017: RMB104,188,940.00).

During the six months ended 30 June 2018, the Group had no additional lending to Baogang Jidong Cement Co., Ltd. (For the six months ended 30 June 2017: RMB60,000,000.00 at interest rate of 4.75% per annum). As at 30 June 2018, the outstanding lending amounted to RMB60,000,000.00 (30 June 2017: RMB60,000,000.00).

During the six months ended 30 June 2018, the Group adjusted the interest rate for lending to Cross Point Trading 274 (Pty) Ltd (RF) from 10.5% to 10% per annum (For the six months ended 30 June 2017: RMB16,640,696.45 at interest rate of 10.50% per annum). As at 30 June 2018, the outstanding lending amounted to RMB188,416,172.20 (30 June 2017: RMB182,686,519.61).

Interest income from lending:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------------------|------------------------------------------------------|---------------------------------------------|
| Cross Point Trading 274 (Pty) Ltd (RF) | 16,276,526.26 | 16,974,634.96 |
| STAR-USG Building Materials Co., Ltd. | 2,278,698.95 | 2,417,183.42 |
| Baogang Jidong Cement Co., Ltd. | 1,432,916.80 | 1,491,425.38 |
| | 19,988,142.01 | 20,883,243.76 |

Interest expenses from borrowing:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------|------------------------------------------------------|---------------------------------------------|
| BBMG Assets Company | 2,444,216.67 | 2,456,058.33 |
| BSCOMC | 550,956.50 | 139,200.00 |
| | 2,995,173.17 | 2,595,258.33 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

5. Major transactions between the Group and related parties *(continued)*

(5) Remuneration for key management personnel

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-------------------------------------------|---------------------------------------------|---------------------------------------------|
| Remuneration for key management personnel | 3,205,837.91 | 3,117,252.10 |

6. Balances of receivables from related parties

| | 30 June 2018 | 31 December 2017 |
|------------------------------------------------------------------------------------|----------------------|------------------|
| Bills receivable and account receivables | | |
| Due from associates | | |
| Baogang Jidong Cement Co., Ltd. | 47,895,814.46 | 38,294,359.59 |
| Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. | 14,657,627.47 | 16,649,655.47 |
| Beijing Gaoqiang Concrete Co., Ltd. | 6,422,413.91 | – |
| Changchun Light Rail Jidong Concrete Co., Ltd. | 5,262,447.12 | 23,519,974.72 |
| Tangshan Hangdao Marine Heavy Industry Co., Ltd. | 4,230,282.84 | 4,230,282.84 |
| Jidong Cement Fufeng Transportation Co., Ltd. | 2,476,826.10 | 1,283,422.39 |
| Mamba Cement Company (Pty) Ltd (RF) | 1,922,971.11 | – |
| Xianyang Jidong High-New Concrete Co., Ltd. | 647,830.88 | 647,830.88 |
| OCV Reinforcements (Beijing) Co., Ltd. | 267,305.25 | 267,305.25 |
| Zehnder (China) Indoor Climate Co., Ltd. | 199,995.00 | 14,174.35 |
| Beijing XinYuan Concrete Co., Ltd. | – | 1,135,261.95 |
| | 83,983,514.14 | 86,042,267.44 |
| Due from joint ventures | | |
| Jidong Heidelberg (Jingyang) Cement Co., Ltd. | 15,727,801.82 | 13,235,647.86 |
| Jidong Heidelberg (Fufeng) Cement Co., Ltd. | 9,785,391.89 | 17,707,659.30 |
| Anshan Jidong Cement Co., Ltd. | 9,280,425.96 | 10,824,268.86 |
| STAR-USG Building Materials Co., Ltd. | 1,749,396.23 | 800,000.00 |
| Tangshan Caofeidian Dunshi New Building Materials Co., Ltd. | 729,795.00 | 40,000.00 |
| Jidong Heidelberg (Shaanxi) Logistic Co., Ltd. | 5,319.47 | – |
| Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. | – | 9,837.50 |
| | 37,278,130.37 | 42,617,413.52 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

6. Balances of receivables from related parties *(continued)*

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------------------|-----------------------|-----------------------|
| Bills receivable and account receivables <i>(continued)</i> | | |
| Due from other related parties | | |
| Beijing Dacheng Real Estate Development Co., Ltd. | 5,594,878.14 | 2,795,241.54 |
| BBMG Properties Limited | 720,400.00 | – |
| Beijing Longfengshan Sands and Stone Factory | 149,098.29 | – |
| | <u>127,726,020.94</u> | <u>131,454,922.50</u> |
| Prepayment | | |
| Prepayment to associates | | |
| Zehnder (China) Indoor Climate Co., Ltd. | 1,046,241.61 | 2,573,018.09 |
| Prepayment to joint ventures | | |
| Tangshan Caofeidian Dunshi New Building Materials Co., Ltd. | – | 356,581.00 |
| Anshan Jidong Cement Co., Ltd. | 2,764,524.33 | 124,011.88 |
| Jidong Heidelberg (Fufeng) Cement Co., Ltd. | – | 260.00 |
| Jidong Heidelberg (Jingyang) Cement Co., Ltd. | – | 22,379.40 |
| | <u>2,764,524.33</u> | <u>503,232.28</u> |
| Prepayment to other related parties | | |
| Beijing Hazardous Waste Materials Treatment Centre | 800,000.00 | – |
| Beijing Dacheng Real Estate Development Co., Ltd. | 3,385.72 | – |
| Beijing Xisha Assets Management Co., Ltd. | – | 408,564.19 |
| | <u>4,614,151.66</u> | <u>3,484,814.56</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

