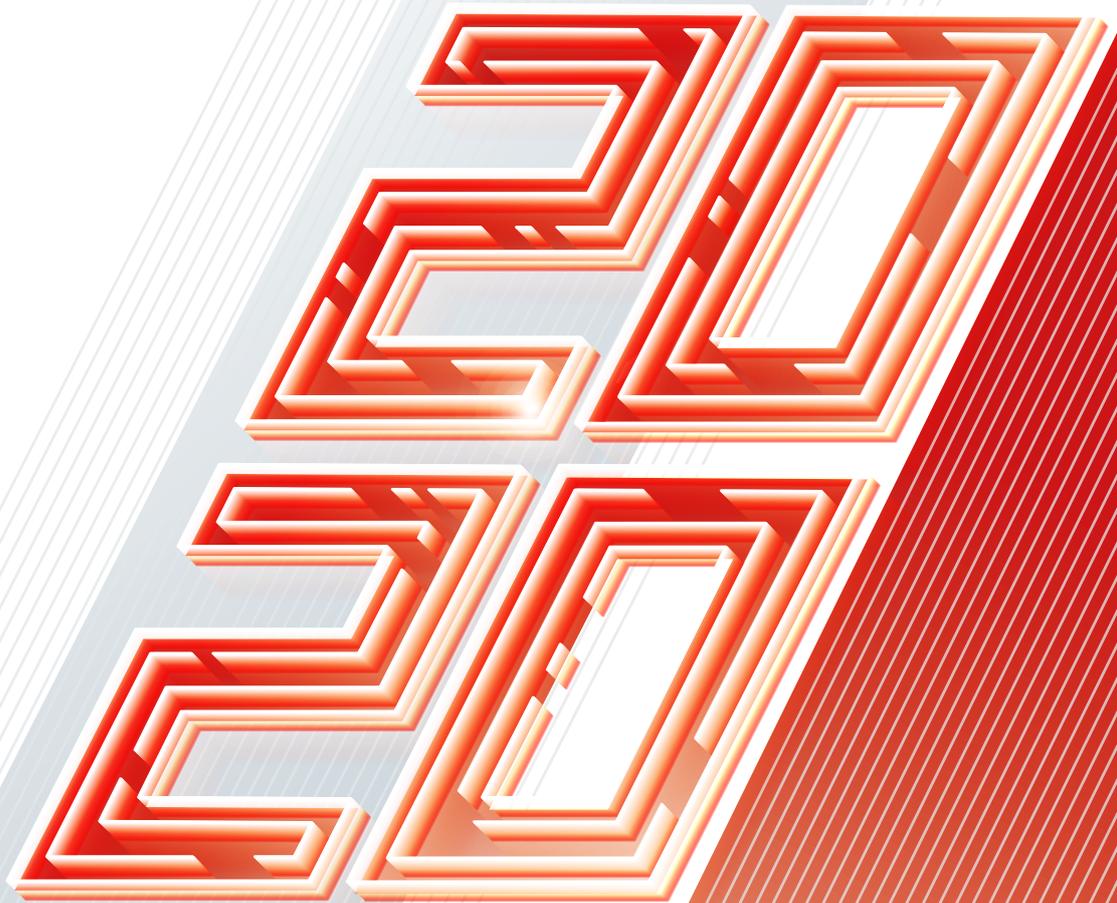




北京金隅集團股份有限公司
BBMG CORPORATION*

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



INTERIM
REPORT



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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.bbm.com.cn/listco
Legal representative	Jiang Deyi
The Board	
<i>Executive Directors</i>	Jiang Deyi (<i>Chairman</i>) Wu Dong Zheng Baojin
<i>Non-executive Directors</i>	Guo Yanming Xue Chunlei
<i>Independent non-executive Directors</i>	Wang Guangjin Tian Lihui Tang Jun Ngai Wai Fung

* For identification purposes only

CORPORATE INFORMATION

The Supervisory Board

Supervisors

Pei Ying (*Chairman*)

Yu Kaijun

Zhang Guoliang

Zhuang Zhenguo

Jiang Yu

Song Lifeng

Committees

Audit Committee

Tian Lihui (*Chairman*)

Wang Guangjin

Tang Jun

Ngai Wai Fung

Guo Yanming

Xue Chunlei

Remuneration and Nomination Committee

Wang Guangjin (*Chairman*)

Wu Dong

Tian Lihui

Tang Jun

Ngai Wai Fung

Strategic Committee

Jiang Deyi (*Chairman*)

Zheng Baojin

Wang Guangjin

Tian Lihui

Tang Jun

Ngai Wai Fung

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
3rd Floor, China Insurance Building
166 Lujiazui Road East, Pudong New District
Shanghai, the PRC

Place of listing

Shanghai Stock Exchange

Stock name

BBMG

Board lot

100 shares

Stock code

601992.SH

H Shares

H Share registrar

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

Place of listing

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

Stock name

BBMG

Board lot

1,000 shares

Stock code

02009.HK

CORPORATE INFORMATION

Principal bankers

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

Independent auditor

Ernst & Young Hua Ming LLP
Certified Public Accountants

Legal advisers

Withers
As to Hong Kong law

Sino-Integrity Law Firm
As to PRC law

Jiang Deyi |
Chairman



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of BBMG Corporation (the “**Company**” or “**BBMG**”, together with its subsidiaries, the “**Group**”), I am pleased to present to you the interim results of the Company for the six months ended 30 June 2020 (the “**Reporting Period**”), and report on the operating results of the Company during the said period for your review.

Review

The outbreak of COVID-19 epidemic has produced a significant impact on the production and operation of the Company. Confronted with the epidemic, the Company made scientific decisions, effectively overcame the combined impact of the traditional off-season for the industry in the first quarter and the production suspension during the epidemic period, actively created favorable conditions and promoted the resumption of work and production in a reasonable and orderly manner. With its solid efforts, the Company overcame the difficulties and achieved the fast recovery of main economic indicators in the second quarter, thus making excellent achievements.

During the Reporting Period, the Company recorded an operating revenue of RMB40,928.1 million, representing a year-on-year decrease of 8.3%. Net profit attributable to the shareholders of the parent company amounted to RMB1,523.6 million, representing a year-on-year decrease of 50.0%. Basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.14.

CHAIRMAN'S STATEMENT

Prospect

On the one hand, the home and abroad situation is still complicated and severe and has a high degree of uncertainty and instability. China is dedicated to forming a new development pattern, pursuant to which domestic and foreign markets can boost each other with domestic market as the mainstay, and establishing mid-and-long term coordination mechanism for epidemic prevention and control and economic and social development; on the other hand, the Company achieved leapfrog development by acquisition and reorganization and possessed solid industrial basis and favorable development inertia. Looking into the second half of 2020, the Company will further boost its development confidence, grasp the development direction and seize new opportunities in the crisis, open up new grounds in changes, strengthen basic management, strengthen risk prevention and control, achieve stable operation, strive to minimize the influence and losses caused by the epidemic and strive to complete the operation indicators and all major works throughout the year, so as to implement the "13th Five-Year" plan thoroughly and lay a solid foundation for a good start on the "14th Five-year" plan.

Based on its position of "building a world-class cement industry group which is modern, professional and large in scale", the **cement and ready-mixed concrete segment** will continue to cultivate the value highland with Beijing-Tianjin-Hebei region as the core, promote strategic extension in an orderly manner and strengthen strategic resource reserve. The Company strives to become the leading cement enterprise with the strongest core competitiveness in China, continue to develop and thrive, maintain the top three positions in the industry and lead and standardize industrial development. The **modern building materials and commerce and logistics segment** will continue to strengthen basic management and make precise control, provide and improve its existing products, tap its own advantages, define the industrialization path, build the core competitiveness and achieve large-scale coordinated development of the segments. The **property development segment** will stick to "fast development with good quality", speed up "internal circulation", achieve more sales and more revenues; speed up the comprehensive utilization of "urban mineral resources", tap the full potential of existing stock resources, create the differentiated competitiveness of BBMG Real Estate

CHAIRMAN'S STATEMENT

and strengthen property segment development platform. The **property investment and management segment** will improve the service quality and operation level on a continuing basis, give full play to the BBMG's characteristics of "urban mineral resources", interconnect with the real estate business, focus on the development of science and technology industrial park properties such as intelligent manufacturing workshop and science park, and become a first-class domestic investment property operator with characteristics of BBMG based on the capital's functional positioning of "Four Centers".

Finally, on behalf of the Board of the Company, I would like to express my sincere gratitude to our shareholders for their long-standing support for the Company's development, and thank the Board and the Supervisory Board for their diligence and all employees of the Company for their hard work. Currently, China has achieved major strategic results in the epidemic prevention and control when the epidemic sweeps across the world. However, the epidemic prevention and control may become a norm. Faced with complicated situations and arduous works, we have a firm belief in achieving high-quality development of the Company. The Company will endeavor to give back to the shareholders and the society, and build a bright future for BBMG with shareholders!

Jiang Deyi

Chairman of the Board

Beijing, the PRC

19 August 2020





MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

I. 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 (1) cement and ready-mixed concrete business; (2) modern building materials manufacturing and commerce and logistics; (3) property development; and (4) property investment and management.

1. Cement and ready-mixed concrete business: The Company is the third largest cement industrial group in China with strong scale advantage and market dominance within the region, and is the leader of low-carbon, green, and environmentally-friendly development, energy saving and emission reduction, and circular economy in the domestic cement industry. The cement business continued to adopt Beijing-Tianjin-Hebei region as its core strategic region, and continued to expand the coverage of its network, mainly with presence in 13 provinces (municipalities and autonomous regions), including Beijing-Tianjin-Hebei region, Shaanxi, Shanxi, Inner Mongolia, Northeastern region, Chongqing, Shandong, Henan and Hunan. The production capacity of clinker amounted to approximately 110 million tonnes; the production capacity of cement amounted to approximately 170 million tonnes. With cement as its core product, the Company extends to related products and services through an internal synergetic mechanism. Currently, the production capacity of ready-mixed concrete amounted to nearly 60 million cubic meters while the production capacity of aggregates and grinding aids and admixtures amounted to 36 million tonnes and approximately 0.34 million tonnes respectively. Its annual capacity for disposal of various solid wastes was nearly 2.20 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, and currently has a total limestone reserve of 3.442 billion tonnes.
2. Modern building materials and commerce and logistics business: The Company is the leader in the building materials industry in China and one of the largest suppliers of green, environmentally-friendly, and energy-saving building materials in the Pan Bohai region. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, building materials and commerce and logistics. The Company actively carried out

MANAGEMENT DISCUSSION AND ANALYSIS

industrial layout centering around the coordinated and high-quality development of Beijing-Tianjin-Hebei region, and completed the construction of three industrial bases, namely Tangshan Caofeidian Stone Wool, Tangshan Caofeidian Wood Industry, and Tangshan Yutian Prefabricated Parts Base, which further enhanced the modern building materials industry chain. The Company's modern building materials products and construction and installation services were widely used in the construction of key hotspot projects in Beijing-Tianjin-Hebei region, such as the sub-town centre and supporting facilities in Beijing, Citizen Service Centre in Xiong'an New District, the Winter Olympic Stadium, and Universal Studios Beijing, which fully demonstrated the advantages of BBMG's modern building materials business in brand, quality and industrial chain and enhancing systematic application and coordinated marketing of its products. As long as risks are under control, the Company will continuously enhance the development of commerce and logistics industry and proactively explore developed marketing modes of e-commerce.

3. Property development business: The Company is one of the top property developers in Beijing in terms of overall strength with an annual area commencing construction of 8 million sq.m.. 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-Hebei region, 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 the Beijing municipality, the Company has been in the leading position in construction of affordable housing in Beijing for years with a total gross floor area of more than 7 million sq.m. of planned and completed affordable housing, providing over 70,000 affordable housing units. Based on continuous consolidation of core business strengths, the Company is making efforts on nurturing new segment formats and seeking coordinated development with Beijing-Tianjin-Hebei region based on the functions of non-capital cities and actively researches and explores urban renovation. The Company has successfully established its presence in various sectors such as industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

4. **Property investment and management business:** The Company is one of the largest investors and managers of investment properties in Beijing with the most diversified businesses, holding approximately 1.78 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which 0.988 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.5 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin. The Company has maintained its leading position in the areas such as professional capability, brand recognition, occupancy rates and income level in Beijing, even across the whole China, for many years.

(II) Description of major industries

1. *Cement Industry*

Due to the impact of COVID-19 outbreak, the Chinese economy was significantly affected, especially in the first quarter of 2020; as the government continued to implement the prevention and control measures, the epidemic was under effective control in the second quarter of 2020, production and normal daily life has gradually resumed, the resumption of work and production advanced solidly, the decrease in infrastructure investment slowed down evidently and the investment in real estate development turned from fall to rise. The demands in cement has declined sharply in the first quarter of 2020 but rebounded significantly in the second quarter of 2020, which corresponded to the downstream industries. According to the data of the National Bureau of Statistics, in the first half of 2020, the national cement production was 998 million tonnes, representing a year-on-year decrease of 4.8% and a decline narrowed by nearly 20 percentage points compared with that of the first quarter. When cement inventory stayed at a high level, the cement price in the most regions of China remained relatively reasonable.

According to the Ministry of Industry and Information Technology, in the first half of 2020, the operating revenue of the cement industry amount to RMB426.2 billion and the profits amounted to RMB76.7 billion, representing a year-on-year decrease of 6.1%.

2. *Property Development Industry*

In the first half of 2020, the central government insisted on the orientation of “houses are for living, not for speculation”, and the supervision of finance in the real estate industry remained tight. Affected by the COVID-19 epidemic, the transaction volume and price of real estate market, especially the transaction volume, fell in the short term. Since March 2020, with the gradual implementation

MANAGEMENT DISCUSSION AND ANALYSIS

of effective policies such as trimming the interest rate, the pent-up market demand in the previous period was released and drew buyers to the markets. Property developers seized the opportune timing to strengthen its sales efforts and innovation of marketing model. In the second quarter, the transaction volume and price in the real estate market gradually resumed but the market performance in various regions and cities were differentiated.

According to the data of the National Bureau of Statistics, in the first half of 2020, the investment in real estate development in China stood at RMB6,278 billion, representing a year-on-year increase of 1.9%, and decreased by 0.3% from January 2020 to May 2020. Investment in residential properties was RMB4,635 billion, representing a year-on-year increase of 2.6% and an increase of 2.6 percentage points over the period from January 2020 to May 2020. Investment in residential properties accounted for 73.8% of aggregate investment in real estate development. The construction sites for corporate use of real estate developers stood at 7,927.21 million sq.m., representing a year-on-year increase of 2.6% and an increase of 0.3 percentage point over the period from January 2020 to May 2020, among which, 5,587.76 million sq.m. were area of construction sites for residential properties, representing a year-on-year increase of 3.8%. The area of newly started construction of real estates was 975.36 million sq.m., representing a year-on-year decrease of 7.6%, a decline narrowed by 5.2 percentage points; among which, the area of newly started construction of residential properties was 715.83 million sq.m., representing a year-on-year decrease of 8.2%. The area of completed real estate stood at 290.30 million sq.m., representing a year-on-year decrease of 10.5%, a decline narrowed by 0.8 percentage point. Of this, area of completed residential properties was 206.8 million sq.m., representing a year-on-year decrease of 9.8%. In the first half of 2020, land area acquired by real estate developers was 79.65 million sq.m., representing a year-on-year decrease of 0.9%, a decline narrowed by 7.2 percentage points over the period from January 2020 to May 2020. Area of sold commodity housing was 694.04 million sq.m., representing a year-on-year decrease of 8.4%, a decline narrowed by 3.9 percentage points over the period from January 2020 to May 2020. Area of sold residential properties, office and properties for commercial operation decreased by 7.6%, 26.5% and 20.7%, respectively. Sales of commodity housing amounted to RMB6,689.5 billion, representing a year-on-year decrease of 5.4%, a decline narrowed by 5.2 percentage points over the period from January 2020 to May 2020. Of this, sales of residential properties, office and properties for commercial operation decreased by 2.8%, 28.0% and 25.5% respectively. As at the end of June 2020, area of commodity housing for sales was 510.81 million sq.m., representing a decrease of 6.91 million sq.m. compared with the end of May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF FINANCIAL INFORMATION

Unit: RMB'000

	For the six months ended 30 June		Change
	2020 <i>(Unaudited)</i>	2019 (Unaudited)	
Operating revenue	40,928,098	44,611,089	-8.3%
Operating revenue from principal business	40,714,935	44,210,815	-7.9%
Gross profit from principal business	9,325,912	12,210,928	-23.6%
Gross profit margin from principal business (%)	22.9	27.6	a decrease of 4.7 percentage points
Total profit	3,365,221	5,264,638	-36.1%
Net profit	2,187,594	3,964,973	-44.8%
Net profit attributable to the shareholders of the parent company	1,523,592	3,045,574	-50.0%
Basic earnings per share attributable to the shareholders of the parent company (RMB)	0.14	0.29	-51.7%

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	Change
Cash and bank balances	33,241,537	21,325,043	55.9%
Current assets	189,019,660	174,495,858	8.3%
Current liabilities	127,502,144	127,706,358	-0.2%
Net current assets	61,517,516	46,789,500	31.5%
Non-current assets	107,454,496	107,627,898	-0.2%
Non-current liabilities	75,972,704	71,886,047	5.7%
Total assets	296,474,157	282,123,756	5.1%
Equity attributable to the shareholders of the parent company	63,489,133	61,131,200	3.9%
Debt ratio (total liabilities to total assets) (%)	68.6	70.7	a decrease of 2.1 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF BUSINESS INFORMATION

	For the six months ended 30 June		Change
	2020	2019	
Cement and Ready-mixed Concrete Segment			
Sales volume of cement (in million tonnes)	42.1	45.3	-7.0%
Sales volume of ready-mixed concrete (in million cubic meters)	6.02	8.15	-26.1%
Modern Building Materials and Commerce and Logistics Segment			
Stone wool boards (in thousand tonnes)	30.5	29.2	4.5%
Property Development Segment			
Booked GFA (in thousand sq.m.)	612.6	455.1	34.6%
Contracted sales GFA (in thousand sq.m.)	658.3	400.5	64.4%
Property Investment and Management Segment			
Gross GFA of investment properties (in thousand sq.m.)	1,781.7	1,549.9	15.0%

DISCUSSION AND ANALYSIS ON OPERATIONS

The outbreak of COVID-19 epidemic has produced a significant impact on the production and operation of the Group. Confronted with the epidemic, the Company made scientific decisions, effectively overcame the combined impact of the traditional off-season for the industry in the first quarter of 2020 and the production suspension during the epidemic period, actively created favorable conditions and promoted the resumption of work and production in a reasonable and orderly manner. With its solid efforts, the Company overcame the difficulties and achieved the fast recovery of main economic indicators in the second quarter and making excellent results.

During the Reporting Period, the Company recorded an operating revenue of RMB40,928.1 million, of which operating revenue from its principal business amounted to RMB40,714.9 million, representing a year-on-year decrease of 7.9%; total profit amounted to RMB3,365.2 million, representing a year-on-year decrease of 36.1%; net profit amounted to RMB2,187.6 million, representing a year-on-year decrease of 44.8%; and net profit attributable to the parent company amounted to RMB1,523.6 million, representing a year-on-year decrease of 50.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Cement and Ready-mixed Concrete Segment

Based on its strategic position of “building a world-class cement industry group which is modern, professional and large in scale” for the cement business, the Company sticks to high-quality development and optimizes strategic layout. The Company also coordinated and collaborated among the regions to strengthen market advantages, consolidate management foundation and enhance core competitiveness; the Company strengthened management and control of marketing for the concrete business, so as to improve the performance rate of contacts and reduce the operation risks.

In the first half of 2020, sales volume of cement and clinker was 42.1 million tonnes (exclusive of joint ventures, associates and the Company), representing a year-on-year decrease of 7.0%; the revenue from principal business recorded RMB17,140.0 million, representing a year-on-year decrease of 13.2%; gross profits from principal business amounted to RMB5,379.3 million, representing a year-on-year decrease of 14.6%, among which sales volume of cement amounted to 36.47 million tonnes and sales volume of clinker amounted to 5.63 million tonnes; the aggregated gross profit margin for cement and clinker was 35.0%, representing a year-on-year decrease of 2.8 percentage points. The sales volume of concrete amounted to 6.02 million cubic meters, representing a year-on-year decrease of 26.1%; and the gross profit margin of concrete was 13.4%, representing a year-on-year increase of 4.2 percentage points.

(2) Modern Building Materials and Commerce and Logistics Segment

This segment tapped into the stock’s full potential and nurtured new power of industrial development; promoted the research on integrated technology and accelerated the pace of achievements transformation; and further developed key projects such as Xiong’an New District, Beijing Municipal Sub-centre and Winter Olympic Stadium.

In the first half of 2020, the modern building materials and commerce and logistics segment recorded an operating revenue from principal business of RMB13,952.8 million, representing a year-on-year increase of 9.1%, among which the revenue from principal business of manufacturing industry was approximately RMB1,170 million and the revenue from principal business of commerce and logistics industry was approximately RMB12,240 million; gross profit from its principal business amounted to RMB520.1 million, representing a year-on-year decrease of 18.8%.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Property Development Segment

The segment changed thinking pattern, responded rapidly, plotted in advance, focused on implementation, made scientific arrangement, accelerated resumption of work and production, executed with great efforts and firmly grasped the opportunities to make additional marketing efforts, so that the sales indicators increased against trend.

In the first half of 2020, the property development segment recorded revenue from its principal business of RMB9,429.9 million, representing a year-on-year decrease of 15.4%, and the gross profit from its principal business was RMB2,584.1 million, representing a year-on-year decrease of 38.1%. The booked GFA was 612,562.7 sq.m., representing a year-on-year increase of 34.6%, among which booked GFA of commodity housing amounted to 418,248.2 sq.m., representing a year-on-year increase of 2.6%, while booked GFA of affordable housing amounted to 194,314.5 sq.m., representing a year-on-year increase of 310.0%. The aggregated contracted sales area of the Company was 658,342.2 sq.m., representing a year-on-year increase of 64.4%, among which contracted sales area of commodity housing increased year-on-year of 64.6% to 658,137.1 sq.m. The contracted sales area of affordable housing amounted to 205.1 sq.m., representing a year-on-year decrease of 65.3%.

In the first half of 2020, the Company further capitalized on its self-owned resources. It acquired the right to develop three industrial land projects, adding about 227,433 sq.m. to the Company's land reserves. As of 30 June 2020, the land reserve of the Company was approximately 7,569,900 sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of projects (parcel of land)	Location	Use of land	Land area of the project (sq.m.)	Planned plot ratio area (sq.m.)	Land Price (RMB million)	Method of Acquisition	Date of Acquisition (year-month-day)	Percentage of interest
1	Plot C-02 at district of Qixin Cement Factory, Tangshan	Lubei District, Tangshan	Residential (R2)	42,282	105,700	675.46	Auction	2020-01-23	100%
2	Plots such as 1820-618B at No.1, Anningzhuang East Road, Haidian District, Beijing	Haidian District, Beijing	Residential (R2) and land for basic education	47,115	99,865	2,788.00	Tender	2020-02-11	100%
3	Plots 1006-605 at Affiliated Complex, 3rd Area, Xili, Huajiadi, Wangjing, Chaoyang District, Beijing	Chaoyang District, Beijing	Commercial and financial	7,289	21,868	352.00	Listing	2020-04-03	100%
Total				96,686	227,433	3,815.46			

Notes: The Company won the bid for the state-owned construction land use rights in respect of the land parcel No. R-09 in Jiangpu Community of Yangpu District, Shanghai on 31 July 2020; and won the bid for the state-owned construction land use rights in respect of the land parcels of Jin Bei Chen Wen (Gua) No. 2020-010 (津北辰文(掛)2020-010號) and Jin Bei Chen Wen (Gua) No. 2020-011 (津北辰文(掛)2020-011號) in Tianjin on 8 August 2020. For details, please refer to the relevant dates for announcements.

(4) Property Investment and Management Segment

The segment spares no effort to prevent and control the epidemic, resume work and production in an accurate and orderly manner, concentrate the strengths and advantageous resources, and make every effort to accelerate the resolution of difficult issues such as evacuation and vacations, sale and leasing of scattered assets. During the Reporting Period, the rental of the office buildings stayed at a high level. GTC Residence (金隅環貿國際公寓) recorded an occupancy rate of 88%. Phase I of BBMG Intelligent Manufacturing Workshop (金隅智造工場一期) recorded an occupancy rate of 87%. The occupancy rate of Phase I of BBMG High-Tech Industrial Park (金隅高新產業園一期) was nearly 95%.

In the first half of 2020, the property investment and management segment recorded an operating revenue from principal business of RMB1,880.5 million, representing a year-on-year decrease of 15.5%, and gross profit from its principal business was RMB999.7 million, representing a year-on-year decrease of 32.0%. The Company held investment properties totalling approximately 1,781,700 sq.m. in the core districts of Beijing and Tianjin. The consolidated average occupancy rate was 79% and the consolidated average rental unit price was RMB5.9/sq.m./day, of which the consolidated average rental unit price of high-end office building in core area in Beijing was RMB8.1/sq.m./day.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment properties held by the Group as at 30 June 2020

	Location	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	108.2	3,378.8	11.9	85.7%	31,227
Phase 2 of Global Trade Centre	North Third Ring Road, Beijing	141.0	3,428.3	9.0	91.7%	24,314
Phase 3 of Global Trade Centre (commercial units at low floors)	North Third Ring Road, Beijing	57.5	1,273.3	8.5	88.8%	22,145
Tengda Plaza	West Second Ring Road, Beijing	67.9	1,796.4	9.6	80.3%	26,457
Jin Yu Mansion	West Second Ring Road, Beijing	41.2	1,248.1	12.5	82.1%	30,294
Jianda Building and Beijing Building Materials Trading Tower	East Second Ring Road, Beijing	43.0	1,163.9	6.3	90.2%	27,067
Dacheng Building	West Second Ring Road, Beijing	41.4	1,225.9	11.5	74.9%	29,611
Pan Bohai Jin'an Plaza	Hexi District, Tianjin	302.0	2,435.6	2.3	93.0%	8,065
Pangu Plaza Building 5	North Forth Ring Road, Beijing	137.0	5,343.5	12.3	49.3%	39,004
Phase 1 of Logistics Park Project	South Six Ring Road, Beijing	122.0	874.0	2.1	94.8%	7,164
Phase 1 of Intelligent Manufacturing Plant	North Fifth Ring Road, Beijing	75.4	620.9	5.7	87.2%	8,235
	Sub-total	1,136.6	22,788.7			20,050
Other properties	Beijing and Tianjin Municipality	645.1	7,089.5			10,989
	Total	1,781.7	29,878.2	5.9	79.2	16,769

The above investment properties are all located in the PRC and have been leased for commercial use in medium term.

The investment properties are valued by an independent professional valuer using future earnings approach and market-based approach according to open market data and such properties' current uses.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON INCOME STATEMENT, CASH FLOWS AND ITEMS OF ASSETS AND LIABILITIES

1. Principal business operations

Unit: RMB million

	Revenue from principal business	Cost of sales from principal business	Gross profit margin from principal business (%)	Year-on- year increase or decrease in revenue from principal business (%)	Year-on- year increase or decrease in cost of sales from principal business (%)	Year-on- year increase or decrease in gross profit margin from principal business
Cement and Ready-mixed Concrete	17,140.0	11,760.7	31.4	-13.2	-12.5	Decrease of 0.5 percentage point
Modern Building Materials and Commerce and Logistics	13,952.8	13,432.6	3.7	9.1	10.5	Decrease of 1.3 percentage points
Property Development	9,429.9	6,845.8	27.4	-15.4	-1.9	Decrease of 10.0 percentage points
Property Investment and Management	1,880.5	880.8	53.2	-15.5	16.6	Decrease of 12.9 percentage points
Eliminations	(1,688.3)	(1,530.9)				
Total	40,714.9	31,389.0	22.9	-7.9	-1.9	Decrease of 4.7 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

2. Gains from changes in fair value of investment properties

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

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

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

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

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

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

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group decreased by approximately RMB191.3 million year-on-year to RMB247.4 million, accounting for 7.4% of the profits before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Selling expenses, administrative expenses and finance costs

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

- (1) Selling expenses were approximately RMB1,302.2 million in the first half of 2020, representing a decrease of approximately RMB88.2 million year-on-year, mainly attributable to the year-on-year decrease in employee remuneration and agency intermediary fee during the Reporting Period.
- (2) Administrative expenses were approximately RMB2,860.5 million in the first half of 2020, representing a decrease of approximately RMB333.0 million year-on-year, mainly attributable to the year-on-year decrease in employee remuneration and repair and maintenance expenses during the Reporting Period.
- (3) Finance costs were approximately RMB1,694.8 million in the first half of 2020, representing an increase of approximately RMB280.4 million year-on-year, mainly attributable to the combined effect of the year-on-year decrease in interest income from borrowings and the year-on-year increase in handling charges during the Reporting Period.

4. Cash flows

In the first half of 2020, a net increase of RMB10,798.2 million in cash and cash equivalents was recognised in the consolidated financial statements of the Group, of which net cash inflow from operating activities was RMB2,797.7 million, representing a year-on-year increase of approximately RMB1,849.6 million in inflow, mainly attributable to the decrease in cash paid for goods and services year-on-year; net cash outflow from investing activities was RMB1,170.3 million, representing a year-on-year increase of approximately RMB217.7 million in outflow, mainly attributable to the decrease in other cash received in relation to investing activities year-on-year; net cash inflow generated from financing activities was RMB9,167.4 million, representing a year-on-year increase of approximately RMB6,978.3 million in inflow, mainly due to the increase in scale of financing of the Company year-on-year; and the effect of changes in exchange rate on cash and cash equivalents decreased by approximately RMB3.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Analysis on Items of Assets and Liabilities

- (1) Cash and bank balances: an increase of approximately RMB11,916.5 million or 55.9% from the beginning of the Reporting Period, mainly attributable to the increase in the size of financing of the Company during the Reporting Period;
- (2) Bills receivable: a decrease of approximately RMB4,571.5 million or 87.9% from the beginning of the Reporting Period, mainly because most bank acceptance bills are expected to be endorsed or discounted due to the business model adjustment during the Reporting Period;
- (3) Receivables financing: an increase of approximately RMB3,405.8 million or 678.7% from the beginning of the Reporting Period, mainly because most bank acceptance bills are expected to be endorsed or discounted due to the business model adjustment during the Reporting Period;
- (4) Debt investments: an increase of approximately RMB575.6 million or 278.1% from the beginning of the Reporting Period, mainly attributable to the purchase of wealth management product by the Company during the Reporting Period;
- (5) Wages payable: a decrease of approximately RMB222.1 million or 45.3% from the beginning of the Reporting Period, mainly attributable to the payment of performance related bonuses of the previous year by the Company during the Reporting Period;
- (6) Short-term financing bonds payable: an increase of approximately RMB1,098.1 million or 33.3% from the beginning of the Reporting Period, mainly attributable to the issuance of short-term financing bonds by the Company during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

CORE COMPETITIVENESS ANALYSIS

The Company is a leading building material enterprise in the Beijing-Tianjin-Hebei region in environmental protection, energy-saving and emission reduction and recycling development, and contributes to the ecological civilization. During the Reporting Period, the Company proactively followed the policy orientation of the synergetic development of the Beijing-Tianjin-Hebei region and the supply-side structural reform to tap the general trend and seize historical strategic opportunities. Focusing on the goal of high-quality development, the Company continued to deepen the restructuring of Jidong Group, the holding of Tianjin Building Materials Group and internal integration and other major reform achievements, and strive to enhance the connotation and effectiveness of the restructuring, deeply explore the value potential of the restructuring, continue to optimize the strategic layout of the Beijing-Tianjin-Hebei region, create a model industrial synergy development zone, consolidate regional value highlands, and transform the resources aggregation advantages formed by the restructuring into competitive advantages and practical development. The core competitiveness of the Company has been enhanced, the sustainable development momentum has been strengthened, the leading position of the building materials industry in the Beijing-Tianjin-Hebei region has been strengthened, and the influence of the industry has been further enhanced. The Company has strong momentum for high quality sustainable development since it is one of the top 500 enterprises, top 200 most cost-effective enterprises and top 100 most profitable enterprises in China, and ranks No. 1,048 on the Forbes Global 2000. In the first half of the year, the Company's core competitive advantages were further highlighted in the prevention and control of epidemics, orderly resumption of work and production and deepening reform of the system and mechanism, effectively coping with the impact of external risks.

The core competitiveness of the Company is detailed as follows:

1. Competitive Edge in the Industrial Chain:

The Company has developed a vertical and fully integrated industrial chain. On the back of its advantages in new green building materials manufacturing and equipment manufacturing industry, the Company further expanded into the area of real estate development, and focused on business development and industrial upgrading and developed modern service industries such as trade, services, high-end property management, operation of technical innovation industry parks, and human resource. By accelerating the transformation of the manufacturing industry into a service-oriented one and concentrating development into a new type of green park, the Company will continue to build its position as a regional industry leader and further form the layout of the whole industry chain of design, manufacturing, trading, construction and service, highlighting its unique value advantages of the whole industry chain. The strong demand from real estate development projects has boosted the Company's green building materials businesses and other related businesses such as architectural designing, decoration

MANAGEMENT DISCUSSION AND ANALYSIS

and property management services. On the other hand, the Company's strong brand, technical advantages and expertise in new green building materials manufacturing, property operation and property management services translated into higher quality, better brand image and stronger sales of the Company's real estate development projects in a systematic, industrialized, and specialized manner with green ultra-low energy consumption and advanced technology such as assembled components. Leveraging on various resources and advantages accumulated in the process of "going abroad" by the new green building materials manufacturing industry, the Company has strengthened its regional advantages, deepened urban development, increased land resources reserves in core cities, tapped into high-quality regional markets, and optimized the core business layout. The Company's different business segments support and promote the development of each other with significant synergistic effect and overwhelming advantages as a whole. Information sharing, complementary resources, and coordinated interaction between various business segments and upstream and downstream enterprises underline the advantages of integration and create market competitive edge.

2. Competitive Edge in Technology Innovation:

Focusing on the cutting edge of the industry, the front-end of the industry and the high-end of value, guided by the market and policies, the Company actively promotes scientific and technological innovation, and creates core competitiveness for the Company's high-grade, precision and advanced industry reserves with BBMG characteristics. The research and development of new technologies, new products, new processes and new equipment and the landing of achievements have continuously injected new vitality into the transformation and upgrading of the Company. In the first half of 2020, 23 key scientific research projects were implemented, including 4 projects of second-generation cement technology and equipment, 5 projects of coordinated disposal and recycling of hazardous waste/urban solid waste, 9 projects of industrial solid waste recycling and 5 projects of new fabricated buildings. At present, all key scientific research projects have been completed the demonstration of the implementation plan and started as planned, and some phased results have been achieved. In the first half of 2020, the Company's investment in science and technology amounted to RMB806.1 million, and the sales revenue of new products amounted to RMB1.189 billion, and the Company received 4 awards for scientific and technological progress in Beijing and Tianjin, 2 awards for international leading level achievements, and 1 award for advanced international level achievements. The Company has applied for 146 patents, including 42 invention patents. The Company played a leading role in formulating 51 international standards, national standards, industry standards, local standards, and group standards, and has carried out more than 20 high-level academic exchanges with domestic and foreign colleges and universities, research institute, thus continuously strengthening our scientific and technological influence.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company continues to improve the management system of scientific and technological innovation: formulating the Administrative Measures on the Provision for Corporate R&D Investment (Trial) to ensure the continued stability of R&D investment and innovation promotion from a systemic perspective; Review the scientific and technological achievements of the “13th Five-Year Plan”, analyze the internal and external development environment, and closely follow the Group’s strategic development planning, and are in the process of preparing the BBMG Technology Development Plan for the 14th Five-Year Plan, which aims at clarifying the main direction of scientific and technological innovation and development in the following five years. The Company intends to implement the 561 Technology Innovation Project Strategy, focusing on the five major directions of green manufacturing, green construction, green building materials, green environmental protection and new materials, and six innovation areas of “deep energy saving and emission reduction in cement production and alternative raw fuel technology”, “technology for preparing energy-saving building materials by utilizing solid waste resources”, “technology for preparing new green building materials”, “new assembled green building technology”, “digital intelligent building materials equipment manufacturing technology” and “building materials service industry”, forming a number of new technologies and achievements leading the technological advancement of the industry and the high-quality development of the Group’s industries.

3. Competitive Edge in Sustainable Development of Green Operations:

The Company has fully leveraged to its industrial advantages, actively focused on the strategic positioning of the capital, Beijing, met the needs for construction of “four centers”, and adhered to the development concept of “Green Hills and Clear Waters are Gold & Silver Mountains”. It has transformed the cement enterprises in Beijing into environmental technology firms, which became part of the urban infrastructure. The Company also has replicated its proprietary waste treatment technology of cement kiln in cement companies outside of Beijing, reinforcing the Company’s role in helping governments cleanse the urban environment. The Company also continued in promoting eco-friendly sustainable development. The Company’s shift to an eco-friendlier enterprise further solidified its core competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the environmental protection industry collected 870,000 tonnes of solid waste and disposed of 1.03 million tonnes of solid waste. During the Reporting Period, the site removal of the contaminated soil project in Beixin'an of Shijingshan was completed, and the contaminated soil project in Tang Ye successfully started. As of the first half of 2020, there are 30 enterprises carrying out the disposal of solid wastes, and 13 hazardous waste disposal projects, 15 sludge disposal projects and 5 domestic garbage projects have been completed and put into operation; the formed disposal capacity is 501,700 tonnes of hazardous waste, 1,020,200 tonnes of domestic sludge and 631,700 tonnes of domestic garbage. The Company increased efforts to accelerate green transformation, with a total of 16 projects under construction and 10 environmental impact assessment approval projects, the collaborative disposal has covered 86% of the cement enterprises of the Company. The Company has focused on serving the construction of a "Zero-waste City" in Xiong'an New District. In combination with the distribution of disposal facilities in Hebei region, the Company has given full play to its advantages in diversified disposal capacity of hazardous waste, sludge, domestic garbage, contaminated soil, etc., and it has won the bid for the solid waste outward transport disposal project of the phase II of Tanghe Sewage Reservoir Environmental Restoration Project. Under the new situation of epidemic prevention and control, environmental protection enterprises of the Company in Beijing actively responded to the needs of epidemic prevention and control in the capital in a timely manner, quickly completed the relevant waste disposal tasks in Xin Fa Di market (新發地), which demonstrated the responsibility committed by the Company.

4. Competitive Edge in Industry-Finance Integration:

The industry-finance integration has given a boost to all principal businesses of the Company. The Company has further promoted its cooperation with key financial institutions, innovated the financing management, explored the new financing channels and reduced financing cost. BBMG Finance Co., Ltd. and BBMG Finance Lease Co., Ltd. have constructed a platform to boost the Company's efficiency in capital use, widened the Company's financing channels and prevented capital risks. The platform enables organic industry-finance integration. Moreover, the Company has fully leveraged to its listing status advantages, boosted its overall financing capability and laid sound financial foundation for the Company's healthy and sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, for the purpose of reducing the impact of the epidemic, the Company promoted its cooperation with financial institutions, reduced financing costs, obtained more low-interest financing, and replaced or reduced some high-interest financing. In the first half of 2020, the Company's financing cost reached the lowest level in recent years, saving financial costs. The new financing cost decreased by 77 basis points year-on-year. The financing structure was more optimized, with the proportion of long-term financing increasing by 3 percentage points.

5. Competitive Edge in Corporate Culture and Branding:

The core value of BBMG's corporate culture is based on the pragmatic working culture of "work with aspiration, competence, efficiency, success and prudence", the human spirits of "eight specials", the development philosophy of "integration, communion, mutual benefit and prosperity", and the corporate spirits of "three emphasis and one endeavor". We reaffirmed confidence and united as one to tackle difficulties, worked diligently to surmount the challenges, thereby laying the foundation for the perfect end of the 13th Five-Year Plan and a good start to the 14th Five-Year Plan with excellent performance and achieving quality growth. The culture of BBMG is built based on experiences of numerous cadres and employees within the system. It aims to help employees realize their dreams, and is the driving force and cornerstone of BBMG's business. "BBMG" has been consecutively honored as a well-known trademark in Beijing. It ranked 65th on the list of the 2020 (17th) China's 500 Most Valuable Brands. The superior brand awareness and prestige has created a sound cultural atmosphere and intelligence support for BBMG to achieve a new round of leap-forward development in full force.

MANAGEMENT DISCUSSION AND ANALYSIS

POSSIBLE RISKS FACED BY THE COMPANY

1. Risk of Epidemic Impact

At the beginning of 2020, the sudden outbreak of the COVID-19 epidemic greatly affected the economy in China and the uncertainty of domestic and international environment grew. During the epidemic, project suspensions led to stagnated cement demand; at the early stage and fast development stage of the epidemic, the demand for house purchase was curbed and the potential buyers tended to wait and lacked confidence. Despite the major achievements in the epidemic prevention and control made by China, the trend of continuously improving the overall situation of economic and social development and accelerated recovery of production and life order, the overseas epidemic situation continues to deteriorate and the international environment tends to be more complicated, coupled with all kinds of international issues such as regional safety, which resulted in the growth in long-term instability and uncertainty. The impact brought by external environment on China's economy remains highly unstable and brings certain risks to the future development of the Company.

Countermeasures: We will have insight into the new characteristics and new requirements of the current development, raise the awareness of opportunities and risks of development, cultivate new opportunities in crisis, break new ground in the turbulent situation, grasp opportunities, draw on advantages and avoid disadvantages and cope with challenges. We will also strengthen prospective thinking, global planning, strategic layout and grasp opportunities to carefully study and plan development path in the new development pattern where domestic and foreign markets can boost each other with domestic market as the mainstay while grasping the opportunities brought by the preparation of "the 14th Five-year Plan". We will further enhance core competitiveness, face up to challenges, turn adversity into opportunity and strive to minimize the influences and losses caused by the epidemic so as to complete the "13th Five-Year Plan" on a high note and lay a solid foundation for a good start on the "14th Five-year Plan". Grasping the opportunities of "two new-type constructions and one major construction" (namely, new-type infrastructure construction, new-type urbanization and major engineering construction of transportation and hydraulic engineering) launched to cope with the impact of the epidemic and stabilize growth, the Company will be more prospective and active, make the best of policy measures of China for epidemic prevention and control and growth stabilizing, give play to the advantages of industries with infrastructure demands such as cements and aggregates, seize the opportunities brought by rebounding economic growth and major infrastructure demand after the epidemic, seize the momentum, win more market shares and promote the growth of building material products such as cements. Meanwhile, in terms of the real estate business, the Company will strive to develop the strategic orientation

MANAGEMENT DISCUSSION AND ANALYSIS

of integrated development of urban agglomerations, focus on core areas, optimize land acquisition strategies, effectively controls investment risks, continue to upgrade products, innovate marketing strategies and better adapts to market demand after the epidemic and achieve them with great efforts.

2. Policy Risk

The development of cement and property sectors is directly subject to macroeconomic development and macroeconomic control policies. Domestic and overseas economic environments remained complex and challenging, and external market witnessed higher level of instabilities and uncertainties. Lots of imbalance and underdevelopment existed in China's economy, and a growing downward pressure was observed, posing fresh risks and challenges. Overcapacity in cement industries is yet to be fundamentally eliminated. In line with the promotion of supply-side structural reform and high-quality development policy of the PRC, the cement industry will continue to execute stricter elimination of outdated capacity and environmental protection control policies. Cement companies will continue to transform and upgrade its operations, and strive for sustainable development in line with China's supply side structural reform. Meanwhile, China is expected to keep the long term policy stance of "houses are for living, not for speculation". Guided by the principle that "houses are for living, not for speculation," the long-term administrative mechanism for the real estate industry has graduated from the pilot stage to the full implementation stage, and the local governments continues to implement city-specific policies according to the actual conditions and development and changes in real estate market; the core of the development of real estate market returns to the residence-centered goal. The growth in investment and sales scale of real estate is slowed down but the market scale can be still guaranteed with the continuous promotion of urbanization and continuous release of improvement-based demand. Industrial development will transit from expansion in scale to improvement of quality and it's an irresistible trend to enhance enterprise operation quality.

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Countermeasures: Cement companies will focus on supply-side structural reform, continue to strengthen strategic thinking, study and assess national policies and industrial trend, grasp opportunities, practice new development philosophy and continue to enhance core competitiveness. Through “targeted analysis, targeted decision making, targeted implementation” of regional markets, they will strengthen linkage, enhance regional market control, strive to achieve balanced development of regions and improvement of overall strength, guide and promote industrial integration, transformation and upgrade process, maintain good market order and seize the rebounding growth of the market after the epidemic to further increase market share. In terms of the real estate business, we will choose solid and quality development mode, adopt regional intensive development strategies with metropolitan area and central cities as the core and high-level cities as focus. For cities with their presence, we will continue to increase investment and realize scale economies effect through regional intensive development. Meanwhile, the Company will promote operation and management system building, enhance project operation efficiency and continue to enhance core competitiveness with “enhancement of products quality” as an effective means; strengthen cost system innovation and establish advanced cost control model.

3. Capital Operation Risk

The Company believes that it is important to prevent and mitigate the risk of capital operation brought by policy adjustment under the continuous pressure from the impact of the epidemic on operation and financial supervision. Despite the overall prudent monetary policy of the Central Bank in the first half of 2020, the market financing cost continues to decrease, the financing in real estate industry is still under pressure. The capital of real estate industry is under continuous pressure. The Company’s scale is still expanding, and sufficient capital is needed to fund the Company’s daily operation and future development.

MANAGEMENT DISCUSSION AND ANALYSIS

Countermeasures: The Company will enhance its management on finance and capital, and improve the efficiency in the use of capital. It will actively analyze and grasp the policies that encourage financial institutions to serve the real economy and supply-side structural reform, and promote its cooperation with financial institutions. It will also innovate financing channels and explore new financing channels with a view to ensuring the safety and stability of the capital chain of the Company. The Company will leverage the financing platform of listed companies to raise funds for business development. Leveraging on the advantages of the financial arm and finance lease arm of the Company, cash flow of the Company will be secured as a whole.

4. Market Competition Risk

The cement output in China has remained in high-level plateau for consecutive years. According to industrial development cycles, the industry has gradually entered into a mature period with basically stable or slightly decreased cement demands. However, in the first half of the year, the central government and local governments are expected to make great progress in intensively launching a large batch of infrastructure projects and further drive the demands of infrastructure construction in cements in the second half of the year. Moreover, the real estate market is still resilient. From the new commencement of construction and construction of real estate industry, the new commencement of construction gradually recovers and construction acceleration continues to grow as a whole, which underpins the cement demands. The continuous benefits delivered by strategic restructuring of the Company further enhances the regional market order of cement industry. However, some subsidiaries of the Company are not competitive enough and have weak ability to respond to market changes, making them barely able to compete with peers. The increasing concentration and high quality development of real estate industry put forward higher standards on the quality of products and services. Declining population bonus and demographic shifts will have far-reaching influence on the supply, demand and development of real estate market.

MANAGEMENT DISCUSSION AND ANALYSIS

Countermeasures: The Company will continue to focus on cement business, strengthen market orientation, stick to high quality development, strengthen regional market integration, formulate sales strategy according to “one strategy for one region” and expand regional market shares. It will deepen strategic development thinking, strengthen strategic cooperation with competing enterprises in the industry, optimize cement industry layout, speed up environmental protection industrial development, accelerate enterprise transformation and upgrade, grow aggregate industry, strengthen industrial chain advantages, enhance the ability to integrate resources and reinforce the foundation for sustainable development. For real estate business, the Company will comply with the market trend, focus on market and customer demands, enhance products competitiveness, enhance professional management and control level, speed up the urban mineral resources exploitation and efficient usage of self-owned lands, have in-depth analysis on land policies and market environment changes, control the pace of land acquisition, further expand presence in major cities, give play to the collaborative advantages of vertically integrated industrial chain of the Group, lower operation costs and enhance product service quality and market influence.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group’s total assets amounted to RMB296,474.2 million, representing an increase of approximately 5.1% from the beginning of the Reporting Period, which comprised total liabilities of RMB203,474.9 million, minority interests of RMB29,510.2 million and total equity attributable to the shareholders of the parent company of RMB63,489.1 million. As at 30 June 2020, total shareholders’ equity amounted to RMB92,999.3 million, representing an increase of approximately 12.7% from the beginning of the Reporting Period. As at 30 June 2020, the Group’s net current assets were RMB61,517.6 million, representing an increase of approximately RMB14,728.1 million from the beginning of the Reporting Period. Debt ratio (total liabilities to total assets) was 68.6%, representing a decrease of 2.1 percentage points from the beginning of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group's cash and bank balances amounted to RMB33,241.5 million, representing an increase of RMB11,916.5 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, corporate bonds, short-term financing bonds, medium-term notes and banking facilities provided by its principal bankers in the PRC. As at 30 June 2020, the Group's interest-bearing bank borrowings amounted to RMB81,307.3 million (as at 31 December 2019: RMB86,234.7 million) which bore fixed interest rates and were all denominated in Renminbi. Among these borrowings, approximately RMB43,667.7 million interest-bearing bank borrowings were due for repayment within one year, representing a decrease of approximately RMB6,779.6 million from the beginning of the Reporting Period. Approximately RMB37,639.6 million interest-bearing bank borrowings were due for repayment after one year, representing an increase of approximately RMB1,852.2 million from the beginning of the Reporting Period. The Group's interest-bearing bank borrowings were all denominated in RMB.

During the Reporting Period, the Company entered into cooperation agreements with various banks to obtain credit facilities. As at the end of the Reporting Period, the Company was granted with total bank credit facilities of RMB174,831 million and drew down borrowings of RMB80,591 million in China. Unutilized credit facilities was RMB94,240 million. As at the date of this interim 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 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 interim 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.

DISCLOSEABLE TRANSACTIONS DURING THE REPORTING PERIOD

During the Reporting Period, there are no transactions that are required to be disclosed by the Group under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

	<i>As at</i>	Unit: RMB
	30 June 2020	As at
	(Unaudited)	31 December 2019
		(Audited)
Asset acquisition or construction contracts entered into but not completed	890,103,758.72	149,181,143.13
Property development contracts entered into and being executed or will be executed	11,871,761,172.98	2,638,777,513.45
	12,761,864,931.70	2,787,958,656.58

CONTINGENCIES

		<i>As at</i>	Unit: RMB
		30 June 2020	As at
		(Unaudited)	31 December 2019
			(Audited)
Provision of guarantee on mortgage to third parties	Note 1	9,982,539,898.52	8,583,893,305.90
Provision of guarantee on loans and others to third parties	Note 2	980,000,000.00	1,000,000,000.00
		10,962,539,898.52	9,583,893,305.90

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.

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Note 2: Jidong Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB980,000,000.00 for Tangshan Culture & Tourism Investment Group Co., Ltd. (唐山市文化旅遊投資集團有限公司). The Guarantee will expire on 21 May 2029.

PLEDGE OF ASSETS

As at 30 June 2020, certain of the Group's inventories, fixed assets, investment properties, land use rights and equity interest totaling RMB52,148.0 million (as at 31 December 2019: RMB60,999.1 million) were pledged or mortgaged to secure the short-term and long-term loans of the Group, which accounted for approximately 17.6% of the total assets of the Group (as at 31 December 2019: 21.6%).

EMPLOYEES

As at 30 June 2020, the Group had 47,945 employees in total (as at 31 December 2019: 49,189). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB2,649.0 million (for the six months ended 30 June 2019: RMB3,082.8 million), representing a decrease of approximately 14.1%. 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.

RISK MANAGEMENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates its business in the PRC. During the Reporting Period, sales proceeds and procurement expenses of the Group were mainly denominated in RMB. Most of the Group's financial instruments such as accounts and bills receivable, cash and bank balances are denominated in the same currency or a currency that is pegged to the functional currency of the operations to which the transactions are related. Accordingly, it is believed that the Group has minimal foreign 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

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 interim 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 2020, the total number of issued shares 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	Ouyang Jieliang	Direct beneficial owner	214,351,000	9.17	2.01
H Shares	FMR LLC	Interest of corporation controlled by the substantial shareholder	189,271,901	8.09	1.77
H Shares	Fidelity Investment Trust	Direct beneficial owner	142,387,500	6.09	1.33
H Shares	Prime Capital Management Company Limited	Investment manager	139,915,755	5.98	1.31

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)).

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020, 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 2020. 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 2020.

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.

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 interim report, the Board comprises three 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 2020, the Group actively participated in various investor relations activities and provided real-time information to investors through its company website.

OTHER INFORMATION

1. Investor Forums and Conferences

During the six months ended 30 June 2020, the Group held a number of investors' online briefing on the results and telephone presentations, 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.

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' online briefing on the results and telephone presentations 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.

OTHER INFORMATION

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 2020 and 19 August 2020)
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 2020 and 19 August 2020)
Stock code	601992.SH

2. Financial Calendar

2019 annual results announcement	published on 31 March 2020
2020 first quarterly results announcement	published on 29 April 2020
2020 interim results announcement	published on 19 August 2020
2019 annual general meeting	held on 19 May 2020
Closure of register of H shares members to determine the eligibility of shareholders to attend the 2019 annual general meeting	20 April 2020 – 19 May 2020
Financial year end	31 December

3. Dividends

2019 final dividends	RMB0.12 per share (inclusive of applicable tax) (or equivalent to HK\$0.1311 per H share)
Closure of register of H shares members to determine the entitlement of shareholders to the 2019 final dividends	28 May 2020 – 2 June 2020
Payment of 2019 final dividends of H shares	17 July 2020

OTHER INFORMATION

For any queries, please contact:

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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

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 19 August 2020, the Audit Committee had reviewed the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2020. The Audit Committee has considered the Group's internal audit report for the first half of 2020, reviewed the accounting standards and practices adopted by the Group, considered the Group's financial statements for the first half of 2020 and recommended their adoption by the Board.

As at the date of this interim report, members of the Audit Committee are Mr. Guo Yanming (non-executive Director), Mr. Xue Chunlei (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.

Review Report on Interim Financial Statements



Ernst & Young Hua Ming (2020) Zhuan Zi No. 60667053_A14

To the 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 2020, 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 2020 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 a review report on the Interim Financial Statements based on our review.

We conducted our review 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 (Engagement Partner)**

Chinese Certified Public Accountant: **Meng Jia**

Beijing, the PRC

19 August 2020

Unaudited Interim Consolidated Balance Sheet

As at 30 June 2020

RMB

Assets	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets			
Cash and bank balances	1	33,241,536,646.77	21,325,042,578.37
Financial assets held for trading	2	1,019,907,801.08	1,015,278,286.73
Bills receivable	3	631,065,293.97	5,202,609,351.30
Accounts receivable	4	8,644,064,329.10	8,001,473,532.63
Accounts receivable financing	5	3,907,669,819.53	501,846,392.39
Prepayments	6	1,960,493,783.58	1,524,225,471.45
Other receivables	7	8,621,312,597.48	9,067,357,777.42
Inventories	8	123,786,301,663.54	121,531,025,336.50
Contract assets	9	37,147,095.89	42,952,083.21
Other current assets	10	7,170,161,203.56	6,284,046,698.11
Total current assets		189,019,660,234.50	174,495,857,508.11
Non-current assets			
Debt investments	11	782,487,853.43	206,933,697.53
Long-term receivables	12	810,282,362.23	1,021,971,024.22
Long-term equity investments	13	3,821,481,200.35	3,988,531,537.26
Investment in other equity instruments	14	351,710,927.94	382,047,682.07
Investment properties	15	29,878,169,538.84	29,632,244,749.53
Fixed assets	16	43,857,680,989.82	44,512,207,458.24
Construction in progress	17	2,286,915,817.55	2,279,231,800.75
Right-of-use assets	18	608,164,961.93	589,176,549.64
Intangible assets	19	16,470,155,368.39	16,625,761,408.49
Goodwill	20	2,591,468,983.05	2,591,468,983.05
Long-term deferred expenditures	21	1,385,118,193.28	1,276,284,193.48
Deferred income tax assets	22	4,035,605,251.74	3,988,640,507.00
Other non-current assets	23	575,254,833.74	533,398,608.96
Total non-current assets		107,454,496,282.29	107,627,898,200.22
Total assets		296,474,156,516.79	282,123,755,708.33

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Balance Sheet (continued)

As at 30 June 2020

RMB

Liabilities and equity attributable to shareholders	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current liabilities			
Short-term loans	24	35,045,118,750.00	37,217,682,474.50
Bills payable	25	1,743,516,966.36	1,976,142,322.65
Accounts payable	26	16,572,152,922.36	17,701,948,542.45
Receipts in advance	27	320,934,858.39	334,666,882.90
Contract liabilities	28	26,224,948,449.30	24,557,147,374.24
Wages payable	29	268,751,558.20	490,892,896.45
Tax payable	30	2,518,307,195.51	2,515,633,050.02
Other payables	31	10,804,230,790.42	8,517,423,661.65
Non-current liabilities due within one year	32	18,783,090,079.78	20,319,530,862.57
Short-term financing bonds payable	35	4,396,868,375.88	3,298,801,089.25
Other current liabilities	33	10,824,224,601.99	10,776,488,930.30
Total current liabilities		127,502,144,548.19	127,706,358,086.98
Non-current liabilities			
Long-term loans	34	37,639,595,784.47	35,787,401,022.47
Bonds payable	35	29,651,078,179.40	27,460,996,718.14
Lease liabilities	36	334,356,667.15	317,196,853.52
Long-term payables	37	19,712,220.69	17,818,306.88
Long-term wages payable	38	647,847,827.02	647,490,892.12
Accrued liabilities	39	874,199,995.41	803,168,068.27
Deferred income	40	834,642,493.54	837,416,381.95
Deferred income tax liabilities	22	5,949,495,381.53	5,992,070,007.93
Other non-current liabilities	41	21,775,903.94	22,488,938.80
Total non-current liabilities		75,972,704,453.15	71,886,047,190.08
Total liabilities		203,474,849,001.34	199,592,405,277.06

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Balance Sheet (continued)

As at 30 June 2020

RMB

Liabilities and equity attributable to shareholders	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Equity attributable to shareholders			
Share capital	42	10,677,771,134.00	10,677,771,134.00
Other equity instruments	43	17,512,000,000.00	14,962,000,000.00
<i>Including: Perpetual bonds</i>		<i>17,512,000,000.00</i>	<i>14,962,000,000.00</i>
Capital reserve	44	6,421,285,817.02	6,434,307,002.11
Other comprehensive income	45	206,632,714.69	232,267,913.04
Specific reserve	46	47,512,477.25	32,250,174.13
Surplus reserve	47	1,926,994,968.55	1,926,994,968.55
General risk reserve	48	359,957,564.90	359,957,564.90
Retained earnings	49	<u>26,336,978,514.22</u>	<u>26,505,650,840.60</u>
Total equity attributable to the shareholders of the parent company		63,489,133,190.63	61,131,199,597.33
Minority interests		<u>29,510,174,324.82</u>	<u>21,400,150,833.94</u>
Total equity attributable to shareholders		<u>92,999,307,515.45</u>	<u>82,531,350,431.27</u>
Total liabilities and equity attributable to shareholders		<u>296,474,156,516.79</u>	<u>282,123,755,708.33</u>

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Wang Lanfeng

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Income Statement

For the six months ended 30 June 2020

RMB

	Note V	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
Operating revenue	50	40,928,098,134.64	44,611,088,630.66
Less: Operating costs	50	31,513,755,189.53	32,233,081,668.80
Tax and surcharges	51	797,689,781.43	1,876,770,916.69
Selling expenses	52	1,302,239,165.35	1,390,471,643.71
Administrative expenses	53	2,860,480,846.42	3,193,509,354.13
Research and development expenses	54	138,524,427.00	120,614,864.67
Finance costs	55	1,694,837,346.02	1,414,421,704.70
Including: Interest expense		1,757,088,862.95	1,709,474,654.52
Interest income		253,487,917.73	445,148,683.74
Add: Other gains	56	285,851,134.84	339,144,246.14
Investment gains	57	211,678,187.29	254,789,279.12
Including: Gains from investment in associates and joint ventures		158,492,876.08	201,772,767.47
Gains from changes in fair value	58	252,221,568.61	500,972,469.63
Credit impairment losses	59	(158,664,388.39)	(148,435,766.41)
Asset impairment losses	60	(10,710,430.49)	(66,991,361.63)
Gains on disposal of assets	61	24,993,675.24	2,579,915.26
Operating profit		3,225,941,125.99	5,264,277,260.07
Add: Non-operating revenue	62	233,719,984.38	120,848,872.17
Less: Non-operating expenses	63	94,440,588.62	120,488,103.75
Total profit		3,365,220,521.75	5,264,638,028.49
Less: Income tax expenses	65	1,177,626,556.08	1,299,665,306.11
Net profit		2,187,593,965.67	3,964,972,722.38
Classified by continuing operations			
Net profit from continuing operations		2,187,593,965.67	3,964,972,722.38
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		1,523,592,114.58	3,045,574,008.22
Minority interests		664,001,851.09	919,398,714.16

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Income Statement (continued)

For the six months ended 30 June 2020

RMB

	Note V	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
Net other comprehensive income after tax attributable to shareholders of the parent company		(25,635,198.35)	(1,083,524.13)
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		(8,524,914.00)	(5,000.00)
Changes in fair value of investment in other equity instruments		(5,348,706.32)	(1,248,349.60)
Other comprehensive income to be reclassified into profit or loss			
Other comprehensive income that may be reclassified to profit or loss under the equity method		(8,734,689.30)	399,789.66
Exchange differences on translation of financial statements prepared in foreign currency		(3,026,888.73)	(229,964.19)
Net other comprehensive income after tax attributable to minority interests		(42,836,485.65)	(3,193,721.80)
Total comprehensive income		2,119,122,281.67	3,960,695,476.45
Including:			
Total comprehensive income attributable to the shareholders of the parent company		1,497,956,916.23	3,044,490,484.09
Total comprehensive income attributable to minority interests		621,165,365.44	916,204,992.36
Earnings per share			
Basic earnings per share (RMB/share)	66	0.14	0.29
Diluted earnings per share (RMB/share)	66	0.14	0.29

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2020

RMB

	Equity attributable to shareholders of the parent company										Total equity attributable to shareholders
	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	
1. Balance at the end of the previous period	10,677,771,134.00	14,962,000,000.00	6,434,307,002.11	232,267,913.04	32,250,174.13	1,926,994,968.55	359,957,564.90	26,505,650,840.60	61,131,199,597.33	21,400,150,833.94	82,531,350,431.27
2. Movements during the period											
(i) Total comprehensive income	-	-	-	(25,635,198.35)	-	-	-	1,523,592,114.58	1,497,956,916.23	621,165,365.44	2,119,122,281.67
(ii) Capital contribution and reduction from shareholders											
1 New capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	8,400,000,000.00	8,400,000,000.00
2 Equity transactions that do not affect control	-	-	(13,021,185.09)	-	-	-	-	-	(13,021,185.09)	(109,188,762.12)	(122,209,947.21)
3 Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(346,772.85)	(346,772.85)
4 Disposal of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	1,987,131.53	1,987,131.53
5 Issuance of perpetual bonds	-	2,550,000,000.00	-	-	-	-	-	-	2,550,000,000.00	-	2,550,000,000.00
(iii) Profit distribution											
1 Dividend to shareholders	-	-	-	-	-	-	-	(1,281,332,536.08)	(1,281,332,536.08)	(715,011,733.00)	(1,996,344,269.08)
2 Interest on perpetual bonds	-	-	-	-	-	-	-	(410,931,904.88)	(410,931,904.88)	(102,000,000.00)	(512,931,904.88)
(iv) Specific reserve											
1 Appropriated during the period	-	-	-	-	50,917,364.75	-	-	-	50,917,364.75	55,279,368.32	106,196,733.07
2 Paid during the period	-	-	-	-	(35,655,061.63)	-	-	-	(35,655,061.63)	(41,861,106.44)	(77,516,168.07)
III. Balance at the end of the period	10,677,771,134.00	17,512,000,000.00	6,421,285,817.02	206,632,714.69	47,512,477.25	1,926,994,968.55	359,957,564.90	26,336,978,514.22	63,489,133,190.63	29,510,174,324.82	92,999,307,515.45

The accompanying notes form an integral part of these financial statements

Unaudited Interim Consolidated Statement of Changes in Shareholders' Equity (continued)

For the six months ended 30 June 2019

RMB

	Equity attributable to shareholders of the parent company										Total equity attributable to shareholders
	Paid-up 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	14,962,000,000.00	5,273,970,842.54	206,951,321.03	20,124,124.94	1,537,434,040.24	340,792,201.29	24,646,427,835.84	57,665,471,499.88	21,549,031,047.34	79,214,502,547.22
Plus: Changes in accounting policies	-	-	-	-	-	-	-	(39,155,945.38)	(39,155,945.38)	(71,099,466.79)	(110,255,412.17)
II. Balance at the beginning of the period	10,677,771,134.00	14,962,000,000.00	5,273,970,842.54	206,951,321.03	20,124,124.94	1,537,434,040.24	340,792,201.29	24,607,271,890.46	57,626,315,554.50	21,477,931,580.55	79,104,247,135.05
III. Movements during the period											
(I) Total comprehensive income	-	-	-	(1,083,524.13)	-	-	-	3,045,574,008.22	3,044,490,484.09	916,204,992.36	3,960,695,476.45
(II) Capital contribution and reduction from shareholders											
1 Equity transactions that do not affect control	-	-	406,999,558.21	-	14,642,439.62	-	-	-	421,641,997.83	(421,641,997.83)	-
2 Business combination not under common control	-	-	-	-	-	-	-	-	-	190,512,133.32	190,512,133.32
3 New capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	13,754,000.00	13,754,000.00
4 Reduction of minority interests upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(250,249.49)	(250,249.49)
5 Disposal of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	(6,150,335.85)	(6,150,335.85)
6 Issuance of perpetual bonds	-	-	-	-	-	-	-	-	-	1,018,867.89	1,018,867.89
(III) Profit distribution											
1 Dividend to shareholders	-	-	-	-	-	-	-	(587,277,412.39)	(587,277,412.39)	(566,989,423.73)	(1,154,266,836.12)
2 Interest on perpetual bonds	-	-	-	-	-	-	-	(401,820,000.00)	(401,820,000.00)	(102,000,000.00)	(503,820,000.00)
(IV) Specific reserve											
1 Appropriated during the period	-	-	-	-	48,884,388.91	-	-	-	48,884,388.91	49,100,142.41	97,984,531.32
2 Paid during the period	-	-	-	-	(42,819,970.51)	-	-	-	(42,819,970.51)	(41,637,611.85)	(84,457,582.36)
IV. Balance at the end of the period	10,677,771,134.00	14,962,000,000.00	5,680,970,400.75	205,867,796.90	40,830,982.96	1,537,434,040.24	340,792,201.29	26,663,748,486.29	60,109,415,042.43	21,509,852,097.78	81,619,267,140.21

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 2020

RMB

	Note V	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		42,424,498,505.94	45,105,904,822.83
Refunds of taxes		142,413,679.76	185,168,773.65
Cash received from other operating activities	67	1,313,541,602.97	1,710,153,747.87
Subtotal of cash inflows from operating activities		43,880,453,788.67	47,001,227,344.35
Cash paid for goods and services		31,069,130,924.70	34,221,743,227.59
Cash paid to and on behalf of employees		2,850,706,939.66	3,232,695,697.55
Cash paid for all types of taxes		4,148,113,829.40	4,868,452,733.08
Cash paid for other operating activities	67	2,925,639,363.78	3,219,312,975.56
Net increase in deposits placed with the Central Bank		89,166,965.95	510,943,095.83
Subtotal of cash outflows from operating activities		41,082,758,023.49	46,053,147,729.61
Net cash flows from operating activities	67	2,797,695,765.18	948,079,614.74
II. Cash flows from investing activities:			
Cash received from redemption of investments		–	234,199,108.75
Cash received from return on investments		427,515,539.10	413,516,423.78
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		312,971,686.10	140,068,834.15
Net cash received from disposal of subsidiaries and other operating units		83,459,798.22	703,628,908.97
Cash received from other investing activities	67	1,157,825,990.68	2,628,396,634.59
Subtotal of cash inflows from investing activities		1,981,773,014.10	4,119,809,910.24
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,369,630,475.63	938,166,939.93
Cash paid for investments		100,000,000.00	100,820,000.00
Net cash paid for acquisition of subsidiaries and other operating units		–	48,421,037.65
Cash paid for other investing activities	67	1,682,426,792.53	3,984,958,397.03
Subtotal of cash outflows from investing activities		3,152,057,268.16	5,072,366,374.61
Net cash flows from investing activities		(1,170,284,254.06)	(952,556,464.37)

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 2020

RMB

	Note V	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
III. Cash flows from financing activities:			
Cash received from capital contributions		8,400,000,000.00	13,754,000.00
<i>Including: Cash received by subsidiaries from minority interests</i>		8,400,000,000.00	13,754,000.00
Cash received from issuance of bonds		11,214,307,000.00	8,495,523,773.58
Cash received from borrowings		29,063,222,096.20	32,882,355,515.71
Cash received from issuance of perpetual bonds		2,550,000,000.00	–
Cash received from other financing activities	67	720,300,000.00	35,000,000.00
Subtotal of cash inflows from financing activities		51,947,829,096.20	41,426,633,289.29
Cash paid for repayment of borrowings		34,053,948,026.27	28,553,033,237.95
Cash paid for distribution of dividends or profits or for interest expenses		3,740,497,267.45	3,508,805,604.30
<i>Including: Dividends and profits paid by subsidiaries to minority interests</i>		545,005,214.45	200,035,558.58
Cash paid for redemption of bonds		4,875,552,000.00	6,691,065,000.00
Cash paid for other financing activities	67	110,399,947.21	484,564,382.84
Subtotal of cash outflows from financing activities		42,780,397,240.93	39,237,468,225.09
Net cash flows from financing activities		9,167,431,855.27	2,189,165,064.20
IV. Effect of changes in exchange rate on cash and cash equivalents		3,388,131.68	(12,997,514.67)
V. Net increase in cash and cash equivalents	67	10,798,231,498.07	2,171,690,699.90
Add: Cash and cash equivalents at the beginning of the period	67	15,327,545,297.51	13,520,047,307.82
VI. Cash and cash equivalents at the end of the period	67	26,125,776,795.58	15,691,738,007.72

The accompanying notes form an integral part of these financial statements

Unaudited Interim Balance Sheet of the Company

As at 30 June 2020

RMB

Assets	Note XIV	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<hr/>			
Current Assets			
Cash and bank balances		21,254,580,137.78	8,627,307,336.62
Accounts receivable		28,555,573.78	–
Other receivables	1	81,118,224,689.15	74,611,857,334.04
Other current assets		<u>2,321,214.76</u>	<u>2,321,214.75</u>
Total current assets		<u>102,403,681,615.47</u>	<u>83,241,485,885.41</u>
Non-current assets			
Long-term receivable		–	110,958,405.25
Investment in other equity instruments		200,000.00	200,000.00
Long-term equity investments	2	48,613,028,475.93	47,954,670,429.73
Investment properties	3	11,948,369,593.33	11,839,906,198.63
Fixed assets		1,042,202,763.92	1,093,157,067.74
Intangible assets		363,962,903.57	371,326,596.68
Long-term deferred expenditure		15,672,425.45	–
Deferred income tax assets		221,233,673.66	221,233,673.66
Other non-current assets		<u>237,974,705.06</u>	<u>32,563,767.56</u>
Total non-current assets		<u>62,442,644,540.92</u>	<u>61,624,016,139.25</u>
Total assets		<u>164,846,326,156.39</u>	<u>144,865,502,024.66</u>

The accompanying notes form an integral part of these financial statements

Unaudited Interim Balance Sheet of the Company (continued)

As at 30 June 2020

RMB

Liabilities and shareholders' equity	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current liabilities		
Short-term loans	28,648,150,000.00	29,448,150,000.00
Accounts payable	8,534,173.57	8,534,173.57
Receipts in advance	130,163,734.24	148,269,417.58
Wages payable	85,430.15	10,815,430.15
Tax payable	52,642,101.01	52,799,147.76
Other payables	5,930,718,846.89	3,594,511,759.17
Short-term financing bonds payable	2,000,000,000.00	2,000,000,000.00
Non-current liabilities due within one year	<u>12,901,271,763.07</u>	<u>11,593,754,157.19</u>
Total current liabilities	<u>49,671,566,048.93</u>	<u>46,856,834,085.42</u>
Non-current liabilities		
Long-term loans	32,555,851,500.00	22,426,432,300.00
Bonds payable	26,158,730,448.80	23,969,695,517.95
Long-term wages payable	342,902,787.46	341,924,593.46
Deferred income tax liabilities	<u>2,196,389,549.05</u>	<u>2,169,273,700.37</u>
Total non-current liabilities	<u>61,253,874,285.31</u>	<u>48,907,326,111.78</u>
Total liabilities	<u>110,925,440,334.24</u>	<u>95,764,160,197.20</u>

The accompanying notes form an integral part of these financial statements

Unaudited Interim Balance Sheet of the Company (continued)

As at 30 June 2020

RMB

Liabilities and shareholders' equity	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Equity attributable to shareholders		
Share capital	10,677,771,134.00	10,677,771,134.00
Other equity instruments	17,962,000,000.00	14,962,000,000.00
<i>Including: Perpetual bonds</i>	17,962,000,000.00	14,962,000,000.00
Capital reserve	6,674,854,902.82	6,674,854,902.82
Other comprehensive income	73,272,959.79	81,426,873.79
Surplus reserve	1,924,214,128.32	1,924,214,128.32
Retained earnings	16,608,772,697.22	14,781,074,788.53
Total equity attributable to shareholders	<u>53,920,885,822.15</u>	<u>49,101,341,827.46</u>
Total liabilities and equity attributable to shareholders	<u>164,846,326,156.39</u>	<u>144,865,502,024.66</u>

The financial statements have been signed by:

Legal representative:
Jiang Deyi

Chief accountant:
Chen Guogao

Head of the accounting department:
Wang Lanfeng

The accompanying notes form an integral part of these financial statements

Unaudited Interim Income Statement of the Company

For the six months ended 30 June 2020

RMB

	Note XIV	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
Operating revenue	4	433,646,751.43	520,471,978.62
Less: Operating costs		38,702,097.47	40,778,605.70
Tax and surcharges		65,547,742.80	71,952,479.76
Selling expenses		1,890,344.69	20,575,656.07
Administrative expenses		69,434,854.29	69,481,974.98
Finance costs		658,500,104.34	362,087,077.92
Including: Interest expense		2,259,753,186.92	2,160,565,825.54
Interest income		1,727,017,105.86	1,879,378,223.22
Add: Investment gains	5	3,777,541,030.83	2,300,598,718.99
Including: Gains from investment in associates and joint ventures		18,967,228.95	17,515,609.08
Gains from changes in fair value		108,463,394.70	50,872,789.63
Operating profit		3,485,576,033.37	2,307,067,692.81
Add: Non-operating revenue		72,106,081.33	5,180,565.65
Less: Non-operating expenses		10,048,424.00	—
Total profit		3,547,633,690.70	2,312,248,258.46
Less: Income tax expenses		27,115,848.68	16,025,063.71
Net profit		3,520,517,842.02	2,296,223,194.75
Classified by continuing operations			
Including: Net profit from continuing operations		3,520,517,842.02	2,296,223,194.75
Net other comprehensive income after tax			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Changes arising from re-measurement of defined benefit plans		(8,153,914.00)	—
Total comprehensive income		3,512,363,928.02	2,296,223,194.75

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Changes in Shareholders' Equity of the Company

For the six months ended 30 June 2020

RMB

	Share capital	Other equity instruments Including: Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the end of previous period and the beginning of the period	10,677,771,134.00	14,962,000,000.00	6,674,854,902.82	81,426,873.79	1,924,214,128.32	14,781,074,788.53	49,101,341,827.46
II. Movements during the period							
(I) Total comprehensive income	-	-	-	(8,153,914.00)	-	3,520,517,842.02	3,512,363,928.02
(II) Capital contribution and reduction from shareholders							
1 Issuance of perpetual bonds	-	3,000,000,000.00	-	-	-	-	3,000,000,000.00
(III) Profit distribution							
1 Dividend to shareholders	-	-	-	-	-	(1,281,332,536.08)	(1,281,332,536.08)
2 Interest on perpetual bonds	-	-	-	-	-	(411,487,397.25)	(411,487,397.25)
III. Balance at the end of the period	10,677,771,134.00	17,962,000,000.00	6,674,854,902.82	73,272,959.79	1,924,214,128.32	16,608,772,697.22	53,920,885,822.15

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Changes in Shareholders' Equity of the Company (continued)

For the six months ended 30 June 2019

RMB

	Share capital	Other equity instruments Including: Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the period	10,677,771,134.00	14,962,000,000.00	6,674,854,902.82	64,844,712.79	1,537,434,040.24	12,686,531,408.25	46,603,436,198.10
II. Movements during the period							
(I) Total comprehensive income	-	-	-	-	-	2,296,223,194.75	2,296,223,194.75
1 Transfer of subsidiaries at nil consideration	-	-	(4,571,306,727.21)	-	-	-	(4,571,306,727.21)
2 Equity interests in subsidiaries obtained through business combinations under common control	-	-	(130,377,538.20)	-	-	-	(130,377,538.20)
(II) Profit distribution							
1 Dividend to shareholders	-	-	-	-	-	(587,277,412.39)	(587,277,412.39)
2 Interest on perpetual bonds	-	-	-	-	-	(401,820,000.00)	(401,820,000.00)
III. Balance at the end of the period	10,677,771,134.00	14,962,000,000.00	1,973,170,637.41	64,844,712.79	1,537,434,040.24	13,993,657,190.61	43,208,877,715.05

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Cash Flows of the Company

For the six months ended 30 June 2020

RMB

	Note XIV	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		418,680,898.16	586,147,774.65
Refunds of taxes		–	387,520.06
Cash received from other operating activities	6	27,922,486,322.13	25,250,650,933.68
Subtotal of cash inflows from operating activities		28,341,167,220.29	25,837,186,228.39
Cash paid for goods and services		7,089,356.87	8,803,428.09
Cash paid to and on behalf of employees		30,639,829.87	34,474,087.23
Cash paid for all types of taxes		116,843,085.86	140,101,662.78
Cash paid for other operating activities	6	29,334,914,941.23	22,632,394,870.02
Subtotal of cash outflows from operating activities		29,489,487,213.83	22,815,774,048.12
Net cash flows from operating activities	7	(1,148,319,993.54)	3,021,412,180.27
II. Cash flows from investing activities:			
Cash received from redemption of investments		–	7,339,214.03
Cash received from return on investments		1,102,973,750.39	1,072,185,733.41
Net cash received from disposal of subsidiaries and other operating units		–	1,526,863,800.00
Subtotal of cash inflows from investing activities		1,102,973,750.39	2,606,388,747.44
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		205,560,649.51	1,273,815.00
Cash paid for investments		639,390,817.25	4,380,532,303.91
Cash paid for other investing activities		–	110,958,405.25
Subtotal of cash outflows from investing activities		844,951,466.76	4,492,764,524.16
Net cash flows from investing activities		258,022,283.63	(1,886,375,776.72)

The accompanying notes form an integral part of these financial statements

Unaudited Interim Statement of Cash Flows of the Company (continued)

For the six months ended 30 June 2020

RMB

	Note XIV	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
III. Cash flows from financing activities:			
Cash received from borrowings		27,022,500,000.00	20,886,000,000.00
Cash received from issuance of perpetual bonds		3,000,000,000.00	–
Cash received from issuance of bonds		8,819,107,000.00	6,500,000,000.00
Subtotal of cash inflows from financing activities		38,841,607,000.00	27,386,000,000.00
Cash paid for repayment of debts		20,184,480,800.00	13,936,428,700.00
Cash paid for redemption of bonds		2,819,107,000.00	6,506,065,000.00
Cash paid for distribution of dividends or profits or for interest expenses		2,320,564,952.43	2,072,375,032.17
Subtotal of cash outflows from financing activities		25,324,152,752.43	22,514,868,732.17
Net cash flows from financing activities		13,517,454,247.57	4,871,131,267.83
IV. Net increase in cash and cash equivalents	7	12,627,156,537.66	6,006,167,671.38
Add: Cash and cash equivalents at the beginning of the period	7	8,577,069,332.94	6,440,358,384.99
V. Cash and cash equivalents at the end of the period	7	21,204,225,870.60	12,446,526,056.37

The accompanying notes form an integral part of these financial statements

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

I. BASIC INFORMATION

BBMG Corporation (hereinafter referred to as the “**Company**” or “**BBMG Group**”) is a joint stock company with limited liability incorporated in Beijing, the People’s Republic of China and was established on 22 December 2005. The Renminbi-denominated ordinary shares (A shares) and H shares of the Company are listed on the Shanghai Stock Exchange (“**Shanghai Stock Exchange**”) and The Stock Exchange of Hong Kong Limited, 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 100% shares of the Company held by BBMG Assets Company to Beijing SCOM Center (hereinafter referred to as “**BSCOMC**”). On 29 December 2016, the transfer registration formalities for the gratuitous transfer of the A shares of the Company were completed, after which, BSCOMC directly held 4,797,357,572 state-owned shares of the Company, representing 44.93% of the total share capital of the Company, and became the controlling shareholder of the Company.