6. Balances of receivables from related parties *(continued)*

| | 30 June 2018 | 31 December 2017 |
|---------------------------------------------------|------------------------------|-----------------------|
| Other receivables | | |
| BBMG Assets Company | <u>48,208,390.65</u> | <u>31,120,364.02</u> |
| Due from associates | | |
| Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. | 396,170,227.56 | 411,368,593.38 |
| Baogang Jidong Cement Co., Ltd. | 60,079,166.70 | 60,087,083.30 |
| Jidong Cement Fufeng Transportation Co., Ltd. | 2,632,000.00 | – |
| Zehnder (China) Indoor Climate Co., Ltd. | 9,500.00 | 9,500.00 |
| Changchun Light Rail Jidong Concrete Co., Ltd. | – | 199,296.93 |
| Xianyang Jidong High-New Concrete Co., Ltd. | – | 8,454,767.42 |
| Beijing XinYuan Concrete Co., Ltd. | – | 100,073,596.04 |
| Tangshan Fengrun First Transportation Company | – | 1,000,000.00 |
| Fuxin Jidong Xianghe Concrete Co., Ltd. | – | <u>84,136,725.56</u> |
| | <u>458,890,894.26</u> | <u>665,329,562.63</u> |
| Due from joint ventures | | |
| STAR-USG Building Materials Co., Ltd. | 82,291,395.91 | 104,280,703.00 |
| Jidong Heidelberg (Shaanxi) Logistic Co., Ltd. | 4,090,000.00 | – |
| Jidong Heidelberg (Fufeng) Cement Co., Ltd. | 82,288.83 | 82,288.83 |
| | <u>86,463,684.74</u> | <u>104,362,991.83</u> |
| Due from other related parties | | |
| Beijing Dacheng Real Estate Development Co., Ltd. | 155,450.41 | – |
| BBMG Jianmao Property Management Center | 62,936.72 | – |
| Handan Hanni Building Materials Co., Ltd. | 22,464.01 | – |
| | <u>240,851.14</u> | <u>–</u> |
| | <u>593,803,820.79</u> | <u>800,812,918.48</u> |
| Interest receivable | | |
| Due from joint ventures | | |
| STAR-USG Building Materials Co., Ltd. | 4,854,302.26 | 1,284,128.69 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

6. Balances of receivables from related parties *(continued)*

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------------------|----------------------|------------------|
| Dividends receivable | | |
| Due from associates | | |
| Changchun Light Rail Jidong Concrete Co., Ltd. | 7,000,236.52 | 7,000,236.52 |
| Beijing Gaoqiang Concrete Co., Ltd. | 3,071,700.00 | 3,071,700.00 |
| Tianjin Xingye longxiang Construction Engineering Co., Ltd. | 1,000,000.00 | – |
| | 11,071,936.52 | 10,071,936.52 |
| Long-term receivables | | |
| Due from joint ventures | | |
| Cross Point Trading 274 (Pty) Ltd (RF) | 269,222,956.50 | 256,353,726.80 |

7. Balances of payables to related parties

| | 30 June 2018 | 31 December 2017 |
|------------------------------------------------------------------------------|---------------------|------------------|
| Bills payable and accounts payable | | |
| Due to associates | | |
| Baogang Jidong Cement Co., Ltd. | 5,012,777.92 | 3,082,949.15 |
| Zehnder (China) Indoor Climate Co., Ltd. | 2,979,582.97 | 96,207.23 |
| Beijing Sinobaide Technology Co., Ltd. | 432,067.88 | – |
| Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd. | 417,462.00 | 1,159,486.68 |
| Jidong Cement Fufeng Transportation Co., Ltd. | 137,567.48 | 40,908.16 |
| OCV Reinforcements (Beijing) Co., Ltd. | 3,800.00 | – |
| | 8,983,258.25 | 4,379,551.22 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

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

| | 30 June 2018 | 31 December 2017 |
|--------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Bills payable and accounts payable <i>(continued)</i> | | |
| Due to joint ventures | | |
| Jidong Heidelberg (Fufeng) Cement Co., Ltd. | 7,357,940.80 | – |
| Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd. | 3,263,300.00 | 4,110,467.79 |
| Tangshan Caofeidian Dunshi New Building Materials Co., Ltd. | 1,320,747.63 | – |
| Anshan Jidong Cement Co., Ltd. | – | 1,000,000.00 |
| Jidong Heidelberg (Jingyang) Cement Co., Ltd. | 772,470.40 | 709,781.15 |
| Jidong Heidelberg (Shaanxi) Logistic Co., Ltd | 855,050.73 | – |
| STAR-USG Building Materials Co., Ltd. | 748,656.41 | 748,656.41 |
| | <u>14,318,165.97</u> | <u>6,568,905.35</u> |
| Due to other related parties | | |
| Beijing Dacheng Real Estate Development Co., Ltd. | 276,291.00 | 60,000.00 |
| Beijing Jinyu Scien-tech School | – | 18,200.00 |
| Party School of the Communist Party of China Beijing Building Materials Group Corporation Committee | – | 12,500.00 |
| | <u>276,291.00</u> | <u>90,700.00</u> |
| | <u>23,577,715.22</u> | <u>11,039,156.57</u> |
| Receipts in advance | | |
| Advances from other related parties | | |
| Beijing Longfengshan Sands and Stone Factory | – | 149,098.29 |
| Advances from associates | | |
| Beijing Gaoqiang Concrete Co., Ltd. | 8,112,934.71 | – |
| Beijing Gaoqiang Concrete Co., Ltd. | – | 4,710.00 |
| OCV Reinforcements (Beijing) Co., Ltd. | 2,520.00 | 2,520.00 |
| | <u>8,115,454.71</u> | <u>7,230.00</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

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

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------------------|---------------------|---------------------|
| Receipts in advance <i>(continued)</i> | | |
| Advances from joint ventures | | |
| Tangshan Caofeidian Dunshi New Building Materials Co., Ltd. | 465,552.50 | 88,500.00 |
| Anshan Jidong Cement Co., Ltd. | 147,750.40 | 30,000.00 |
| Jidong Heidelberg (Fufeng) Cement Co., Ltd. | 471,000.00 | – |
| Jidong Heidelberg (Jingyang) Cement Co., Ltd. | – | 112,972.26 |
| Jidong Heidelberg (Shaanxi) Logistic Co., Ltd. | 9,551.18 | – |
| | <u>1,093,854.08</u> | <u>231,472.26</u> |
| | <u>9,209,308.79</u> | <u>387,800.55</u> |
| Other payables | | |
| BBMG Assets Company | <u>219,343.40</u> | – |
| Due to associates | | |
| Baogang Jidong Cement Co., Ltd. | 630,000.00 | 630,000.00 |
| OCV Reinforcements (Beijing) Co., Ltd. | 159,200.00 | 159,200.00 |
| Beijing Sinobaide Technology Co., Ltd. | 12,738.42 | – |
| Tanshan Conch Profiles Co., Ltd. | 2,682.00 | 4,704.76 |
| Zhongfang Huarui (Tangshan) Real Estate Co., Ltd. | – | 527,000.00 |
| Beijing XinYuan Concrete Co., Ltd. | – | 2,200.25 |
| Xianyang Jidong High-New Concrete Co., Ltd. | – | 282.12 |
| | <u>804,620.42</u> | <u>1,323,387.13</u> |
| Due to joint ventures | | |
| STAR-USG Building Materials Co., Ltd. | 19,436.46 | 19,436.46 |
| Jidong Heidelberg (Jingyang) Cement Co., Ltd. | 209,685.64 | 37,890.47 |
| Anshan Jidong Cement Co., Ltd. | – | 39.00 |
| | <u>229,122.10</u> | <u>57,365.93</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