These financial statements were approved by a resolution of the board of directors of the Company on 19 August 2020.

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are presented on a going concern basis.

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES

The specific accounting policies and accounting estimates have 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 methods, the depreciation of fixed assets, revenue recognition, the recognition and allocation of development costs on properties under construction, etc.

1. Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements are in compliance with the requirements of Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the Company and the Group as at 30 June 2020 and the results of operations and cash flow for the six months ended 30 June 2020.

2. Accounting period

The accounting year for the Group is from 1 January to 31 December of each Western calendar year. The accounting period for this report is from 1 January to 30 June 2020.

3. Functional currency

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

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

4. Business combinations

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

Business combinations under common control

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

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

4. Business combinations *(continued)*

Business combinations under common control *(continued)*

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

Business combinations not under common control

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

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

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

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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 investment income for the current period; previously held long-term equity investments in the acquiree involving other comprehensive income under the equity method will be subject to accounting treatment on the same basis as direct disposal of underlying assets or liabilities by the investee, and other changes in shareholders' equity will be reclassified as profit or loss for the period in which the acquisition date falls, except for net profit or loss, other comprehensive income and profit distribution. For the other equity instruments investment of the acquired party held before the acquisition date, change in fair value of the equity instrument accrued in other comprehensive income before the acquisition date is transferred to retained earnings.

5. Consolidated financial statements

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

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

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

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

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

5. Consolidated financial statements *(continued)*

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

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

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

6. Classification of joint arrangements and joint operation

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

7. Cash and cash equivalents

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

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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

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

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

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

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

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

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

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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

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. Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or bills receivable arising from sales of goods or provision of services do not include significant financing components or does not consider financing components not exceeding one year, they shall be initially recognised at the transaction price.

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

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

Financial assets at amortised cost

Financial assets are classified as financial assets measured at amortised cost if the financial assets meet the following conditions: the objective of the Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets requires that the cash flows giving rise on specified dates represent payments of principal and interest on the principal amount outstanding. For such financial assets, the effective interest method is used for recognizing interest income. The gains or losses arising from derecognition, amendment or impairment are recognized in profit or loss for the current period.

Debt instruments investment at fair value through other comprehensive income

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

Notes to 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 assets *(continued)*

Equity instruments investment at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

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. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial amounts recognised.

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

Financial liabilities at fair value through profit or loss

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

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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)*

Other financial liabilities

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

Impairment of financial assets

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

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

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

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

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

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

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)*

Offset of financial instruments

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

Financial guarantee contract

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

Derivative financial instruments

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

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

Transfers of financial assets

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

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

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

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

10. Inventories

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

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

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

The Group adopts a perpetual inventory system.

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

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

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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 and investment properties measured at fair value), 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.

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

12. Long-term equity investments

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

A long-term equity investment is initially measured at its initial investment cost on acquisition. For a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the carrying amount of the absorbing party's share of the owner's equity of the party being absorbed on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted against capital reserve (where the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). Other comprehensive income prior to the date of the merger is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. The initial investment cost of the long-term equity investment is the cost of acquisition for a business combination not under common control (for a business combination not under common control achieved in stages, the initial investment cost is measured at the carrying amount of the equity investments in the acquiree before the acquisition date plus the additional investment cost incurred on the acquisition date). The cost of combination includes the assets transferred and the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued. Other comprehensive income held prior to the date of the acquisition and recognised using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into other equity instruments investments upon the disposal is transferred in full. Any change in accumulated fair value of the equity investment held prior to the date of the acquisition included in other comprehensive income as financial instruments are transferred to retained earnings in full when the cost method is adopted. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: (i) if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; (ii) if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; and (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.

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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.

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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 market method. The result of such valuation is used as the fair value of the investment properties of the Group.

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

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

14. Fixed assets

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

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

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

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

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

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

15. Construction in progress

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

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

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

16. Borrowing costs

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

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

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

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

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

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

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

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

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

17. Intangible assets

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

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

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

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

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

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

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

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

17. Intangible assets *(continued)*

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

18. Impairment of assets

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

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

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

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

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

18. Impairment of assets *(continued)*

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

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

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

19. Long-term deferred expenditures

Long-term deferred expenditures represent expenditures incurred but should be recognised as expenses over more than one year in the current year and subsequent periods, including costs of leasehold improvements, renovation expenses and stripping cost of mines. 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.

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

20. Employee benefits

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

Short-term benefits

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

Post-employment benefits (the defined contribution plan)

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

Post-employment benefits (the defined benefit plan)

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

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.

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

20. Employee benefits *(continued)*

Termination benefits

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

21. Accrued liabilities

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

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

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

22. Other equity instruments

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

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

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

23. Revenue from contracts with customers

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

Sales contracts of goods

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

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

Construction Contracts

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

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

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

Contracts for provision of services

Contracts for provision of services between the Group and its customers generally include performance obligations in relation to decoration and design, property management, etc. As the customers will receive and consume economic benefits arising from the fulfilment of performance obligations as stipulated in the contracts by the Group. 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 or output method. Where progress of performance cannot be reasonably determined, the Group determined its revenue based on the incurred amount of costs to the extent that they are expected to be compensated, until the progress of performance is able to be determined reasonably.

Significant financing component

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

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

Warranty obligations

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

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

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

Variable consideration

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

Main responsible person/agent

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

24. Contract assets and contract liabilities

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

Contract assets

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

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

Contract liabilities

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

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

25. Assets related to contractual cost

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

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

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

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

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

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

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

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

Notes to Unaudited Interim Financial Statements

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

26. Government grants

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

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

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

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

27. Income tax

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

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

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

27. Income tax *(continued)*

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

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

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

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

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

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

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

27. Income tax *(continued)*

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

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

28. Right-of-use assets

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

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

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

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

29. Lease liabilities

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

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

30. Leases

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

Identification of separate leases

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

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

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

30. Leases *(continued)*

Assessment of lease term

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

As a lessee

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

Lease change

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

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

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

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

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

30. Leases *(continued)*

As a lessee (continued)

Lease change (continued)

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

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

Short-term lease and low-value asset lease

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

Rent concessions caused by the COVID-19

For the rent concessions directly caused by the COVID-19 and agreed by the Group and the Lessor under the existing leasing contacts and the rent deduction such as deferred payments, if it meets the following conditions at the same time, the Group will adopt simplified method for the leases:

- (1) The lease consideration after the concession is reduced or basically unchanged compared with that before the concession;
- (2) The concession is only for lease payables before 30 June 2021;
- (3) After taking into account the qualitative and quantitative factors, it is determined that there is no significant changes in other terms and conditions of the leases.

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

30. Leases *(continued)*

As a lessee (continued)

Rent concessions caused by the COVID-19 (continued)

The Group will not assess whether there has been a change in the lease, and will continue to calculate the interest expenses of the lease liabilities based on the discount rate consistent with that before the concession and recognized in profit or loss for the current period; and continue to make provision for the depreciation of the right-of-use assets based on the method consistent with that before the concession. For the recognized rent concessions, the rent concessions shall be treated as variable lease payments by the Group. If original rent payment obligation released when the concession agreement has been fulfilled, the relevant assets costs or expenses shall be offset by the undiscounted amounts and the lease liabilities shall be adjusted accordingly. For the deferred rental payment, the previously recognized lease liabilities will be offset by the Group when the actual payment occurs.

As a lessor

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

As a lessor of a finance lease

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

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

As a lessor of an operating lease

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

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

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

30. Leases *(continued)*

Sale and leaseback transactions

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

As a lessee

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

As a lessor

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

31. Hedge accounting

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

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

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

31. Hedge accounting *(continued)*

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

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

The Group's methodology for assessing the effectiveness of hedging, risk management strategy and how to apply the strategy to manage risks are described in Note V.70 Hedging.

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

Fair value hedge

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

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

32. Profit distribution

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

33. 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.

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

34. Fair value measurement

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

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)*

35. Significant accounting judgments and estimates

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

Judgments

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and inventories

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

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

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

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

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

Judgments (continued)

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.

Other equity instruments – perpetual bonds

As described in Note V. 43, the Group issued perpetual bonds of RMB1 billion, RMB4 billion, RMB5 billion, RMB5 billion and RMB3 billion in 2015, 2016, 2017, 2018 and 2020, respectively. Pursuant to the relevant prospectuses of the medium-term notes, upon comprehensive consideration by the management of the Group that the perpetual bonds have no maturity dates or the Group has the right to extend for unlimited number of times upon the maturity thereof, and has the right to deferred the payment of coupon interests on the perpetual bonds, and that the Group has no contractual obligations to pay cash or other financial assets nor to exchange financial assets or financial liabilities under potential adverse condition with the holders of the perpetual bonds, the Group classifies the perpetual bonds as equity instruments, and the subsequent declared distribution will be treated as distribution to the holders of the equity.

Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise valuation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contract cash flow, the Group is required to analyse and exercise judgment in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

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

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

Judgments (continued)

Characteristics of contract cash flow

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flow of such type of financial assets. Judgment is required to determine whether the contract cash flow represents interest payment in relation to principal amounts based on outstanding principal amounts only, including judgment of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies, and judgment of whether the fair value of early repayment features is minimal where the financial assets include such early repayment features.

Uncertainty of estimation

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

Impairment of financial instruments

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

Impairment of goodwill

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

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

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

Uncertainty of estimation (continued)

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

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

Deferred income tax assets

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

Land appreciation tax

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

Fair value of investment properties

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

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

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

Uncertainty of estimation (continued)

Recognition and allocation of development costs on properties under construction

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

Provision for decline in value of inventory

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

Measurement of defined benefit obligations

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

Useful lives and residual values of fixed assets

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

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IV. TAXATION

(1) Major categories of taxes and respective tax rates

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

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IV. TAXATION *(continued)*

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

Land appreciation tax:	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the transfer of ownership by the Group at a consideration.
Resource tax:	Under the relevant tax laws of the PRC, it is levied to the minerals exploited by the Group on a quantity basis or price basis.
Corporate income tax:	Except for the corporate income tax of BBMG Hong Kong Limited and Jidong Development (HK) International Ltd levied at the rate of 16.5% based on the taxable profits and the income tax concessions entitled to by some of the enterprises comprising the Group as below, the Group's corporate income tax is levied at the tax rate of 25% based on the taxable profit.

(2) Tax preferences

1. Corporate income tax

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

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IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

2. Value-added tax (VAT)

Certain subsidiaries of the Group enjoy the following VAT preferences:

- (1) In accordance with the Notice concerning the Issuance of “Directory of Value-added Tax Concessions on Comprehensive Utilisation of Goods and Services” (《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) (Cai Shui [2015] No. 78) promulgated by Ministry of Finance and State Administration of Taxation of the PRC with effect from 1 July 2015, some of the Company’s subsidiaries engaged in cement production enjoy 70% VAT refund upon collection preferential policy in respect of their eligible cement products.
- (2) In accordance with the requirements of the Notice concerning the Issuance of “Directory of Value-added Tax Concessions on Comprehensive Utilisation of Goods and Services” (《關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》) (Cai Shui [2015] No. 78) with effect from 1 July 2015, a minor portion of products of BBMG Mortar Co., Ltd., being a subsidiary of the Group, meet the requirement of Comprehensive Utilization of Resources, enjoying 70% VAT refund upon collection.
- (3) In accordance with the requirements of the Notice concerning the Value-added Tax Policy for Novel Wall Materials (《關於新型牆體材料增值稅政策的通知》) (Cai Shui [2015] No. 73), Beijing Jinyu Aerated Concrete Co., Ltd. and Tangshan Jinyu Aerated Concrete Co., Ltd., both being the Group’s subsidiaries, enjoy 50% VAT refund upon collection preferential policy in respect of their eligible novel wall materials.

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IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

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

Certain subsidiaries of the Group enjoy the following VAT preferences: (continued)

- (4) Under the project cooperation agreement entered into with the Management Committee of Tianjin Dongjiang Free Trade Zone (天津東疆保稅港區管理委員會), BBMG Finance Lease Co., Ltd., a subsidiary of the Group, enjoys a tax preference policy implemented by the tax authority in the Dongjiang Free Trade Zone, pursuant to which actual tax burden exceeding 3% will be entitled to VAT refund upon collection in accordance with the Notice concerning the Incorporation of the Railway Transportation Industry and the Postal Industry into the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《關於將鐵路運輸和郵政業納入營業稅改增值稅試點的通知》) (Cai Shui [2013] No. 106). In addition, in accordance with the Notice of Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau on Relevant Issues concerning Transitional Financial Subsidy for Pilot Program of Levying Value-added Tax in lieu of Business Tax (《天津市財政局天津市國家稅務局天津市地方稅務局關於營業稅改增值稅試點過渡性財政扶持資金申請撥付問題的通知》) (Jin Cai Shui Zheng [2013] No. 1), if the tax burden of VAT after the reform from business tax to value-added tax (“**B2V Reform**”) is greater than that of business tax before B2V Reform, the financial subsidy for the increased tax burden will be executed according to the relevant requirements of the above documents. Pursuant to the agreement, the Dongjiang Free Trade Zone would undertake 70% of turnover tax from 2015 to 2020 supported by the preferential policies.
- (5) In accordance with the requirements of the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products (《財政部國家稅務總局關於軟件產品增值稅政策的通知》) (Cai Shui [2011] No. 100), Tangshan Dunshi Information and Technology Co., Ltd. enjoys the preferential VAT policy of refund upon collection in respect of the actual tax burden exceeding 3% for the software it sells.
- (6) According to Item 2, Article 1 of Appendix 3 to the Notice of the Ministry of Finance and the State Administration of Taxation concerning the Overall Implementation of the Pilot Program of Levying Value-added Tax in lieu of Business Tax (《財政部國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36), the elderly services provided by Beijing BBMG Aixin Binhe Elderly Services Co., Ltd. are exempted from VAT.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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IV. TAXATION *(continued)*

(2) Tax preferences *(continued)*

3. Resource tax

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

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2020	31 December 2019
Cash on hand	707,375.96	423,863.04
Bank deposits	31,502,280,511.81	19,585,982,860.68
Other cash and bank balances	402,821,803.51	492,075,865.11
Statutory deposit reserve placement with central bank by finance company	<u>1,335,726,955.49</u>	<u>1,246,559,989.54</u>
	<u>33,241,536,646.77</u>	<u>21,325,042,578.37</u>

Cash and bank balances with restrictions:

	30 June 2020	31 December 2019
Cash and bank balances for collateral:		
Statutory deposit reserve placement with central bank by finance company	1,335,726,955.49	1,246,559,989.54
Deposits for letter of credit	44,447,376.60	72,570,404.63
Quality/performance guarantees	155,031,913.75	189,169,233.08
Deposits for acceptance bills	229,038,845.31	291,346,394.08
Other cash and bank balances with restrictions:		
Restricted part of property pre-sale funds	5,061,181,511.90	3,872,605,923.80
Others	<u>290,333,248.14</u>	<u>325,245,335.73</u>
	<u>7,115,759,851.19</u>	<u>5,997,497,280.86</u>

As at 30 June 2020, the cash and bank balances with restrictions utilized by the Group included bank deposits of RMB5,378,116,602.87 (31 December 2019: RMB4,258,861,426.21), other cash and bank balances fund of RMB401,916,292.83 (31 December 2019: RMB492,075,865.11) and statutory deposit reserve placement with central bank by finance company of RMB1,335,726,955.49 (31 December 2019: RMB1,246,559,989.54).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Cash and bank balances (continued)

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

As at 30 June 2020, the Group's cash and bank balances deposited overseas amounted to RMB277,126,274.95 (31 December 2019: RMB169,742,515.94).

2. Financial assets held for trading

	30 June 2020	31 December 2019
Wealth management product investment	1,006,928,901.08	1,001,034,386.73
Equity instrument investment	12,978,900.00	14,243,900.00
	<u>1,019,907,801.08</u>	<u>1,015,278,286.73</u>

3. Bills receivable

	30 June 2020	31 December 2019
Bank acceptance bills	–	4,518,509,076.66
Commercial acceptance bills	702,488,936.06	825,050,192.61
	702,488,936.06	5,343,559,269.27
Less: Provision for bad debts of bills receivable	71,423,642.09	140,949,917.97
	<u>631,065,293.97</u>	<u>5,202,609,351.30</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Bills receivable (continued)

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

	30 June 2020 Not derecognised	31 December 2019 Not derecognised
Bank acceptance bills	–	565,734,467.17
Commercial acceptance bills	268,206,705.90	430,996,203.28
	268,206,705.90	996,730,670.45

As at 31 December 2019, bank acceptance bills of RMB92,052,474.50 were used for discounting of short-term loan. For details of pledge of bank acceptance bills, please refer to Note V. 68.

Transfer of bills receivable into accounts receivable due to default on the part of the drawer is as follows:

	30 June 2020	31 December 2019
Commercial acceptance bills	136,106,869.10	137,406,869.10

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

	30 June 2020	31 December 2019
Balance at the beginning of the period/year	140,949,917.97	65,855,058.00
(Reversal for)/Provision for the period/year	(69,526,275.88)	75,094,859.97
Balance at the end of the period/year	71,423,642.09	140,949,917.97

See Note VIII. 2 for transfer of bills receivable.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable

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

An aging analysis of accounts receivable is as follows:

	30 June 2020	31 December 2019
Within 1 year	6,157,716,721.24	6,025,933,817.48
1 to 2 years	2,316,678,069.15	1,812,861,436.65
2 to 3 years	857,192,130.18	875,311,528.23
3 to 4 years	647,047,940.45	482,639,054.25
4 to 5 years	298,151,512.49	456,696,773.03
Over 5 years	<u>1,120,309,351.32</u>	<u>968,507,647.38</u>
	11,397,095,724.83	10,621,950,257.02
Less: Provision for bad debts of accounts receivable	<u>2,753,031,395.73</u>	<u>2,620,476,724.39</u>
	<u>8,644,064,329.10</u>	<u>8,001,473,532.63</u>

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

	30 June 2020	31 December 2019
Balance at the beginning of the period/year	2,620,476,724.39	2,423,525,518.45
Provision for the period/year	194,974,896.74	376,975,737.13
Transferred in upon acquisition of subsidiaries	–	15,437,643.47
Reversal for the period/year	(15,624,802.25)	(51,395,447.89)
Write-off for the period/year	(136,693.61)	(24,878,817.44)
Removed from upon disposal of subsidiaries	(46,658,729.54)	(38,992,282.51)
Other transfers	–	<u>(80,195,626.82)</u>
Balance at the end of the period/year	<u>2,753,031,395.73</u>	<u>2,620,476,724.39</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

	30 June 2020			
	Balance of carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Subject to separate provision for bad debts	1,168,147,737.48	10.25	526,413,743.34	45.06
Provision for bad debts by credit risk characteristics group	10,228,947,987.35	89.75	2,226,617,652.39	21.77
	11,397,095,724.83	100.00	2,753,031,395.73	24.16

	31 December 2019			
	Balance of carrying amount		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Subject to separate provision for bad debts	1,010,803,184.21	9.52	612,293,506.18	60.57
Provision for bad debts by credit risk characteristics group	9,611,147,072.81	90.48	2,008,183,218.21	20.89
	10,621,950,257.02	100.00	2,620,476,724.39	24.67

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

As at 30 June 2020, accounts receivable which were subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons
Unit 1	136,106,869.10	74,656,155.06	54.85	Partly uncollectible
Unit 2	78,971,481.10	78,971,481.10	100.00	All uncollectible
Unit 3	67,194,228.53	67,194,228.53	100.00	All uncollectible
Unit 4	51,900,000.00	51,900,000.00	100.00	All uncollectible
Unit 5	17,359,467.98	17,359,467.98	100.00	All uncollectible
Other units	<u>816,615,690.77</u>	<u>236,332,410.67</u>	28.94	Partly uncollectible
	<u>1,168,147,737.48</u>	<u>526,413,743.34</u>		

As at 31 December 2019, accounts receivable which were subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons
Unit 1	137,406,869.10	75,475,155.06	54.93	Partly uncollectible
Unit 2	78,697,034.78	78,697,034.78	100.00	All uncollectible
Unit 3	67,194,228.53	67,194,228.53	100.00	All uncollectible
Unit 4	51,900,000.00	51,900,000.00	100.00	All uncollectible
Unit 5	17,359,467.98	17,359,467.98	100.00	All uncollectible
Other units	<u>658,245,583.82</u>	<u>321,667,619.83</u>	48.87	Partly uncollectible
	<u>1,010,803,184.21</u>	<u>612,293,506.18</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

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

	30 June 2020		
	Gross carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year (inclusive of 1 year)	6,013,797,450.09	2.91	174,914,498.81
1 to 2 years (inclusive of 2 years)	2,017,534,920.49	18.67	376,592,767.67
2 to 3 years (inclusive of 3 years)	712,518,726.07	44.37	316,172,480.17
3 to 4 years (inclusive of 4 years)	389,135,959.99	67.58	262,976,975.03
4 to 5 years (inclusive of 5 years)	281,174,444.11	100.00	281,174,444.11
Over 5 years	814,786,486.60	100.00	814,786,486.60
	10,228,947,987.35		2,226,617,652.39

	31 December 2019		
	Gross carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year (inclusive of 1 year)	6,019,802,531.83	2.95	177,546,364.46
1 to 2 years (inclusive of 2 years)	1,645,183,842.71	18.44	303,445,180.49
2 to 3 years (inclusive of 3 years)	628,836,190.67	42.80	269,125,118.69
3 to 4 years (inclusive of 4 years)	214,588,869.07	72.39	155,330,916.04
4 to 5 years (inclusive of 5 years)	334,213,779.17	100.00	334,213,779.17
Over 5 years	768,521,859.36	100.00	768,521,859.36
	9,611,147,072.81		2,008,183,218.21

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

As at 30 June 2020, 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 6	Payment for goods received	Expected Partly uncollectible	5,092,330.00	4,939,780.00
Unit 7	Payment for goods received	Expected Partly uncollectible	7,467,208.91	3,000,000.00
Unit 8	Payment for goods received	Expected All uncollectible	1,521,552.50	1,521,552.50
Unit 9	Payment for goods received	Expected All uncollectible	957,542.55	957,542.55
Unit 10	Payment for goods received	Expected Partly uncollectible	1,933,014.50	874,660.08
Other Units	Payment for goods received	Expected Partly uncollectible	40,770,597.42	4,331,267.12
			57,742,245.88	15,624,802.25

As at 31 December 2019, reversal of provision for bad debts of individually significant accounts receivable or recovery of individually significant accounts receivable are as follows:

	Reasons for reversal	Basis of determining the original provisions for bad debts	Accumulated amount of provision for bad debts before recovery	Reversal amount
Unit 11	Payment for goods received	Expected Partly uncollectible	21,400,499.00	17,145,426.50
Unit 12	Payment for goods received	Expected All uncollectible	15,252,693.43	15,252,693.43
Unit 13	Payment for goods received	Expected All uncollectible	7,262,346.00	7,262,346.00
Unit 14	Payment for goods received	Expected Partly uncollectible	6,323,205.00	4,962,710.00
Unit 15	Payment for goods received	Expected All uncollectible	3,808,619.08	3,808,619.08
Other Units	Payment for goods received	Expected All uncollectible	5,904,752.88	2,963,652.88
			59,952,115.39	51,395,447.89

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

As at 30 June 2020, the top 5 of the balance of accounts receivable were as follows:

	Balance	Proportion in total accounts receivable (%)	Provision for bad debts	Net amount
First	348,550,475.98	3.06	23,510,473.29	325,040,002.69
Second	312,054,212.34	2.74	22,058,549.91	289,995,662.43
Third	136,106,869.10	1.19	74,656,155.06	61,450,714.04
Fourth	135,362,804.04	1.19	17,511,264.84	117,851,539.20
Fifth	120,782,963.37	1.06	20,025,767.84	100,757,195.53
	1,052,857,324.83	9.24	157,762,210.94	895,095,113.89

As at 31 December 2019, the top 5 of the balance of accounts receivable were as follows:

	Balance	Proportion in total accounts receivable (%)	Provision for bad debts	Net amount
First	137,406,869.10	1.29	75,475,155.06	61,931,714.04
Second	93,764,740.21	0.88	3,750,589.61	90,014,150.60
Third	78,697,034.78	0.74	78,697,034.78	–
Fourth	67,194,228.53	0.63	67,194,228.53	–
Fifth	65,394,451.73	0.62	29,079,785.46	36,314,666.27
	442,457,324.35	4.16	254,196,793.44	188,260,530.91

For the six months ended 30 June 2020, provision for bad debts amounted to RMB194,974,896.74 (2019: RMB376,975,737.13), and provision for bad debts reversed or recovered amounted to RMB15,624,802.25 (2019: RMB51,395,447.89). The actual amount of accounts receivable written-off was RMB136,693.61 (2019: RMB24,878,817.44).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Accounts receivable financing

	30 June 2020	31 December 2019
Bank acceptance bills	<u>3,907,669,819.53</u>	<u>501,846,392.39</u>

Due to the needs of daily fund management, the subsidiaries of the Group endorsed part of bank acceptance bills. The Group therefore classify bank acceptance bills as financial assets at fair value through other comprehensive income.

As at 30 June 2020, bank acceptance bills of RMB26,128,750.00 were used for discounting of short-term loan; and the pledged bank acceptance bills were RMB37,645,755.00 (31 December 2019:Nil). For details of pledge of bank acceptance bills, please refer to Note V. 68.

Bank acceptance bills endorsed or discounted but not yet due as at 30 June 2020 are as follows:

Type	Derecognised at the end of period	Not derecognised at the end of period
Bank acceptance bills	<u>8,209,632,941.44</u>	<u>216,213,078.78</u>

As at 30 June 2020, the Group endorsed the undue bills receivable to its suppliers to settle trade payables or obtain short-term borrowings of the same amounts and derecognised these bills receivable, the payables to suppliers and the short-term borrowings in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 30 June 2020, the maximum exposure to loss from its continuous involvement represents the amounts of undue bills receivable of RMB8,209,632,941.44 (31 December 2019: RMB11,120,570,111.16), which the Group endorsed to its suppliers or discounted to banks.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Prepayments

An aging analysis of prepayments is as follows:

	30 June 2020		31 December 2019	
	Balance of carrying amount	Proportion	Balance of carrying amount	Proportion
Within 1 year	1,833,212,204.69	91.56%	1,446,065,792.08	92.26%
1 to 2 years	78,820,795.34	3.94%	55,284,739.50	3.53%
2 to 3 years	30,004,208.39	1.50%	22,111,293.14	1.41%
Over 3 years	60,192,532.50	3.00%	43,847,858.42	2.80%
	2,002,229,740.92	100.00%	1,567,309,683.14	100.00%
Less: Provision for bad debts or of prepayments	41,735,957.34		43,084,211.69	
	1,960,493,783.58		1,524,225,471.45	

As at 30 June 2020, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total amount	Reasons for being not yet settled in time
Unit16	1-2 year	22,983,264.00	1.15%	Uncompleted
Unit 17	Over 3 years	6,941,024.00	0.35%	Uncompleted
Unit 18	Over 3 years	6,145,541.26	0.31%	Uncompleted
		36,069,829.26	1.81%	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Prepayments (continued)

As at 31 December 2019, the significant prepayments aging over 1 year were as follows:

	Aging	Amount	Percentage of total amount	Reasons for being not yet settled in time
Unit 16	1-2 year	22,983,264.00	1.47%	Uncompleted
Unit 17	Over 3 years	6,941,024.00	0.44%	Uncompleted
Unit 18	Over 3 years	<u>6,145,541.26</u>	<u>0.39%</u>	Uncompleted
		<u>36,069,829.26</u>	<u>2.30%</u>	

As at 30 June 2020, the top five prepayments based on balances of the debtors are analysed as follows:

	Balance	Percentage of total prepayments
First	215,661,660.10	10.77%
Second	77,628,929.69	3.88%
Third	66,474,301.94	3.32%
Fourth	60,708,383.77	3.03%
Fifth	<u>60,693,332.11</u>	<u>3.03%</u>
	<u>481,166,607.61</u>	<u>24.03%</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Prepayments (continued)

As at 31 December 2019, the top five prepayments based on balances of the debtors are analysed as follows:

	Amount	Percentage of total prepayments
First	286,788,200.31	18.30%
Second	81,786,007.97	5.22%
Third	53,937,918.10	3.44%
Fourth	49,934,715.66	3.19%
Fifth	49,328,216.39	3.15%
	<u>521,775,058.43</u>	<u>33.29%</u>

Changes in the provision for bad debts of prepayments is as follows:

	30 June 2020	31 December 2019
Balance at the beginning of the period/year	43,084,211.69	32,755,124.32
Provision for the period/year	1,037,977.36	15,995,917.82
Reversal for the period/year	(828,612.88)	(6,735,064.83)
Write-off for the period/year	-	(1,551,323.12)
Other increase	-	3,293,526.76
Removed from upon disposal of subsidiaries	(1,557,618.83)	(673,969.26)
Balance at the end of the period	<u>41,735,957.34</u>	<u>43,084,211.69</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables

	30 June 2020	31 December 2019
Interests receivable	55,292,196.92	51,443,013.93
Interests on borrowings from associates	51,443,013.93	51,443,013.93
Interests on bonds	3,849,182.99	–
Dividends receivable	34,675,560.20	35,675,560.20
Dividends due from associates	34,675,560.20	35,675,560.20
Other receivable		
Deposits	1,659,273,111.56	1,554,908,448.82
Current account with other entities	5,282,781,575.02	5,817,473,661.95
Government grants receivable	78,654,059.39	12,666,129.89
Amount due from associates	3,306,899,608.10	3,199,850,555.58
Amount due from Joint ventures	67,084,532.50	82,653,803.40
	10,484,660,643.69	10,754,671,173.77
Less: Provision for bad debts of other receivables	1,863,348,046.21	1,687,313,396.35
	8,621,312,597.48	9,067,357,777.42

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

An aging analysis of other receivables is as follows:

	30 June 2020	31 December 2019
Within 1 year	2,409,163,842.62	3,110,003,235.43
1 to 2 years	2,468,680,073.95	4,404,431,711.89
2 to 3 years	3,152,579,009.69	424,560,302.77
3 to 4 years	642,872,374.50	846,541,288.85
4 to 5 years	446,962,598.21	288,493,855.45
Over 5 years	1,364,402,744.72	1,680,640,779.38
	10,484,660,643.69	10,754,671,173.77
Less: Provision for bad debts of other receivables	1,863,348,046.21	1,687,313,396.35
	8,621,312,597.48	9,067,357,777.42

The movements in provision for bad debts of other receivables measured based on 12-month expected credit losses and lifetime expected credit loss are as follows:

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit-impaired Financial assets (lifetime expected credit loss)	Total
Balance at the beginning of the period	1,683,772.67	957,741,063.87	727,888,559.81	1,687,313,396.35
– transferred to stage two	(1,683,772.67)	1,683,772.67	–	–
– transferred to stage three	–	(4,356,409.40)	4,356,409.40	–
Provision for the period	7,162,052.87	(9,152,724.48)	59,433,487.36	57,442,815.75
Other increase	–	–	168,535,998.79	168,535,998.79
Reversal for the period	–	–	(5,321,852.27)	(5,321,852.27)
Removed from upon disposal of subsidiaries	–	–	(44,622,312.41)	(44,622,312.41)
Balance at the end of the period	7,162,052.87	945,915,702.66	910,270,290.68	1,863,348,046.21

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

For the six months ended 30 June 2020, provision for bad debts amounted to RMB57,442,815.75 (2019: RMB90,085,465.98), and provision for bad debts reversed amounted to RMB5,321,852.27 (2019: RMB13,510,477.38). The actual amount of accounts receivable written-off was Nil (2019: RMB41,781,989.80) during the Period.

As at 30 June 2020, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	2,715,022,880.28	25.90%	Amount due from associates	1-2 years, 2-3 years	-
Second	692,712,900.00	6.61%	Prices of land resumption	1-2 years	-
Third	533,440,850.42	5.09%	General payables	Within 1 year	-
Fourth	451,036,416.07	4.30%	Disbursements previously made	Within 1 year to 5 years	-
Fifth	322,822,333.34	3.08%	General payables	Within 1 year, 2-3 years, 3-4 years and over 5 years	16,800,242.56
	<u>4,715,035,380.11</u>	<u>44.98%</u>			<u>16,800,242.56</u>

As at 31 December 2019, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	2,686,084,477.51	24.98%	Amount due from associates	Within 1 year, 1-2 years	-
Second	692,712,900.00	6.44%	Prices of land resumption	1-2 years	-
Third	533,440,850.42	4.96%	General payables	Within 1 year	-
Fourth	450,900,606.98	4.19%	Disbursements previously made	Within 1 year, 1-2 years and 3-4 years	-
Fifth	303,028,089.44	2.82%	General payables	Within 1 year, 1-2 years, 2-3 years and over 5 years	16,800,000.00
	<u>4,666,166,924.35</u>	<u>43.39%</u>			<u>16,800,000.00</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

As at 30 June 2020, government grants receivable were as follows:

	Description of government grants	Amount	Aging	Expected time of receipt
Local tax authorities	Refunds of VAT	<u>78,654,059.39</u>	Within 1 year	2020

As at 31 December 2019, government grants receivable were as follows:

	Description of government grants	Amount	Aging	Expected time of receipt
Local tax authorities	Refunds of VAT	<u>12,666,129.89</u>	Within 1 year	2020

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

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For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories

	30 June 2020		
	Balance of carrying amount	Provision for decline in value	Carrying value
Raw materials	2,407,413,671.16	73,925,930.64	2,333,487,740.52
Items in production	1,138,041,222.88	20,640,684.95	1,117,400,537.93
Finished goods	2,476,916,649.41	160,635,536.34	2,316,281,113.07
Turnover materials	18,307,545.43	–	18,307,545.43
Development costs	101,524,217,548.62	7,169,850.12	101,517,047,698.50
Products under development	16,579,300,490.30	170,873,885.80	16,408,426,604.50
Contract performance cost	96,162,609.74	20,812,186.15	75,350,423.59
	124,240,359,737.54	454,058,074.00	123,786,301,663.54

	31 December 2019		
	Balance of carrying amount	Provision for decline in value	Carrying value
Raw materials	2,203,791,559.92	94,201,495.59	2,109,590,064.33
Items in production	1,057,167,684.03	6,484,413.09	1,050,683,270.94
Finished goods	2,708,644,733.14	179,881,949.41	2,528,762,783.73
Turnover materials	10,725,951.18	–	10,725,951.18
Development costs	97,856,892,687.73	7,169,850.12	97,849,722,837.61
Products under development	18,333,890,490.13	427,977,001.15	17,905,913,488.98
Contract performance cost	96,439,125.88	20,812,186.15	75,626,939.73
	122,267,552,232.01	736,526,895.51	121,531,025,336.50

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

January to June 2020

	Opening amount	Provision for the period	Decrease during the period			Closing balance
			Reversal	Write-off	Others	
Raw materials	94,201,495.59	554,779.24	352,244.18	19,297,002.98	1,181,097.03	73,925,930.64
Items in production	6,484,413.09	1,337,475.11	-	-	(12,818,796.75)	20,640,684.95
Finished goods	179,881,949.41	8,321,137.97	-	15,929,851.32	11,637,699.72	160,635,536.34
Contract performance cost	20,812,186.15	-	-	-	-	20,812,186.15
Development costs	7,169,850.12	-	-	-	-	7,169,850.12
Products under development	427,977,001.15	-	-	257,103,115.35	-	170,873,885.80
	<u>736,526,895.51</u>	<u>10,213,392.32</u>	<u>352,244.18</u>	<u>292,329,969.65</u>	<u>-</u>	<u>454,058,074.00</u>

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

2019

	Opening balance	Provision for the year	Decrease during the year			Closing balance
			Removed from upon disposal of subsidiaries	Reversal	Write-off	
Raw materials	111,744,448.57	11,195,121.86	1,150,014.88	-	27,588,059.96	94,201,495.59
Items in production	26,892,195.65	14,430,534.97	-	-	34,838,317.53	6,484,413.09
Finished goods	62,487,076.76	138,820,644.88	1,078,841.43	16,987,140.73	3,359,790.07	179,881,949.41
Turnover materials	81,472.31	-	-	-	81,472.31	-
Contract performance cost	10,985,839.43	9,826,346.72	-	-	-	20,812,186.15
Development costs	7,169,850.12	-	-	-	-	7,169,850.12
Products under development	470,289,422.94	-	-	1,754,891.35	40,557,530.44	427,977,001.15
	<u>689,650,305.78</u>	<u>174,272,648.43</u>	<u>2,228,856.31</u>	<u>18,742,032.08</u>	<u>106,425,170.31</u>	<u>736,526,895.51</u>

As at 30 June 2020, the balance of development costs included the capitalised borrowing costs of RMB7,636,663,593.90 (31 December 2019: RMB6,443,373,626.99). The capitalised borrowing costs amounted to RMB1,672,684,424.40 in aggregate from January to June 2020 (2019: RMB2,937,951,653.16), and the rate of interest capitalisation was 4.64% (2019: 4.95%).

Details of pledge of inventories are set out in Note V. 68.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

Project name	Time of commencement	Estimated completion time of the next phase	Total investment amount	30 June 2020	31 December 2019
Hangzhou – Jingfangsanbao Project	May 2017	May 2021	10,389,880,000	9,652,917,146.11	9,350,227,923.87
Ningbo – Plot 07#15#16# at Gaoxin District	March 2018	May 2021	8,890,000,000	7,103,266,786.99	6,757,660,897.36
Tianjin – Airport Economic Zone	March 2018	December 2020	9,119,780,000	6,722,078,144.27	6,570,362,734.47
Hefei – Plot S1606 at Baohe District	May 2017	August 2020	7,832,880,000	6,213,322,349.69	6,239,475,152.72
Beijing – Anningzhuang (安寧莊)	March 2019	December 2022	8,842,150,000	5,372,860,891.39	3,228,669,677.24
Chongqing – Xinduhui Project	June 2018	April 2021	20,117,351,300	4,581,571,284.00	4,354,950,423.19
Nanjing – Plot G20 at Jiulonghu	July 2018	May 2021	5,267,680,000	4,056,366,853.64	3,852,299,084.74
Chengdu – Gaoxin Zhonghe Project	September 2018	April 2021	5,332,520,000	4,004,017,834.40	3,717,755,005.35
Nanjing – Diary Farm Project	December 2016	November 2021	8,794,170,000	3,841,879,527.27	4,529,416,501.71
Tianjin – Jinzhong River Project (金鐘河項目)	April 2019	August 2021	4,285,000,000	3,698,695,169.59	3,581,867,022.54
Beijing – Yizhuang X89R1	August 2018	October 2021	4,571,940,000	3,600,467,474.94	3,757,156,557.60
Beijing – Yancun Project	November 2018	October 2020	4,060,920,000	3,264,339,347.01	3,083,118,014.28
Beijing – Incubator Technology Park (孵化器科技園)	March 2018	October 2020	4,590,000,000	3,222,190,089.47	2,945,938,079.42
Hefei – Nanqi Garden	March 2016	September 2020	7,490,660,000	3,166,729,302.01	3,734,091,449.36
Beijing – Jinlinfu Project	August 2018	October 2020	3,332,240,000	3,042,537,546.96	2,881,108,748.65
Beijing – Konggang Project	March 2018	August 2020	2,829,630,000	2,648,981,920.73	2,502,814,311.36
Qingdao – Jinyu Jimo	December 2018	February 2021	4,545,730,000	2,284,666,579.77	2,162,169,057.17
Hangzhou-Plot 42 of BBMG Hanchao	February 2020	December 2022	2,800,000,000	2,190,053,624.08	2,966,730,816.62
Tangshan – Qixin 1889#	April 2014	November 2020	2,963,829,180	2,111,224,242.33	1,265,408,210.87
Hefei – Baohe S1802 (包河S1802)	February 2019	February 2022	3,007,450,000	2,024,258,571.34	1,954,843,373.78
Beijing-Penglai Project	May 2015	December 2021	6,816,300,000	1,984,344,576.41	1,879,965,799.14
Hangzhou-Plot 52 of BBMG Hanchao	February 2020	December 2022	2,400,000,000	1,582,141,061.75	–
Shanghai-Dachenghuating (大成華庭)	June 2019	May 2021	1,772,560,000	1,570,260,399.38	1,444,750,473.67
Anhui – Forklift Factory Project	May 2018	February 2022	2,000,000,000	1,555,441,424.90	1,488,850,130.42
Chengdu – Wuhou Longxijun Project	July 2018	July 2020	1,658,840,000	1,459,479,161.56	1,419,692,336.75
Chengdu – Xindu Dafeng Project	July 2018	August 2021	1,654,890,000	1,451,178,856.91	1,343,864,407.41
Chongqing – Nanshanjun	December 2011	November 2020	5,198,000,000	1,419,896,048.21	1,253,773,814.83
Beijing – Fengtai Project	October 2015	December 2020	7,092,594,750	1,280,092,054.04	1,221,376,898.96
Nanhu – Jin'anshiming	March 2018	December 2020	2,915,380,295	963,775,755.53	1,055,445,667.84
Chengdu – Shangxifu	July 2018	September 2020	960,270,000	815,794,807.12	743,028,425.35
Tianjin – Yingshun Building	March 2018	December 2022	850,380,000	781,454,157.65	760,201,445.19
Haikou – Yangguangjun	April 2016	September 2022	2,532,000,000	676,190,898.15	1,023,065,478.29

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

Project name	Time of commencement	Estimated completion time of the next phase	Total investment amount	30 June 2020	31 December 2019
Beijing – Chicken Farm Project (雞場項目)	October 2018	February 2022	1,322,900,000	626,796,014.19	566,790,890.98
Chengde – Chengde Project	May 2018	September 2020	554,248,200	359,675,179.30	246,387,207.62
Tangshan – Caofeidian E-02-2	June 2019	December 2020	711,741,959	318,525,602.72	218,654,384.75
Hangzhou – Plot 2F, Plot 2G	April 2016	December 2022	592,280,000	279,422,371.84	229,476,736.75
Beijing – Wangjing Star	None	None	None	207,525,447.95	–
Beijing – Kanghuyuan	February 2009	December 2021	1,923,699,964	192,625,864.74	187,684,305.20
Tianjin – Jinyu Yuecheng	September 2010	August 2021	5,157,217,800	168,629,050.67	142,983,650.91
Beijing – Chaoyang New City	August 2013	September 2020	4,184,808,038	162,182,858.87	162,182,544.93
Inner Mongolia – Jinyu Global Finance Centre	July 2013	September 2020	1,500,000,000	141,806,020.35	141,908,400.00
Chongqing – Times Metro	October 2012	December 2020	5,068,220,000	115,874,344.45	112,812,221.15
Tangshan – Jinyu Lefu	March 2010	December 2020	2,787,561,939	84,198,092.90	150,951,852.84
Beijing – Phase II of Dandian	April 2014	September 2020	4,406,665,058	75,358,160.72	73,549,217.88
Beijing-Public Rental Housing in Science Park	June 2015	September 2020	1,377,090,000	51,881,503.79	1,165,699,092.52
Qingdao – Qingdao Project	November 2015	December 2020	3,263,310,000	1,286,766.20	979,859,344.99
Beijing – Nankou Project	May 2016	Completed	682,973,619	–	29,668,030.96
Others				388,786,532.21	371,037,035.98
				101,517,047,698.50	97,849,722,837.61

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

Project name	Completion date of the latest phase	Opening balance	Increase in the period	Decrease in the period	Closing balance
Beijing – Shangchengjun	December 2019	2,750,382,786.09	–	318,537,926.95	2,431,844,859.14
Nanjing – Zijingdieryuan 紫京壹院	May 2020	1,604,958,211.71	863,670,300.60	450,459,039.58	2,018,169,472.73
Beijing – Jinchengyu Garden 金成裕雅苑	December 2019	1,420,271,205.43	–	39,511,136.68	1,380,760,068.75
Beijing – Wangchuan Beiyuan	December 2018	1,420,946,828.04	–	334,706,031.44	1,086,240,796.60
Shanghai – Jiading Juyuan	March 2019	905,412,974.38	–	75,816,878.06	829,596,096.32
Beijing – Jiapin MALL	September 2015	811,471,711.72	–	–	811,471,711.72
Beijing – Chaoyang New City	November 2019	794,959,800.88	–	49,629,932.18	745,329,868.70
Chongqing – Times Metro	August 2018	733,254,353.62	–	38,827,188.89	694,427,164.73
Ningbo – Ganjiang Shidai	June 2019	621,834,968.97	–	22,374,212.12	599,460,756.85
Chongqing – Nanshanjun	November 2019	699,290,304.02	–	166,875,597.05	532,414,706.97
Haikou – Yanguangjun	December 2019	227,563,883.52	524,042,154.96	256,763,485.98	494,842,552.50
Hefei – Nanqi Garden	June 2020	416,546,251.89	1,128,940,707.97	1,061,859,743.71	483,627,216.15
Qingdao – Qingdao Hefu	January 2020	393,298,516.80	975,297,176.39	889,302,491.51	479,293,201.68
Tangshan – Jin'an hongbao	June 2020	305,659,597.15	502,828,668.78	451,036,812.12	357,451,453.81
Tangshan – Jinyu Lefu	June 2019	545,284,694.23	–	248,444,863.16	296,839,831.07
Changyang – Polytechnic University Land No.1	October 2019	285,909,468.04	9,466,918.29	4,148,414.49	291,227,971.84
Chengdu – Dachengjun	December 2014	272,373,576.30	–	48,390,918.22	223,982,658.08
Tianjin – Qiaowanyuan	December 2019	399,127,734.65	–	187,307,869.36	211,819,865.29
Haikou – Xixili	October 2017	227,743,160.62	–	33,059,571.15	194,683,589.47
Inner Mongolia – Ligang City	October 2015	190,296,852.07	–	2,528,731.15	187,768,120.92
Tangshan – Qixin 1889#	June 2019	151,100,456.91	–	239,536.17	150,860,920.74
Ma'anshan – Jiashanshu	June 2016	140,238,857.59	–	1,300,709.67	138,938,147.92
Chengdu – Longxijun	July 2017	150,422,894.64	–	11,965,940.10	138,456,954.54
Beijing – Treasures Mansion House	September 2019	169,795,718.39	–	35,459,863.82	134,335,854.57
Inner Mongolia – Global Center	June 2019	256,272,288.48	–	130,869,847.84	125,402,440.64
Tianjin – Jinyu Yuecheng	October 2017	189,055,220.16	–	68,942,863.38	120,112,356.78
Beijing – Dacheng International	March 2018	113,491,181.74	–	–	113,491,181.74
Beijing – Kanghuiyuan	September 2011	112,495,410.71	–	4,896,262.11	107,599,148.60
Chongqing – Plot No.2 of Xinduhui	November 2019	138,144,608.62	–	42,887,782.24	95,256,826.38
Beijing – Wangheyuan	November 2019	90,488,824.12	506,267.64	–	90,995,091.76
Tianjin-Hongshanhuayuan 紅杉花苑	June 2016	125,701,370.71	–	58,514,494.56	67,186,876.15
Beijing – Binheyuan	June 2014	67,604,710.65	–	1,071,401.86	66,533,308.79
Beijing – Tuqiao Project	December 2016	63,897,352.09	–	3,133,120.75	60,764,231.34
Beijing – Guogongzhuang	December 2014	57,365,507.60	–	240,908.46	57,124,599.14

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories (continued)

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

Project name	Completion date of the latest phase	Opening balance	Increase in the period	Decrease in the period	Closing balance
Beijing – Jinyu Town–House	October 2014	56,825,586.08	–	240,920.63	56,584,665.45
Beijing – Tuqiao Phase III	August 2016	55,832,148.42	–	–	55,832,148.42
Beijing – Dacheng Shidai	December 2019	144,310,719.71	–	94,415,515.33	49,895,204.38
Beijing – Chang'an New City	December 2007	37,964,463.55	2,137,769.94	–	40,102,233.49
Hainan-Dacheng Business Apartments	June 2019	33,819,032.85	–	–	33,819,032.85
Inner Mongolia – Jinyu Times City	June 2019	39,114,166.61	–	9,587,830.27	29,526,336.34
Beijing – I Cube	February 2015	27,255,962.07	–	23,828.83	27,232,133.24
Beijing – Jinyu Lanwan	October 2016	27,123,098.28	–	69,495.76	27,053,602.52
Beijing – Wangyajiyuan 旺雅家園	September 2018	28,512,174.65	–	2,694,761.54	25,817,413.11
Beijing – Jiaheyuan	March 2018	38,184,210.35	–	13,188,260.99	24,995,949.36
Beijing – Huixingyuan	November 2019	51,983,594.40	–	27,687,659.73	24,295,934.67
Hangzhou – Guanlan Times	May 2018	32,923,432.10	–	11,019,234.34	21,904,197.76
Tianjin – Liulanhuayuan Project Phase I	June 2010	19,288,355.52	–	–	19,288,355.52
Beijing – Huijingyuan	November 2019	255,001,358.97	–	243,124,383.15	11,876,975.82
Tangshan – Xitang (馨唐)	June 2019	21,979,773.25	–	13,904,478.07	8,075,295.18
Tianjin – Rongxiyuan Project	May 2015	7,003,394.20	–	–	7,003,394.20
Tangshan – Lixinjiayuan	June 2019	6,951,696.32	1,449,999.99	2,584,713.76	5,816,982.55
Nanjing– Zijinfu	May 2018	3,861,040.38	–	799,933.68	3,061,106.70
Beijing – JinyuFeili	November 2016	2,748,102.40	–	–	2,748,102.40
Others		162,569,896.33	204,563.01	47,586,821.21	115,187,638.13
		<u>17,905,913,488.98</u>	<u>4,008,544,527.57</u>	<u>5,506,031,412.05</u>	<u>16,408,426,604.50</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

9. Contract assets

Contract assets arise mainly from the Group's construction operations. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract terms, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is recognized as contract asset while progress billings in excess of revenue recognised based on performance progress is recognized as contract liabilities.

	30 June 2020			31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Completed but not yet settled	<u>38,192,486.73</u>	<u>1,045,390.84</u>	<u>37,147,095.89</u>	<u>45,439,239.13</u>	<u>2,487,155.92</u>	<u>42,952,083.21</u>

The movements in the provisions for impairment of contract assets:

	Balance at the beginning of the period/year	Provision for the year/period	Other increase	Write-off for the year/period	Balance at the end of the period/year
January to June 2020	<u>2,487,155.92</u>	<u>313,126.27</u>	<u>-</u>	<u>1,754,891.35</u>	<u>1,045,390.84</u>
2019	<u>-</u>	<u>732,264.57</u>	<u>1,754,891.35</u>	<u>-</u>	<u>2,487,155.92</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

10. Other current assets

	30 June 2020	31 December 2019
Prepaid enterprise income tax	1,114,192,761.52	764,288,817.63
Prepaid land appreciation tax	648,331,814.44	750,836,243.03
Prepaid other tax	507,625,451.32	493,923,753.32
VAT recoverable	3,903,538,021.55	3,318,194,495.46
VAT certifiable	130,649,690.43	121,281,074.41
Cost of obtaining a contract	148,013,656.25	119,704,979.53
Others	717,809,808.05	715,817,334.73
	7,170,161,203.56	6,284,046,698.11

11. Debt investments

	30 June 2020		31 December 2019	
	Balance of carrying amount	Carrying value	Balance of carrying amount	Carrying value
Debt investments	782,487,853.43	782,487,853.43	206,933,697.53	206,933,697.53

During the period, BBMG Finance Co., Ltd purchased the fourth tranche of financial bonds for 2020 of Agricultural Development Bank of China totaling RMB582,570,053.43 with a coupon rate of 2.96% and maturity date of 16 April 2030. Interest is payable annually in arrears on 17 April of each year.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Long-term receivables

	30 June 2020		
	Balance of carrying amount	Provision for impairment	Carrying value
Sales of goods by instalments	551,691,848.54	16,510,357.87	535,181,490.67
Loans to Related parties	275,100,871.56	—	275,100,871.56
	826,792,720.10	16,510,357.87	810,282,362.23
	31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value
Sales of goods by instalments	613,816,168.84	20,103,877.84	593,712,291.00
Loans to Related parties	428,258,733.22	—	428,258,733.22
	1,042,074,902.06	20,103,877.84	1,021,971,024.22

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 period.

Loans to related parties mainly referred to the borrowings and interest receivable provided to Cross Point Trading 274 (Pty) Ltd (RF) and Mamba Cement Company (Pty) Ltd (RF), joint ventures of African Rhino Co., Ltd. (非洲犀牛有限公司) which is a subsidiary of the Group. Pursuant to the agreement between both parties, such borrowings will be recovered before March 2044.

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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:

	30 June 2020	31 December 2019
Balance at the beginning of the period/year	20,103,877.84	30,179,310.27
Reversal for the period/year	(3,593,519.97)	(10,075,432.43)
Balance at the end of the period/year	16,510,357.87	20,103,877.84

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments

January to June 2020

	Changes during the period						Carrying amount at the end of the period
	Opening balance	Increase/ (decrease) in investment	Investment gains under equity method	Other changes in equity	Other comprehensive income	Cash dividend declared	
Joint ventures							
BBMG TUS Technology Incubator Co., Ltd.	5,133,661.88	-	375,213.55	-	-	-	5,508,875.43
BBMG Landao Commercial Operation Management Co., Ltd.	2,587,747.03	(2,437,152.50)	(150,594.53)	-	-	-	-
STAR-USG Building Materials Co., Ltd.	44,224,382.99	-	(573,332.99)	-	-	-	43,651,050.00
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	681,625,793.39	-	97,504,371.73	185,082.54	-	(225,000,000.00)	554,315,247.66
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	511,176,266.95	-	69,857,768.29	(87,740.44)	-	(168,385,000.00)	412,561,294.80
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	155,562,628.99	-	2,233,665.31	-	-	-	157,796,294.30
Anshan Jidong Cement Co., Ltd.	227,690,996.47	-	649,824.61	-	-	-	228,340,821.08
Cross Point Trading 274 (Pty) Ltd (RF)	135,993,387.14	-	6,648,817.62	-	(26,468,755.45)	-	116,173,449.31
	<u>1,763,994,864.84</u>	<u>(2,437,152.50)</u>	<u>176,545,733.59</u>	<u>97,342.10</u>	<u>(26,468,755.45)</u>	<u>(393,385,000.00)</u>	<u>1,518,347,032.58</u>
Associates							
Changchun Light Rail Jidong Concrete Co., Ltd.	22,920,793.94	-	(1,142,897.94)	-	-	-	21,777,896.00
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,513,165.88	-	74,135.98	-	-	-	16,587,301.86
Beijing Chenyu Real Estate Development Co., Ltd.	978,392,370.60	-	(10,073,054.40)	-	-	-	968,319,316.20
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,545,810.00	-	(167,563.42)	-	-	-	1,378,246.58
Beijing Sinobaide Technology Co., Ltd.	16,154,165.61	-	692,316.42	-	-	-	16,846,482.03
Zehnder (China) Indoor Climate Co., Ltd.	103,037,341.89	-	2,773,612.55	-	-	-	105,810,954.44
OCV Reinforcements (Beijing) Co., Ltd.	71,385,513.95	-	(604,384.80)	-	-	-	70,781,129.15

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

January to June 2020 (continued)

	Changes during the period						Carrying amount at the end of the period
	Opening balance	Increase/ (decrease) in investment	Investment gains under equity method	Other changes in equity	Other comprehensive income	Cash dividend declared	
Beijing Gaoqiang Concrete Co., Ltd.	26,284,093.76	-	653,162.59	-	-	-	26,937,256.35
Tangshan Conch Profiles Co., Ltd.	130,912,736.91	-	829,741.71	-	-	-	131,742,478.62
Toto Machinery (Beijing) Company Limited	127,711,909.27	-	14,148,456.10	-	-	-	141,860,365.37
Beijing Toto Co., Ltd.	145,045,601.14	-	1,320,091.60	-	-	-	146,365,692.74
Beijing Innovation Industry Investment Co., Ltd.	100,436,014.35	100,000,000.00	419,882.18	-	-	-	200,855,896.53
Zhong Fang Huarui (Tangshan) Real Estate Co., Ltd.	4,981,823.43	-	-	-	-	-	4,981,823.43
SINUI TRADING PTE LTD	4,683,074.05	-	158,683.80	-	-	-	4,841,757.85
Jilin Changjitu Investment Co., Ltd.	137,302,540.20	-	(1,303,229.01)	-	-	-	135,999,311.19
Liaoning Yunding Cement Group Co., Ltd.	1,317,804.07	-	(19,771.53)	-	-	-	1,298,032.54
Jidong Cement Fufeng Transportation Co., Ltd.	6,246,940.35	-	325,513.15	352.86	-	(950,000.00)	5,622,806.36
Jilin Cement (Group) Co., Ltd.	14,694,041.46	-	(1,533,543.26)	-	-	-	13,160,498.20
Tianjin Gangbei Concrete Industry Co., Ltd.	3,168,320.69	-	-	-	-	-	3,168,320.69
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	66,794.05	-	-	-	-	-	66,794.05
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	31,895,330.42	-	(10,813.56)	-	-	(2,400,000.00)	29,484,516.86
Tianjin Yaopi Glass Co., Ltd.	150,176,058.58	-	(5,403,167.85)	-	-	-	144,772,890.73
Tianjin Binhai Jiantai Investment Co., Ltd.	129,664,427.82	-	(19,190,027.82)	-	-	-	110,474,400.00
Subtotal of associates	2,224,536,672.42	100,000,000.00	(18,052,857.51)	352.86	-	(3,350,000.00)	2,303,134,167.77
	<u>3,988,531,537.26</u>	<u>97,562,847.50</u>	<u>158,492,876.08</u>	<u>97,694.96</u>	<u>(26,468,755.45)</u>	<u>(396,735,000.00)</u>	<u>3,821,481,200.35</u>

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

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

2019

	Opening amount	Changes during the year				Closing carrying value
		Increase/ (decrease) in investment	Investment gains under equity method	Other changes in equity	Other comprehensive income	
Joint ventures						
BBMG TUS Technology Incubator Co., Ltd.	5,100,805.28	-	32,856.60	-	-	5,133,661.88
BBMG Landao Commercial Operation Management Co., Ltd.	3,784,396.78	-	(760,470.21)	-	(436,179.54)	2,587,747.03
STAR-USG Building Materials Co., Ltd.	31,019,331.59	-	13,205,051.40	-	-	44,224,382.99
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	508,926,488.46	-	141,796,318.41	(27,539.92)	(139,519,000.00)	511,176,266.95
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	631,181,638.19	-	215,448,407.73	(4,252.53)	(165,000,000.00)	681,625,793.39
Anshan Jidong Cement Co., Ltd.	226,302,837.47	-	6,388,159.00	-	(5,000,000.00)	227,690,996.47
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	151,229,914.08	-	14,332,714.91	-	(10,000,000.00)	155,562,628.99
Jidong Pacific (Beijing) Environmental Protection Engineering Technology Co., Ltd.	199.23	-	-	(199.23)	-	-
Cross Point Trading 274 (Pty) Ltd (RF)	113,644,903.27	-	17,464,546.56	4,883,937.31	-	135,993,387.14
Subtotal of joint ventures	1,671,190,514.35	-	407,907,584.40	4,851,945.63	(319,955,179.54)	1,763,994,864.84
Associates						
Beijing Sinobaide Technology Co., Ltd.	14,336,074.25	-	2,508,091.36	-	(690,000.00)	16,154,165.61
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	16,364,723.95	-	148,441.93	-	-	16,513,165.88
Beijing Chenyu Real Estate Development Co., Ltd.	22,892,370.60	955,500,000.00	-	-	-	978,392,370.60
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	1,740,589.67	-	25,063.46	-	(219,843.13)	1,545,810.00
Zehnder (China) Indoor Climate Co., Ltd.	101,170,647.34	-	1,866,694.55	-	-	103,037,341.89
OCV Reinforcements (Beijing) Co., Ltd.	64,425,972.15	-	6,959,541.80	-	-	71,385,513.95
Beijing Gaoqiang Concrete Co., Ltd.	22,942,777.09	-	3,494,216.67	-	(152,900.00)	26,284,093.76
Tangshan Conch Profiles Co., Ltd.	136,669,380.49	-	(3,356,643.58)	-	(2,400,000.00)	130,912,736.91

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Long-term equity investments (continued)

2019 (continued)

	Opening amount	Changes during the year			Closing carrying value	
		Increase/(decrease) in investment	Investment gains under equity method	Other changes in equity		Other comprehensive income
Toto Machinery (Beijing) Company Limited	161,293,228.09	-	(27,181,318.82)	-	(6,400,000.00)	127,711,909.27
Beijing Toto Co., Ltd.	146,590,536.67	-	(1,544,935.53)	-	-	145,045,601.14
Beijing Innovation Industry Investment Co., Ltd.	-	100,000,000.00	436,014.35	-	-	100,436,014.35
Baogang Jidong Cement Co., Ltd.	104,107,413.65	(102,482,490.39)	(1,624,923.26)	-	-	-
Jilin Cement (Group) Co., Ltd.	14,285,000.00	-	409,041.46	-	-	14,694,041.46
Liaoning Yunding Cement Group Co., Ltd.	-	820,000.00	497,804.07	-	-	1,317,804.07
Jidong Cement Fufeng Transportation Co., Ltd.	6,727,093.29	-	707,347.06	-	(1,187,500.00)	6,246,940.35
Jilin Changjitu Investment Co., Ltd.	140,529,163.93	-	(3,226,623.73)	-	-	137,302,540.20
SINUI TRADING PTE LTD	4,727,694.10	-	(44,620.05)	-	-	4,683,074.05
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	4,982,054.25	-	(230.82)	-	-	4,981,823.43
Changchun Light Rail Jidong Concrete Co., Ltd.	33,188,543.22	-	(1,494,814.44)	-	(8,772,934.84)	22,920,793.94
Tianjin Gangbei Concrete Industry Co., Ltd.	3,133,485.90	-	34,834.79	-	-	3,168,320.69
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	2,063,640.66	(690,288.33)	(1,306,558.28)	-	-	66,794.05
Tianjin XingyeLongxiang Construction Engineering Co., Ltd.	31,260,986.45	-	634,343.97	-	-	31,895,330.42
Tianjin Yaopi Glass Co., Ltd.	160,244,985.32	-	(10,068,926.74)	-	-	150,176,058.58
Tianjin Xinling Environmental Protection Engineering Co., Ltd.	3,517,210.75	(3,517,210.75)	-	-	-	-
Tianjin Binhai Jiantai Investment Co., Ltd.	158,664,427.82	-	(29,000,000.00)	-	-	129,664,427.82
Tianjin Huanbohail Rock Materials Trading Centre Co., Ltd.	9,708,495.86	(7,700,000.00)	41,302,459.35	-	(43,310,955.21)	-
	<u>1,365,566,495.50</u>	<u>941,930,010.53</u>	<u>(19,825,700.43)</u>	<u>-</u>	<u>(63,134,133.18)</u>	<u>2,224,536,672.42</u>
	<u>3,036,757,009.85</u>	<u>941,930,010.53</u>	<u>388,081,883.97</u>	<u>4,851,945.63</u>	<u>(383,089,312.72)</u>	<u>3,988,531,537.26</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Investment in other equity instruments

30 June 2020

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Equity instruments held of dividend income for the period
Investments in listed companies	450,201,827.20	(134,518,136.32)	315,683,690.88	-
Other investments in non-listed companies	53,378,653.96	(17,351,416.90)	36,027,237.06	21,659.51
	<u>503,580,481.16</u>	<u>(151,869,553.22)</u>	<u>351,710,927.94</u>	<u>21,659.51</u>

31 December 2019

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Equity instruments held of dividend income for the year
Investments in listed companies	450,201,827.20	(104,143,073.28)	346,058,753.92	-
Other investments in non-listed companies	91,891,856.43	(55,902,928.28)	35,988,928.15	557,619.93
	<u>542,093,683.63</u>	<u>(160,046,001.56)</u>	<u>382,047,682.07</u>	<u>557,619.93</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Investment properties

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

For the six months ended 30 June 2020:

	Completed buildings	Buildings in progress	Total
Opening balance	27,539,607,674.53	2,092,637,075.00	29,632,244,749.53
Transfer from construction in progress during the period	251,403,841.07	(245,917,859.51)	5,485,981.56
Other transfers during the period	(7,000,000.00)	-	(7,000,000.00)
Changes in fair value	247,438,807.75	-	247,438,807.75
Closing balance	28,031,450,323.35	1,846,719,215.49	29,878,169,538.84

2019

	Completed buildings	Buildings in progress	Total
Opening balance	20,581,460,343.02	745,784,902.15	21,327,245,245.17
Acquisition for the year	5,602,837,661.53	-	5,602,837,661.53
Transfer from construction in progress during the year	552,767,476.61	836,658,950.85	1,389,426,427.46
Transfer from inventories during the year	311,241,471.35	510,193,222.00	821,434,693.35
Disposal	(71,349,033.47)	-	(71,349,033.47)
Other transfers	(167,400,000.00)	-	(167,400,000.00)
Changes in fair value	730,049,755.49	-	730,049,755.49
Closing balance	27,539,607,674.53	2,092,637,075.00	29,632,244,749.53

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

The Group's investment properties were valued by an independent valuer with professional qualifications, using future earnings method and market-based approach on an open market and existing use basis.

As at 30 June 2020, the carrying value of completed investment properties without completing their procedures for the title certificates was RMB1,249,019,760.00 (31 December 2019: RMB1,248,341,430.00). The Group was in the process of handling the procedures for changing the relevant titles. The management was of the view that the Group had the legitimate and valid right to occupy and use or dispose of the above properties and the above matters would not impose material adverse effect on the operation of the Group.

Details of pledge of investment properties are set out in Note V. 68.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Fixed assets

30 June 2020

	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
Cost					
Opening balance	32,828,963,654.75	29,521,942,864.89	1,326,575,942.50	786,223,290.71	64,463,705,752.85
Addition	27,419,623.34	114,790,065.20	19,899,151.01	33,025,545.75	195,134,385.30
Transfer from construction in progress	314,911,262.43	701,527,894.19	1,791,736.59	12,924,023.94	1,031,154,917.15
Disposal or retirement	(137,533,878.38)	(72,531,930.26)	(108,559,892.41)	(18,627,958.79)	(337,253,659.84)
Closing balance	<u>33,033,760,662.14</u>	<u>30,265,728,894.02</u>	<u>1,239,706,937.69</u>	<u>813,544,901.61</u>	<u>65,352,741,395.46</u>
Accumulated depreciation					
Opening balance	6,874,081,653.23	11,133,243,399.70	620,504,859.66	519,470,405.29	19,147,300,317.88
Provision	612,789,574.92	1,073,272,982.75	78,168,595.47	41,166,332.05	1,805,397,485.19
Disposal or retirement	(81,807,431.21)	(49,063,907.46)	(95,805,494.08)	(16,021,226.95)	(242,698,059.70)
Closing balance	<u>7,405,063,796.94</u>	<u>12,157,452,474.99</u>	<u>602,867,961.05</u>	<u>544,615,510.39</u>	<u>20,709,999,743.37</u>
Provision for impairment					
Opening balance	438,350,894.85	334,300,346.06	28,738,745.79	2,807,990.03	804,197,976.73
Provision	-	-	639,917.87	-	639,917.87
Disposal or retirement	(6,546,368.76)	(9,869,126.71)	(3,072,439.69)	(289,297.17)	(19,777,232.33)
Closing balance	<u>431,804,526.09</u>	<u>324,431,219.35</u>	<u>26,306,223.97</u>	<u>2,518,692.86</u>	<u>785,060,662.27</u>
Carrying amount					
At the end of the period	<u>25,196,892,339.11</u>	<u>17,783,845,199.68</u>	<u>610,532,752.67</u>	<u>266,410,698.36</u>	<u>43,857,680,989.82</u>
At the beginning of the period	<u>25,516,531,106.67</u>	<u>18,054,399,119.13</u>	<u>677,332,337.05</u>	<u>263,944,895.39</u>	<u>44,512,207,458.24</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Fixed assets (continued)

31 December 2019

	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
Cost					
Opening balance	30,714,134,322.93	28,567,409,083.37	1,817,409,277.34	749,960,619.99	61,848,913,303.63
Addition	1,071,536,182.28	298,570,268.44	74,341,770.65	79,555,377.84	1,524,003,599.21
Transfer from construction in progress	1,043,007,688.30	888,926,547.75	16,424,383.42	17,023,858.78	1,965,382,478.25
Business combination not under common control	161,606,550.60	292,166,912.76	554,467.13	1,969,041.88	456,296,972.37
Other transfer	132,767,200.05	–	–	–	132,767,200.05
Disposal or retirement	(233,643,708.24)	(457,724,355.16)	(530,414,455.47)	(57,462,876.47)	(1,279,245,395.34)
Removed from upon disposal of subsidiaries	(26,427,757.84)	(27,031,224.85)	(17,072,650.80)	(2,736,242.36)	(73,267,875.85)
Other transfers	(34,016,823.33)	(40,374,367.42)	(34,666,849.77)	(2,086,488.95)	(111,144,529.47)
Closing balance	<u>32,828,963,654.75</u>	<u>29,521,942,864.89</u>	<u>1,326,575,942.50</u>	<u>786,223,290.71</u>	<u>64,463,705,752.85</u>
Accumulated depreciation					
Opening balance	5,761,397,429.37	9,331,909,491.75	829,414,709.27	506,872,273.91	16,429,593,904.30
Provision	1,242,789,761.54	2,031,689,001.31	248,948,632.50	66,421,406.39	3,589,848,801.74
Business combination not under common control	29,706,107.21	95,328,139.16	245,095.79	1,042,200.31	126,321,542.47
Disposal or retirement	(137,852,339.72)	(279,708,022.40)	(415,555,943.64)	(50,599,945.35)	(883,716,251.11)
Removed from upon disposal of subsidiaries	(10,222,578.89)	(21,166,859.31)	(14,317,756.12)	(2,384,890.69)	(48,092,085.01)
Other transfers	(11,736,726.28)	(24,808,350.81)	(28,229,878.14)	(1,880,639.28)	(66,655,594.51)
Closing balance	<u>6,874,081,653.23</u>	<u>11,133,243,399.70</u>	<u>620,504,859.66</u>	<u>519,470,405.29</u>	<u>19,147,300,317.88</u>
Provision for impairment					
Opening balance	325,412,112.11	357,156,467.08	40,912,423.15	3,066,395.43	726,547,397.77
Provision	166,830,665.80	97,574,514.90	8,762,717.68	956,646.59	274,124,544.97
Disposal or retirement	(18,875,395.32)	(109,706,249.38)	(20,557,510.15)	(765,784.36)	(149,904,939.21)
Removed from upon disposal of subsidiaries	(16,205,178.95)	(2,626,423.59)	(378,884.89)	(270,670.49)	(19,481,157.92)
Other transfers	(18,811,308.79)	(8,097,962.95)	–	(178,597.14)	(27,087,868.88)
Closing balance	<u>438,350,894.85</u>	<u>334,300,346.06</u>	<u>28,738,745.79</u>	<u>2,807,990.03</u>	<u>804,197,976.73</u>
Carrying amount					
At the end of the year	<u>25,516,531,106.67</u>	<u>18,054,399,119.13</u>	<u>677,332,337.05</u>	<u>263,944,895.39</u>	<u>44,512,207,458.24</u>
At the beginning of the year	<u>24,627,324,781.45</u>	<u>18,878,343,124.54</u>	<u>947,082,144.92</u>	<u>240,021,950.65</u>	<u>44,692,772,001.56</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Fixed assets (continued)

Fixed assets leased under operating leases are as follows:

January to June 2020

	Buildings	Machinery and equipment	Transportation equipment	Total
Cost				
Opening balance	372,728,585.84	12,070,316.67	326,588.00	385,125,490.51
Disposal or retirement	(1,872,623.84)	-	-	(1,872,623.84)
Transfer to self-occupied	(3,045,129.69)	-	-	(3,045,129.69)
Closing balance	<u>367,810,832.31</u>	<u>12,070,316.67</u>	<u>326,588.00</u>	<u>380,207,736.98</u>
Accumulated depreciation				
Opening balance	122,533,255.59	5,143,709.31	310,258.60	127,987,223.50
Provision	6,276,670.50	84,402.54	-	6,361,073.04
Disposal or retirement	(297,732.28)	-	-	(297,732.28)
Transfer to self-occupied	(389,412.02)	-	-	(389,412.02)
Closing balance	<u>128,122,781.79</u>	<u>5,228,111.85</u>	<u>310,258.60</u>	<u>133,661,152.24</u>
Provision for impairment				
Opening and closing balance	<u>7,185,051.99</u>	<u>4,505,546.99</u>	-	<u>11,690,598.98</u>
Carrying amount				
At the end of the period	<u>232,502,998.53</u>	<u>2,336,657.83</u>	<u>16,329.40</u>	<u>234,855,985.76</u>
At the beginning of the period	<u>243,010,278.26</u>	<u>2,421,060.37</u>	<u>16,329.40</u>	<u>245,447,668.03</u>

As at 30 June 2020, the carrying amount for fixed assets pending completion of the procedures for the title certificates amounted to RMB441,635,338.90 (31 December 2019: RMB567,407,280.99). The Group was in the process of handling the procedures for changing the relevant titles. The management was of the view that the Group had the legitimate and valid right to occupy and use or dispose of the above fixed assets and the above matters would not impose material adverse effect on the operations of the Group.

Details of pledge of fixed assets are set out in Note V. 68.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Construction in progress

	30 June 2020	31 December 2019
Construction in progress	2,235,929,414.33	2,228,559,450.02
Construction materials	50,986,403.22	50,672,350.73
	2,286,915,817.55	2,279,231,800.75

	30 June 2020		31 December 2019			
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Badaling Hot Spring						
– Resort Upgrade and Renovation	189,469,005.39	-	189,469,005.39	173,067,568.08	-	173,067,568.08
BBMG Residential Industrialization (Tangshan)						
– BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	151,605,833.38	-	151,605,833.38	100,662,454.78	-	100,662,454.78
Jidong Equipment & Engineering						
– BBMG Intelligent Electric Manufacturing Base (phase I construction project)	120,404,651.86	-	120,404,651.86	106,112,789.23	-	106,112,789.23
Huahai Wind Power						
– Caofeidian New Wind Power Project	108,462,903.07	-	108,462,903.07	108,462,903.07	-	108,462,903.07
Jidong Cement Panshi						
– Project of collaborative disposal of hazardous waste using cement kiln	64,053,474.93	-	64,053,474.93	3,424,268.11	-	3,424,268.11
Jidong Cement Tongchuan						
–New clinker cement production line project	63,379,355.33	-	63,379,355.33	6,905,944.81	-	6,905,944.81
– Yangquanshan mine development project	30,466,892.44	-	30,466,892.44	25,243,662.65	-	25,243,662.65
Dachang BBMG Tiantan Furniture						
– Dachang project construction	61,072,510.67	-	61,072,510.67	46,341,727.58	-	46,341,727.58
Beijing Chinefarge Cement						
– Chinefarge upgrading project	60,496,230.18	-	60,496,230.18	58,030,727.54	-	58,030,727.54
Jidong Development Group						
– Caofeidian Industrial Park	72,673,953.48	-	72,673,953.48	72,673,443.48	-	72,673,443.48
Tangshan Jidong Cement						
– Integrated management, control and operation of information platform project	43,771,698.21	-	43,771,698.21	36,536,792.46	-	36,536,792.46

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Construction in progress (continued)

	30 June 2020			31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Dingxin Cement						
-Industrial tour project	42,386,183.68	-	42,386,183.68	50,585,972.09	-	50,585,972.09
-Environmental protection technology improvement project for collaborative disposal of integrated solid waste	11,976,464.47	-	11,976,464.47	80,368,155.63	-	80,368,155.63
Tangshan Jidong Development Machinery and Equipment						
-Bid lot I (integrated warehouse, cafeteria, bathrooms, and heat exchange station, etc.)	38,466,683.95	-	38,466,683.95	386,995.59	-	386,995.59
Zanhuang BBMG Cement						
- Project of collaborative disposal of hazardous waste using cement kiln	36,615,086.61	-	36,615,086.61	23,606,622.35	-	23,606,622.35
Zuoquan BBMG Cement						
-1.5 million tonne per year limestone (for cement use) mine project	28,220,876.58	-	28,220,876.58	28,104,798.26	-	28,104,798.26
-Hazardous waste treatment project	12,554,773.74	-	12,554,773.74	7,253,048.50	-	7,253,048.50
Beijing Jianji Assets Management						
-Lock factory renovation	27,833,145.81	-	27,833,145.81	15,658,313.79	-	15,658,313.79
BBMG GEM Real Estate						
- Supply and installation of home appliances and furniture for public rental housing of Xisha West Project	26,070,452.64	-	26,070,452.64	26,070,452.64	-	26,070,452.64
BBMG (Dachang) Modern Industrial Park						
- Standard housing of Tiantan furniture project	25,226,379.16	-	25,226,379.16	25,226,379.16	-	25,226,379.16
Jidong Equipment & Engineering						
- BBMG Intelligent Electric Manufacturing Base (civil works)	24,651,678.61	-	24,651,678.61	24,611,705.44	-	24,611,705.44
Datong Jidong Cement						
- Environmental treatment project of Datong Company's new greenhouse for finished auxiliary materials	23,689,166.01	-	23,689,166.01	7,767,244.21	-	7,767,244.21
Tianjin BBMG Concrete						
- New office buildings	23,650,000.00	-	23,650,000.00	23,650,000.00	-	23,650,000.00
Tangshan Jidong Qixin Cement						
- All-process flue gas standard treatment project	20,708,852.72	-	20,708,852.72	12,919,503.06	-	12,919,503.06

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Construction in progress (continued)

	30 June 2020			31 December 2019		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Jidong Luanzhou Environmental Protection Technology						
– All-process flue gas standard treatment project	43,009,139.09	–	43,009,139.09	27,005,898.60	–	27,005,898.60
BBMG Tiantan (Tangshan) Wood Technology						
– BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	–	–	–	511,845,733.57	–	511,845,733.57
Engineer materials	66,968,880.79	15,982,477.57	50,986,403.22	66,654,828.30	15,982,477.57	50,672,350.73
Tianjin BBMG Zhenxing Environmental Protection Technology						
– Collaborative disposal of hazardous waste using cement kiln	19,710,688.09	–	19,710,688.09	17,686,728.36	–	17,686,728.36
Yangquan Jidong Cement						
– Project of collaborative disposal of hazardous waste using cement kiln	18,651,082.78	–	18,651,082.78	867,924.53	–	867,924.53
Shanxi Shuangliang Dingxin Cement						
– Technology improvement project for collaborative disposal using cement kiln	18,340,811.44	–	18,340,811.44	14,378,618.00	–	14,378,618.00
Others	917,150,795.72	88,839,355.71	828,311,440.01	681,942,430.16	88,839,355.71	593,103,074.45
Total	<u>2,391,737,650.83</u>	<u>104,821,833.28</u>	<u>2,286,915,817.55</u>	<u>2,384,053,634.03</u>	<u>104,821,833.28</u>	<u>2,279,231,800.75</u>

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For the six months ended 30 June 2020

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

17. Construction in progress (continued)

Significant changes of construction in progress from January to June 2020 are as below:

	Budget (RMB'000)	Opening balance	Increase in the period	Transferred to fixed assets in the period	Closing balance	Source of funding	Percentage of project investment in budget
Badaling Hot Spring -Resort Upgrade and Renovation	698,670.00	173,067,568.08	16,413,490.41	(12,053.10)	189,469,005.39	Self-financing and borrowing	31.29%
BBMG Tiantan (Tangshan) Wood Technology -BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	848,117.00	511,845,733.57	120,939,741.79	(632,785,475.36)	-	Self-financing and borrowing	74.61%
BBMG Residential Industrialization (Tangshan) -BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	218,917.00	100,662,454.78	50,943,378.60	-	151,605,833.38	Self-financing and borrowing	69.25%
-BBMG New Material Yutian Prefabricated Building Component Base Project Phase II	127,650.00	-	1,823,089.00	-	1,823,089.00	Self-financing	0.63%
Jidong Equipment & Engineering -BBMG Intelligent Electric Manufacturing Base (phase I construction project)	198,000.00	106,112,789.23	14,291,862.63	-	120,404,651.86	Self-financing and borrowing	94.32%
Datong Jidong Cement - Environmental treatment project of new greenhouse for finished auxiliary materials	25,410.00	7,767,244.21	15,921,921.80	-	23,689,166.01	Self-financing	93.23%
Handan Shexian BBMG Cement -Project of collaborative disposal of domestic waste using cement kiln	65,140.00	39,644,396.55	3,026,429.83	(41,726,529.99)	944,296.39	Self-financing	65.51%
Zanhuang BBMG Cement -Project of collaborative disposal of hazardous waste using cement kiln	59,017.00	23,606,622.35	13,008,464.26	-	36,615,086.61	Self-financing	62.04%