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

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------------|-----------------------|------------------|
| Due to other related parties | | |
| Beijing Xisha Assets Management Co., Ltd. | 2,162,248.00 | – |
| Beijing Jinyu Scien-tech School | 6,510.00 | – |
| | 3,421,843.92 | 1,380,753.06 |
| | | |
| Short-term borrowing | | |
| BBMG Assets Company | 131,000,000.00 | 131,000,000.00 |
| BSCOMC | 80,550,000.00 | 80,550,000.00 |
| | 211,550,000.00 | 211,550,000.00 |

Except for the short-term loans and the balances due from STAR-USG Building Materials Co., Ltd. in other receivables and due from Cross Point Trading 274 (Pty) Ltd (RF) in long-term receivables, other amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XI. CONTINGENCIES

| | Note | 30 June 2018 | 31 December 2017 |
|-------------------------------------------------------------|--------|--------------------------|-------------------|
| Provision of guarantee on housing mortgage to third parties | Note 1 | 11,703,068,498.38 | 12,052,621,076.05 |
| Provision of guarantee on loans and others to third parties | Note 2 | 3,053,500,000.00 | 4,824,000,000.00 |
| | | 14,756,568,498.38 | 16,876,621,076.05 |

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: As at 30 June 2018, Jidong Development Group Co., Ltd., a subsidiary of the Group, provided guarantee on the borrowings of RMB1,040,000,000.00 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). The guarantee will expire on 21 May 2029. Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司), a subsidiary of the Group, provided guarantees on the borrowings of RMB50,000,000.00 for Tianjin Longhong Composite Materials Co., Ltd. (天津市龍泓複合材料有限公司), the borrowings of RMB515,000,000.00 for Tianjin Yishang Group Co., Ltd. (天津一商集團有限公司) and the borrowings of RMB1,426,500,000.00 for Datong Coal Mine Group Co., Ltd. (大同煤礦集團有限責任公司). These guarantees will expire on 24 September 2018, 4 March 2019 and 13 December 2019, respectively. In addition, Tianjin Xinfengtai Construction Materials Trading Co., Ltd. (天津市鑫豐泰建材貿易有限公司), a subsidiary of the Group, provided guarantee on the borrowings of RMB22,000,000.00 for North Advanced Science and Technology (Tianjin) Industrial Co., Ltd. (北方高科(天津)實業有限公司). The guarantee expired on 16 January 2018.

Please refer to Note X. 5 for details of the guarantees provided to related parties by the Group.

XII. COMMITMENTS

| | 30 June 2018 | 31 December 2017 |
|---------------------------------|-------------------------|------------------|
| Contracted but not provided for | | |
| Capital commitments | 141,899,499.23 | 240,456,042.76 |
| Property development contracts | 9,498,338,882.80 | 6,402,057,932.69 |
| | 9,640,238,382.03 | 6,642,513,975.45 |

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 Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XIV. OTHER SIGNIFICANT MATTERS

1. Lease

As lessor

Significant operating leases: according to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable leases are as follows:

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------|--------------------------------|--------------------------------|
| Within 1 year (inclusive of 1 year) | 1,030,200,370.09 | 918,809,697.80 |
| 1 to 2 years (inclusive of 2 years) | 714,747,157.93 | 592,538,424.84 |
| 2 to 3 years (inclusive of 3 years) | 386,803,630.08 | 338,785,501.91 |
| Over 3 years | 421,088,808.86 | 349,308,798.60 |
| | <u>2,552,839,966.96</u> | <u>2,199,442,423.15</u> |

Please refer to Note V. 16 and 17 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:

| | 30 June 2018 | 31 December 2017 |
|-------------------------------------|--------------------------------|------------------------------|
| Within 1 year (inclusive of 1 year) | 101,646,183.89 | 88,068,180.04 |
| 1 to 2 years (inclusive of 2 years) | 156,023,682.81 | 57,032,898.02 |
| 2 to 3 years (inclusive of 3 years) | 152,987,158.37 | 52,859,340.92 |
| Over 3 years | 783,150,326.98 | 320,933,092.44 |
| | <u>1,193,807,352.05</u> | <u>518,893,511.42</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has four reportable segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commerce and logistics segment engages in the manufacture and sale of building materials and furniture and commerce and logistics;
- (3) the property development segment engages in 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 Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

XIV. OTHER SIGNIFICANT MATTERS (continued)

2. Segment reporting (continued)

For the six months ended 30 June 2018

| | Cement Segment | Building Materials and Commerce and Logistics Segment | Property Segment | Property Investment and Management Segment | Unallocated Assets/Liabilities/ Expenses of the Headquarters | Elimination on Consolidation | Total |
|-------------------------------------------------------------------------------|-------------------|-------------------------------------------------------|--------------------|--------------------------------------------|--------------------------------------------------------------|------------------------------|--------------------|
| Revenue from external transactions | 14,578,159,711.49 | 8,896,428,439.01 | 9,974,060,860.17 | 1,916,744,245.31 | - | - | 35,365,393,255.98 |
| Revenue from inter-segment transactions | 1,300,566,673.17 | 185,810,428.94 | 3,402,021.89 | 132,703,635.32 | - | (1,622,482,759.32) | - |
| | 15,878,726,384.66 | 9,082,238,867.95 | 9,977,462,882.06 | 2,049,447,880.63 | - | (1,622,482,759.32) | 35,365,393,255.98 |
| Gains/(losses) on investment in joint ventures and associates | 121,078,335.58 | 19,534,118.87 | 1,292.10 | (1,605,609.81) | - | - | 139,008,136.74 |
| Losses from impairment of assets | (55,219,996.86) | (5,801,610.83) | 864,114.05 | (24,465,204.92) | - | 98,756,281.77 | 14,133,583.21 |
| Credit impairment losses | 48,160,858.31 | 12,756,662.75 | 5,018,016.80 | (10,655,671.94) | - | (98,756,281.77) | (43,476,415.85) |
| Depreciation expenses and amortization expenses | 1,853,886,670.19 | 99,403,303.76 | 15,195,701.13 | 118,228,511.12 | 13,119,734.00 | - | 2,099,833,920.20 |
| Total profits/(losses) | 1,446,778,327.58 | 35,105,458.82 | 1,981,748,903.27 | 104,632,014.61 | (483,694,863.83) | 838,830,177.92 | 3,923,400,018.37 |
| Income tax expense | 369,278,953.02 | 21,326,812.91 | 469,668,241.66 | 46,598,951.65 | (120,923,715.96) | 209,707,544.48 | 995,656,787.76 |
| Total assets | 85,333,130,737.39 | 16,545,709,517.00 | 120,110,967,639.35 | 75,706,215,046.93 | 2,395,295,478.55 | (45,937,454,975.72) | 254,153,863,443.50 |
| Total liabilities | 54,749,841,576.78 | 13,363,415,017.28 | 104,233,790,491.75 | 30,697,322,327.93 | 24,595,681,181.26 | (49,825,560,025.28) | 177,814,490,569.72 |
| Other disclosure | | | | | | | |
| Long-term equity investment in joint ventures and associates | 1,694,376,222.13 | 415,900,952.58 | 4,992,899.49 | 386,511,858.68 | - | - | 2,501,781,932.88 |
| Increase in other non-current assets (excluding long-term equity investments) | 2,596,158,690.12 | 987,733,794.73 | 30,192,519.62 | 6,108,918,157.65 | - | - | 9,723,003,162.12 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