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For the six months ended 30 June 2020

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

17. Construction in progress (continued)

Significant changes of construction in progress from January to June 2020 are as below: (continued)

	Budget (RMB'000)	Opening balance	Increase in the period	Transferred to fixed assets in the period	Closing balance	Source of funding	Percentage of project investment in budget
Dingxin Cement	117,830.00	80,368,155.63	26,034,965.14	(94,426,656.30)	11,976,464.47	Self-financing and borrowing	85.65%
-Environmental protection technology improvement project for collaborative disposal of integrated solid waste							
Zuoquan BBMG Cement	42,227.00	28,104,798.26	116,078.32	-	28,220,876.58	Self-financing	66.83%
-1.5 million tonne per year limestone (for cement use) mine project							
Jidong Cement Tongchuan	76,420.00	25,243,662.65	5,223,229.79	-	30,466,892.44	Self-financing	39.87%
-Yangquanshan mine development project							
-New clinker cement production line project	1,800,000.00	6,905,944.81	56,473,410.52	-	63,379,355.33	Self-financing	3.52%
Tongshan Jidong Qixin Cement	25,440.00	12,919,503.06	7,789,349.66	-	20,708,852.72	Self-financing	81.40%
-All-process flue gas standard treatment project							
Jidong Cement (Tangshan)	49,410.00	15,803,249.29	4,431,436.79	(20,234,686.08)	-	Self-financing	40.95%
-All-process flue gas standard treatment project of Tangshan Branch No.2 Plant							
Jidong Cement Panshi	96,950.00	3,424,268.11	60,629,206.82	-	64,053,474.93	Self-financing	66.07%
- Project of collaborative disposal of hazardous waste using cement kiln							
Jidong Development Jinyang Building Material	330,780.00	977,349.43	6,995,304.38	(3,653,125.51)	4,319,528.30	Self-financing	77.62%
-Aggregates production line with annual production capacity of 3 million tonnes of Jinyang Building Materials							
Tangshan Jidong Cement	108,860.00	36,536,792.46	7,234,905.75	-	43,771,698.21	Self-financing	40.21%
-Integrated management, control and operation information platform project							

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

17. Construction in progress (continued)

Significant changes of construction in progress from January to June 2020 are as below: (continued)

	Budget (RMB'000)	Opening balance	Increase in the period	Transferred to fixed assets in the period	Closing balance	Source of funding	Percentage of project investment in budget
Beijing Chinefarge Cement	60,496.00	58,030,727.54	2,465,502.64	-	60,496,230.18	Self-financing	100.00%
-Chinefarge upgrading project							
BBMG Keshi (Caofeidian) Precision Manufacture	82,780.00	12,206,477.13	-	(12,206,477.13)	-	Self-financing	100.00%
-Purchase of equipment							
Dachang BBMG Tiantan Furniture	558,600.00	46,341,727.58	19,040,468.02	(4,309,684.93)	61,072,510.67	Self-financing and state appropriation	87.41%
-Dachang project construction							
Beijing Jianji Assets Management	74,000.00	15,658,313.79	12,174,832.02	-	27,833,145.81	Self-financing	37.61%
-Lock factory renovation							
Jidong Development Group	72,674.00	72,673,443.48	-	-	72,673,443.48	Self-financing and borrowing	99.99%
-Caofeidian Industrial Park							
Jidong Luanzhou Environmental Protection Technology	57,470.00	27,005,898.60	16,003,240.49	-	43,009,139.09	Self-financing	74.84%
-All-process flue gas standard treatment project							

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

17. Construction in progress (continued)

Significant changes of construction in progress in 2019 are as below:

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Beijing Chinafarge Cement								
-Chinafarge upgrading project	58,031.00	41,179,676.84	16,851,050.70	-	-	58,030,727.54	Self-financing	100.00%
Beijing Aerated Concrete								
-Logistics park project	1,367,600.00	644,884,628.11	64,418,269.73	-	(709,302,897.84)	-	Self-financing	51.86%
Beijing BBMG Tiantan Furniture								
-Xisanqi plant renovation	700,000.00	470,347,297.56	161,484,654.10	-	(631,831,951.66)	-	Self-financing	90.26%
BBMG Keshi (Caofeidian) Precision Manufacture								
-Purchase of equipment	82,780.00	999,999.99	48,336,466.19	(37,129,989.05)	-	12,206,477.13	Self-financing	59.60%
BBMG Residential Industrialization (Tangshan)								
-BBMG New Material Yutian Prefabricated Building	218,917.00	-	100,662,454.78	-	-	100,662,454.78	Self-financing and borrowing	45.98%
Component Base Project Phase I BBMG Tiantan (Tangshan) Wood Technology								
-BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	848,117.00	97,201,771.99	414,643,961.58	-	-	511,845,733.57	Self-financing and borrowing	55.26%
Dachang BBMG Tiantan Furniture								
-Dachang project construction	558,600.00	42,150,752.38	31,473,090.19	(27,282,114.99)	-	46,341,727.58	Self-financing and state appropriation	84.00%

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For the six months ended 30 June 2020

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

17. Construction in progress (continued)

Significant changes of construction in progress in 2019 are as below: (continued)

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
BBMG Star Insulation and Energy Conservation Technology (Tangshan)								
-Caofeidian Project	170,930.00	79,222,364.42	63,506,823.00	(142,729,187.42)	-	-	Self-financing	83.50%
Badaling Hot Spring								
-Resort Upgrade and Renovation	698,670.00	78,399,632.59	124,227,937.05	(28,912,349.12)	(647,652.44)	173,067,568.08	Self-financing and borrowing	29.00%
Beijing Jianji Assets Management								
-Lock factory renovation	74,000.00	-	15,658,313.79	-	-	15,658,313.79	Self-financing	21.26%
Huanghai Wind Power								
-Caofeidian new wind power project	230,000.00	107,045,976.72	1,416,926.35	-	-	108,462,903.07	Self-financing	47.16%
Jidong Development Group								
-Caofeidian Industrial Park	1,430,000.00	71,168,497.32	1,630,417.72	-	(125,471.56)	72,673,443.48	Self-financing and borrowing	5.08%
Jidong Development Machinery and Equipment								
-Heavy equipment plant	276,328.00	108,753,967.02	585,380.02	(109,131,538.63)	-	207,808.41	Self-financing	100.01%
-Equipment under installation	272,070.00	96,382,505.77	19,688,240.41	(109,283,105.06)	-	6,787,641.12	Self-financing	72.34%
-Deferred expenditures	77,894.00	73,543,672.66	11,083,395.21	(79,894,290.39)	-	4,732,777.48	Self-financing	108.64%
-Ancillary equipment plant	136,006.00	45,800,221.56	292,743.23	(45,885,156.37)	-	207,808.42	Self-financing	134.03%
-Hotworking plant	24,000.00	18,486,280.34	361,988.84	(18,491,057.04)	-	357,212.14	Self-financing	78.53%
-Dunshi machinery manufacturing project	286,000.00	14,057,435.08	-	-	(6,150,786.32)	7,906,648.76	Self-financing and borrowing	4.92%
- Bid lot I (integrated warehouse, cafeteria, bathrooms, and heat exchange station, etc.)	33,829.00	25,198,916.61	399,618.94	(25,211,539.96)	-	386,995.59	Self-financing	76%

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

17. Construction in progress (continued)

Significant changes of construction in progress in 2019 are as below: (continued)

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Jidong Equipment & Engineering								
-Construction project of heavy machinery hotworking center	64,144.00	41,247,964.46	2,131,087.64	(43,379,052.10)	-	-	Self-financing	67.63%
-BBMG Intelligent Electric Manufacturing Base (phase I construction project)	198,000.00	-	106,112,789.23	-	-	106,112,789.23	Self-financing and borrowing	53.59%
Jidong Development Jinyang Building Material								
-Aggregates production line with annual production capacity of 3 million tonnes of Jinyang Building Materials	330,780.00	46,809,915.30	12,240,138.03	(58,072,703.90)	-	977,349.43	Self-financing	75.21%
-6 million-tonne aggregate machined-made sand project	42,050.00	-	38,835,902.14	(38,835,902.14)	-	-	Self-financing	92.36%
Jidong Cement Tongchuan								
-Yangquanshan mine development project	76,420.00	2,083,094.79	23,160,567.86	-	-	25,243,662.65	Self-financing	33.03%
Zuoquan BBMG Cement								
-1.5 million tonne per year limestone (for cement use) mine project	42,227.00	17,204,850.71	10,899,947.55	-	-	28,104,798.26	Self-financing	66.56%
Zhuolu BBMG Cement								
-Shed project of 0.3 million tonnes of clinker	25,481.00	2,800,701.56	18,901,667.04	(21,702,368.60)	-	-	-	85.17%

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

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

17. Construction in progress (continued)

Significant changes of construction in progress in 2019 are as below: (continued)

	Budget (RMB'000)	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget
Handan Shexian BBMG Cement								
-Project of collaborative disposal of domestic waste using cement kiln	65,140.00	2,787,418.76	36,856,977.79	-	-	39,644,396.55	Self-financing	60.86%
Jidong Luanzhou Environmental Protection Technology								
-All-process flue gas standard treatment project	57,470.00	-	27,005,898.60	-	-	27,005,898.60	Self-financing	46.99%
Tangshan Jidong Cement								
-Integrated management, control and operation information platform project	108,860.00	-	36,536,792.46	-	-	36,536,792.46	Self-financing	33.56%
BBMG Liushui Environmental Protection Technology								
-Construction waste resources optimization project	116,000.00	-	20,559,369.56	(20,559,369.56)	-	-	Self-financing	99.96%
Tang County Jidong Cement								
-Daily disposal of 500 tonne household garbage project	99,970.00	14,493,163.67	68,583,643.59	(83,076,807.26)	-	-	Self-financing and borrowing	83.10%
Dingxin Cement								
-Environmental protection technology improvement project for collaborative disposal of integrated solid waste	117,830.00	132,075.47	80,236,080.16	-	-	80,368,155.63	Self-financing and borrowing	68.21%
-Industrial tour project	81,000.00	194,174.76	50,391,797.33	-	-	50,585,972.09	Self-financing	62.45%

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For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. 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:

30 June 2020

	Progress of works (%)	Accumulated amount of interest capitalized	Including: Interest capitalized for the period	Capitalization rate of interest for the period (%)
Jidong Development Group				
-Caofeidian Industrial Park	5.08	22,561,618.77	-	-
-Deep reform and treatment of mine	59.62	355,785.87	-	-
Jidong Equipment & Engineering				
-BBMG Intelligent Electric Manufacturing Base (phase I construction project)	94.32	4,260,543.64	2,516,677.08	4.41
BBMG Residential Industrialization (Tangshan)				
-BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	69.25	6,944,613.18	3,702,856.49	4.51
Badaling Hot Spring				
-Resort Upgrade and Renovation	31.29	3,375,199.23	2,038,706.12	4.66
		<u>37,497,760.69</u>	<u>8,258,239.69</u>	

Note: The amount of capitalized interests included in construction in progress from January to June 2020 was RMB8,274,530.24 (2019: RMB28,516,793.52), among which, RMB24,748,343.91 (2019: RMB7,981,871.64) had been transferred to fixed assets.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Construction in progress (continued)

31 December 2019

	Progress of works (%)	Accumulated amount of interest capitalized	Including: Interest capitalized for the year	Capitalization rate of interest for the year (%)
BBMG Tiantan (Tangshan) Wood				
-BBMG Tiantan Homeware (Caofeidian) Innovation Industry Construction Project	55.26	24,428,418.55	19,508,313.20	4.58
Jidong Development Group				
-Caofeidian Industrial Park	5.08	22,561,618.77	-	-
-Deep reform and treatment of mine	59.62	355,785.87	109,724.96	6.60
Jidong Equipment & Engineering				
-BBMG Intelligent Electric Manufacturing Base (phase I construction project)	53.39	1,743,866.56	1,743,866.56	4.46
BBMG Residential Industrialization (Tangshan)				
-BBMG New Material Yutian Prefabricated Building Component Base Project Phase I	45.98	3,241,756.69	3,241,756.69	4.53
Badaling Hot Spring				
-Resort Upgrade and Renovation	29.00	1,336,493.11	1,336,493.11	4.66
Jilin BBMG Jidong Environmental Protection Technology				
-Project concerning a change of exploration right to mining right of Qincaigou mine	6.80	319,925.36	99,743.92	4.45
Dingxin Cement				
-Environmental protection technology improvement project for collaborative disposal of integrated solid waste	68.21	66,700.00	66,700.00	3.48
		<u>54,054,564.91</u>	<u>26,106,598.44</u>	

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Construction in progress (continued)

Provision for impairment of construction in progress as at 30 June 2020:

	Opening balance	Increase in the period	Decrease/ write-off for the period	Closing balance
Jidong Group				
-Nanhu Yingbinguan	64,378,932.25	-	-	64,378,932.25
Jidong Cement Tongchuan				
-Conveyor belt project	8,217,768.42	-	-	8,217,768.42
Others	16,242,655.04	-	-	16,242,655.04
Provision for impairment of construction in progress	88,839,355.71	-	-	88,839,355.71
Provision for impairment of construction materials	15,982,477.57	-	-	15,982,477.57
Total	104,821,833.28	-	-	104,821,833.28

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Construction in progress (continued)

Provision for impairment of construction in progress as at 31 December 2019:

	Opening balance	Increase in the year	Decrease/ write-off for the year	Closing balance
Jidong Group				
-Nanhu Yingbinguan	63,699,404.55	679,527.70	-	64,378,932.25
Jidong Cement Tongchuan				
-Conveyor belt project	6,401,041.53	1,816,726.89	-	8,217,768.42
Others	<u>16,076,879.25</u>	<u>165,775.79</u>	-	<u>16,242,655.04</u>
Provision for impairment of construction in progress	86,177,325.33	2,662,030.38	-	88,839,355.71
Provision for impairment of construction materials	<u>16,283,929.47</u>	<u>1,020,000.00</u>	<u>1,321,451.90</u>	<u>15,982,477.57</u>
Total	<u>102,461,254.80</u>	<u>3,682,030.38</u>	<u>1,321,451.90</u>	<u>104,821,833.28</u>

Note: The reason for making provision for impairment for the projects above is their suspension.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Right-of-use assets

30 June 2020

	Lands	Buildings	Machinery and equipment	Transportation equipment	Others	Total
Cost						
Opening balance	368,224,151.65	295,901,537.87	61,229,482.38	3,007,425.46	21,205,678.65	749,568,276.01
Increase	10,376,457.54	90,847,504.74	1,675,128.92	10,967.51	-	102,910,058.71
Decrease	(196,934.94)	(26,205,567.17)	-	(1,848,936.73)	-	(28,251,438.84)
Reclassification	<u>21,205,678.65</u>	-	-	-	<u>(21,205,678.65)</u>	-
Closing balance	<u>399,609,352.90</u>	<u>360,543,475.44</u>	<u>62,904,611.30</u>	<u>1,169,456.24</u>	-	<u>824,226,895.88</u>
Accumulated depreciation						
Opening balance	55,177,963.25	71,627,144.35	28,480,541.78	1,155,948.05	3,950,128.94	160,391,726.37
Provision	12,750,352.28	51,525,767.21	1,462,550.56	216,254.60	-	65,954,924.65
Decrease	-	(9,545,142.38)	-	(739,574.69)	-	(10,284,717.07)
Reclassification	<u>3,950,128.94</u>	-	-	-	<u>(3,950,128.94)</u>	-
Closing balance	<u>71,878,444.47</u>	<u>113,607,769.18</u>	<u>29,943,092.34</u>	<u>632,627.96</u>	-	<u>216,061,933.95</u>
Carrying amount						
At the end of the period	<u>327,730,908.43</u>	<u>246,935,706.26</u>	<u>32,961,518.96</u>	<u>536,828.28</u>	-	<u>608,164,961.93</u>
At the beginning of the period	<u>313,046,188.40</u>	<u>224,274,393.52</u>	<u>32,748,940.60</u>	<u>1,851,477.41</u>	<u>17,255,549.71</u>	<u>589,176,549.64</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Right-of-use assets (continued)

31 December 2019

	Lands	Buildings	Machinery and equipment	Transportation equipment	Others	Total
Cost						
Opening balance	353,479,438.54	852,513,746.92	60,340,539.34	1,520,525.42	21,016,535.40	1,288,870,785.62
Increase	47,017,430.56	48,971,010.00	888,943.04	2,023,478.50	189,143.25	99,090,005.35
Decrease	(32,272,717.45)	(605,583,219.05)	—	(536,578.46)	—	(638,392,514.96)
Closing balance	<u>368,224,151.65</u>	<u>295,901,537.87</u>	<u>61,229,482.38</u>	<u>3,007,425.46</u>	<u>21,205,678.65</u>	<u>749,568,276.01</u>
Accumulated depreciation						
Opening balance	20,921,553.35	113,870,737.96	—	—	—	134,792,291.31
Provision	34,256,409.90	71,627,144.35	28,480,541.78	1,155,948.05	3,950,128.94	139,470,173.02
Decrease	—	(113,870,737.96)	—	—	—	(113,870,737.96)
Closing balance	<u>55,177,963.25</u>	<u>71,627,144.35</u>	<u>28,480,541.78</u>	<u>1,155,948.05</u>	<u>3,950,128.94</u>	<u>160,391,726.37</u>
Carrying amount						
At the end of the year	<u>313,046,188.40</u>	<u>224,274,393.52</u>	<u>32,748,940.60</u>	<u>1,851,477.41</u>	<u>17,255,549.71</u>	<u>589,176,549.64</u>
At the beginning of the year	<u>332,557,885.19</u>	<u>738,643,008.96</u>	<u>60,340,539.34</u>	<u>1,520,525.42</u>	<u>21,016,535.40</u>	<u>1,154,078,494.31</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

19. Intangible assets

30 June 2020

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	15,361,139,823.36	239,227,132.98	3,319,284,284.77	83,414,700.00	194,904,894.35	19,197,970,835.46
Addition	175,960,485.16	6,750,792.09	42,301,045.74	-	12,902.92	225,025,225.91
Disposal	(38,090,879.18)	(598,790.10)	(654,305.46)	-	-	(39,343,974.74)
Other decrease	-	-	(57,825,446.00)	-	-	(57,825,446.00)
Closing balance	<u>15,499,009,429.34</u>	<u>245,379,134.97</u>	<u>3,303,105,579.05</u>	<u>83,414,700.00</u>	<u>194,917,797.27</u>	<u>19,325,826,640.63</u>
Accumulated amortisation						
Opening balance	1,579,260,647.08	123,587,567.85	659,226,341.78	-	72,822,761.56	2,434,897,318.27
Provision for the period	193,523,166.08	21,215,959.59	65,709,931.54	-	12,547,600.92	292,996,658.13
Disposal	(8,785,521.91)	(580,083.13)	(103,039.95)	-	-	(9,468,644.99)
Closing balance	<u>1,763,998,291.25</u>	<u>144,223,444.31</u>	<u>724,833,233.37</u>	<u>-</u>	<u>85,370,362.48</u>	<u>2,718,425,331.41</u>
Provision for impairment						
Opening balance	22,690,520.52	-	101,574,830.64	5,000,000.00	8,046,757.54	137,312,108.70
Disposal	-	-	(66,167.87)	-	-	(66,167.87)
Closing balance	<u>22,690,520.52</u>	<u>-</u>	<u>101,508,662.77</u>	<u>5,000,000.00</u>	<u>8,046,757.54</u>	<u>137,245,940.83</u>
Carrying amount						
At the end of the period	<u>13,712,320,617.57</u>	<u>101,155,690.66</u>	<u>2,476,763,682.91</u>	<u>78,414,700.00</u>	<u>101,500,677.25</u>	<u>16,470,155,368.39</u>
At the beginning of the period	<u>13,759,188,655.76</u>	<u>115,639,565.13</u>	<u>2,558,483,112.35</u>	<u>78,414,700.00</u>	<u>114,035,375.25</u>	<u>16,625,761,408.49</u>

Note: Other decrease in the current period represent the recovery of the corresponding purchase consideration for adjustments of mining rights reserves.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

19. Intangible assets (continued)

31 December 2019

	Land use rights	Computer software licenses	Mining rights	Trademark rights	Others	Total
Cost						
Opening balance	15,317,007,872.39	201,497,021.08	2,872,240,892.09	83,414,700.00	194,627,109.07	18,668,787,594.63
Addition	198,087,406.79	38,591,174.97	450,594,228.28	-	277,785.28	687,550,595.32
Disposal	(88,353,055.10)	(861,063.07)	(3,550,835.60)	-	-	(92,764,953.77)
Other decrease	(65,602,400.72)	-	-	-	-	(65,602,400.72)
Closing balance	<u>15,361,139,823.36</u>	<u>239,227,132.98</u>	<u>3,319,284,284.77</u>	<u>83,414,700.00</u>	<u>194,904,894.35</u>	<u>19,197,970,835.46</u>
Accumulated amortisation						
Opening balance	1,229,037,833.88	84,716,200.76	513,149,405.45	-	56,780,002.39	1,883,683,442.48
Provision for the year	376,014,944.37	39,457,751.87	146,076,936.33	-	16,042,759.17	577,592,391.74
Disposal	(13,037,965.17)	(586,384.78)	-	-	-	(13,624,349.95)
Other decrease	(12,754,166.00)	-	-	-	-	(12,754,166.00)
Closing balance	<u>1,579,260,647.08</u>	<u>123,587,567.85</u>	<u>659,226,341.78</u>	<u>-</u>	<u>72,822,761.56</u>	<u>2,434,897,318.27</u>
Provision for impairment						
Opening balance	12,359,130.01	-	67,943,968.48	5,000,000.00	8,046,757.54	93,349,856.03
Provision for the year	16,428,997.10	-	33,630,862.16	-	-	50,059,859.26
Disposal	(6,097,606.59)	-	-	-	-	(6,097,606.59)
Closing balance	<u>22,690,520.52</u>	<u>-</u>	<u>101,574,830.64</u>	<u>5,000,000.00</u>	<u>8,046,757.54</u>	<u>137,312,108.70</u>
Carrying amount						
At the end of the year	<u>13,759,188,655.76</u>	<u>115,639,565.13</u>	<u>2,558,483,112.35</u>	<u>78,414,700.00</u>	<u>114,035,375.25</u>	<u>16,625,761,408.49</u>
At the beginning of the year	<u>14,075,610,908.50</u>	<u>116,780,820.32</u>	<u>2,291,147,518.16</u>	<u>78,414,700.00</u>	<u>129,800,349.14</u>	<u>16,691,754,296.12</u>

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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 2020	31 December 2019
Less than 50 years	<u>13,712,320,617.57</u>	<u>13,759,188,655.56</u>

Details of pledge of intangible assets are set out in Note V. 68.

As at 30 June 2020, the useful life of trademark rights with a carrying amount of RM78,414,700.00 was indefinite (31 December 2019: 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 2020, the carrying value of intangible assets of the Group pending completion of the procedures for title certificates amounted to RMB91,696,855.88 (31 December 2019: RMB92,592,491.88). 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.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Goodwill

	30 June 2020	31 December 2019
Hebei BBMG Dingxin Cement Co., Ltd.	189,815,999.91	189,815,999.91
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	3,967,009.95	3,967,009.95
Handan BBMG Taihang Cement Co., Ltd.	26,884,752.28	26,884,752.28
Beijing Taihang Prospect Environmental Protection Technology Co., Ltd.	9,482,871.64	9,482,871.64
Baoding Taihang Heyi Cement Co., Ltd.	11,428,946.82	11,428,946.82
Beijing Qianglian Cement Co., Ltd.	2,742,710.29	2,742,710.29
Tianjin BBMG Zhenxing Environmental Protection Technology Co., Ltd.	10,931,009.96	10,931,009.96
Handan Shexian BBMG Cement Co., Ltd.	56,276,121.38	56,276,121.38
Jidong Cement Business	2,013,854,242.93	2,013,854,242.93
Jidong Equipment Business	477,549,380.23	477,549,380.23
Baogang Jidong Cement Co., Ltd.	1,181,333.25	1,181,333.25
	2,804,114,378.64	2,804,114,378.64
Less: Provision for impairment of goodwill	212,645,395.59	212,645,395.59
	2,591,468,983.05	2,591,468,983.05

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Goodwill (continued)

Movements in provision for impairment of goodwill from January to June 2020 are as follows:

	Amount
At the beginning of the period	212,645,395.59
Provision for the period	—
Closing balance	212,645,395.59

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

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

The goodwill formed by the interest in the listed companies held by the Company was determined as the net amount of fair value less costs to sell based on the market value of the interests held by the Group in the RMB denominated ordinary shares issued by way of public issuance as at 30 June 2020 after adjustments.

The estimated future cash flows are based on the five-year financial budget approved by the management at a discount rate of 9% -10% (2019: 9% -10%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 1%-3% (2019: 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.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

21. Long-term deferred expenditures

30 June 2020

	Opening balance	Increase in the period	Amortisation for the period	Other decrease	Closing balance
Decoration	112,984,664.44	22,617,628.07	15,249,539.04	941,035.31	119,411,718.16
Leasehold improvement for fixed assets rented	27,029,259.27	–	5,936,570.42	–	21,092,688.85
Land lease prepayments	168,151,641.58	82,054,437.44	8,264,730.85	–	241,941,348.17
Cost of stripping mines	737,669,639.09	37,768,515.62	27,070,274.68	4,203.76	748,363,676.27
Others	230,448,989.10	68,266,397.90	35,977,368.53	8,429,256.64	254,308,761.83
	<u>1,276,284,193.48</u>	<u>210,706,979.03</u>	<u>92,498,483.52</u>	<u>9,374,495.71</u>	<u>1,385,118,193.28</u>

31 December 2019

	Opening balance	Increase in the year	Amortisation for the year	Other decrease	Closing balance
Decoration	126,484,781.94	29,550,611.79	42,405,729.29	645,000.00	112,984,664.44
Leasehold improvement for fixed assets rented	35,771,776.31	1,122,094.66	9,864,611.70	–	27,029,259.27
Land lease prepayments and compensation for land acquisition	314,190,930.47	70,706,974.89	13,183,597.45	203,562,666.33	168,151,641.58
Cost of stripping mines	582,350,585.77	211,243,119.21	54,080,489.63	1,843,576.26	737,669,639.09
Others	183,907,779.68	90,772,795.94	41,267,941.28	2,963,645.24	230,448,989.10
	<u>1,242,705,854.17</u>	<u>403,395,596.49</u>	<u>160,802,369.35</u>	<u>209,014,887.83</u>	<u>1,276,284,193.48</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

22. Deferred income tax assets/liabilities

Deferred income tax assets not eliminated:

	30 June 2020		31 December 2019	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for LAT	4,934,232,193.44	1,233,558,048.36	5,062,550,235.28	1,265,637,558.82
Deductible tax losses	3,785,927,459.40	946,481,864.85	3,508,555,489.12	877,138,872.28
Provision for impairment of assets	2,381,420,899.20	595,355,224.80	2,604,674,639.00	651,168,659.75
Difference in accounting and tax of revenue recognition	27,089,568.48	6,772,392.12	50,226,212.96	12,556,553.24
Accrual of property development cost	2,873,367,807.24	718,341,951.81	2,811,167,735.00	702,791,933.75
Unrealised profits and losses of internal transactions	1,500,667,947.44	375,166,986.86	1,358,806,121.72	339,701,530.43
Changes in fair value of other equity instruments	134,518,136.32	33,629,534.08	104,143,073.28	26,035,768.32
Others	505,196,995.44	126,299,248.86	454,438,521.64	113,609,630.41
	16,142,421,006.96	4,035,605,251.74	15,954,562,028.00	3,988,640,507.00

Deferred income tax liabilities not eliminated:

	30 June 2020		31 December 2019	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Valuation gains of investment properties	9,929,060,805.08	2,482,265,201.27	9,706,318,284.48	2,426,579,571.12
Assessment increase/decrease in business combination	12,247,230,702.76	3,061,807,675.69	12,459,311,258.80	3,114,827,814.70
Others	1,621,690,018.28	405,422,504.57	1,802,650,488.44	450,662,622.11
	23,797,981,526.12	5,949,495,381.53	23,968,280,031.72	5,992,070,007.93

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

22. Deferred income tax assets/liabilities (continued)

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

	30 June 2020	31 December 2019
Deductible tax losses	11,614,253,107.45	9,031,770,210.90
Deductible temporary differences	7,674,727,846.13	8,566,317,199.03
	19,288,980,953.58	17,598,087,409.93

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

	30 June 2020	31 December 2019
2020	1,775,959,962.83	1,813,760,495.84
2021	1,403,826,973.52	1,360,673,245.72
2022	1,449,651,443.01	1,381,679,641.80
2023	2,020,077,869.68	1,817,170,872.17
2024	2,999,009,647.54	2,658,485,955.37
2025	1,965,727,210.87	—
	11,614,253,107.45	9,031,770,210.90

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

23. Other non-current assets

	30 June 2020	31 December 2019
Prepayment for projects, equipment and plants	220,231,856.36	136,262,442.04
Prepayment for lands	259,490,680.33	301,604,869.87
Prepayment for exploration rights	95,532,297.05	95,531,297.05
	575,254,833.74	533,398,608.96

24. Short-term loans

	30 June 2020	31 December 2019
Guaranteed loans (Note 1)	2,520,000,000.00	1,669,000,000.00
Credit loans	32,498,990,000.00	35,456,630,000.00
Pledged loans (Note 2)	26,128,750.00	92,052,474.50
	35,045,118,750.00	37,217,682,474.50

Note 1: As at 30 June 2020, the guaranteed loans were guaranteed by entities within the Group.

Note 2: As at 30 June 2020, details and value of collaterals corresponding to pledged loans of the Group are set out in note V. 68.

As at 30 June 2020, the interest rates of the above loans were 3.10%-5.22% (31 December 2019: 3.96%-7.00%).

As at the balance sheet date, the Group had no outstanding loans that were due.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

25. Bills payable

	30 June 2020	31 December 2019
Bank acceptance bills	1,735,792,706.45	1,958,755,385.87
Commercial acceptance bills	7,724,259.91	17,386,936.78
	1,743,516,966.36	1,976,142,322.65

As at 30 June 2020, there were had no outstanding bills payable (31 December 2019: Nil).

26. Accounts payable

Accounts payable are non-interest bearing and shall generally be paid within 30 to 360 days.

An aging analysis of the accounts payable is as follows:

	30 June 2020	31 December 2019
Within 1 year (inclusive of 1 year)	12,549,571,883.28	14,362,144,476.30
1 to 2 years (inclusive of 2 years)	1,669,618,031.22	1,648,614,458.46
2 to 3 years (inclusive of 3 years)	1,509,922,063.28	828,401,100.74
Over 3 years	843,040,944.58	862,788,506.95
	16,572,152,922.36	17,701,948,542.45

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

26. Accounts payable (continued)

As at 30 June 2020, significant accounts payable of the Group aging over 1 year are as follows:

	Relationship with the Group	Amount	Percentage of total accounts payable (%)	Reasons for non-payment
First	Third party	1,143,050,309.16	6.90	Unsettled
Second	Third party	140,101,944.50	0.85	Unsettled
Third	Third party	88,272,479.49	0.53	Unsettled
Fourth	Third party	57,160,502.10	0.34	Unsettled
Fifth	Third party	47,621,180.23	0.29	Unsettled

27. Receipts in advance

	30 June 2020	31 December 2019
Advances on rents	320,934,858.39	334,666,882.90

As at 30 June 2020, there were no significant receipts in advance aged over one year (31 December 2019: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

28. Contract liabilities

	30 June 2020	31 December 2019
Advances on sale of properties	24,027,711,096.83	22,674,040,221.21
Advances on sale of goods	1,728,030,913.98	1,321,001,097.44
Advances on construction costs	51,830,362.74	60,264,629.35
Advances on property fees	179,402,103.14	253,386,219.51
Others	237,973,972.61	248,455,206.73
	26,224,948,449.30	24,557,147,374.24

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

Projects	Expected settlement date of the next batch	Proportion of the pre-sale	30 June 2020	31 December 2019
Hangzhou – Metro Forest (都會森林)	May 2021	44.80%	4,390,952,123.32	3,431,027,209.46
Hefei – Nanqi Garden	December 2020	91.55%	2,853,331,767.58	3,704,683,288.89
Beijing – Jin'gang Jiayuan	October 2020	100.00%	2,173,443,343.34	2,102,515,720.52
Ningbo – Longyaohuating	March 2021	91.21%	1,749,978,377.52	502,723,527.99
Ningbo – Shengjunhuating (晟郡華庭)	September 2020	75.53%	1,420,947,199.14	1,208,521,687.37
Beijing – Yancun project	November 2020	68.75%	1,339,516,126.64	734,104,277.08
Hefei – Dachengjun	August 2020	20.69%	1,169,794,608.24	615,250,954.16
Beijing – Yizhuang X89R1	November 2020	54.88%	1,133,746,118.74	340,214,588.99
Beijing – Xuefu	November 2021	71.44%	916,328,250.28	784,231,271.37
Tangshan – Jin'anhongbao	December 2011	95.21%	732,484,583.44	958,745,439.99
Beijing – Chaoyang New City	December 2020	99.80%	646,957,643.90	664,752,946.71
Nanjing – Zijingxiyuan (紫京熙院)	June 2021	46.92%	642,368,570.00	191,998,895.09
Hangzhou – Guanlan Commercial	December 2021	63.73%	570,925,965.49	274,779,510.09
Hefei – Jincheng Mansion	April 2022	32.46%	514,765,497.10	116,877,931.15
Beijing – Shangchengjun	December 2021	85.73%	465,070,246.74	397,585,056.76
Tianjin – Jinyu Yuecheng	August 2021	100.00%	338,067,178.35	186,323,898.21
Beijing – Treasures Mansion House	December 2021	89.37%	336,602,230.76	276,556,877.77
Chongqing – Nanshanjun	December 2020	85.87%	330,829,612.52	461,080,339.43
Chengdu – Longxi Center (龍熙中心)	July 2020	48.42%	274,844,420.46	169,583,979.70
Tangshan – BBMG Dachengjun	May 2021	41.42%	245,509,462.00	98,265,013.00
Chengde – BBMG Demonstration	December 2021	67.00%	200,393,156.95	176,572,163.23
Beijing – Wangchuan Beiyuan	December 2020	100.00%	181,585,101.74	580,639,020.71
Haikou – Yangguangjun	September 2020	73.08%	176,339,440.95	223,886,455.10
Beijing – Shunyi Jinchengyu Garden (順義金成裕雅苑)	December 2021	75.15%	171,504,373.55	90,440,579.79

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

28. Contract liabilities (continued)

Projects	Expected settlement date of the next batch	Proportion of the pre-sale	30 June 2020	31 December 2019
Tangshan-Jinyu Lefu	December 2020	93.24%	138,929,567.80	236,576,515.60
Chongqing – Xinduhui	July 2021	65.27%	137,022,074.92	56,826,524.77
Nanjing – Zijingdieyuan (紫京疊院)	August 2020	27.98%	131,357,692.40	258,095,668.92
Beijing – Changyang Polytechnic University Land No. 1	December 2021	89.96%	103,859,982.98	100,363,038.86
Inner Mongolia – Jinyu Global Finance Centre	December 2021	88.00%	79,226,360.51	162,702,857.53
Chengdu-Shangxifu	November 2020	20.61%	68,424,003.29	30,647,177.43
Ningbo – Ganjiang Shidai (甌江時代)	December 2021	16.49%	41,114,312.40	36,583,270.11
Tianjin – Jinyu Mantang	December 2020	100.00%	32,927,534.82	32,109,463.58
Shanghai – Juyuan	December 2021	100.00%	17,182,789.40	36,946,073.80
Qingdao – Beizutuan	December 2021	88.85%	17,116,555.97	1,578,850,379.68
Beijing – Kanghuiyuan	December 2021	87.36%	16,458,291.10	18,146,882.66
Hangzhou – Guanlan Times	July 2020	100.00%	15,665,045.33	16,557,904.40
Chongqing – Times Metro	September 2020	67.05%	10,209,108.31	48,739,247.43
Haikou – Xixili	September 2020	94.37%	6,940,278.01	49,349,869.43
Inner Mongolia – Jinyu Elegancy City	December 2021	93.00%	4,266,578.06	16,729,743.86
Tianjin – Qiaowanyuan	December 2020	71.71%	2,998,678.61	190,733,554.00
Chengdu – Longxijun	December 2021	75.17%	2,938,639.00	14,031,916.00
Hangzhou – Jinyu Xuefu	December 2021	100.00%	1,148,653.63	12,941,679.65
Beijing – Public Rental Apartments	–	100.00%	200,000.00	1,202,590,949.81
Others	–	–	223,439,551.54	283,156,871.13
			24,027,711,096.83	22,674,040,221.21

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

29. Wages payable

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term remunerations	436,985,160.94	2,517,373,862.73	2,732,869,555.36	221,489,468.31
Post-employment benefits (defined contribution plan)	13,462,162.87	118,260,276.45	119,161,646.96	12,560,792.36
Termination benefits	40,445,572.64	13,396,862.99	19,141,138.10	34,701,297.53
	<u>490,892,896.45</u>	<u>2,649,031,002.17</u>	<u>2,871,172,340.42</u>	<u>268,751,558.20</u>

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Short-term remunerations	359,517,376.25	5,810,155,484.83	5,732,687,700.14	436,985,160.94
Post-employment benefits (defined contribution plan)	11,708,438.42	685,103,870.16	683,350,145.71	13,462,162.87
Termination benefits	22,614,488.63	71,944,674.23	54,113,590.22	40,445,572.64
	<u>393,840,303.30</u>	<u>6,567,204,029.22</u>	<u>6,470,151,436.07</u>	<u>490,892,896.45</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

29. Wages payable (continued)

Short-term remunerations are as below:

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	337,718,205.24	1,961,866,286.90	2,191,361,494.65	108,222,997.49
Staff welfare	968,555.81	156,313,353.98	156,365,037.20	916,872.59
Social insurance	13,073,994.08	126,131,760.31	126,997,651.69	12,208,102.70
<i>Including: Medical insurance</i>	<i>11,191,050.50</i>	<i>116,177,817.28</i>	<i>116,908,447.69</i>	<i>10,460,420.09</i>
<i>Work injury insurance</i>	<i>1,191,403.60</i>	<i>6,590,728.44</i>	<i>6,624,111.47</i>	<i>1,158,020.57</i>
<i>Maternity insurance</i>	<i>691,539.98</i>	<i>3,363,214.59</i>	<i>3,465,092.53</i>	<i>589,662.04</i>
Housing funds	29,973,693.91	205,912,562.36	202,916,047.66	32,970,208.61
Union fund and employee education fund	53,366,767.01	51,278,080.26	38,785,464.95	65,859,382.32
Others	1,883,944.89	15,871,818.92	16,443,859.21	1,311,904.60
	436,985,160.94	2,517,373,862.73	2,732,869,555.36	221,489,468.31

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Salaries, bonuses, allowances and subsidies	243,385,243.77	4,466,159,431.99	4,371,826,470.52	337,718,205.24
Staff welfare	754,107.73	392,164,087.20	391,949,639.12	968,555.81
Social insurance	9,878,189.14	433,515,717.06	430,319,912.12	13,073,994.08
<i>Including: Medical insurance</i>	<i>8,357,227.75</i>	<i>365,698,644.95</i>	<i>362,864,822.20</i>	<i>11,191,050.50</i>
<i>Work injury insurance</i>	<i>945,203.14</i>	<i>43,262,980.53</i>	<i>43,016,780.07</i>	<i>1,191,403.60</i>
<i>Maternity insurance</i>	<i>575,758.25</i>	<i>24,554,091.58</i>	<i>24,438,309.85</i>	<i>691,539.98</i>
Housing funds	31,716,876.51	398,754,771.01	400,497,953.61	29,973,693.91
Union fund and employee education fund	54,062,170.98	105,086,988.11	105,782,392.08	53,366,767.01
Others	19,720,788.12	14,474,489.46	32,311,332.69	1,883,944.89
	359,517,376.25	5,810,155,484.83	5,732,687,700.14	436,985,160.94

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

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

29. Wages payable (continued)

Details of defined contribution plan are as follows:

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic pension	11,696,144.43	93,397,285.81	94,510,333.43	10,583,096.81
Corporate annuity	1,041,477.53	20,973,639.85	20,739,598.50	1,275,518.88
Unemployment insurance	724,540.91	3,889,350.79	3,911,715.03	702,176.67
	<u>13,462,162.87</u>	<u>118,260,276.45</u>	<u>119,161,646.96</u>	<u>12,560,792.36</u>

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Basic pension	10,452,703.35	615,577,443.15	614,334,002.07	11,696,144.43
Corporate annuity	427,473.10	44,760,674.29	44,146,669.86	1,041,477.53
Unemployment insurance	828,261.97	24,765,752.72	24,869,473.78	724,540.91
	<u>11,708,438.42</u>	<u>685,103,870.16</u>	<u>683,350,145.71</u>	<u>13,462,162.87</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 16% and 0.7-0.8% of the total wages in the previous year respectively. In addition, the Group also participated in the corporate annuity scheme operated and managed by a competent external management organization, to pay a certain percentage of annuity for eligible enterprises and employees.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

30. Tax payable

	30 June 2020	31 December 2019
VAT	878,937,827.12	636,498,220.38
Corporate income tax	1,159,197,205.19	1,404,307,009.53
Individual income tax	5,691,681.51	27,268,987.00
City maintenance and construction tax	37,738,207.92	33,336,065.82
Resource tax	15,289,891.85	10,839,625.94
Land appreciation tax	252,402,995.47	247,713,910.22
Education surcharges	31,081,774.45	25,831,318.50
Urban and rural land use tax	22,325,957.34	22,659,470.00
Real estate tax	39,241,202.37	44,361,788.09
Deed tax and others	76,400,452.29	62,816,654.54
	<u>2,518,307,195.51</u>	<u>2,515,633,050.02</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

31. Other payables

	30 June 2020	31 December 2019
Interests payable	1,368,965,584.32	1,325,247,208.26
Interests on borrowings	157,859,394.59	171,363,199.96
Including: Interests on long-term borrowings	121,851,373.75	106,678,044.18
Interests on short-term borrowings	36,008,020.84	64,685,155.78
Interests of corporate bonds	1,211,106,189.73	1,153,884,008.30
Dividends payable	2,059,463,569.94	267,517,744.80
Other shareholders	1,432,279,347.70	33,432,097.90
Interest on perpetual bonds	627,184,222.24	234,085,646.90
Other payables	7,375,801,636.16	6,924,658,708.59
Amounts collected on behalf and temporary receipts	3,840,299,384.31	3,272,977,666.14
Deposits	1,511,107,999.54	1,565,547,800.81
Payables for land use right	131,982,892.40	156,108,204.90
Construction costs payable	113,769,834.41	166,857,414.06
Payables for relocation compensation	578,381,459.58	437,230,015.66
Freight and miscellaneous charges payable	138,619,831.87	151,075,130.58
Payables for acquisition of equity investments	5,225,800.00	15,225,800.00
Payables to related parties	35,259,339.29	58,765,600.32
Utilities	40,248,502.38	40,550,355.15
Public maintenance fund payable	46,520,289.67	35,673,189.38
Current portion of net liabilities of defined benefit plan	61,970,284.70	62,702,595.71
Others	872,416,018.01	961,944,935.88
	10,804,230,790.42	8,517,423,661.65

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

31. Other payables (continued)

As at 30 June 2020, significant other payables of the Group aging more than one year are as follows:

	Relationship with the Group	Amount	Percentage of total other payables (%)	Reasons for non-payment
Unit 19	Third party	924,779,000.00	8.56	Undue
Unit 20	Third party	300,033,343.80	2.78	Undue
Unit 21	Third party	219,737,794.70	2.03	Undue
Unit 22	Third party	95,752,065.18	0.89	Undue
Unit 23	Third party	<u>87,821,380.30</u>	<u>0.81</u>	Unsettled

32. Non-current liabilities due within one year

	30 June 2020	31 December 2019
Long-term loans due within one year (Note V. 34)	8,622,628,159.20	13,229,616,201.98
Bonds payable due within one year (Note V. 35)	10,006,971,763.07	6,940,839,101.59
Long-term payables due within one year (Note V. 37)	39,567,383.08	39,567,383.08
Lease liabilities due with one year (Note V. 36)	<u>113,922,774.43</u>	<u>109,508,175.92</u>
	<u>18,783,090,079.78</u>	<u>20,319,530,862.57</u>

33. Other current liabilities

	30 June 2020	31 December 2019
Accrued expenses	9,604,478,050.62	9,840,401,927.79
<i>Including: Accrued development costs</i>	3,286,861,856.71	3,340,717,883.13
<i>Provision for LAT</i>	4,863,470,190.52	5,028,726,969.09
<i>Accrued costs for treatment of solid wastes</i>	231,035,839.66	165,911,329.50
<i>Repurchase</i>	979,715,232.52	942,512,451.52
<i>Other accrued expenses</i>	243,394,931.21	362,533,294.55
Tax to be written off	<u>1,219,746,551.37</u>	<u>936,087,002.51</u>
	<u>10,824,224,601.99</u>	<u>10,776,488,930.30</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

34. Long-term loans

	30 June 2020	31 December 2019
Guaranteed loans (Note 1)	10,689,696,348.00	14,220,056,660.00
Credit loans	15,719,719,349.97	15,247,569,349.97
Mortgaged loans (Note 2)	14,523,008,245.70	14,079,691,214.48
Pledged loans (Note 2)	5,246,400,000.00	5,444,700,000.00
Pledged/Mortgaged loans and guaranteed loans (Note 2)	<u>83,400,000.00</u>	<u>25,000,000.00</u>
Balance at the end of the period/year	46,262,223,943.67	49,017,017,224.45
Less: Long-term loans due within one year (Note V. 32)	<u>8,622,628,159.20</u>	<u>13,229,616,201.98</u>
	<u>37,639,595,784.47</u>	<u>35,787,401,022.47</u>

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

	30 June 2020	31 December 2019
Within 1 year	8,622,628,159.20	13,229,616,201.98
1-2 years	12,976,142,849.97	9,569,842,858.00
2-5 years	11,892,726,622.00	13,291,071,702.00
Over 5 years	<u>12,770,726,312.50</u>	<u>12,926,486,462.47</u>
	<u>46,262,223,943.67</u>	<u>49,017,017,224.45</u>

Note 1: As at 30 June 2020, the guaranteed loans of the Group were guaranteed by entities within the Group.

Note 2: As at 30 June 2020, details and value of collaterals corresponding to mortgaged, pledged and pledged/mortgaged and guaranteed loans of the Group are set out in note V. 68.

As at 30 June 2020, the interest rates of the above loans were 1.20%-7.20% (31 December 2019: 1.20%-10.34%) per annum.

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For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Short-term financing bonds payable and bonds payable

	30 June 2020	31 December 2019
Short-term financing bonds	<u>4,396,868,375.88</u>	<u>3,298,801,089.25</u>
Bonds payable		
Corporate bonds	26,158,049,942.47	20,401,835,819.73
Medium-term notes	11,000,000,000.00	11,000,000,000.00
Debt financing plan	<u>2,500,000,000.00</u>	<u>3,000,000,000.00</u>
Balance at the end of the period/year	39,658,049,942.47	34,401,835,819.73
Less: Bonds payable due within one year	<u>10,006,971,763.07</u>	<u>6,940,839,101.59</u>
Non-current portion	<u>29,651,078,179.40</u>	<u>27,460,996,718.14</u>
	30 June 2020	31 December 2019
Analysis of maturity of bonds		
Within 1 year (inclusive of 1 year)	10,006,971,763.07	6,940,839,101.59
1 to 2 years (inclusive of 2 years)	3,691,802,167.38	7,186,009,296.87
2 to 5 years (inclusive of 5 years)	25,959,276,012.02	18,779,591,863.34
Over 5 years	<u>—</u>	<u>1,495,395,557.93</u>
	<u>39,658,049,942.47</u>	<u>34,401,835,819.73</u>

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For the six months ended 30 June 2020

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

35. Short-term financing bonds payable and bonds payable (continued)

As at 30 June 2020, the balance of bonds payable is as follows:

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the period	Interest charged during the period	Amortisation of discount/premium	Repayment during the period	Reclassified to due within one year	Closing balance
Bonds payable:											
Non-current portion:											
1) RMB900 million corporate bonds	RMB900 million	20 March 2012	5+3 years	900,000,000.00	418,315,330.01	-	-	379,669.99	(418,695,000.00)	-	-
2) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	798,262,481.01	-	24,000,000.00	299,637.24	-	-	798,562,118.25
3) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	3+2 years	3,200,000,000.00	3,189,708,833.39	-	63,638,740.26	4,066,887.58	-	-	3,193,795,720.97
3) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	5+2 years	1,800,000,000.00	1,795,173,893.04	-	31,982,338.76	657,338.76	-	(1,795,831,231.80)	-
4) RMB3.5 billion corporate bonds	RMB3.5 billion	19 May 2017	3+2 years	3,500,000,000.00	3,493,070,972.35	-	83,944,665.79	1,703,017.38	-	(3,494,773,989.73)	-
4) RMB500 million corporate bonds	RMB500 million	19 May 2017	5+2 years	500,000,000.00	498,697,370.15	-	13,568,125.46	118,125.44	-	-	498,815,495.59
5) RMB500 million corporate bonds	RMB500 million	3 July 2017	2+1 years	500,000,000.00	314,469,614.39	-	-	530,385.61	(315,000,000.00)	-	-
6) RMB1.25 billion corporate bonds	RMB1.25 billion	13 July 2017	2+1 years	1,250,000,000.00	468,655,975.73	-	9,212,585.28	770,585.28	-	(469,426,561.01)	-
6) RMB1.75 billion corporate bonds	RMB1.75 billion	13 July 2017	3+2 years	1,750,000,000.00	1,746,327,209.11	-	46,987,771.44	612,771.42	-	(1,746,939,980.53)	-
7) RMB2.0 billion medium-term notes	RMB2.0 billion	18 January 2018	5 years	2,000,000,000.00	2,000,000,000.00	-	58,500,000.00	-	-	-	2,000,000,000.00
8) RMB500 million debt financing plan	RMB500 million	27 February 2018	2+3 years	500,000,000.00	500,000,000.00	-	2,135,244.13	-	(500,000,000.00)	-	-
9) RMB2.5 billion debt financing plan	RMB2.5 billion	25 June 2018	3 years	2,500,000,000.00	2,500,000,000.00	-	82,895,833.34	-	-	(2,500,000,000.00)	-
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	3+2 years	1,500,000,000.00	1,496,300,463.49	-	35,532,004.63	477,887.96	-	-	1,496,778,351.45
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	5+2 years	1,500,000,000.00	1,495,833,170.05	-	37,616,964.77	325,298.10	-	-	1,496,178,468.15
11) RMB2.5 billion medium-term notes	RMB2.5 billion	9 August 2018	5 years	2,500,000,000.00	2,500,000,000.00	-	58,423,611.13	-	-	-	2,500,000,000.00
12) RMB500 million corporate bonds	RMB500 million	9 January 2019	3+2 years	500,000,000.00	498,566,228.88	-	9,487,169.17	162,169.17	-	-	498,728,399.05
12) RMB1.5 billion corporate bonds	RMB1.5 billion	9 January 2019	5+2 years	1,500,000,000.00	1,495,395,557.95	-	30,856,055.36	331,055.36	-	-	1,495,726,613.31
13) RMB2.5 billion medium-term notes	RMB2.5 billion	7 March 2019	5 years	2,500,000,000.00	2,500,000,000.00	-	54,172,916.67	-	-	-	2,500,000,000.00
14) RMB1.2 billion corporate bonds	RMB1.2 billion	19 March 2019	3+2 years	1,200,000,000.00	1,197,146,271.18	-	29,820,000.00	333,700.11	-	-	1,197,479,971.29
15) RMB2.0 billion medium-term notes	RMB2.0 billion	7 August 2019	5 years	2,000,000,000.00	2,000,000,000.00	-	39,181,111.13	-	-	-	2,000,000,000.00

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

35. Short-term financing bonds payable and bonds payable (continued)

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the period	Interest charged during the period	Amortisation of discount/premium	Repayment during the period	Reclassified to due within one year	Closing balance
Bonds payable: (continued)											
14) RMB1.5 billion corporate bonds	RMB1.5 billion	28 October 2019	3+2 years	1,500,000,000.00	1,495,892,448.00	-	31,500,000.00	413,193.06	-	-	1,496,305,641.06
15) RMB2.0 billion medium-term notes	RMB2.0 billion	12 November 2019	5 years	2,000,000,000.00	2,000,000,000.00	-	41,299,999.98	-	-	-	2,000,000,000.00
16) RMB4.5 billion corporate bonds	RMB4.5 billion	10 January 2020	5+2 years	4,500,000,000.00	-	4,484,250,000.00	86,791,275.66	1,360,227.28	-	-	4,485,610,227.28
16) RMB2.0 billion corporate bonds	RMB2.0 billion	15 June 2020	3+2 years	2,000,000,000.00	-	1,993,000,000.00	2,797,223.00	97,223.00	-	-	1,993,097,223.00
				42,400,000,000.00	34,401,835,819.73	6,477,250,000.00	874,243,635.96	12,659,122.74	(1,233,695,000.00)	(10,006,971,763.07)	29,651,078,179.40
Short-term financing bond:											
17) RMB800 million ultrashort financing bonds	RMB800 million	26 July 2019	270 days	800,000,000.00	799,394,083.19	-	-	605,916.81	(800,000,000.00)	-	-
17) RMB500 million ultrashort financing bonds	RMB500 million	25 September 2019	270 days	500,000,000.00	499,407,006.06	-	-	592,993.94	(500,000,000.00)	-	-
18) RMB2.0 billion ultrashort financing bonds	RMB2.0 billion	12 October 2019	177 days	2,000,000,000.00	2,000,000,000.00	-	15,244,444.46	-	(2,000,000,000.00)	-	-
19) RMB2.0 billion ultrashort financing bonds	RMB2.0 billion	12 March 2020	240 days	2,000,000,000.00	-	2,000,000,000.00	14,534,444.44	-	-	-	2,000,000,000.00
20) RMB800 million ultrashort financing bonds	RMB800 million	13 March 2020	270 days	800,000,000.00	-	798,400,000.00	6,443,715.85	752,240.33	-	-	799,152,240.33
20) RMB800 million ultrashort financing bonds	RMB800 million	19 March 2020	270 days	800,000,000.00	-	798,400,000.00	6,046,775.96	630,766.70	-	-	799,030,766.70
20) RMB800 million ultrashort financing bonds	RMB800 million	14 May 2020	270 days	800,000,000.00	-	798,400,000.00	2,171,803.28	285,368.85	-	-	798,685,368.85
				7,700,000,000.00	3,298,801,089.25	4,395,200,000.00	44,441,183.99	2,867,286.63	(3,300,000,000.00)	-	4,396,868,375.88
				50,100,000,000.00	37,700,636,908.98	10,872,450,000.00	918,684,819.95	15,226,409.37	(4,533,695,000.00)	(10,006,971,763.07)	34,047,946,555.28

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For the six months ended 30 June 2020

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

35. Short-term financing bonds payable and bonds payable (continued)

As at 31 December 2019, the balance of bonds payable is as follows:

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
Bonds payable:											
Non-current portion:											
1) RMB900 million corporate bonds	RMB900 million	20 March 2012	5+3 years	418,695,000.00	416,817,322.70	-	23,363,181.00	1,498,007.31	-	(418,315,330.01)	-
RMB800 million corporate bonds	RMB800 million	13 September 2012	7 years	800,000,000.00	38,964,000.00	-	-	36,000.00	(39,000,000.00)	-	-
RMB450 million corporate bonds	RMB450 million	15 October 2012	7 years	450,000,000.00	449,599,258.96	-	21,018,750.00	400,741.04	(450,000,000.00)	-	-
2) RMB800 million corporate bonds	RMB800 million	15 October 2012	10 years	800,000,000.00	797,641,931.84	-	48,000,000.00	620,549.17	-	-	798,262,481.01
RMB2.0 billion medium-term notes	RMB2.0 billion	15 October 2014	5 years	2,000,000,000.00	2,000,000,000.00	-	85,005,555.56	-	(2,000,000,000.00)	-	-
RMB1.5 billion medium-term notes	RMB1.5 billion	17 November 2014	5 years	1,500,000,000.00	1,500,000,000.00	-	70,225,000.00	-	(1,500,000,000.00)	-	-
3) RMB3.2 billion corporate bonds	RMB3.2 billion	14 March 2016	3+2 years	3,200,000,000.00	3,192,247,592.89	-	123,016,336.21	3,526,240.50	(6,065,000.00)	-	3,189,708,833.39
3) RMB1.8 billion corporate bonds	RMB1.8 billion	14 March 2016	5+2 years	1,800,000,000.00	1,793,773,035.20	-	64,400,857.84	1,400,857.84	-	-	1,795,173,893.04
4) RMB3.5 billion corporate bonds	RMB3.5 billion	19 May 2017	3+2 years	3,500,000,000.00	3,490,400,661.46	-	184,670,310.89	2,670,310.89	-	(3,493,070,972.35)	-
4) RMB500 million corporate bonds	RMB500 million	19 May 2017	5+2 years	500,000,000.00	498,439,876.79	-	27,157,493.36	257,493.36	-	-	498,697,370.15
5) RMB500 million corporate bonds	RMB500 million	3 July 2017	2+1 years	500,000,000.00	498,439,832.33	-	22,431,250.00	1,029,782.06	(185,000,000.00)	(314,469,614.39)	-
6) RMB1.25 billion corporate bonds	RMB1.25 billion	13 July 2017	2+1 years	1,250,000,000.00	1,247,423,819.22	-	44,731,123.19	2,232,156.51	(781,000,000.00)	(468,655,975.73)	-
6) RMB1.75 billion corporate bonds	RMB1.75 billion	13 July 2017	3+2 years	1,750,000,000.00	1,745,003,295.50	-	94,073,913.81	1,323,913.81	-	(1,746,327,209.11)	-
RMB500 million short-term bonds	RMB500 million	17 November 2017	2+3 years	500,000,000.00	500,000,000.00	-	24,215,277.78	-	(500,000,000.00)	-	-
7) RMB2.0 billion medium-term notes	RMB2.0 billion	18 January 2018	5 years	2,000,000,000.00	2,000,000,000.00	-	117,000,000.00	-	-	-	2,000,000,000.00
8) RMB500 million short-term bonds	RMB500 million	27 February 2018	2+3 years	500,000,000.00	500,000,000.00	-	29,000,000.00	-	-	(500,000,000.00)	-
9) RMB2.5 billion short-term bonds	RMB2.5 billion	25 June 2018	3 years	2,500,000,000.00	2,500,000,000.00	-	157,500,000.00	-	-	-	2,500,000,000.00
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	3+2 years	1,500,000,000.00	1,495,357,176.10	-	71,443,287.39	943,287.39	-	-	1,496,300,463.49
10) RMB1.5 billion corporate bonds	RMB1.5 billion	12 July 2018	5+2 years	1,500,000,000.00	1,495,216,157.98	-	75,637,012.07	637,012.07	-	-	1,495,853,170.05
11) RMB2.5 billion medium-term notes	RMB2.5 billion	9 August 2018	5 years	2,500,000,000.00	2,500,000,000.00	-	117,500,000.00	-	-	-	2,500,000,000.00
12) RMB500 million corporate bonds	RMB500 million	9 January 2019	3+2 years	500,000,000.00	-	498,250,000.00	18,499,979.88	316,229.88	-	-	498,566,229.88

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

35. Short-term financing bonds payable and bonds payable (continued)

	Par value	Issuance date	Term	Issuance amount	Opening balance	Issuance amount during the year	Interest charged during the year	Amortisation of discount/premium	Repayment during the year	Reclassified to due within one year	Closing balance
12) RMB1.5 billion corporate bonds	RMB1.5 billion	9 January 2019	5+2 years	1,500,000,000.00	-	1,494,750,000.00	60,169,307.95	645,557.95	-	-	1,495,395,557.95
13) RMB2.5 billion medium-term notes	RMB2.5 billion	7 March 2019	5 years	2,500,000,000.00	-	2,500,000,000.00	87,302,083.33	-	-	-	2,500,000,000.00
14) RMB1.2 billion corporate bonds	RMB1.2 billion	19 March 2019	3+2 years	1,200,000,000.00	-	1,196,037,773.58	49,700,000.00	542,497.60	-	-	1,197,146,271.18
15) RMB2.0 billion medium-term notes	RMB2.0 billion	7 August 2019	5 years	2,000,000,000.00	-	2,000,000,000.00	30,863,333.33	-	-	-	2,000,000,000.00
14) RMB1.5 billion corporate bonds	RMB1.5 billion	28 October 2019	3+2 years	1,500,000,000.00	-	1,495,754,716.98	11,008,064.62	137,731.02	-	-	1,495,892,448.00
15) RMB2.0 billion medium-term notes	RMB2.0 billion	12 November 2019	5 years	2,000,000,000.00	-	2,000,000,000.00	10,880,107.53	-	-	-	2,000,000,000.00
				40,668,695,000.00	28,659,323,960.77	11,185,358,490.56	1,668,872,225.74	18,218,368.40	(5,461,065,000.00)	(6,940,839,101.59)	27,460,996,718.14
Short-term financing bond:											
RMB1.5 billion ultrashort financing bonds	RMB1.5 billion	23 April 2018	270 days	1,500,000,000.00	1,500,000,000.00	-	3,442,500.00	-	(1,500,000,000.00)	-	-
RMB2.0 billion ultrashort financing bonds	RMB2.0 billion	18 July 2018	270 days	2,000,000,000.00	2,000,000,000.00	-	25,364,444.44	-	(2,000,000,000.00)	-	-
RMB1.0 billion ultrashort financing bonds	RMB1.0 billion	16 November 2018	210 days	1,000,000,000.00	1,000,000,000.00	-	16,582,222.22	-	(1,000,000,000.00)	-	-
RMB2.0 billion ultrashort financing bonds	RMB2.0 billion	11 December 2018	197 days	2,000,000,000.00	2,000,000,000.00	-	35,102,222.22	-	(2,000,000,000.00)	-	-
RMB2.0 billion ultrashort financing bonds	RMB2.0 billion	21 February 2019	216 days	2,000,000,000.00	-	2,000,000,000.00	36,142,222.22	-	(2,000,000,000.00)	-	-
RMB800 million ultrashort financing bonds	RMB800 million	22 February 2019	270 days	800,000,000.00	-	798,981,132.08	19,528,767.12	1,018,867.92	(800,000,000.00)	-	-
17) RMB800 million ultrashort financing bonds	RMB800 million	26 July 2019	270 days	800,000,000.00	-	799,166,000.00	11,607,868.85	228,083.19	-	-	799,394,083.19
17) RMB500 million ultrashort financing bonds	RMB500 million	25 September 2019	270 days	500,000,000.00	-	499,056,603.77	4,440,803.23	350,402.29	-	-	499,407,006.06
18) RMB2.0 billion ultrashort financing bonds	RMB2.0 billion	12 October 2019	177 days	2,000,000,000.00	-	2,000,000,000.00	11,822,222.22	-	-	-	2,000,000,000.00
				12,600,000,000.00	6,500,000,000.00	6,097,203,735.85	164,033,272.52	1,597,353.40	(9,300,000,000.00)	-	3,298,801,089.25
				53,268,695,000.00	35,159,323,960.77	17,282,562,226.41	1,832,905,498.26	19,815,721.80	(14,761,065,000.00)	(6,940,839,101.59)	30,799,797,807.39

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Short-term financing bonds payable and bonds payable (continued)

- (1) Pursuant to the document (Zheng Jian Xu Ke [2011] No. 1179) (《證監許可[2011]1179號》文件) issued by the China Securities Regulatory Commission, Jidong Cement issued the second tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2011 on 20 March 2012, totalling RMB900,000,000 with a term of 8 years (with the issuer's option to raise the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.58%. The total sale back amount as announced on 17 March 2017 was RMB481,305,000.00 (exclusive of interests) with the remaining amount of RMB418,695,000.00 (exclusive of interests) due on 20 March 2020.
- (2) Pursuant to the document (Fa Gai Cai Jin [2012] No. 2810) (發改財金[2012]2810號文件) issued by National Development and Reform Commission, Jidong Group issued the first tranche of corporate bonds of Jidong Development Group Co., Ltd. for 2012 on 15 October 2012, totalling RMB800,000,000 with a term of 10 years and a coupon rate of 6.3%.
- (3) 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) of BBMG Corporation for 2016 to qualified investors by way of public issuance on 14 March 2016, totalling RMB3,200,000,000 with a term of 5 years (with the issuer's option to raise the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and an initial coupon rate of 3.12%. As announced on 22 January 2019, the coupon rate of the bonds was increased to 3.9% for the next two years (i.e., from 14 March 2019 to 13 March 2021). The sale back amount as announced on 12 March 2019 was RMB6,065,000 (exclusive of interests) with the remaining amount of RMB3,193,935,000 (exclusive of interests); The Company issued its first tranche of corporate bonds (type two) of BBMG Corporation for 2016 to qualified investors by way of public issuance on 14 March 2016, totalling RMB1,800,000,000 with a term of 7 years (with the issuer's option to raise the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.5%.
- (4) 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) of BBMG Corporation for 2017 to qualified investors by way of public issuance on 19 May 2017, totalling RMB3,500,000,000 with a term of 5 years (with the issuer's option to raise the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.2%. As announced on 25 March 2020, the coupon rate of the bonds was lowered to 3.2% for the next two years (i. e., from 19 May 2020 to 18 May 2022). The total sale back amount as announced on 19 May 2020 was RMB319,107,000 (exclusive of interests). As announced on 19 May 2020, part of the sale-back bonds were resold with an amount of RMB319,107,000 (exclusive of interests). The Company issued its first tranche of corporate bonds (type two) of BBMG Corporation for 2017 to qualified investors by way of public issuance on 19 May 2017, totalling RMB500,000,000 with a term of 7 years (with the issuer's option to raise the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.38%.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Short-term financing bonds payable and bonds payable (continued)

- (5) Pursuant to the No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Issuance of Corporate Bonds of Tangshan Jidong Cement Co., Ltd. for 2016 (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, Jidong Cement issued the first tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2017 by way of non-public issuance on 3 July 2017, totalling RMB500,000,000 with a term of 3 years (with the issuer's option to adjust the coupon rate at the end of the second year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.98%. The sale back amount as announced on 25 May 2019 was RMB185,000,000 (exclusive of interests) with the remaining amount of RMB315,000,000 (exclusive of interests) was due for payment on 30 June 2020.
- (6) 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 to qualified investors by way of non-public issuance on 13 July 2017, totalling RMB1,250,000,000 with a term of 3 years (with the issuer's option to raise the coupon rate at the end of the second year and the investors' entitlement to sell back the bonds) and coupon rate of 5.20%; the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2017 to qualified investors by way of non-public issuance on 13 July 2017, totalling RMB1,750,000,000 with a term of 5 years (with the issuer's option to raise the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.30%.
- (7) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》(中市協註[2017]MTN512號)) issued by the National Association of Financial Market Institutional Investors (the "NAFMII"), the Company issued the first tranche of medium term notes of BBMG Corporation for 2018 on 18 January 2018, totalling RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.85%.
- (8) Pursuant to the Notice of Acceptance of Filing (Debt Financing Plan [2017] No. 0192) (《接受備案通知書》(債權融資計劃[2017]第0192號)) issued by Beijing Financial Assets Exchange Limited, the Company issued the first tranche of debt financing plan for 2018 on 27 February 2018, totalling RMB500,000,000 with a term of 2+3 years and a coupon rate of 5.80%, which was due for payment maturity on 24 February 2020.
- (9) Pursuant to the Notice of Acceptance of Filing (Debt Financing Plan [2018] No. 0312) (《接受備案通知書》(債權融資計劃[2018]第0312號)) issued by Beijing Financial Assets Exchange Limited, the Company issued the second tranche of debt financing plan for 2018 on 25 June 2018 totalling RMB2,500,000,000 with a term of 3 years and a coupon rate of 6.30%.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Short-term financing bonds payable and bonds payable (continued)

- (10) Pursuant to the document [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2018 to qualified investors by way of public issuance on 12 July 2018, totalling RMB1,500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.7%; and the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2018 to qualified investors by way of public issuance on 12 July 2018, totalling RMB1,500,000,000 with a term of 7 years (with the issuer's option to adjust the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 5.00%.
- (11) Pursuant to the Notice of Acceptance of Registration issued by the NAFMII, the Company issued the third tranche of medium term notes of BBMG Corporation for 2018 on 9 August 2018, totalling RMB2,500,000,000 with a term of 5 years and a coupon rate of 4.70%.
- (12) Pursuant to the Zheng Jian Xu Ke document [2018] No. 884 (《證監許可[2018]884號》文件) issued by the China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2019 to qualified investors by way of public issuance on 9 January 2019, totalling RMB500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.73%. The Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2019 to qualified investors by way of public issuance on 9 January 2019, totalling RMB1,500,000,000 with a term of 7 years (with the issuer's option to adjust the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.07%.
- (13) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》中市協註[2017] MTN512號) issued by the NAFMII, the Company issued the first tranche of medium term notes of BBMG Corporation for 2019 on 7 March 2019, totalling RMB2,500,000,000 with a term of 5 years and a coupon rate of 4.35%.
- (14) Pursuant to the No Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange in the Non-Public Issuance of Corporate Bonds for 2018 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2018] No. 810) (《關於唐山冀東水泥股份有限公司2018年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2018]810號)) issued by the Shenzhen Stock Exchange, Jidong Cement issued the first tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2019 by way of non-public issuance on 19 March 2019, totalling RMB1,200,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.97%. Jidong Cement issued the second tranche of corporate bonds of Tangshan Jidong Cement Co., Ltd. for 2019 by way of non-public issuance on 28 October 2019, totalling RMB1,500,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 4.20%.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Short-term financing bonds payable and bonds payable (continued)

- (15) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF16) (《接受註冊通知書》(中市協註[2019]DF16號)) issued by the NAFMII, the Company issued the second tranche of medium term notes of BBMG Corporation for 2019 on 7 August 2019, totalling RMB2,000,000,000 with a term of 5 years and a coupon rate of 3.94%; and the Company issued the third tranche of medium term notes of BBMG Corporation for 2019 on 12 November 2019, totalling RMB2,000,000,000 with a term of 5 years and a coupon rate of 4.13%.
- (16) Pursuant to the Replies (Zheng Jian Xu Ke [2019] No. 2255) (中國證券監督管理委員會出具的批復(證監許可[2019]2255號)) issued by the China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2020 to qualified investors by way of public issuance on 10 January 2020, totalling RMB4,500,000,000 with a term of 7 years (with the issuer's option to adjust the coupon rate at the end of the fifth year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.99%; the Company issued the second tranche of corporate bonds of BBMG Corporation for 2020 to qualified investors by way of public issuance on 15 June 2020, totalling RMB2,000,000,000 with a term of 5 years (with the issuer's option to adjust the coupon rate at the end of the third year and the investors' entitlement to sell back the bonds) and a coupon rate of 3.24%.
- (17) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP16) (《接受註冊通知書》(中市協註[2019]SCP16號)文件) issued by the NAFMII, Jidong Cement issued the second tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2019 on 26 July 2019, totalling RMB800,000,000 with a term of 270 days and a coupon rate of 3.34%; and Jidong Cement issued the third tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2019 on 25 September 2019, totalling RMB500,000,000 with a term of 270 days and a coupon rate of 3.30%.
- (18) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF16) (《接受註冊通知書》(中市協註[2019]DF16號)) issued by the NAFMII, the Company issued the second tranche of ultrashort financing bonds of BBMG Corporation for 2019 on 12 October 2019, totalling RMB2,000,000,000 with a term of 177 days and a coupon rate of 2.80%.
- (19) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF16) (《接受註冊通知書》(中市協註[2019]DF16號)) issued by the NAFMII, the Company successfully issued the first tranche of ultrashort financing bonds of BBMG Corporation for 2020 on 12 March 2020, totalling RMB2,000,000,000 with a term of 240 days and a coupon rate of 2.54%.
- (20) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP 16) (《接受註冊通知書》(中市協註[2019]SCP16號)) issued by the NAFMII, Jidong Cement issued the first tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 13 March 2020, totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.68% and Jidong Cement issued the second tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 19 March 2020, totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.66%; and Jidong Cement successfully issued the third tranche of ultrashort financing bonds of Tangshan Jidong Cement Co., Ltd. for 2020 on 14 May 2020, totalling RMB800,000,000 with a term of 270 days and a coupon rate of 2.07%.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

36. Lease liabilities

	30 June 2020	31 December 2019
Principal of lease liabilities	552,772,132.58	528,120,698.61
Less: Unrecognised finance cost	104,492,691.00	101,415,669.17
Balance at the end of the period/year	448,279,441.58	426,705,029.44
Less: Lease liabilities due within one year	113,922,774.43	109,508,175.92
Non-current portion	334,356,667.15	317,196,853.52

37. Long-term payables

	30 June 2020	31 December 2019
Long-term payables	59,279,603.77	57,385,689.96
Less: Long-term payables due within one year	39,567,383.08	39,567,383.08
Non-current portion	19,712,220.69	17,818,306.88

	30 June 2020	31 December 2019
Analysis of maturity of long-term payables		
Within 1 year (inclusive of 1 year)	39,567,383.08	39,567,383.08
1 to 2 years (inclusive of 2 years)	–	7,556,101.88
2 to 5 years (over 2 years and inclusive of 5 years)	19,712,220.69	10,262,205.00
	59,279,603.77	57,385,689.96

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Long-term wages payable

	30 June 2020	31 December 2019
Net liabilities of defined benefit plan	647,847,827.02	647,490,892.12

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 2020 using the projected accumulated benefit units method.

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

	January to June 2020	2019
Discount rate (%)	3.00%-4.00%	3.00%-4.00%
Growth rate of benefit costs of retirees and early retirees (%)	2.50%	3.00%

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

January to June 2020

	Increase %	Increase/ (decrease) of defined benefit plan obligations	Decrease %	Increase/ (decrease) of defined benefit plan obligations
Discount rate (%)	0.25	(15,232,279.37)	(0.25)	15,999,044.07
Expected growth rate of future retiree benefit costs (%)	0.50	21,874,640.95	(0.50)	(20,163,860.75)

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Long-term wages payable (continued)

2019

	Increase %	Increase/(decrease) of defined benefit plan obligations	Decrease %	Increase/(decrease) of defined benefit plan obligations
Discount rate (%)	0.25	(15,209,092.29)	(0.25)	15,987,464.50
Expected growth rate of future retiree benefit costs (%)	0.50	21,828,074.82	(0.50)	(20,119,524.08)

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.

The table below sets out the relevant costs recognised in the income statement:

	January to June 2020	2019
Net interest expenses charged to finance expenses	6,216,795.00	23,085,257.26
Charged to management expenses	4,000.00	31,768,000.00
	6,220,795.00	54,853,257.26

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Long-term wages payable (continued)

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

	January to June 2020	2019
Balance at the beginning of the period/year	710,193,487.83	740,634,311.23
Interest expenses for the period/year	6,216,795.00	23,085,257.26
Service costs for period/year	4,000.00	31,768,000.00
Welfare benefits paid for the period/year	(15,121,085.11)	(56,700,657.66)
Actuarial gains recognised in other comprehensive income	8,524,914.00	(28,593,423.00)
<i>Including: Actuarial changes arising from changes in financial assumptions</i>	–	778,978.00
<i>Including: Actuarial gains on difference in experience</i>	8,524,914.00	(29,372,401.00)
Balance at the end of the period/year	709,818,111.72	710,193,487.83
<i>Including: Current portion of net liabilities of defined benefit plan</i>	61,970,284.70	62,702,595.71
Balance at the end of the period/year	647,847,827.02	647,490,892.12

Expected future payments to the defined benefit plan:

	30 June 2020	31 December 2019
Within 1 year	61,970,284.70	62,702,595.71
2 to 5 years	211,005,561.18	254,176,783.18
5 to 10 years	210,189,117.49	197,830,169.49
Over 10 years	716,066,555.33	634,763,958.33
Total expected deposit	1,199,231,518.70	1,149,473,506.71

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

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39. Accrued liabilities

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Accrued concrete loss (Note 1)	49,197,555.83	8,009,328.19	4,094,748.33	53,112,135.69
Restoration cost of mines (Note 2)	566,785,861.25	9,462,611.61	20,881,031.99	555,367,440.87
Others (Note 3)	187,184,651.19	82,535,439.48	3,999,671.82	265,720,418.85
	803,168,068.27	100,007,379.28	28,975,452.14	874,199,995.41

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: Others include compensations and penalties of subsidiaries of the Group in pending litigations.