For the six months ended 30 June 2017

| | Cement Segment | Building Materials and Commerce and Logistics Segment | Property Segment | Property Investment and Management Segment | Unallocated Assets/ Liabilities/ Expenses of the Headquarters | Elimination on Consolidation | Total |
|-------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------|-------------------------|--------------------------------------------------|---------------------------------------------------------------------|---------------------------------|--------------------------|
| Revenue from external transactions | 13,285,651,855.35 | 6,975,794,012.28 | 7,334,205,335.26 | 1,870,195,079.96 | - | - | 29,465,846,282.85 |
| Revenue from inter-segment transactions | 849,224,989.22 | 134,587,915.09 | - | 244,187,534.18 | - | (1,228,000,438.49) | - |
| | <u>14,134,876,844.57</u> | <u>7,110,381,927.37</u> | <u>7,334,205,335.26</u> | <u>2,114,382,614.14</u> | <u>-</u> | <u>(1,228,000,438.49)</u> | <u>29,465,846,282.85</u> |
| Gains/(losses) on investment in joint ventures and associates | 69,549,449.99 | (15,144,905.75) | 1,652.47 | (1,595,922.69) | - | - | 52,810,274.02 |
| Losses from impairment of assets | 178,674,698.23 | (686,436.20) | (38,635,237.49) | 7,588,194.15 | - | - | 146,941,218.69 |
| Depreciation expenses and amortization expenses | 1,817,917,633.25 | 68,164,523.30 | 57,991,306.48 | 146,959,302.87 | 10,249,414.70 | - | 2,101,282,180.60 |
| Total profits/(losses) | 244,840,747.37 | 31,871,416.97 | 1,419,920,497.17 | 1,176,589,113.71 | (532,788,631.55) | 87,252,499.26 | 2,427,685,642.93 |
| Income tax expense | 162,230,716.82 | 16,788,250.43 | 337,564,064.69 | 240,463,576.01 | (133,197,157.89) | 21,813,124.81 | 645,662,574.87 |
| Total assets | 82,636,431,050.73 | 10,888,804,447.07 | 102,329,517,211.59 | 47,226,735,731.36 | 2,431,402,819.14 | (21,542,009,981.81) | 223,970,881,278.08 |
| Total liabilities | 53,934,668,373.08 | 6,634,231,556.96 | 88,097,959,009.34 | 19,760,943,308.29 | 17,517,777,278.99 | (25,984,706,429.91) | 159,960,873,096.75 |
| Other disclosure | | | | | | | |
| Long-term equity investment in joint ventures and associates | <u>1,629,316,560.67</u> | <u>194,694,554.58</u> | <u>4,991,625.54</u> | <u>219,690,903.02</u> | <u>-</u> | <u>-</u> | <u>2,048,693,643.81</u> |
| Increase in other non-current assets (excluding long-term equity investments) | <u>1,228,121,783.38</u> | <u>207,158,684.99</u> | <u>120,806,983.81</u> | <u>405,494,917.59</u> | <u>-</u> | <u>-</u> | <u>1,961,582,369.77</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

Other information

Information on products and labour services

Operating revenue by product/service is set out in Note V. 48.

Geographic information

Operating revenue

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------|------------------------------------------------------|---------------------------------------------|
| PRC | 34,808,047,239.08 | 28,440,547,737.24 |
| Singapore | 311,073,668.58 | 74,751,041.07 |
| South Africa | 24,342,180.85 | 17,655,810.39 |
| Japan | 62,339.72 | 121,524,543.94 |
| Other countries or regions | <u>221,867,827.75</u> | <u>811,367,150.21</u> |
| | <u>35,365,393,255.98</u> | <u>29,465,846,282.85</u> |

Revenues from external transactions are attributable to the geographic locations where the customers are located.

Major non-current assets of the Group are located in the PRC.

Information about major customers

In 2017 and for the six months ended 30 June 2018, none of the sales income arising from any single customer of the Group exceeds 10% of the Group's revenues.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Supplemental information to the balance sheet

| | 30 June 2018 | 31 December 2017 |
|---------------------------------------|---------------------------|--------------------|
| Consolidated | | |
| Net current assets | | |
| Current assets | 153,871,113,874.16 | 143,589,262,404.01 |
| Less: current liabilities | 114,785,794,196.79 | 110,434,361,271.08 |
| Net current assets | 39,085,319,677.37 | 33,154,901,132.93 |
| Total assets less current liabilities | | |
| Total assets | 254,153,863,443.50 | 232,207,482,091.70 |
| Less: current liabilities | 114,785,794,196.79 | 110,434,361,271.08 |
| Total assets less current liabilities | 139,368,069,246.71 | 121,773,120,820.62 |
| Company | | |
| Net current assets | | |
| Current assets | 68,985,292,027.98 | 62,692,084,532.23 |
| Less: current liabilities | 42,306,221,806.27 | 36,181,900,544.21 |
| Net current assets | 26,679,070,221.71 | 26,510,183,988.02 |
| Total assets less current liabilities | | |
| Total assets | 123,048,587,143.09 | 109,392,097,314.28 |
| Less: current liabilities | 42,306,221,806.27 | 36,181,900,544.21 |
| Total assets less current liabilities | 80,742,365,336.82 | 73,210,196,770.07 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

1. Other receivables

An aging analysis of other receivables is as follows:

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------|--------------------------|-------------------|
| Interests receivable | 1,858,605,431.95 | 1,106,889,669.23 |
| Dividends receivable | 2,905,198,217.16 | 1,582,172,059.85 |
| Amounts due from subsidiaries | 60,140,648,569.64 | 52,753,176,863.68 |
| Due from a joint venture-STAR-USG | 104,188,940.00 | 104,188,940.00 |
| Other current account | 70,944,476.74 | 896,484,917.85 |
| | 65,079,585,635.49 | 56,442,912,450.61 |
| Less: Provision for bad debts of other receivables | 21,109,616.08 | 18,111,381.45 |
| | 65,058,476,019.41 | 56,424,801,069.16 |

An aging analysis of other receivables is as follows:

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------------|--------------------------|-------------------|
| Within 1 year (inclusive of 1 year) | 61,512,969,150.46 | 54,209,810,528.70 |
| 1 to 2 years (inclusive of 2 years) | 3,439,652,311.99 | 2,117,484,024.49 |
| 2 to 3 years (inclusive of 3 years) | 11,676,295.36 | 50,998,001.96 |
| 3 to 4 years (inclusive of 4 years) | 50,998,001.96 | 256,734.52 |
| 4 to 5 years (inclusive of 5 years) | 256,734.52 | 26,945,892.47 |
| Over 5 years | 64,033,141.20 | 37,417,268.47 |
| | 65,079,585,635.49 | 56,442,912,450.61 |
| Less: Provision for bad debts of other receivables | 21,109,616.08 | 18,111,381.45 |
| | 65,058,476,019.41 | 56,424,801,069.16 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

(continued)

1. Other receivables (continued)

The movements in provision for bad debts of other receivables based on lifetime expected credit losses are as follows:

| | 30 June 2018 |
|------------------------------------|----------------|
| Closing balance for the prior year | 18,111,381.45 |
| Change in accounting policy | 8,733,796.64 |
| Opening balance | 26,845,178.09 |
| Reversal for the period/year | (5,735,562.01) |
| Closing balance | 21,109,616.08 |

| | 30 June 2018 | | | |
|-------------------------------------------------------------------------------------------------------|--------------------------|----------------|-------------------------|-----------------------------|
| | Gross carrying amount | | Provision for bad debts | |
| | Amount | Proportion (%) | Amount | Percentage of provision (%) |
| Individual assessment of expected credit losses and provision for bad debts | 65,079,085,635.49 | 100.00 | 21,104,616.08 | 0.03 |
| Assessment of expected credit losses and provision for bad debts by credit risk characteristics group | 500,000.00 | - | 5,000.00 | 1.00 |
| | <u>65,079,585,635.49</u> | <u>100.00</u> | <u>21,109,616.08</u> | |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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

(continued)

1. Other receivables (continued)

| | 31 December 2017 | | | |
|------------------------------------------------------------------------------|--------------------------|----------------|-------------------------|-----------------------------|
| | Gross carrying amount | | Provision for bad debts | |
| | Amount | Proportion (%) | Amount | Percentage of provision (%) |
| Individually significant and subject to separate provision for bad debts | 30,379,950.00 | 0.05 | 9,113,985.00 | 30.00 |
| Provision for bad debts by credit risk characteristics group | | | | |
| Within 1 year (inclusive of 1 year) | 873,379,665.07 | 1.55 | – | – |
| Provision for bad debts by special credit characteristics group | 52,838,155,475.40 | 93.61 | – | – |
| Individually not significant but subject to separate provision for bad debts | 2,700,997,360.14 | 4.79 | 8,997,396.45 | 0.33 |
| | <u>56,442,912,450.61</u> | <u>100.00</u> | <u>18,111,381.45</u> | |

As at 31 December 2017, 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 (%) | Reason |
|--------|-----------------------|-------------------------|-----------------------------|----------------------|
| Unit A | 30,379,950.00 | 9,113,985.00 | 30.00 | Partly uncollectible |

Other receivables which were subject to provision for bad debts by the Group based on aging analysis were as follows:

| | 30 June 2018 | | |
|-------------------------------------|--------------------------------------------------|---------------------------|---------------------------------|
| | Gross carrying amount estimated to incur default | Expected credit loss rate | Lifetime expected credit losses |
| Within 1 year (inclusive of 1 year) | <u>500,000.00</u> | 1% | <u>5,000.00</u> |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Long-term equity investments

For the six months ended 30 June 2018

| | Investment cost | Opening balance | Increase/ decrease for the period | Closing balance | Percentage of share- holding (%) | Percentage of voting right (%) | Cash dividends for the period |
|---------------------------------------------------------------------|------------------|------------------|-----------------------------------------|------------------|-------------------------------------------|-----------------------------------------|----------------------------------|
| Cost method: | | | | | | | |
| Beijing Lushui Environmental Protection Technology Co., Ltd. | 690,005,052.96 | 690,005,052.96 | - | 690,005,052.96 | 100.00 | 100.00 | 90,725,062.35 |
| Beijing BBMG Concrete Co., Ltd. | 509,235,910.27 | 509,235,910.27 | - | 509,235,910.27 | 100.00 | 100.00 | - |
| Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. | 1,093,444,400.00 | 1,093,444,400.00 | 1,753,806,765.40 | 2,847,251,165.40 | 100.00 | 100.00 | - |
| Hebei BBMG Dingxin Cement Co., Ltd. | 1,471,400,000.00 | 1,471,400,000.00 | - | 1,471,400,000.00 | 100.00 | 100.00 | - |
| Hebei Taihang Huaxin Building Materials Co., Ltd. | 191,952,088.44 | 191,952,088.44 | - | 191,952,088.44 | 100.00 | 100.00 | - |
| Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd. | 67,600,000.00 | 67,600,000.00 | - | 67,600,000.00 | 67.00 | 67.00 | - |
| Baoding Taihang Heyi Cement Co., Ltd. | 120,000,000.00 | 120,000,000.00 | - | 120,000,000.00 | 75.00 | 75.00 | - |
| Handao BBMG Taihang Cement Co., Ltd. | 719,986,626.30 | 719,986,626.30 | - | 719,986,626.30 | 94.00 | 94.00 | - |
| Zanhuang BBMG Cement Co., Ltd. | 700,000,000.00 | 700,000,000.00 | - | 700,000,000.00 | 100.00 | 100.00 | 146,353,632.45 |
| Beijing BBMG Cement Trading Co., Ltd. | 500,000,000.00 | 500,000,000.00 | - | 500,000,000.00 | 100.00 | 100.00 | - |
| Beijing BBMG Cement Energy Saving Technology Co., Ltd. | 35,000,000.00 | 35,000,000.00 | - | 35,000,000.00 | 100.00 | 100.00 | - |
| Zhangjiakou Jinyu Cement Co., Ltd. | 391,071,805.81 | 391,071,805.81 | - | 391,071,805.81 | 100.00 | 100.00 | 12,770,541.96 |
| Tianjin Zhenxing Cement Co., Ltd. | 422,950,236.38 | 422,950,236.38 | - | 422,950,236.38 | 62.00 | 62.00 | - |
| Quyuan Jinyu Cement Co., Ltd. | 245,747,261.65 | 245,747,261.65 | - | 245,747,261.65 | 90.00 | 90.00 | - |
| Tianjin BBMG Concrete Co., Ltd. | 447,454,707.80 | 447,454,707.80 | - | 447,454,707.80 | 91.00 | 100.00 | - |
| Siping BBMG Cement Co., Ltd. | 156,000,000.00 | 156,000,000.00 | - | 156,000,000.00 | 52.00 | 52.00 | - |
| Shijiazhuang BBMG Xucheng Concrete Co., Ltd. | 202,047,000.00 | 202,047,000.00 | - | 202,047,000.00 | 97.00 | 97.00 | - |
| Lanxian BBMG Cement Co., Ltd. | 160,240,000.00 | 160,240,000.00 | - | 160,240,000.00 | 80.00 | 80.00 | - |
| Qinyang BBMG Cement Co., Ltd. | 144,145,100.00 | 144,145,100.00 | - | 144,145,100.00 | 86.00 | 86.00 | - |
| Zhuolu Jinyu Cement Co., Ltd. | 366,677,498.05 | 366,677,498.05 | - | 366,677,498.05 | 100.00 | 100.00 | 104,492,799.40 |
| Handan Shexian BBMG Cement Co., Ltd. | 181,678,700.00 | 181,678,700.00 | - | 181,678,700.00 | 91.00 | 91.00 | - |
| Beijing BBMG Mining Co., Ltd. | 5,000,000.00 | 5,000,000.00 | - | 5,000,000.00 | 100.00 | 100.00 | - |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2018 (continued)