40. Deferred income

Government grants	30 June 2020	31 December 2019
Balance at the beginning of the period/year	837,416,381.95	888,404,866.72
Increase in the period/year	38,628,044.98	37,907,716.82
Decrease in the period/year	41,401,933.39	88,896,201.59
Balance at the end of the period/year	834,642,493.54	837,416,381.95

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

40. Deferred income (continued)

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

	30 June 2020	31 December 2019
Government grants related to assets		
Environmental protection projects	434,247,026.55	442,094,288.87
Cogeneration projects	32,726,129.63	35,168,933.40
Relocation compensation	207,324,908.81	210,803,756.23
Specific funds	7,873,121.24	8,730,574.04
Others	150,501,312.18	136,688,089.97
Government grants related to income		
Research and development funds	1,969,995.13	3,930,739.44
Balance at the end of the period/year	834,642,493.54	837,416,381.95

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

40. Deferred income (continued)

As at 30 June 2020, 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	157,757,241.75	-	3,478,847.42	154,278,394.33	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	126,163,285.46	-	7,687,958.82	118,475,326.64	Related to assets
Tangshan Qixin Cement Industry Museum Project	47,726,666.30	-	732,198.84	46,994,467.46	Related to assets
Relocation compensation for Jianji	46,060,606.36	-	921,212.10	45,139,394.26	Related to assets
Grant of liushui construction garbage project	38,550,666.64	-	1,366,666.68	37,183,999.96	Related to assets
Replacement subsidy for Beijing Jianyuan Hotel	-	18,867,924.53	-	18,867,924.53	Related to assets
Appropriation for mud project of Beijing Cement Plant	21,946,388.88	-	1,488,333.34	20,458,055.54	Related to assets
Zanhuang collaborative disposal of household garbage and sludge	14,425,500.00	-	531,000.00	13,894,500.00	Related to assets
Grant of Heilongjiang industrial production project	12,332,666.63	-	514,337.34	11,818,329.29	Related to assets
Grant of raw material storage tent of Zhenxing	7,392,000.00	-	336,000.00	7,056,000.00	Related to assets
Ground source heat pump construction project of BBMG Logistics Park	6,750,000.00	-	-	6,750,000.00	Related to assets
Heat supply renovation project of Liulihe	5,874,999.89	-	250,000.02	5,624,999.87	Related to assets
Zanhuang 2,500 tonnes new cement clinker production line project discount	5,784,444.38	-	365,333.34	5,419,111.04	Related to assets
	490,764,466.29	18,867,924.53	17,671,887.90	491,960,502.92	

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

40. Deferred income (continued)

As at 31 December 2019, the major items related to government grants were as follows:

	Opening balance	Increase in the year	Recognised in other income in the year	Closing balance	Related to assets/gains
Asset subsidy for relocation compensation of Tiantan	168,506,737.22	–	10,749,495.47	157,757,241.75	Related to assets
Subsidy for environmental protection equipment for Bio-Island project	141,539,203.10	–	15,375,917.64	126,163,285.46	Related to assets
Appropriation for mud project of Beijing Cement Plant	24,923,055.56	–	2,976,666.68	21,946,388.88	Related to assets
Tangshan Qixin Cement Industry Museum Project	49,207,539.50	–	1,480,873.20	47,726,666.30	Related to assets
Grant of liushui construction garbage project	41,000,000.00	–	2,449,333.36	38,550,666.64	Related to assets
Relocation compensation for Jianji Zanhuang collaborative disposal of household garbage and sludge	47,903,030.56	–	1,842,424.20	46,060,606.36	Related to assets
Grant of Heilongjiang industrial production project	15,487,500.00	–	1,062,000.00	14,425,500.00	Related to assets
Zanhuang 2,500 tonnes new cement clinker production line project discount	–	14,230,000.00	1,897,333.37	12,332,666.63	Related to assets
Raw material storage tent of Zhenxing	6,515,111.06	–	730,666.68	5,784,444.38	Related to assets
Ground source heat pump construction project of BBMG Logistics Park	8,064,000.00	–	672,000.00	7,392,000.00	Related to assets
Heat supply renovation project of Liulihe	–	6,750,000.00	–	6,750,000.00	Related to assets
Air pollution control project of Zanhuang	6,374,999.93	–	500,000.04	5,874,999.89	Related to assets
	6,478,000.04	–	6,478,000.04	–	Related to assets
	<u>515,999,176.97</u>	<u>20,980,000.00</u>	<u>46,214,710.68</u>	<u>490,764,466.29</u>	

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

41. Other non-current liabilities

	30 June 2020	31 December 2019
Advance payment for rent	12,000,000.00	12,000,000.00
Others	9,775,903.94	10,488,938.80
	21,775,903.94	22,488,938.80

42. Share capital

30 June 2020

	Opening balance	Increase/(decrease) in the period		Closing balance
		Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction				
1. Other domestic shareholdings	4,848,000.00	-	-	4,848,000.00
Total shares subject to lock-up restriction	4,848,000.00	-	-	4,848,000.00
II. Shares not subject to lock-up restriction				
1. RMB ordinary shares	8,334,158,264.00	-	-	8,334,158,264.00
2. Overseas listed foreign shares	2,338,764,870.00	-	-	2,338,764,870.00
Total shares not subject to lock-up restriction	10,672,923,134.00	-	-	10,672,923,134.00
Total share capital	10,677,771,134.00	-	-	10,677,771,134.00

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

42. Share capital (continued)

31 December 2019

	Opening balance	Increase/(decrease) in the year		Closing balance
		Shares released from lock-up period	Subtotal	
I. Shares subject to lock-up restriction				
1. Other domestic shareholdings	4,848,000.00	–	–	4,848,000.00
Total shares subject to lock-up restriction	4,848,000.00	–	–	4,848,000.00
II. Shares not subject to lock-up restriction				
1. RMB ordinary shares	8,334,158,264.00	–	–	8,334,158,264.00
2. Overseas listed foreign shares	2,338,764,870.00	–	–	2,338,764,870.00
Total shares not subject to lock-up restriction	10,672,923,134.00	–	–	10,672,923,134.00
Total share capital	10,677,771,134.00	–	–	10,677,771,134.00

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

43. Other equity instruments

Perpetual bonds	Issuance date	30 June 2020	31 December 2019
2015 First Tranche of Medium-term Notes	15 October 2015	990,000,000.00	990,000,000.00
2016 First Tranche of Medium-term Notes	2 September 2016	1,996,000,000.00	1,996,000,000.00
2016 Second Tranche of Medium-term Notes	6 September 2016	1,996,000,000.00	1,996,000,000.00
2017 First Tranche of Medium-term Notes	11 October 2017	2,495,000,000.00	2,495,000,000.00
2017 Second Tranche of Medium-term Notes	6 November 2017	2,495,000,000.00	2,495,000,000.00
2018 Second Tranche of Medium-term Notes	7 June 2018	1,996,000,000.00	1,996,000,000.00
2018 Fourth Tranche of Medium-term Notes	18 September 2018	1,497,000,000.00	1,497,000,000.00
2018 Fifth Tranche of Medium-term Notes	17 October 2018	1,497,000,000.00	1,497,000,000.00
2020 First Tranche of Medium-term Notes	22 April 2020	1,500,000,000.00	–
2020 Second Tranche of Medium-term Notes	19 June 2020	1,050,000,000.00	–
		17,512,000,000.00	14,962,000,000.00

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For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

43. Other equity instruments (continued)

According to the Prospectus, the major terms of the medium-term notes are as follows:

Maturity date	The medium-term notes have no fixed maturity date, which are on a long-term basis until redemption by the Company according to the requirement of the issuance provisions, and will expire when the Company redeems the notes according to the requirement of the issuance provisions.
Deferred distribution	Unless a mandatory interest payment event has occurred, on each interest payment date of the medium-term notes, the Company can elect to defer payment of interest due and all interest deferred according to the issuance provisions and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the requirement. Interest shall accrue on each of the deferred interest at the prevailing coupon rate over the period of deferral.
Mandatory distribution payment events	If any of the following events occurs within 12 months prior to the interest payment date, the Company shall not defer the payment of interest due or all interest deferred pursuant to this term and its fruits: <ol style="list-style-type: none"> (1) distributing dividends to ordinary shareholders; (2) reducing the registered capital.
Redemption and purchase	The Company is entitled to redeem the medium-term notes at par value plus payable interest (including all deferred interest) on the third/fifth and each of the subsequent interest payment dates of the medium-term notes.
Interest rate determination	<ul style="list-style-type: none"> – Medium-term notes carried fixed rate; – The coupon rate shall be reset every three/five years from the fourth/sixth year of interest calculation; – In the event that the issuer does not exercise its redemption right, starting from the fourth/sixth year of interest calculation, the coupon rate shall be adjusted to benchmark interest rate for the current period plus initial spread plus 300 basis points. Thereafter, the coupon interest rates is reset every 3/5 years to the benchmark interest rate for the current period plus the initial spread plus 300 basis points.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

43. Other equity instruments (continued)

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

The interest rate of medium-term notes of the Group was 3.45%~5.99%, and as at 30 June 2020, the interest accrued was RMB410,931,904.88 and interest payable to specific investors amounted to RMB119,800,000.00.

44. Capital reserve

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	<u>6,434,307,002.11</u>	<u>-</u>	<u>13,021,185.09</u>	<u>6,421,285,817.02</u>

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	<u>5,273,970,842.54</u>	<u>1,160,336,159.57</u>	<u>-</u>	<u>6,434,307,002.11</u>

For the reasons of movements in capital reserve, please see Note VII. 2.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

45. Other comprehensive income

Accumulated balance of other comprehensive income attributable to shareholders of the parent company in the consolidated balance sheet:

	1 January 2020	Increase/(decrease)	30 June 2020
Changes arising from re-measurement of defined benefit plans	76,807,642.00	(8,524,914.00)	68,282,728.00
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from self-occupied properties or inventories and measured with the fair value model	176,722,075.98	-	176,722,075.98
Other comprehensive income that may be reclassified to profit or loss under equity method	(1,008,660.75)	(8,734,689.30)	(9,743,350.05)
Exchange differences on foreign currency translation	8,459,245.41	(3,026,888.73)	5,432,356.68
Changes in fair value of investment in other equity instruments	(28,712,389.60)	(5,348,706.32)	(34,061,095.92)
	<u>232,267,913.04</u>	<u>(25,635,198.35)</u>	<u>206,632,714.69</u>
	1 January 2019	Increase/(decrease)	31 December 2019
Changes arising from re-measurement of defined benefit plans	53,361,769.00	23,445,873.00	76,807,642.00
The difference between the fair value on the date of transfer and the carrying value of the investment properties transferred from self-occupied properties or inventories and measured with the fair value model	176,722,075.98	-	176,722,075.98
Other comprehensive income that may be reclassified to profit or loss under equity method	(1,008,660.75)	-	(1,008,660.75)
Exchange differences on foreign currency translation	4,115,841.18	4,343,404.23	8,459,245.41
Changes in fair value of investment in other equity instruments	(26,239,704.38)	(2,472,685.22)	(28,712,389.60)
	<u>206,951,321.03</u>	<u>25,316,592.01</u>	<u>232,267,913.04</u>

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

45. Other comprehensive income (continued)

January to June 2020

	Amount before tax	Less: Income tax	Attributable to the shareholders of parent company	Attributable to minority shareholders
Changes in net liabilities arising on remeasurement of defined benefit plans	(8,524,914.00)	-	(8,524,914.00)	-
Other comprehensive income that may be reclassified to profit or loss under equity method	(26,468,755.45)	-	(8,734,689.30)	(17,734,066.15)
Exchange differences on foreign currency translation	(10,717,562.12)	-	(3,026,888.73)	(7,690,673.39)
Changes in fair value of investment in other equity instruments	(30,347,269.91)	(7,586,817.48)	(5,348,706.32)	(17,411,746.11)
	<u>(76,058,501.48)</u>	<u>(7,586,817.48)</u>	<u>(25,635,198.35)</u>	<u>(42,836,485.65)</u>

January to June 2019

	Amount before tax	Less: Income tax	Attributable to the shareholders of parent company	Attributable to minority shareholders
Changes arising on remeasurement of defined benefit plans	(5,000.00)	-	(5,000.00)	-
Other comprehensive income that may be reclassified to profit or loss under equity method	1,211,483.82	-	399,789.66	811,694.16
Exchange differences on foreign currency translation	(418,116.72)	-	(229,964.19)	(188,152.53)
Changes in fair value of investment in other equity instruments	(6,692,848.55)	(1,627,235.52)	(1,248,349.60)	(3,817,263.43)
	<u>(5,904,481.45)</u>	<u>(1,627,235.52)</u>	<u>(1,083,524.13)</u>	<u>(3,193,721.80)</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

46. Specific reserve

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Production safety cost	<u>32,250,174.13</u>	<u>50,917,364.75</u>	<u>35,655,061.63</u>	<u>47,512,477.25</u>

2019

	Opening balance	Equity transactions that do not affect control	Increase in the year	Decrease in the year	Closing balance
Production safety cost	<u>20,124,124.94</u>	<u>9,396,250.56</u>	<u>100,952,607.24</u>	<u>98,222,808.61</u>	<u>32,250,174.13</u>

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. 33 Production safety cost.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

47. Surplus reserve

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	<u>1,926,994,968.55</u>	<u>-</u>	<u>-</u>	<u>1,926,994,968.55</u>

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	<u>1,537,434,040.24</u>	<u>389,560,928.31</u>	<u>-</u>	<u>1,926,994,968.55</u>

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

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

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

48. General risk reserve

January to June 2020

	Opening balance	Increase in the period	Decrease in the period	Closing balance
General risk reserve	<u>359,957,564.90</u>	<u>-</u>	<u>-</u>	<u>359,957,564.90</u>

2019

	Opening balance	Increase in the year	Decrease in the year	Closing balance
General risk reserve	<u>340,792,201.29</u>	<u>19,165,363.61</u>	<u>-</u>	<u>359,957,564.90</u>

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

49. Retained earnings

	Notes	January to June 2020	2019
Retained earnings as at the beginning of the period/year		26,505,650,840.60	24,607,271,890.46
Net profit attributable to the shareholders of the parent company		1,523,592,114.58	3,693,582,654.45
Less: Interest of perpetual bonds		410,931,904.88	799,200,000.00
Less: Appropriation of surplus reserve		-	389,560,928.31
Less: Appropriation of general risk reserve		-	19,165,363.61
Less: Cash dividends payable	Note 1	1,281,332,536.08	<u>587,277,412.39</u>
Retained earnings at the end of the period/year		26,336,978,514.22	<u>26,505,650,840.60</u>

Note 1: Upon the consideration and approval by the 2019 annual general meeting of the Company convened on 19 May 2020, profit distribution for the year 2019 was calculated based on total share capital of the Company of 10,677,771,134 shares before implementation of distribution plan, with the distribution of a cash dividend of RMB0.12 per share (tax inclusive) in an aggregate amount of cash dividends of RMB1,281,332,536.08.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

50. Operating revenue and operating costs

	January to June 2020		January to June 2019	
	Revenue	Cost	Revenue	Cost
Principal operations	40,714,935,190.25	31,389,023,411.39	44,210,815,455.45	31,999,887,116.95
Other operations	213,162,944.39	124,731,778.14	400,273,175.21	233,194,551.85
	40,928,098,134.64	31,513,755,189.53	44,611,088,630.66	32,233,081,668.80

Operating revenue is as follows:

	January to June 2020	January to June 2019
Revenue from contracts with customers	39,921,749,941.78	43,599,665,767.08
Rental income	844,604,909.02	898,879,811.57
<i>Including: Rental income from investment properties</i>	750,725,792.41	791,362,190.23
<i> Other rental income</i>	93,879,116.61	107,517,621.34
Interest income	161,743,283.84	112,543,052.01
	40,928,098,134.64	44,611,088,630.66

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

50. Operating revenue and operating costs (continued)

Disaggregated operating revenue from contracts with customers is as follows:

Revenue recognition time	January to June 2020	January to June 2019
Revenue recognized at a point in time		
Sale of products	17,207,525,786.68	20,315,963,107.78
Bulk commodity trade	11,343,505,485.74	9,730,978,383.33
Sale of properties	9,403,202,011.87	11,135,581,975.84
Others	453,715,294.86	758,450,068.69
Revenue recognized over time		
Property management	428,848,843.34	464,644,807.29
Hotel operation	87,844,343.35	200,156,036.14
Income from decoration	278,702,619.22	295,085,232.07
Treatment of solid wastes	718,405,556.72	698,806,155.94
	39,921,749,941.78	43,599,665,767.08

For disclosures of major operation places and product types, please see Note XIII. 2 Segment Report.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

51. Tax and surcharges

	January to June 2020	January to June 2019
Business tax	283,432.85	1,260,971.87
City maintenance and construction tax	83,699,181.55	102,111,556.19
Education surcharges	66,053,635.11	84,192,374.61
Land appreciation tax	260,791,991.86	1,302,991,418.68
Real estate tax	179,120,390.50	152,717,568.03
Land use tax	92,652,577.11	101,129,354.04
Vehicle and vessel tax	1,258,197.31	1,574,254.51
Stamp duty	36,731,549.94	45,779,718.37
Green tax	29,429,842.16	41,888,050.13
Resource tax	39,555,043.33	38,383,898.33
Others	8,113,939.71	4,741,751.93
	797,689,781.43	1,876,770,916.69

52. Selling expenses

	January to June 2020	January to June 2019
Employee remunerations	398,709,607.40	440,542,199.07
Office service expenses	160,746,795.95	129,574,263.49
Lease fee	35,011,072.30	57,649,447.17
Agency intermediary fee	143,271,573.24	170,265,487.73
Advertisement fee	105,921,811.25	151,250,961.52
Transportation expenses	449,133,583.17	421,616,522.05
Others	9,444,722.04	19,572,762.68
	1,302,239,165.35	1,390,471,643.71

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

53. Administrative expenses

	January to June 2020	January to June 2019
Employee remuneration	1,091,160,403.97	1,215,893,776.93
Office service expenses	458,401,333.92	533,192,330.15
Intermediary service fees	110,889,809.57	129,124,893.22
Lease fees	113,645,576.61	122,127,846.12
Sewage and afforestation fees	27,285,789.31	18,297,643.63
Losses on suspension of operations	457,740,395.27	449,377,346.60
Others	601,357,537.77	725,495,517.48
	<u>2,860,480,846.42</u>	<u>3,193,509,354.13</u>

54. Research and development expenses

	January to June 2020	January to June 2019
Employee remunerations	73,782,440.13	76,555,362.94
Material and equipment cost	37,504,812.47	29,015,195.03
Travel expenses	941,725.40	2,162,726.89
Others	26,295,449.00	12,881,579.81
	<u>138,524,427.00</u>	<u>120,614,864.67</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

55. Finance costs

	January to June 2020	January to June 2019
Interest expenses	3,438,047,817.59	3,510,684,819.86
<i>Including: Interests on bank loans and other loans fully repayable within 5 years</i>	2,807,454,517.71	3,001,595,628.88
<i>Interests on bank loans and other loans fully repayable over 5 years</i>	250,517,328.48	47,217,330.64
<i>Interest expense on lease liabilities</i>	14,217,203.47	28,294,944.23
<i>Interest expenses on significant financing component</i>	365,858,767.93	433,576,916.11
Less: Interest income	253,487,917.73	445,148,683.74
Less: Amount of interest capitalized	1,680,958,954.64	1,801,210,165.34
Exchange losses	57,044,925.34	12,997,514.67
Handling charges	81,850,364.15	95,340,526.23
Others	52,341,111.31	41,757,693.02
	<u>1,694,837,346.02</u>	<u>1,414,421,704.70</u>

From January to June 2020, the amount of capitalised borrowing costs has been included in construction in progress of RMB8,274,530.24 (January to June 2019: RMB11,736,541.04) and costs for properties under development of RMB1,672,684,424.40 (January to June 2019: RMB1,789,473,624.30).

The breakdown of interest income was as follows:

	January to June 2020	January to June 2019
Cash and bank balances	77,924,824.83	76,073,765.46
Interest income from financing component	61,728,234.19	40,814,931.82
Other debt investments	113,834,858.71	328,259,986.46
	<u>253,487,917.73</u>	<u>445,148,683.74</u>

None of the interest income above was arised from impaired financial assets.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

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56. Other gains

	January to June 2020	January to June 2019	Related to assets/gains
Refunds of VAT	208,401,609.26	270,426,897.64	Related to gains
Income from relocation compensation	4,400,059.52	2,469,182.12	Related to assets/gains
Income from other subsidies	69,679,266.06	65,068,856.34	Related to assets/gains
Grants of sale of heat	3,370,200.00	1,179,310.04	Related to gains
	285,851,134.84	339,144,246.14	

57. Investment gains

	January to June 2020	January to June 2019
Gains from long-term equity investments under equity method	158,492,876.08	201,772,767.47
Investment gains from disposal of subsidiaries	30,430,655.25	9,142,289.61
Investment losses from disposal of associates and joint ventures	–	(617,210.75)
Investment gains from financial assets measured at amortized cost during the holding period	4,333,285.46	3,127,797.28
Investment gains from disposal of financial assets held for trading	17,140,215.51	30,240,332.66
Gains on re-measurement of equity interests in the acquiree held before the date of acquisition at fair value	–	9,248,144.36
Others	1,281,154.99	1,875,158.49
	211,678,187.29	254,789,279.12

There were no significant restrictions on the repatriation of investment income of the Group as of 30 June 2020. For the six months ended 30 June 2020, there were no gains from listed share investment among the Group's investment income (2019: Net loss of RMB20,146,588.49).

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

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58. Gains from changes in fair value

	January to June 2020	January to June 2019
Financial assets at fair value through profit or loss	4,782,760.86	62,272,088.26
Investment properties measured at fair value	247,438,807.75	438,700,381.37
	252,221,568.61	500,972,469.63

59. Credit impairment losses

	January to June 2020	January to June 2019
Losses on bad debts of bills receivables	69,526,275.88	(3,580,770.89)
Losses on bad debts of accounts receivable	(179,350,094.49)	(198,799,772.99)
Losses on bad debts of other receivables	(52,120,963.48)	63,433,699.30
Losses on bad debts of long-term receivables	3,593,519.97	(9,488,921.83)
Losses on impairment of contract assets	(313,126.27)	-
	(158,664,388.39)	(148,435,766.41)

60. Asset impairment losses

	January to June 2019	January to June 2019
Losses on decline in value of inventory	(9,861,148.14)	(13,979,440.57)
Losses on impairment of fixed assets	(639,917.87)	(52,039,795.80)
Losses on impairment of construction in progress	-	(1,211,151.26)
Losses on impairment of prepayments	(209,364.48)	239,026.00
	(10,710,430.49)	(66,991,361.63)

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

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61. Gains on disposal of assets

	January to June 2020	January to June 2019
Gains/(losses) on disposal of fixed assets	10,467,072.93	(7,171,846.21)
Gains on disposal of intangible assets	14,526,602.31	9,751,761.47
	24,993,675.24	2,579,915.26

62. Non-operating income

	January to June 2020	January to June 2019	Recognised in non-recurring profit and loss for January to June 2020
Net gains from fines	21,105,976.67	15,854,606.09	21,105,976.67
Unpayable amounts	31,243,430.14	15,554,063.64	31,243,430.14
Relocation compensation	124,559,247.55	13,512,198.84	124,559,247.55
Government grants not related to daily activities	26,411,908.18	5,175,888.63	26,411,908.18
Others	30,399,421.84	70,752,114.97	30,399,421.84
	233,719,984.38	120,848,872.17	233,719,984.38

63. Non-operating expenses

	January to June 2020	January to June 2019	Recognised in non-recurring profit and loss for January to June 2020
Expenses on compensation, penalties and fines	9,573,975.40	85,139,940.59	9,573,975.40
Expenses on charity donation	16,579,425.31	422,000.00	16,579,425.31
Losses on disposal of non-current assets	49,971,496.38	14,268,510.53	49,971,496.38
Other expenses	18,315,691.53	20,657,652.63	18,315,691.53
	94,440,588.62	120,488,103.75	94,440,588.62

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

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64. Expenses by nature

The supplemental information on the Group's operating costs, selling expenses, administrative expenses and R&D expenditure by nature is as follows:

	January to June 2020	January to June 2019
Consumption of raw materials	8,411,821,955.32	9,959,764,791.67
Procurement costs of tradable goods	11,664,811,131.69	10,292,966,117.97
Cost of sales of real estate	6,807,342,970.74	6,946,172,259.24
Changes in inventory of finished goods and work in progress	313,640,445.66	(224,959,771.64)
Employee remunerations	2,649,031,002.17	3,082,792,381.18
Depreciation and amortisation	2,256,847,551.49	2,213,766,214.80
Rentals	325,783,139.47	363,684,201.14
Maintenance expenses	575,977,057.09	668,210,889.57
Fuel and energy costs	1,329,444,965.74	1,439,425,161.72
Transportation fee	707,730,546.85	753,597,327.01
Advertisement fee	105,921,811.25	151,250,961.52
Office expenses	70,278,722.20	71,918,129.09
Intermediary fee	254,161,382.81	299,390,380.95
Others	342,206,945.82	919,698,487.09
	<u>35,814,999,628.30</u>	<u>36,937,677,531.31</u>

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For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

65. Income tax expenses

	January to June 2020	January to June 2019
Current income tax expense	1,274,973,914.06	1,664,967,448.51
Deferred income tax expense	(97,347,357.98)	(365,302,142.40)
	<u>1,177,626,556.08</u>	<u>1,299,665,306.11</u>

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

	January to June 2020	January to June 2019
Total profit	3,365,220,521.75	5,264,638,028.49
Income tax expense at the statutory income tax rate	841,305,130.43	1,316,159,507.09
Tax effect of different tax rates of some subsidiaries	(36,019,462.91)	(64,483,276.73)
Adjustments on the current income tax of previous periods	(6,110,383.92)	(21,056,545.98)
Share of profits and losses of joint ventures and associates	(45,838,830.63)	(54,990,910.66)
Income not subject to tax	(7,317,345.16)	–
Expenses not deductible	8,884,062.36	8,246,553.39
Use of deductible losses in prior years	(52,398,494.81)	(55,706,976.12)
Impact of deductible temporary difference and deductible tax losses not recognized	<u>475,121,880.72</u>	<u>171,496,955.12</u>
Income tax expense at the effective tax rate of the Group	<u>1,177,626,556.08</u>	<u>1,299,665,306.11</u>

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

66. Earnings per share

	January to June 2020	January to June 2019
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company (RMB)	<u>1,523,592,114.58</u>	<u>3,045,574,008.22</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>10,677,771,134.00</u>	<u>10,677,771,134.00</u>
Basic earnings per share-continuing operations (RMB/share)	<u>0.14</u>	<u>0.29</u>

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of outstanding ordinary shares in issue.

The Company did not have potentially dilutive ordinary shares and diluted earning per share was consistent with basic earnings per share. For earnings per share excluding other equity instruments, please refer to Supplementary Information 2 in these financial statements.

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

67. Notes to items of statement of cash flows

	January to June 2020	January to June 2019
Cash received relating to other operating activities		
Deposits and other amounts received	–	149,383,360.14
Compensation received	985,575,888.37	1,055,327,643.07
Received interest income	249,638,734.74	445,148,683.74
Current accounts and other current accounts	78,326,979.86	60,294,060.92
	<u>1,313,541,602.97</u>	<u>1,710,153,747.87</u>
Cash paid relating to other operating activities		
Selling and administrative expenses etc. paid	1,917,611,762.06	2,184,259,823.46
Deposits and other amounts received	294,614,931.08	–
Other current accounts	713,412,670.64	1,035,053,152.10
	<u>2,925,639,363.78</u>	<u>3,219,312,975.56</u>
Cash received from other investing activities		
Disposal of financial products such as short-term funds or bonds	1,100,000,000.00	34,396,634.59
Cash inflow from interbank borrowings	–	2,000,000,000.00
Disposal of reverse repurchase assets	–	594,000,000.00
Refund received related to exploration rights	57,825,990.68	–
	<u>1,157,825,990.68</u>	<u>2,628,396,634.59</u>
Cash paid relating to other investing activities		
Purchase of financial products such as short-term funds or bonds	1,682,426,792.53	1,199,999,991.78
Cash outflow from interbank borrowings	–	2,000,000,000.00
Purchase of reverse repurchase assets	–	594,000,000.00
Loans to associates	–	190,958,405.25
	<u>1,682,426,792.53</u>	<u>3,984,958,397.03</u>
Cash received from other financing activities		
Borrowings received from minority shareholders	720,300,000.00	–
Recovery of deposit for bank borrowings	–	35,000,000.00
	<u>720,300,000.00</u>	<u>35,000,000.00</u>
Cash paid relating to other financing activities		
Payment for acquisition of minority interests	110,399,947.21	–
Repayment of borrowings of Kuishan Jidong Cement Company Limited	–	484,564,382.84
	<u>110,399,947.21</u>	<u>484,564,382.84</u>

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

67. Notes to items of statement of cash flows (continued)

(1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	January to June 2020	January to June 2019
Net Profit	2,187,593,965.67	3,964,972,722.38
Add: Losses on credit impairment	158,664,388.39	148,435,766.41
Provision for impairment of assets	10,710,430.49	66,991,361.63
Depreciation of fixed assets	1,805,397,485.19	1,853,764,973.73
Depreciation of right-of-use assets	65,954,924.65	120,153,505.58
Amortisation of intangible assets	292,996,658.13	281,530,008.56
Amortisation of long-term deferred expenses	92,498,483.52	83,368,497.17
Gains from disposal of fixed assets, intangible assets and other long-term assets	(24,993,675.24)	(2,579,915.26)
Losses on retirement of fixed assets	48,776,869.83	14,268,510.53
Gains from changes in fair value	(252,221,568.61)	(500,972,469.63)
Finance costs	1,754,673,663.29	1,722,472,169.19
Investment income	(211,678,187.29)	(254,789,279.12)
Increase in deferred income tax assets	(46,964,744.74)	(425,980,844.51)
Decrease/(increase) in deferred income tax liabilities	(42,574,626.40)	61,001,815.24
Increase in inventories	(456,880,865.09)	(4,220,187,961.37)
Increase in operating receivables	(1,844,652,162.86)	(593,126,821.56)
Decrease in operating payables	(739,605,273.75)	(1,371,242,424.23)
Net cash flows from operating activities	<u>2,797,695,765.18</u>	<u>948,079,614.74</u>
Material financing activities not involving cash: Endorsement and transfer of bills: Endorsement and transfer of bank acceptance bills received from sale of goods or rendering of services	<u>5,538,932,700.05</u>	<u>7,334,086,217.06</u>
Balance of cash at the end of the period	26,125,776,795.58	15,691,738,007.72
Less: Balances of cash at the beginning of the period	<u>15,327,545,297.51</u>	<u>13,520,047,307.82</u>
Net increase in cash and cash equivalents	<u>10,798,231,498.07</u>	<u>2,171,690,699.90</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

67. Notes to items of statement of cash flows (continued)

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

	January to June 2020	January to June 2019
Cash received from disposal of subsidiaries and other business entities	38,049,457.00	44,390,000.00
Cash and cash equivalents received during the period from disposal of subsidiaries and other operating units during the previous year (Note)	56,602,304.00	669,350,973.33
Less: Cash and cash equivalent held by subsidiaries and other operating units disposed of	<u>11,191,962.78</u>	<u>10,112,064.36</u>
Net cash received from disposal of subsidiaries and other business entities	<u>83,459,798.22</u>	<u>703,628,908.97</u>

Note: During this year, the Group received the consideration in the amount of RMB52,569,816.00 and RMB4,032,488.00 for disposal of equity interest in Jidong Cement Huludao Co., Ltd. and Kuishan Jidong Cement Lincheng Hengshi Co., Ltd. respectively in 2019.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

67. Notes to items of statement of cash flows (continued)

(3) Cash and cash equivalents

	30 June 2020	30 June 2019
Cash	26,125,776,795.58	15,691,738,007.72
Including: Cash on hand	707,375.96	959,596.15
Bank deposits on demand	26,124,163,908.94	15,686,558,980.72
Other monetary fund on demand	905,510.68	4,219,430.85
Balance of cash and cash equivalents at the end of the year	26,125,776,795.58	15,691,738,007.72

(4) Cash outflow related to leases

	January to June 2020	January to June 2019
Cash inflow related to leases	736,993,767.90	903,467,874.95
Cash outflow related to leases	97,421,836.21	146,460,857.47

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

68. Assets with restricted titles or right to use

	Note	30 June 2020	31 December 2019
Pledged assets			
Cash and bank balances			
Statutory deposit reserve placement with central bank by Finance Company	(1)	1,335,726,955.49	1,246,559,989.54
Guarantee deposits for L/C	(1)	44,447,376.60	72,570,404.63
Quality/performance deposits	(1)	155,031,913.75	189,169,233.08
Guarantee deposits for acceptance bills	(1)	229,038,845.31	291,346,394.08
Inventories	(2)	26,937,968,740.46	33,915,878,899.67
Bills receivable	(3)	–	92,052,474.50
Receivables financing	(3)	63,774,505.00	–
Fixed assets	(2)	902,137,172.39	2,801,737,447.90
Investment properties	(2)	13,928,040,908.32	13,777,616,246.95
Equity interests	(2)	10,343,176,371.21	10,406,110,545.93
Land use rights	(2)	36,694,402.42	97,806,790.99
Cash and bank balances whose titles are restricted for other reasons			
Restricted cash arising from pre-sales of properties	(4)	5,061,181,511.90	3,872,605,923.80
Others		290,333,248.14	325,245,335.73
		59,327,551,950.99	67,088,699,686.80

Notes to Unaudited Interim Financial Statements

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

Note 1: As at 30 June 2020, the total amount of the Group's pledged cash and bank balances was RMB1,764,245,091.15 (31 December 2019: RMB1,799,646,021.33), 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 RMB1,335,726,955.49 (31 December 2019: RMB1,246,559,989.54).

Note 2: As at 30 June 2020, the Group obtained long-term borrowings of RMB19,852,808,245.70 (31 December 2019: RMB19,549,391,214.48) secured by inventories with a carrying amount of RMB26,937,968,740.46 (31 December 2019: RMB33,915,878,899.67), fixed assets with a carrying amount of RMB902,137,172.39 (31 December 2019: RMB2,801,737,447.90), investment properties with a carrying amount of RMB13,928,040,908.32 (31 December 2019: RMB13,777,616,246.95), land use rights with a carrying amount of RMB36,694,402.42 (31 December 2019: RMB97,806,790.99), and equity interests with a carrying amount of RMB10,343,176,371.21 (31 December 2019: RMB10,406,110,545.93).

Note 3: As at 30 June 2020, the Group obtained short-term borrowings of RMB26,128,750.00 by discounting bank acceptance bills with a carrying amount of RMB26,128,750.00 (31 December 2019: the Group obtained short-term borrowings of RMB92,052,474.50 by discounting bank acceptance bills with a carrying amount of RMB92,052,474.50). As at 30 June 2020, the Group pledged bank acceptance bills of RMB37,645,755.00 (31 December 2019: Nil).

Note 4: In accordance with relevant provisions, funds from pre-sales of commodity housing of property developers have to be deposited in special bank accounts of funds from pre-sales of real estates for supervision to ensure that the pre-sales funds are used for construction projects first, and written application have to be made to the supervisory bank before using the funds. Where presale projects under supervision have been completed and accepted and other required conditions have been satisfied, application for lifting supervision of the funds may be made. As at 30 June 2020, there were no bank borrowings obtained from unreleased pledge by land use rights of commodity houses of the Company which had already been delivered to the purchasers.

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

69. Foreign currency monetary items

	30 June 2020			31 December 2019		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
USD	33,296,358.01	7.0795	235,721,566.53	28,297,213.35	6.9762	197,407,019.74
HKD	1,001,358.85	0.9134	914,641.17	1,051,607.60	0.8958	942,030.09
ZAR	21,436,008.61	0.4101	8,790,907.13	24,012,863.64	0.4943	11,869,558.50
MNT	39,383,703.02	0.0025	98,459.26	41,620,778.09	0.0026	107,021.80
TZS	5,984.93	0.0031	18.55	-	-	-
Accounts receivable						
USD	48,126,295.58	7.0795	340,710,109.56	104,013,033.27	6.9762	725,615,722.70
ZAR	12,775,520.15	0.4101	5,239,240.81	11,050,626.44	0.4943	5,462,324.65
Accounts payable						
USD	58,008,066.64	7.0795	410,668,107.78	106,870,702.74	6.9762	745,551,396.42
ZAR	43,065,393.42	0.4101	17,661,117.84	43,094,143.42	0.4943	21,301,435.09
Other receivables						
USD	9,463,271.26	7.0795	66,995,228.89	4,414,494.77	6.9762	30,796,398.41
ZAR	754,576.96	0.4101	309,452.01	746,039.00	0.4943	368,767.08
HKD	325,240.00	0.9134	297,074.22	325,240.00	0.8958	291,349.99
Long-term receivables						
USD	38,858,799.57	7.0795	275,100,871.56	45,483,261.37	6.9762	317,300,327.97
Other payables						
USD	2,379,413.81	7.0795	16,845,060.07	2,413,836.48	6.9762	16,839,406.05
ZAR	3,965,143.93	0.4101	1,626,105.53	5,411,693.82	0.4943	2,675,000.26
			<u>487,377,178.47</u>			<u>503,793,283.11</u>

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

70. Hedging

Fair value hedge

The Group is engaged in trading of commodities such as non-ferrous metals and ferrous metals (including copper, iron ore, coke and rebar futures). These commodities are subject to the risk of price changes. Therefore, the Group uses futures contracts of futures exchanges to manage its exposure to commodity price risks arising from trading commodities it holds. The standard indicators for the industrial products sold by the Group are the same as the corresponding delivery grades in the futures contract. The basic variables of the hedging instrument (futures contract) and the hedged item (certain commodities held by the Group) are all standard parameter prices. Through qualitative analysis, the Group determines that the ratio of the number of hedging instruments to the number of hedged items was 1:1. The ineffective portion of hedging mainly arose from the basis risk, the risk of changes in supply and demand in the spot or futures market, and other risks of uncertainties in the spot or futures market. The amount of ineffective hedges recognized during the year was not significant. The Group adopted fair value hedge for such hedging.

The time distribution and average price of the nominal amount of the hedging instruments are as follows:

January to June 2020

	Within 6 months	6 to 12 months	After 1 year	Total
Nominal amount of copper futures	40,129,598.78	–	–	40,129,598.78
Average price of copper futures	44,588.44	–	–	44,588.44
Nominal amount of iron ore futures	104,848,660.00	–	–	104,848,660.00
Average price of iron ore futures	733.21	–	–	733.21
Nominal amount of rebar futures	21,087,000.00	–	–	21,087,000.00
Average price of rebar futures	3,514.50	–	–	3,514.50

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For the six months ended 30 June 2020

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V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

70. Hedging (continued)

Fair value hedge (continued)

Changes in the carrying amount and fair value of the hedging instruments are as follows:

January to June 2020

	Nominal amounts of the hedging instruments	Carrying amounts of the hedging instruments		Items on the balance sheet that contain hedging instruments	Changes in fair value of hedging instruments used as a basis for recognizing the ineffective portion of hedging in the period
		Assets	Liabilities		
Commodity price risk- inventories	166,065,258.78	-	9,511,991.22	Inventories	(51,748.78)

The carrying amount of hedged items and related adjustments are as follows:

January to June 2020

	Carrying amount of hedged items Assets	Cumulative amount of adjustments to fair value hedge of hedged items (included in carrying amount of hedged items) Assets	Items on the balance sheet that contain hedged items	Changes in fair value of hedged items used as a basis for recognizing the ineffective portion of hedging in the period

The ineffective portion of hedging in the changes in fair value of hedging instruments is set out below:

January to June 2020

	Ineffective portion of hedging included in profit or loss	Ineffective portion of hedging included in other comprehensive income	Items on the income statement that contain ineffective portion of hedging
Inventory price risk	(51,748.78)	-	Investment gains

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VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

On 15 January 2020, Tianjin Building Materials (Holding) Co., Ltd. (hereinafter referred to as “**Tianjin Building Materials**”), a subsidiary of the Company, entered into an Equity Transfer Contract with Kunong Tianxia (Tianjin) Agricultural Technology Co., Ltd. (庫農天下(天津)農業科技有限公司) (hereinafter referred to as “**Kunong Tianxia**”), under which Tianjin Building Materials sold its 100% equity interest in Tianjin Jinya Market Management Co., Ltd. to Kunong Tianxia at a consideration of RMB37,821,005.00. On 20 January 2020, both parties completed the equity transfer procedures at Beijing Equity Exchange. The date when the Company lost its control over Tianjin Jinya Market Management Co., Ltd. (天津市津亞市場管理有限公司) is 20 January 2020. Therefore, from 20 January 2020, the Group will no longer include Tianjin Jinya Market Management Co., Ltd. in the scope of consolidation. The financial information of Tianjin Jinya Market Management Co., Ltd. is set forth below:

	Carrying amount as at 20 January 2020	Carrying amount as at 31 December 2019
Current assets	18,999,283.73	18,999,283.73
Non-current assets	11,391,357.31	11,391,357.31
Current liabilities	(4,203,210.07)	(4,203,210.07)
	26,187,430.97	26,187,430.97
Minority interests	—	—
Fair value of remaining equity interest	26,187,430.97	
Gains on disposal	11,633,574.03	
Consideration of disposal	37,821,005.00	

The operating results included in the combination scope during the period:

	From 1 January to 20 January 2020
Operating revenue	—
Operating cost	—
Net profit	—

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

1. Disposal of subsidiaries *(continued)*

On 14 January 2020, Tiancai Hongye (Tianjin) Building Materials Co., Ltd. (天材宏業(天津)建築材料有限公司) (hereinafter referred to as “**Tiancai Hongye**”), a subsidiary of the Company, entered into an Equity Transfer Contract with Tianjin Yunjia Municipal Engineering Co., Ltd. (天津鑾嘉市政工程有限公司) (hereinafter referred to as “**Tianjin Yunjia**”). Ltd., under which Tiancai Hongye sold its 55.56% equity interest in Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) to Tianjin Yunjia at a consideration of RMB228,452.00. The date when the Group lost its control over Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) is 19 January 2020. Therefore, from 19 January 2020, the Group will no longer include Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) in the scope of consolidation. The financial information of Tianjin Xianfeng Bomei Logistics Co., Ltd. (天津市先鋒渤美物流有限公司) is set forth below:

	Carrying amount as at 19 January 2020	Carrying amount as at 31 December 2019
Current assets	695,822.61	695,822.61
Non-current assets	222,615.84	222,615.84
Current liabilities	<u>(320,518.53)</u>	<u>(320,518.53)</u>
	<u>597,919.92</u>	<u>597,919.92</u>
Minority interests	<u>265,715.61</u>	–
Fair value of remaining equity interest	332,204.31	
Losses on disposal	<u>(103,752.31)</u>	
Consideration of disposal	<u>228,452.00</u>	
		From 1 January to 19 January 2020
Operating revenue		–
Operating cost		–
Net profit		<u>–</u>

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RMB

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

1. Disposal of subsidiaries *(continued)*

On 18 December 2019, Beijing Chaoyang District People's Court accepted the bankruptcy liquidation petition filed by the Company's subsidiary, Beijing Bengpu Construction Machinery Operation Co., Ltd. (北京泵普建築機械施工有限責任公司) against Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司). On 21 May 2020, the handover between Beijing Konggang Tonghe Concrete Co., Ltd. (北京空港通和混凝土有限公司) and its bankruptcy administrator was completed. The date when the Company lost its control over Beijing Konggang Tonghe Concrete Co., Ltd. is 21 May 2020. Therefore, from 21 May 2020, the Group will no longer include Beijing Konggang Tonghe Concrete Co., Ltd. in the scope of consolidation. The financial information of Beijing Konggang Tonghe Concrete Co., Ltd. is set forth below:

	Carrying amount as at 21 May 2020	Carrying amount as at 31 December 2019
Current assets	80,428,220.48	80,038,171.72
Current liabilities	(90,317,665.45)	(87,909,949.80)
	(9,889,444.97)	(7,871,778.08)
Minority interests	—	—
Fair value of remaining equity interest	(9,889,444.97)	
Gains on disposal	9,889,444.97	
Consideration of disposal	—	
		From 1 January to 21 May 2020
Operating revenue		—
Operating cost		—
Net loss		(2,017,666.89)