| | Investment cost | Opening balance | Increase/ decrease for the period | Closing balance | Percentage of share- holding (%) | Percentage of voting right (%) | Cash dividends for the period |
|------------------------------------------------------------|-----------------|-----------------|-----------------------------------------|-----------------|-------------------------------------------|-----------------------------------------|----------------------------------|
| Cost method: (continued) | | | | | | | |
| Lingchuan BBMG Cement Co., Ltd. | 350,000,000.00 | 350,000,000.00 | - | 350,000,000.00 | 100.00 | 100.00 | - |
| Beijing Jinyu Pinggu Cement Co., Ltd. | 150,000,000.00 | 150,000,000.00 | - | 150,000,000.00 | 100.00 | 100.00 | - |
| Beijing Chinefarge Cement Co., Ltd. | 464,740,918.29 | 464,740,918.29 | - | 464,740,918.29 | 95.00 | 95.00 | - |
| BBMG Shunria Lafarge Cement Co., Ltd. | 110,681,119.42 | 110,681,119.42 | - | 110,681,119.42 | 70.00 | 70.00 | - |
| Zuoquan BBMG Cement Co., Ltd. | 530,000,000.00 | 530,000,000.00 | - | 530,000,000.00 | 100.00 | 100.00 | - |
| Xuanhua BBMG Cement Co., Ltd. | 3,250,000.00 | 3,250,000.00 | - | 3,250,000.00 | 65.00 | 65.00 | - |
| Chengde BBMG Cement Co., Ltd. | 340,000,000.00 | 340,000,000.00 | - | 340,000,000.00 | 85.00 | 85.00 | - |
| Borai BBMG Cement Co., Ltd. | 285,000,000.00 | 285,000,000.00 | - | 285,000,000.00 | 95.00 | 95.00 | - |
| BBMG Mortar Co., Ltd. | 95,000,000.00 | 95,000,000.00 | - | 95,000,000.00 | 100.00 | 100.00 | 7,494,726.53 |
| Guangling Jinyu Cement Co., Ltd. | 317,000,000.00 | 317,000,000.00 | - | 317,000,000.00 | 100.00 | 100.00 | - |
| Handan Fengfeng BBMG Concrete Co., Ltd. | 66,000,000.00 | 66,000,000.00 | - | 66,000,000.00 | 100.00 | 100.00 | - |
| Handan Hanshan BBMG Concrete Co., Ltd. | 27,600,000.00 | 27,600,000.00 | - | 27,600,000.00 | 92.00 | 92.00 | - |
| Handan BBMG Concrete Co., Ltd. | 27,600,000.00 | 27,600,000.00 | - | 27,600,000.00 | 92.00 | 92.00 | - |
| Wei County BBMG Concrete Co., Ltd. | 9,200,000.00 | 9,200,000.00 | - | 9,200,000.00 | 92.00 | 92.00 | - |
| Xingtai BBMG Yongning Cement Co., Ltd. | 245,668,600.00 | 245,668,600.00 | - | 245,668,600.00 | 60.00 | 60.00 | - |
| Beijing BBMG Tiantan Furniture Co., Ltd. | 649,305,960.36 | 649,305,960.36 | - | 649,305,960.36 | 97.26 | 97.00 | 1,442,739.71 |
| Beijing Woodworking Factory Co., Ltd. | 54,556,261.16 | 54,556,261.16 | - | 54,556,261.16 | 100.00 | 100.00 | - |
| Tongda Refractory Technology Co., Ltd. | 498,030,444.48 | 498,030,444.48 | - | 498,030,444.48 | 92.00 | 92.00 | - |
| Beijing Jinyu Energy-Saving Technology Co., Ltd. | 402,450,576.31 | 402,450,576.31 | - | 402,450,576.31 | 100.00 | 100.00 | 11,781,044.27 |
| Beijing Aerated Concrete Co., Ltd. | 166,166,021.38 | 166,166,021.38 | - | 166,166,021.38 | 56.00 | 100.00 | 23,794,938.21 |
| Beijing Jinyu Aerated Concrete Co., Ltd. | 107,946,419.68 | 107,946,419.68 | - | 107,946,419.68 | 100.00 | 100.00 | - |
| Beijing BBMG Coating Co., Ltd. | 95,421,200.61 | 95,421,200.61 | - | 95,421,200.61 | 100.00 | 100.00 | 3,922,388.08 |
| Beijing Building Materials Academy Co., Ltd. | 194,167,784.68 | 194,167,784.68 | - | 194,167,784.68 | 100.00 | 100.00 | 656,351.64 |
| Beijing Keshi Hardware Co., Ltd. | 64,098,826.55 | 64,098,826.55 | - | 64,098,826.55 | 100.00 | 100.00 | 2,062,055.66 |
| Beijing Jiandu Design and Research Institute Co., Ltd. | 59,864,057.89 | 59,864,057.89 | - | 59,864,057.89 | 100.00 | 100.00 | 3,026,629.01 |
| BBMG (Dachang) Modern Industrial Park Management Co., Ltd. | 500,000,000.00 | 500,000,000.00 | - | 500,000,000.00 | 100.00 | 100.00 | - |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

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XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2018 (continued)

| | Investment cost | Opening balance | Increase/ decrease for the period | Closing balance | Percentage of share- holding (%) | Percentage of voting right (%) | Cash dividends for the period |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|-----------------------------------------|-------------------|-------------------------------------------|-----------------------------------------|----------------------------------|
| Cost method: (continued) | | | | | | | |
| Beijing BBMG Business and Trading Co., Ltd. | 660,000,000.00 | 660,000,000.00 | - | 660,000,000.00 | 100.00 | 100.00 | 19,057,252.59 |
| BBMG Material Industrial (Shanghai) Co., Ltd. | 40,800,000.00 | 40,800,000.00 | - | 40,800,000.00 | - | - | - |
| Beijing Dynea Chemical Industry Co., Ltd. | 95,358,791.69 | 95,358,791.69 | - | 95,358,791.69 | 100.00 | 100.00 | 703,557.14 |
| BBMG GEM Real Estate Development Co., Ltd. | 3,065,138,411.45 | 3,065,138,411.45 | - | 3,065,138,411.45 | 100.00 | 100.00 | - |
| Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. | 123,580,431.35 | 123,580,431.35 | - | 123,580,431.35 | 100.00 | 100.00 | - |
| BBMG Property Management Co., Ltd. | 99,264,530.92 | 99,264,530.92 | - | 99,264,530.92 | 100.00 | 100.00 | - |
| BBMG Fengshan Hot Spring Resort Co., Ltd. | 370,680,361.57 | 370,680,361.57 | - | 370,680,361.57 | 100.00 | 100.00 | - |
| Beijing Jianji Assets Management Co., Ltd. | 776,172,150.30 | 776,172,150.30 | - | 776,172,150.30 | 100.00 | 100.00 | 461,965,427.50 |
| Beijing Jinhaiyan Assets Management Co., Ltd. | 78,479,818.89 | 78,479,818.89 | - | 78,479,818.89 | 100.00 | 100.00 | - |
| Beijing Jinhaiyan Property Management Co., Ltd. | 14,333,292.75 | 14,333,292.75 | - | 14,333,292.75 | 100.00 | 100.00 | - |
| BBMG Property Operation Management Co., Ltd. | 99,000,000.00 | 99,000,000.00 | - | 99,000,000.00 | 100.00 | 100.00 | 9,862,396.16 |
| Beijing BBMG Chengyuan Property Development Co., Ltd. | 473,509,857.53 | 473,509,857.53 | - | 473,509,857.53 | 100.00 | 100.00 | - |
| Beijing BBMG Property Development Group Co., Ltd. (北京金隅地產開發集團有限公司) | 2,994,735,641.87 | 2,994,735,641.87 | - | 2,994,735,641.87 | 100.00 | 100.00 | 7,084,041.42 |
| Beijing Building Decoration and Design Engineering Co., Ltd. | 82,429,882.34 | 82,429,882.34 | - | 82,429,882.34 | 100.00 | 100.00 | 5,248,543.42 |
| Beijing BBMG Doudian Technology Corporate Management Co., Ltd. | 152,788,777.09 | 152,788,777.09 | - | 152,788,777.09 | 100.00 | 100.00 | - |
| Beijing Yanshui Asset Management Co., Ltd. | 32,707,342.45 | 32,707,342.45 | - | 32,707,342.45 | 100.00 | 100.00 | 25,884,482.68 |
| BBMG Dacheng Property Management Co., Ltd. | 16,198,711.92 | 16,198,711.92 | - | 16,198,711.92 | 100.00 | 100.00 | - |
| BBMG Hongye Ecological Science and Technology Co., Ltd. | 815,331,413.51 | 815,331,413.51 | - | 815,331,413.51 | 100.00 | 100.00 | 170,000,000.00 |
| BBMG Hong Kong Limited | 288,057,387.91 | 288,057,387.91 | - | 288,057,387.91 | 100.00 | 100.00 | 4,229,078.47 |
| Beijing BBMG Innovation and Technology Incubator Co., Ltd. | 513,676,100.00 | 513,676,100.00 | - | 513,676,100.00 | 100.00 | 100.00 | - |
| BBMG Finance Co., Ltd. | 3,000,000,000.00 | 3,000,000,000.00 | - | 3,000,000,000.00 | 100.00 | 100.00 | 203,966,324.81 |
| BBMG Finance Lease Co., Ltd. | 393,876,000.00 | 393,876,000.00 | - | 393,876,000.00 | 60.00 | 60.00 | 8,127,323.71 |
| Krono (Beijing) Woods Co., Ltd. | 287,445,693.34 | 287,445,693.34 | - | 287,445,693.34 | 100.00 | 100.00 | - |
| Jidong Development Group Co., Ltd. | 5,225,000,000.00 | 5,225,000,000.00 | - | 5,225,000,000.00 | 55.00 | 55.00 | - |
| Tangshan Jidong Cement Co., Ltd. | 304,241,209.40 | - | 304,241,209.40 | 304,241,209.40 | 32.00 | 32.00 | - |
| Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司) | 5,118,176,371.21 | - | 5,118,176,371.21 | 5,118,176,371.21 | 55.00 | 55.00 | - |
| Total under cost method | 39,756,366,755.96 | 34,333,949,175.35 | 7,176,224,346.01 | 41,510,173,521.36 | | | 1,324,651,337.17 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

(continued)

2. Long-term equity investments (continued)

For the six months ended 30 June 2018 (continued)

Equity method:

| | Opening balance | Change for the period | | | | | Carrying amount at the end of period | Provision for impairment at the end of period |
|----------------------------------------|-----------------|------------------------|-----------------------------------------------|-------------------------|------------------------|---------------------------|--------------------------------------|-----------------------------------------------|
| | | Increase in Investment | Investment income or loss under equity method | Other changes in equity | Cash dividend declared | Provisions for impairment | | |
| Joint ventures | | | | | | | | |
| STAR-USG Building | | | | | | | | |
| Materials Co., Ltd. | 15,938,256.81 | - | 10,364,392.36 | - | - | - | 26,302,649.17 | - |
| Associates | | | | | | | | |
| Zehnder (China) Indoor Climate | | | | | | | | |
| Co., Ltd. | 95,352,921.83 | - | 5,003,425.64 | - | - | - | 100,356,347.47 | - |
| OCV Reinforcements (Beijing) Co., Ltd. | 59,574,366.74 | - | 2,495,567.35 | - | - | - | 62,069,934.09 | - |
| Beijing Gaoqiang Concrete Co., Ltd. | 23,774,703.48 | - | 6,101,630.14 | - | - | - | 29,876,333.62 | - |
| Tanshan Conch Profiles Co., Ltd. | 192,228,874.07 | - | 159,507.28 | - | - | - | 192,388,381.35 | - |
| Subtotal for associates | 370,930,866.12 | - | 13,760,130.41 | - | - | - | 384,690,996.53 | - |
| Total under equity method | 386,869,122.93 | - | 24,124,522.77 | - | - | - | 410,993,645.70 | - |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

(continued)

3. Investment property

Measured subsequently through fair value model:

For the six months ended 30 June 2018

| | Buildings |
|-----------------------|--------------------------|
| Opening balance | 10,164,795,183.02 |
| Changes in fair value | <u>184,600,983.44</u> |
| Closing balance | <u>10,349,396,166.46</u> |

2017

| | Buildings |
|-----------------------|--------------------------|
| Opening balance | 9,895,924,295.76 |
| Changes in fair value | <u>268,870,887.26</u> |
| Closing balance | <u>10,164,795,183.02</u> |

All the above investment properties are located in the PRC, leased out in form of operating leases and held under mid-term leases.

As at 30 June 2018, there was no investment property for which the procedures for obtaining title certificates were incomplete.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

(continued)

4. Operating revenue and costs

Operating revenue is as follows:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|---------------------------------|---------------------------------------------|---------------------------------------------|
| Revenue from principal business | 509,734,752.86 | 466,435,530.40 |
| Revenue from other business | 2,056,671.90 | 2,056,671.90 |
| | 511,791,424.76 | 468,492,202.30 |

Operating cost is as follows:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|----------------------------|---------------------------------------------|---------------------------------------------|
| Cost of principal business | 36,491,918.32 | 43,359,840.95 |

Information by products is as follows:

| | For the six months ended 30 June 2018 | | For the six months ended 30 June 2017 | |
|---------------|------------------------------------------|----------------------|------------------------------------------|---------------|
| | Revenue | Costs | Revenue | Costs |
| Rental income | 509,734,752.86 | 36,491,918.32 | 466,435,530.40 | 43,359,840.95 |
| Others | 2,056,671.90 | - | 2,056,671.90 | - |
| | 511,791,424.76 | 36,491,918.32 | 468,492,202.30 | 43,359,840.95 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

(continued)

5. Investment gains

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|-----------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Gains from long-term equity investments under cost method | 1,324,651,337.17 | 198,849,580.35 |
| Losses from long-term equity investments under equity method | 24,124,522.78 | (18,671,179.76) |
| | 1,348,775,859.95 | 180,178,400.59 |

6. Notes to items of statement of cash flows

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|--------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Cash received relating to other operating activities | | |
| Cash received from superior units | 18,085,528,188.24 | 9,010,000,000.00 |
| Cash received from internal borrowings among subsidiaries | 8,001,376,000.00 | 13,989,789,799.55 |
| Interests income | 50,865,749.83 | 46,985,469.54 |
| | 26,137,769,938.07 | 23,046,775,269.09 |
| Cash paid relating to other operating activities | | |
| Cash paid to subordinate units | 18,094,756,175.88 | 23,100,392,159.40 |
| Current accounts of subsidiaries | 13,483,547,408.28 | 10,037,443,104.89 |
| Expenses of the headquarters | 190,283,982.97 | 220,057,943.43 |
| | 31,768,587,567.13 | 33,357,893,207.72 |

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

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

(continued)

7. Supplemental information to statement of cash flows

(1) Reconciliation of net profit to cash flows from operating activities:

| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 |
|------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Net profit | 1,428,100,874.66 | 141,584,295.68 |
| Add: Depreciation of fixed assets | 35,363,976.02 | 35,324,870.62 |
| Amortisation of intangible assets | 6,990,689.16 | 6,766,596.04 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets | – | 111,582.12 |
| Gains from changes in fair value | – | (135,588,436.76) |
| Finance expenses | 419,951,339.88 | 1,184,240,985.65 |
| Investment gains | (1,348,775,859.95) | (180,178,400.59) |
| (Increase)/decrease in deferred income tax assets | (18,753,447.09) | 84,250,836.66 |
| Increase/(decrease) in deferred income tax liabilities | 46,150,245.86 | (97,702,890.81) |
| Increase in operating receivables | (8,624,886,907.45) | (11,639,924,185.36) |
| Increase in operating payables | 2,853,086,502.93 | 674,094,395.22 |
| Net cash flows used in operating activities | <u>(5,202,772,585.98)</u> | <u>(9,927,020,351.53)</u> |

(2) Cash and cash equivalents

| | 30 June 2018 | 31 December 2017 |
|----------------------------------------------|--------------------------------|-------------------------|
| Cash | 3,869,587,679.53 | 6,209,927,405.16 |
| Including: Bank deposits on demand | <u>3,869,587,679.53</u> | <u>6,209,927,405.16</u> |
| Closing balance of cash and cash equivalents | <u>3,869,587,679.53</u> | <u>6,209,927,405.16</u> |

Supplementary Information to Unaudited Interim Financial Statements

For the six months ended 30 June 2018

RMB

1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS

| | For the six months ended 30 June 2018 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Profit and loss from disposal of non-current assets | (22,502,565.23) |
| 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) | 54,709,891.22 |
| Profit and loss from debt restructuring | 12,262,813.93 |
| Profit and loss from fair value change of investment properties measured subsequently through fair value model and profit and loss from fair value change of financial assets held for trading | 273,123,778.84 |
| Profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gains from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business relating to the ordinary business operations of the Company | 6,963,840.61 |
| Reversal of provisions for impairment of receivables that are individually tested for impairment | 5,633,297.57 |
| Other non-operating income and expenses other than the above items | 8,507,572.54 |
| Total non-recurring profit and loss | 338,698,629.48 |
| Less: impact of income tax | 65,304,742.26 |
| Less: impact of minority interests | 32,967,543.66 |
| | <u>240,426,343.56</u> |

Items included in the government grants recognised through profit or loss for the period, but were not regarded as non-recurring profit or loss due to their close relation to the ordinary business operations of the Group, in line with national policies and were entitled continuously in accordance with certain standard based on a fixed amount or quantity were as follows:

| | For the six months ended 30 June 2018 |
|------------------------|---------------------------------------------|
| Refunds of VAT | 241,425,207.62 |
| Grants for heat supply | 1,611,842.70 |
| | <u>243,037,050.32</u> |

Supplementary Information to Unaudited Interim Financial Statements (continued)

For the six months ended 30 June 2018

RMB

1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS *(continued)*

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).

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

For the six months ended 30 June 2018

| | Weighted average return on net assets (%) | Earnings per share | |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------|---------|
| | | Basic | Diluted |
| Net profit attributable to ordinary shareholders of the Company | 4.59 | 0.23 | 0.23 |
| Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss | 4.07 | 0.20 | 0.20 |

For the six months ended 30 June 2017

| | Weighted average return on net assets (%) | Earnings per share | |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------|---------|
| | | Basic | Diluted |
| Net profit attributable to ordinary shareholders of the Company | 4.10 | 0.17 | 0.17 |
| Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss | 3.59 | 0.15 | 0.15 |

The Company did not have potentially dilutive ordinary shares.



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