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

1. Disposal of subsidiaries *(continued)*

Xi'an Weiyang District People's Court accepted the bankruptcy and liquidation case of Shaanxi Qinling Cement Group (Xi'an) Co.,Ltd. (陝西秦嶺水泥集團西安有限公司) (hereinafter referred to as "Qinling Xi'an"), a subsidiary of the Company, and appointed a bankruptcy administrator for Xi'an Company on 29 April 2020. On 1 June 2020, the handover between Qinling Xi'an and its bankruptcy administrator was completed. The date when the Group lost its control over Qinling Xi'an is 1 June 2020. Therefore, from 1 June 2020, the Group will no longer include Shaanxi Qinling Cement Group (Xi'an) Co.,Ltd. (陝西秦嶺水泥集團西安有限公司) in the scope of consolidation. The financial information of Shaanxi Qinling Cement Group (Xi'an) Co.,Ltd. (陝西秦嶺水泥集團西安有限公司) is set forth below:

	Carrying amount as at 1 June 2020	Carrying amount as at 31 December 2019
Current liabilities	(11,239,804.69)	(11,239,804.69)
Non-current liabilities	(24,431.01)	(24,431.01)
	(11,264,235.70)	(11,264,235.70)
Minority interests	(2,252,847.14)	–
Fair value of remaining equity interest	(9,011,388.56)	
Gains on disposal	9,011,388.56	
Consideration of disposal	–	
		From 1 January to 1 June 2020
Operating revenue		–
Operating cost		–
Net profit		–

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

2. Deregistration of subsidiaries

The breakdown of deregistration and absorption and merge of the Group's major subsidiaries during the period is as below:

Company Name	Proportion of shareholding of parent company before deregistration (%)	Reason for not being subsidiary
Beijing Yongfeng Weiye Concrete Co., Ltd. (北京永豐偉業混凝土有限責任公司)	100.00	Deregistration
Baotou Shengda Concrete Co., Ltd. (包頭市盛達混凝土有限責任公司)	100.00	Absorption and merge
BBMG Huitong (Dachang) Economic and Trade Co., Ltd. (金隅匯通(大廠)經貿有限公司)	100.00	Deregistration
Tianjin Xincheng Building Materials Co., Ltd.	100.00	Absorption and merge
Tianjin Tiancai Binhan Building Materials Co., Ltd.	100.00	Absorption and merge
Tianjin keyuan New Building Material Co., Ltd. (天津市科垣新型建材有限公司)	90.00	Absorption and merge
Tianjin Guoyi Building Materials Marketing Co., Ltd. (天津市國益建築材料銷售有限責任公司)	100.00	Absorption and merge

3. Establishment of new subsidiaries

Subsidiaries acquired by the Group through establishment or investment during the year are as follows:

Company Name	Acquired method
Beijing BBMG Hotel Management Co., Ltd. (北京金隅酒店管理有限公司)	Established
Beijing BBMG Wangjing Real Estate Co., Ltd. (北京金隅望京置業有限公司)	Established
BBMG (Tianjin) Investment Partnership (Limited Partnership) (金隅(天津)投資合夥企業(有限合夥))	Established
Jiangsu Trust- Longyuan No.2 Assemble Fund Trust Plan (江蘇信託-龍元2號集合資金信託計劃)	Established

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VII. INTERESTS IN OTHER ENTITIES

1. Interests in the subsidiaries

Information of the Company's major subsidiaries is as follows:

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment					
Beijing BBMG Mining Co., Ltd.	Beijing	Sale of metal ore and mining products etc.	500.00	100.00	–
Beijing BBMG Concrete Co., Ltd.	Beijing	Processing of commodity concrete etc.	46,541.04	–	100.00
Handan BBMG Taihang Cement Co., Ltd.	Handan	Manufacture and sale of concrete	6,600.00	–	100.00
Wei County BBMG Concrete Co., Ltd.	Handan	Manufacture and sale of concrete	1,000.00	–	92.00
Handan Hanshan BBMG Concrete Co. Ltd.	Handan	Manufacture and sale of commercial concrete and crushed stone	3,000.00	–	92.00
Handan Jinyu Chenxiang Concrete Co., Ltd.	Handan	Manufacture and sale of concrete	3,000.00	–	92.00
Beijing BBMG Coating Co., Ltd.	Beijing	Manufacture of coating; professional contracting	8,900.00	100.00	–
Dachang BBMG Coating Co., Ltd.	Dachang County	Manufacture and sale of coating	3,000.00	–	100.00
Xinjiang BBMG Coating Co., Ltd.	Urumqi	Manufacture of coating; sale of building materials etc.	100.00	–	55.00
BBMG New Building materials industrialization Group Co., Ltd. (北京金隅新型建材產業化集團有限公司)	Beijing	Manufacture and sale of building materials	37,496.77	100.00	–
Beijing Sanchong Mirror Co., Ltd.	Beijing	Manufacture and sale of glass made spectacle lenses	5,766.00	–	100.00
Beijing Jinyu Energy-Saving Materials & Technology (Dachang) Co., Ltd.	Langfang	Manufacture and sale of building materials	1,700.00	–	100.00
Beijing Jiandu Design and Research Institute Co., Ltd.	Beijing	Design of modern building materials etc.	954.12	–	100.00
Beijing Jinyu Aerated Concrete Co., Ltd.	Beijing	Manufacture and sale of aerated concrete products etc.	10,000.00	–	100.00
Beijing BBMG Business and Trading Co., Ltd.	Beijing	Wholesale of building materials and metal materials etc.	66,000.00	–	100.00
BBMG Mortar Co., Ltd.	Beijing	Manufacture and sale of dry and mixed mortar	11,875.00	–	80.00
BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	Dachang County	Manufacture of various modern building materials etc.	50,000.00	–	100.00
Beijing BBMG Tiantan Furniture Co., Ltd.	Beijing	Manufacture, processing, and sale of furniture etc.	20,916.49	–	97.81
BBMG Residential Industrialization (Tangshan) Co., Ltd.	Tangshan	Manufacture and sale of building materials	35,000.00	–	100.00

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VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
BBMG Weiguan (Cangzhou) Chemical Co., Ltd.	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	6,000.00	-	100.00
Beijing Building Materials Academy Co., Ltd.	Beijing	Development, manufacture and sale of building materials etc.	19,170.00	100.00	-
Beijing Building Materials Testing Academy Co., Ltd.	Beijing	Testing for building material quality etc.	8,136.61	-	100.00
Beijing BBMG Cement Environmental Protection Technology Co., Ltd.	Beijing	Construction general contracting and eco-friendly technology development etc.	1,000.00	-	100.00
Beijing Concrete World Magazine (北京《混凝土世界》雜誌社)	Beijing	Publishing of Concrete World Magazine; advertising design and production	30.00	-	100.00
Beijing Dacheng Changrun Properties Limited	Beijing	Property development and operation	1,000.00	-	82.00
Beijing BBMG Konggang Development Co., Ltd.	Beijing	Property development	10,000.00	-	95.00
BBMG Xingda Real Estate Development Co., Ltd.	Beijing	Property development and operation	5,000.00	-	100.00
Chongqing BBMG Dacheng Property Development Co., Ltd.	Chongqing	Property development and consultation etc.	20,000.00	-	100.00
Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd.	Chongqing	Property development and sale of housing, etc.	49,250.00	-	100.00
Chongqing BBMG Dacheng New Metropolis Co., Ltd.	Chongqing	Property development; sale of commodity housing etc.	150,000.00	-	100.00
Chengdu BBMG Dacheng Property Development Co., Ltd.	Chengdu	Property development etc.	5,000.00	-	100.00
Chengdu BBMG Yuehuang Real Estate Co., Ltd.	Chengdu	Property development	5,000.00	-	100.00
Shanghai BBMG Dacheng Property Development Co., Ltd.	Shanghai	Property development and operation, etc.	100,000.00	-	100.00
BBMG Jinghua Property Development Hefei Co., Ltd.	Hefei	Property development	50,000.00	-	100.00
Ningbo BBMG Dacheng Property Development Co., Ltd.	Ningbo	Property development and operation, etc.	5,000.00	-	100.00
BBMG Jingyuan (Ningbo) Real Estate Development Co., Ltd.	Ningbo	Property development	20,000.00	-	100.00
Beijing Longyuan Real Estate Development Co., Ltd.	Beijing	Property development and operation	5,000.00	-	100.00
Qingdao Jinyu Chuang Real Estate Development Co., Ltd.	Qingdao	Property development and operation	1,000.00	-	100.00
Tianjin Jinyu Jinli Real Estate Development Co., Ltd.	Tianjin	Property development and operation	5,000.00	-	70.00

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
BBMG (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and sale etc.	80,000.00	–	100.00
Jinyu Ligang (Tianjin) Property Development Co., Ltd.	Tianjin	Property development and operation, etc.	39,000.00	–	100.00
BBMG Jindian (Tianjin) Property Co., Ltd.	Tianjin	Property development and operation	10,000.00	–	100.00
Chengdu BBMG Jingfeng Real Estate Development Co., Ltd.	Chengdu	Property development	5,000.00	–	100.00
Chengdu BBMG Wancheng Real Estate Development Co., Ltd.	Chengdu	Property development	5,000.00	–	100.00
BBMG Nanjing Real Estate Development Co., Ltd.	Nanjing	Property development and operation, etc.	122,000.00	–	100.00
BBMG Jiahua Nanjing Real Estate Co., Ltd.	Nanjing	Property development	50,000.00	–	100.00
Jinyu Mengcheng (Ma'anshan) Property Development Co., Ltd.	Maanshan	Property development and commodity housing sales etc.	5,000.00	–	100.00
BBMG Real Estate Development (Hefei) Co., Ltd.	Hefei	Property development and operation	150,000.00	–	100.00
BBMG Properties (Anhui) Co., Ltd.	Hefei	Property development and property management, etc.	50,000.00	–	100.00
Hefei BBMG Jingyun Real Estate Development Co., Ltd.	Hefei	Property development and operation	5,000.00	–	100.00
BBMG (Hangzhou) Property Development Co., Ltd.	Hangzhou	Property development and operation	75,000.00	–	100.00
Hangzhou BBMG Mountain Villa Property Development Co., Ltd.	Hangzhou	Property development and others	25,000.00	–	100.00
Hangzhou BBMG Guanchao Real Estate Development Co., Ltd.	Hangzhou	Property development and operation, etc.	58,600.00	–	100.00
BBMG Jiaxing Nanjing Real Estate Development Co., Ltd.	Nanjing	Property development	10,000.00	–	70.00
Beijing BBMG Dongcheng Real Estate Co., Ltd.	Beijing	Property development	100,000.00	–	90.50
BBMG (Qingdao) Property Development Co., Ltd.	Qingdao	Property development and operation, etc.	5,000.00	–	100.00
Qingdao BBMG Yangguang Property Development Co., Ltd.	Qingdao	Property development	60,000.00	–	100.00
BBMG China Railway Nuode (Hangzhou) Property Development Co., Ltd.	Hangzhou	Property development and operation, etc.	50,000.00	–	51.00
Shanghai BBMG Jingcheng Property Development Co., Ltd.	Shanghai	Property development	5,000.00	–	100.00
BBMG GEM Real Estate Development Co., Ltd.	Beijing	Property development and operation etc.	650,000.00	100.00	–

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Beijing BBMG Property Development Co., Ltd.	Beijing	Property development and sale etc.	5,000.00	-	100.00
BBMG Vanke Property Development Co., Ltd.	Beijing	Property development and sale of housing, etc.	19,000.00	-	51.00
Beijing Jinyu Chaoxin Tiandi Property Investment Co., Ltd.	Beijing	Property development and property management, etc.	1,000.00	-	100.00
Beijing BBMG Changyang Jiaye Real Estate Development Co., Ltd.	Beijing	Property development and operation, etc.	237,254.90	-	100.00
Beijing BBMG Property Investment Co., Ltd.	Beijing	Sale of self-developed commercial housing	5,000.00	-	70.00
Inner Mongolia BBMG Property Investment Co., Ltd.	Hohhot	Property development and operation etc.	20,000.00	-	100.00
Tangshan BBMG Julong Property Development Co., Ltd.	Tangshan	Property development and operation etc.	5,000.00	-	80.00
Beijing Jinyexincheng Property Management Co., Ltd.	Beijing	Property management	50.00	-	100.00
Beijing BBMG Chengyuan Property Development Co., Ltd.	Beijing	Property development and sale of commodity housing etc.	45,944.06	-	100.00
Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd.	Beijing	Property rental and development etc	6,129.76	-	100.00
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	Beijing	Incubating property management and technology business	100,000.00	100.00	-
BBMG Property Management Co., Ltd.	Beijing	Hotel management	9,900.00	100.00	-
Beijing BBMG Culture Technology Development Co., Ltd.	Beijing	Technology development, transfer, consulting, service	3,000.00	-	68.00
Beijing BBMG Business Management Co., Ltd.	Beijing	Corporate management	1,000.00	-	100.00
BBMG Property Management Co., Ltd.	Beijing	Property management	2,000.00	-	100.00
Beijing Jinhaiyan Property Management Co., Ltd.	Beijing	Property management	1,370.00	-	100.00
Beijing Keshi Hardware Co., Ltd.	Beijing	Manufacture of new products like construction hardware	6,595.92	-	100.00
BBMG Fengshan Hot Spring Resort Co., Ltd.	Beijing	Accommodation and food services, etc.	36,818.91	-	100.00
Beijing Jianji Assets Management Co., Ltd.	Beijing	Self-owned property rental, property management etc.	78,732.79	-	100.00
Beijing Aerated Concrete Co., Ltd.	Beijing	Manufacture and sales of aerated concrete panels	27,480.00	55.68	-
Beijing Woodworking Factory Co., Ltd.	Beijing	Manufacture and sale of woodbased panels, etc.	5,455.63	100.00	-

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VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment (continued)					
BBMG Finance Co., Ltd.	Beijing	Operation of finance business and financing advisory business etc.	300,000.00	100.00	–
BBMG Finance Lease Co., Ltd.	Tianjin	Finance lease business	65,594.00	60.00	40.00
Beijing Tongda Refractory Engineering Technology Co., Ltd.	Beijing	Development and manufacture of various new refractory materials etc.	1,000.00	–	100.00
Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd.	Gongyi	Manufacture and distribution of refractory materials	1,050.00	–	100.00
Yangquan Tongda BBMG Refractory Materials Co., Ltd.	Yangquan	Manufacture and sale of refractory ceramic etc.	6,000.00	–	100.00
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 commercial concrete	1,000.00	–	100.00
Daming BBMG Taihang Concrete Co., Ltd. (大名縣金隅太行混凝土有限公司)	Daming County	Sales of concrete and mortar	1,000.00	–	90.00
Guantao BBMG Yuzhen Concrete Co., Ltd. (館陶縣金隅宇震混凝土有限公司)	Handan	Sales of prefabricated part	1,000.00	–	100.00
Jinyu Han Chao (Hangzhou) Real Estate Development Co., Ltd.	Hangzhou	Property development and operation, etc.	5,000.00	–	100.00
Beijing Yucheng Real Estate Co., Ltd.	Beijing	Property development and operation, etc.	1,000.00	–	100.00
Beijing Jianyuan Hotel Co., Ltd.	Beijing	Accommodation and food services	1,000.53	–	100.00
BBMG Badaling Hot Spring Resort. Co., Ltd.	Beijing	Guest room leasing	65,420.00	–	100.00
Beijing Chengyuan Real Estate Co., Ltd. (北京程遠置業有限公司)	Beijing	Property development	10,000.00	–	100.00
Tangshan Jinyu Tiancai Pipe Technology Co., Ltd. (唐山金隅天材管業科技有限責任公司)	Tianjin	Manufacturing and sales of steel and iron pipes	50,000.00	–	70.00
Huanbohai (Tianjin) International Economic and Trade Co., Ltd. (環渤海(天津)國際經貿有限公司)	Tianjin	Import or export of goods or technologies	5,000.00	–	100.00
Tianjin Jinyu Jinchen Real Estate Development Co., Ltd. (天津金隅津辰房地產開發有限公司)	Tianjin	Property development and operation, etc.	50,000.00	–	55.00
Beijing BBMG Wangjing Real Estate Co., Ltd. (北京金隅望京置業有限公司)(1)	Beijing	Property Management	5,000.00	–	100.00

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment <i>(continued)</i>					
Beijing BBMG Hotel Management Co., Ltd. (北京金隅酒店管理有限公司)(1)	Beijing	Hotel Management	1,000.00	-	100.00
BBMG (Tianjin) Investment Partnership (Limited Partnership)(金隅(天津)投資合夥企業(有限合夥))(1)	Beijing	Investment	800,000.00	-	20.00
Jiangsu Trust- Longyuan No.2 Assemble Fund Trust Plan (江蘇信託-龍元2號集合資金信託計劃) (1)	Beijing	Investment	2,500,000.00	20.00	-
Chengde BBMG Real Estate Development Co., Ltd. (承德金隅房地產開發有限公司)	Chengde	Property development and operation	5,000.00	-	100.00
Shijiazhuang BBMG Concrete Co., Ltd. (石家莊金隅混凝土有限公司)	Shijiazhuang	Sales and transportation of ready-mixed concrete, etc.	20,000.00	-	100.00
Subsidiaries acquired in business combination not under common control					
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	Beijing	Manufacture and sale of cement and cement products, etc.	10,000.00	67.00	-
Tianjin BBMG Concrete Co., Ltd.	Tianjin	Concrete project construction and manufacturing, etc.	39,590.51	-	91.01
Shijiazhuang BBMG Xucheng Concrete Co., Ltd.	Shijiazhuang	Manufacture and sale of concrete	20,000.00	-	100.00
Beijing Dynea Chemical Industry Co., Ltd.	Beijing	Manufacture of wood-based panels, resin for impregnated paper, etc.	7,808.61	100.00	-
Beijing Chinefarge Cement Co., Ltd.	Beijing	Manufacture of cement and clinker, etc.	31,500.00	95.70	-
Krono (Beijing) Woods Co., Ltd.	Beijing	Production of fibreboard and other decorative plates, etc	44,987.38	100.00	-
BBMG Sports Culture Co., Ltd.	Beijing	Project operation of Sports	300.00	67.00	-
Beijing Doors and Windows Co., Ltd.	Beijing	Manufacture and process of plastics-steel doors and windows	100.00	100.00	-
Guantao BBMG Taihang Concrete Co., Ltd. (館陶縣金隅太行混凝土有限公司)	Guantao County	Manufacture and sale of commodity concrete	4,000.00	-	100.00
Jidong Development Group Co., Ltd.	Tangshan	Building materials industry	247,950.41	55.00	-
Tangshan Jidong Cement Co., Ltd.	Tangshan	Manufacture and sales of cement, clinker, relevant building materials and cement equipment	134,752.29	-	30.00
Jidong Sand Gravel Aggregate Co., Ltd.	Tangshan	Aggregate	25,000.00	-	100.00

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination					
not under common control <i>(continued)</i>					
Hebei Jidong Development Group Mining Engineering Co., Ltd.	Shijiazhuang	Other construction and installation industry	2,000.00	–	85.00
Tangshan High Voltage Porcelain Insulator Works Co., Ltd. (唐山高壓電瓷有限公司)	Tangshan	Manufacture and sales of High Voltage Porcelain Insulator	5,000.00	–	100.00
Hebei Building Material Industry Design & Research Institution	Shijiazhuang	Building materials industry engineering design	11,550.60	–	100.00
Tangshan Qixin Cement Industry Museum	Tangshan	Cultural relic collection and exhibition to promote national culture, etc.	6,724.00	–	100.00
Tangshan Qixin Jiye Property Services Co., Ltd.	Tangshan	Property service, commodity retail, etc	100.00	–	100.00
Tangshan Jidong Equipment & Engineering Co., Ltd.	Beijing	Machinery equipment and spare parts and civil installation	22,700.00	–	30.00
Tangshan Jidong Development Machinery and Equipment Manufacturing Co., Ltd.	Tangshan	Manufacture and sales of machinery equipment and accessories	60,000.00	–	100.00
Jidong Rizhang Energy-Conserving Fan Manufacture Co., Ltd.	Tangshan	State-owned enterprise (machinery manufacturing industry)	8,400.00	–	100.00
Tangshan Jidong Development Yan Dong Construction Co., Ltd.	Tangshan	Construction industry	20,000.00	–	59.00
Jidong Development International Trading Co., Ltd.	Beijing	Import and export and bulk commodity trade	23,000.00	–	100.00
Tangshan Jixin Cement Transition Co., Ltd.	Tangshan	Loading, offloading and handling	USD600	–	60.00
Jidong Development (HK) International Ltd.	Hong Kong	Commodities trading	6,294.36	–	100.00
Tangshan Dunshi Real Estate Development Co., Ltd.	Tangshan	Real estate	30,000.00	–	100.00
Tangshan Jidong Cement Nanhu Property Development Co., Ltd.	Tangshan	Real estate	75,000.00	–	100.00
Shijiazhuang Dunshi Real Estate Development Co., Ltd.	Shijiazhuang	Property development and operation, etc.	10,000.00	–	100.00
Jidong Development Logistics Co., Ltd.	Tangshan	Storage and operation of general goods as well as coal trade, etc.	10,000.00	–	100.00
Tangshan Jidong Property Services Co., Ltd.	Tangshan	Property service	300.00	–	100.00
Huahai Wind Power Development Co., Ltd.	Tangshan	Wind power equipment manufacturing	15,000.00	–	70.00
Tangshan Qixin Building Materials Co., Ltd.	Tangshan	Manufacture of cement and cement products	16,747.00	–	100.00
Tangshan Qixin Cement Co., Ltd.	Tangshan	Manufacture of limestone, cement and cement clinker, etc.	23,544.00	–	100.00

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VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in the subsidiaries (continued)

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination					
not under common control (continued)					
Jidong Development Group Tangshan Xinxing Knitting Factory	Tangshan	Knitting processing	4,171.00	-	100.00
BBMG Jidong Caofeidian Supply Chain Management Co., Ltd. (金隅冀東曹妃甸供應鏈管理有限公司)	Tangshan	Supply chain management services	2,000.00	-	90.00
Tangshan Jinyu Dunshi Real Estate Development Co., Ltd.	Tangshan	Real estate development and operation and property management services, etc.	35,000.00	-	100.00
China-Africa Jidong Building Materials Investment Co., Ltd.	Tangshan	Investment in building materials industry	34,830.00	-	60.00
Tianjin Building Materials (Holding) Co., Ltd.	Tianjin	Manufacture and sales of building and decorative materials	508,222.35	55.00	-
Tianjin Tiancai Haoye Trading Co., Ltd.	Tianjin	Building materials and commerce and logistics	5,001.00	-	100.00
Tianjin Jianyu Energy Development Co., Ltd.	Tianjin	Building materials and commerce and logistics	18,000.00	-	51.00
Tianjin Bodingmeite Import Co., Ltd.	Tianjin	Building materials and commerce and logistics	3,200.00	-	100.00
Tianjin Tiancai Hengye Building Materials Co., Ltd.	Tianjin	Building materials and commerce and logistics	37,242.39	-	100.00
Huanbohaidi Jinan (Tianjin) Group Holding Co., Ltd.	Tianjin	Property investment management	19,634.40	-	51.66
Tianjin Xincan Property Development Co., Ltd.	Tianjin	Real estate	27,649.81	-	100.00
Tianjin North Longfeng Properties Development Co., Ltd.	Tianjin	Real estate	4,900.00	-	100.00
Tianjin Building Materials Scientific Study Co., Ltd.	Tianjin	Property investment management	16,129.64	-	100.00
Tianjin Tianying New Building Materials Co., Ltd.	Tianjin	Cement and ready-mixed concrete	1,250.00	-	100.00
Tianjin Tiancaiweiye Building Materials Co., Ltd.	Tianjin	Cement and ready-mixed concrete	26,275.03	-	100.00
Tianjin Tiantuhabang Tullao Co., Ltd.	Tianjin	Building materials and commerce and logistics	4,328.68	-	100.00
Tianjin Tianxia Doors and Window Co., Ltd.	Tianjin	Building materials and commerce and logistics	2,107.80	-	100.00
Tianjin Hengtong Industry and Trade Development Co., Ltd.	Tianjin	Building materials and commerce and logistics	5,231.48	-	90.17
Tianjin Tiancai Construction Investment Co., Ltd.	Tianjin	Property investment management	34,528.08	-	100.00
Tiancai Hongye (Tianjin) Building Materials Co., Ltd.	Tianjin	Property investment management	54,596.03	-	100.00

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For the six months ended 30 June 2020

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination					
not under common control <i>(continued)</i>					
Tianjin Tiancai New Industry Assets Management Co., Ltd.	Tianjin	Property investment management	31,973.79	–	100.00
Tianjin Yuanyang Longda Glass Products Co., Ltd.	Tianjin	Property investment management	8,258.73	–	100.00
Tianjin Cement Stone Mine Co., Ltd.	Tianjin	Cement and ready-mixed concrete	119,937.67	–	100.00
Tianjin Yuanyang Glass Industry Co., Ltd.	Tianjin	Property investment management	3,869.18	–	100.00
Tianjin Tiancai Xingchen Building Material Co., Ltd.	Tianjin	Property investment management	42,798.30	–	100.00
Tianjin Stone Mine Co., Ltd.	Tianjin	Property investment management	44,081.24	–	100.00
Tianjin Xingmingtai Plastic Products Co., Ltd.	Tianjin	Property investment management	6,492.95	–	100.00
Beijing Bengpu Construction Machinery Operation Co., Ltd. (北京泵普建築機械施工有限責任公司)	Beijing	Professional contracting; construction general contracting	6,450.00	–	70.00
Tianjin Binhai New Area Haoyu Investment Co., Ltd. (天津濱海新區昊昱投資有限公司)	Tianjin	Real estate development and operation and property management	10,000.00	–	100.00
Tianjin Meisheng Crafts Co., Ltd. (天津美升工藝品有限公司)	Tianjin	Manufacturing and sales of handicrafts;	200.00	–	51.00
Subsidiaries acquired in business combination					
under common control					
Beijing Building Decoration and Design Engineering Co., Ltd.	Beijing	Design of projects' decoration and furniture decoration, etc.	8,500.00	–	100.00
Beijing BBMG Doudian Technology Corporate Management Co., Ltd.	Beijing	Manufacture of insulation and energy-saving building materials, etc.	15,037.66	–	100.00
Beijing BBMG Property Development Group Co., Ltd.	Beijing	Property development and operation	600,000.00	100.00	–
Haikou Dacheng Property Investment Co., Ltd.	Haikou	Property development etc.	1,600.00	–	100.00
BBMG Dacheng Property Management Co., Ltd.	Beijing	Property management	500.00	–	100.00
BBMG Hongye Ecological Science and Technology Co., Ltd.	Beijing	Rental and property management, etc.	200.00	–	100.00
BBMG Hong Kong Limited	Hong Kong	Self-owned property rental	HK\$100.00	100.00	–
Beijing Yanshui Asset Management Co., Ltd.	Beijing	Production of concrete	6,266.85	100.00	–
Tongda Refractory Technology Co., Ltd.	Beijing	Development and manufacture of various new refractory materials etc.	28,517.14	100.00	–
BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd.	Tangshan	Manufacture and sales of concrete and concrete-based products	400,000.00	55.00	–

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination					
under common control <i>(continued)</i>					
Beijing Jidong Haiqiang Concrete Co., Ltd. (北京冀東海強混凝土有限公司)	Beijing	Ready-mix commodity concrete etc.	2,980.00	–	70.00
Beijing Zhongjian Hongfu Concrete Co., Ltd. (北京中建宏福混凝土有限公司)	Beijing	Professional goods transportation (tank)	4,500.00	–	90.00
Beijing Chengwu Concrete Co., Ltd. (北京城五混凝土有限公司)	Beijing	Manufacturing of concrete and concrete-based products, etc.	2,000.00	–	66.00
Beijing Hanxin Concrete Co., Ltd. (北京韓信混凝土有限公司)	Beijing	Production of concrete, etc.	4,510.00	–	70.00
Beijing Hengkun Concrete Co., Ltd. (北京恒坤混凝土有限公司)	Beijing	Special goods transportation (in tank), etc.	5,000.00	–	60.00
Tianjin Jidong Haifeng Concrete Co., Ltd. (天津冀東海豐混凝土有限公司)	Tianjin	Wholesale and retail of commodity concrete, etc.	2,500.00	–	100.00
Tianjin Jidong Jinpujiye Concrete Co., Ltd. (天津冀東津璞基業混凝土有限公司)	Tianjin	Processing, sales and pouring of ready-mixed concrete	2,900.00	–	100.00
Jidong Concrete (Tianjin) Co., Ltd. (冀東混凝土(天津)有限公司)	Tianjin	Processing, production and sale of ready-mixed concrete	3,000.00	–	100.00
Tangshan Jidong Cement Xujian Concrete Co., Ltd. (唐山冀東水泥盾建混凝土有限公司)	Tangshan	Manufacture of ready-mixed concrete etc.	3,500.00	–	70.00
Tangshan Qianxi Jidong Concrete Co., Ltd. (唐山遷西冀東混凝土有限公司)	Qianxi County	Production of commodity concrete etc.	1,200.00	–	100.00
Tangshan Jidong Xingang Concrete Co., Ltd. (唐山冀東新港混凝土有限公司)	Tangshan	Manufacture and sales of commercial concrete, etc.	3,360.00	–	100.00
Tangshan Jidong Hengsheng Concrete Co., Ltd. (唐山冀東恒盛混凝土有限公司)	Chengde	Construction equipment templates lease, etc.	2,000.00	–	100.00
Hohhot Jidong Cement Concrete Co., Ltd. (呼和浩特市冀東水泥混凝土有限公司)	Hohhot	Special goods transportation (in tanks), etc.	3,000.00	–	100.00
Liaoning Ruifeng Concrete Co., Ltd. (遼寧瑞豐混凝土有限公司)	Shenyang	Production of commodity concrete and additive for concrete, etc.	2,500.00	–	100.00
Shenyang Aohuaxing Concrete Co., Ltd. (瀋陽澳華興混凝土有限公司)	Shenyang	Special goods transportation (tank, pump), etc.	3,100.00	–	100.00
Shenyang Landing Concrete Co., Ltd. (瀋陽藍鼎混凝土有限公司)	Shenyang	Special goods transportation (tank, pump), etc.	2,008.00	–	100.00
Jilin Jidong Concrete Co., Ltd. (吉林市冀東混凝土有限公司)	Jilin	Production of concrete components and products, etc.	2,000.00	–	100.00

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

	Place of registration/ principal business	Business nature	Registered Capital RMB0'000	Percentage of shareholding(%)	
				Direct	Indirect
Subsidiaries acquired in business combination					
under common control <i>(continued)</i>					
Chongqing Jushi New Building Materials Co., Ltd. (重慶鉅實新型建材有限公司)	Chongqing	Ready-mixed commodity concrete professional contracting level 3), etc.	2,100.00	–	100.00
Xinxingzhan (Chongqing) Building Materials Co., Ltd. (新興棧(重慶)建材有限公司)	Chongqing	Manufacture and sale of commodity concrete	7,563.00	–	100.00
Jidong Cement (Chongqing) Concrete Co., Ltd. (冀東水泥重慶混凝土有限公司)	Chongqing	Special goods transportation (in tank), etc.	3,000.00	–	100.00
Hunan Dunshi Concrete Co., Ltd. (湖南盾石混凝土有限責任公司)	Changsha	Manufacture and sale of concrete and ready-mixed mortar	6,000.00	–	95.00
Baoji Jidong Dunshi Concrete Co., Ltd. (寶雞冀東盾石混凝土有限公司)	Baoji	Ready-mixed concrete and pouring projects	4,000.00	–	100.00
Shenzhou Jidong Concrete Co., Ltd. (深州冀東混凝土有限責任公司)	Shenzhou	Manufacture and sales of ready-mixed commercial concrete, etc.	3,000.00	–	100.00
Datong Dunshi Concrete Co., Ltd. (大同盾石混凝土有限公司)	Datong County	Sales and transportation of ready-mixed concrete, etc	2,000.00	–	100.00
Datong Jinlong Commodity Concrete Co., Ltd. (大同市金龍商品混凝土有限責任公司)	Datong	Sales and transportation of ready-mixed concrete, etc	3,000.00	–	100.00
Shaanxi Xi Xian New Area Jidong Concrete Co., Ltd. (陝西西咸新區冀東混凝土有限公司)	Xianyang	Manufacture of ready-mixed concrete etc.	2,000.00	–	100.00
Changchun Jidong Cement & Concrete Co., Ltd. (長春冀東水泥混凝土有限公司)	Changchun	Production of concrete, etc.	1,000.00	–	100.00
Huanghua BBMG Jidong Concrete Co., Ltd. (黃驊金隅冀東混凝土有限公司)	Huanghua	Sales and transportation of ready-mixed concrete, etc.	2,500.00	–	100.00
Cangzhou Lingang BBMG Jidong Concrete Co., Ltd. (滄州臨港金隅冀東混凝土有限公司)	Cangzhou	Sales and transportation of ready-mixed concrete, etc.	2,500.00	–	100.00

(1) Newly-established during the year.

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Subsidiaries with significant minority interests are as follows:

	Percentage of minority shareholding	Impact of the New Lease Standard on opening minority interests	Profit or loss attributable to minority interests	Dividend paid to minority shareholders	Accumulated equity attributable to minority interests at the end of the period/year
January to June 2020					
Jidong Group	45.00%	-	665,149,406.16	682,044,577.91	16,119,266,954.24
Tianjin Building Materials	45.00%	-	(53,795,359.49)	4,745,241.79	4,795,849,119.98
2019					
Jidong Group	45.00%	(13,952,229.84)	1,768,520,239.82	484,807,414.33	16,322,949,877.06
Tianjin Building Materials	45.00%	(57,147,236.95)	(278,496,511.04)	9,490,483.58	4,825,167,684.31

The following table sets forth the major financial information of the above-mentioned subsidiaries. Relevant figures represent amounts before intragroup offsetting:

30 June 2020	Jidong Group	Tianjin Building Materials
Current assets	28,014,573,296.87	4,373,191,111.56
Non-current assets	52,069,319,354.18	12,264,177,736.90
Total assets	80,083,892,651.05	16,637,368,848.46
Current liabilities	35,189,395,202.49	5,753,909,783.73
Non-current liabilities	13,807,033,711.26	1,687,033,691.70
Total liabilities	48,996,428,913.75	7,440,943,475.43

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For the six months ended 30 June 2020

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

January to June 2020	Jidong Group	Tianjin Building Materials
Operating revenue	25,091,941,013.31	2,594,589,035.09
Net profit/(loss)	1,537,090,021.76	(117,908,256.59)
Total comprehensive income	<u>1,490,807,606.07</u>	<u>(117,908,256.59)</u>
Net cash flows from operating activities	<u>3,214,008,216.73</u>	<u>(512,442,296.08)</u>
31 December 2019	Jidong Group	Tianjin Building Materials
Current assets	27,497,025,631.33	4,700,897,818.02
Non-current assets	<u>52,897,254,904.52</u>	<u>12,430,527,837.69</u>
Total assets	<u>80,394,280,535.85</u>	<u>17,131,425,655.71</u>
Current liabilities	34,518,648,171.65	6,066,370,764.85
Non-current liabilities	<u>14,345,822,715.01</u>	<u>1,771,268,322.50</u>
Total liabilities	<u>48,864,470,886.66</u>	<u>7,837,639,087.35</u>
2019	Jidong Group	Tianjin Building Materials
Operating revenue	52,849,938,813.85	6,240,472,472.64
Net profit/(loss)	3,764,670,469.03	(688,345,828.34)
Total comprehensive income	<u>3,764,670,469.03</u>	<u>(689,128,734.81)</u>
Net cash flows from operating activities	<u>8,534,238,259.01</u>	<u>(141,026,007.35)</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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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

Acquisition of equity interest of minority shareholders

- a. On 20 February 2020, the Company entered into an Equity Transfer Contract with Sinoma International Engineering Co. Ltd. and Beikong High-Tech Development Co. Ltd. (北控高科技發展有限公司), under which Sinoma International Engineering Co. Ltd and Beikong High-Tech Development Co. Ltd. (北控高科技發展有限公司) agreed to transfer 8,645,700 shares (representing 3% of the total share capital) and 11,906,000 shares (representing 4.17% of the total share capital) of Tongda Refractory Technology Co., Ltd. (hereinafter referred to as “**Tongda Refractory**”) to the Company respectively, the total transfer price was RMB39,390,817.25, upon completion of the equity transfer, Tongda Refractory became a wholly-owned subsidiary of the Company. The Group’s Minority interests decreased by RMB40,688,905.69 and capital surplus recorded an increase of RMB1,298,088.44 as a result of such transaction.
- b. On 11 February 2020, Jidong Development Group Co., Ltd. acquired 35% equity interest in Shijiazhuang Dunshi Real Estate Development Co., Ltd. held by Beijing Zelu Investment Management Co., Ltd. (北京澤露投資管理有限公司) through the Jingdong online auction platform at the auction price of RMB32,120,000.00. Upon completion of the acquisition, Shijiazhuang Dunshi Real Estate Development Co., Ltd. became a wholly-owned subsidiary of Jidong Development Group Co., Ltd. The Group’s minority interest decreased by RMB32,543,786.64 and capital surplus recorded an increase of RMB423,786.64 as a result of such transaction.
- c. On 1 June 2020, Tangshan Jidong Cement Co., Ltd. (hereinafter referred to as “**Jidong Cement**”), Shaanxi Province Wubu County Yellow River Cement Co., Ltd. (陝西省吳堡縣黃河水泥有限公司) (hereinafter referred to as “**Yellow River Company**”) and Shandong Linqu Shengwei Special Cement Co., Ltd. (山東臨朐勝濰特種水泥有限公司) (hereinafter referred to as “**Shengwei Company**”) entered into an Equity Transfer Contract, under which Jidong Cement agreed to purchase 30.72% equity interest in Wubu Jidong Special Cement Co., Ltd. (吳堡冀東特種水泥有限公司) (hereinafter referred to as “**Wubu Cement**”) held by Yellow River Company at a consideration of RMB36,977,141.76 and 11.40% equity interest in Wubu Cement held by Shengwei Company at a consideration of RMB13,721,986.20. Upon completion of the transaction, Wubu Cement became a wholly-owned subsidiary of Jidong Cement. The Group’s minority interest decreased by RMB42,841,544.28 and capital surplus recorded a decrease of RMB7,857,583.68 as a result of such transaction.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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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)*

Acquisition of equity interest of minority shareholders (continued)

- d. On 12 February 2020, Jidong Cement entered into an Equity Transfer Contract with Liaoyang Jidong Hengdun Mining Co., Ltd. (遼陽冀東恆盾礦業有限公司) (hereinafter referred to as "Liaoyang Hengdun"), Wang Xifang, Xu Dazhe and Liaoyang Gengtai Mining Co., Ltd. (遼陽庚泰礦業有限公司), under which Jidong Cement agreed to purchase 13.5% equity interest in Liaoyang Hengdun held by Wang Xifang and 8.72% equity interest in Liaoyang Hengdun held by Xu Dazhe at a consideration of RMB1, respectively. Upon completion of the transaction, Liaoyang Hengdun became a wholly-owned subsidiary of Jidong Cement. The Group's minority interest increased by RMB6,885,474.49 and capital surplus recorded a decrease of RMB6,885,476.49 as a result of such transaction.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates

	Place of registration/ principal business	Business nature	Registered capital RMB'000	Percentage of shareholding (%)	
				Direct	Indirect
Joint ventures					
STAR-USG Building Materials Co., Ltd.	Dachang County	Production of mineral wool acoustic board, etc.	USD54,520	50.00	–
BBMG TUS Technology Incubator Co., Ltd.	Beijing	Incubating technology business, enterprise management, etc.	8,000.00	–	50.00
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Baoji	Manufacture and sales of cement and clinker, etc.	489,875.00	–	48.11
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Xianyang	Manufacture and sales of cement and clinker, etc.	458,960.00	–	50.00
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	Tangshan	Manufacture and sales of slag fine powder and by-product	200,000.00	–	50.00
Anshan Jidong Cement Co., Ltd.	Anshan	Manufacture and sales of cement and clinker, etc.	300,000.00	–	50.00
Cross Point Trading 274 (Pty) Ltd (RF)	South Africa	Investment in building materials industry	ZAR300,000	–	56.10
Associates					
Beijing Gaoqiang Concrete Co., Ltd.	Beijing	Production of concrete, pumping, etc.	55,000.00	25.00	–
Zehnder (China) Indoor Climate Co., Ltd.	Beijing	Production of radiators, etc.	USD27,500	26.70	–
OCV Reinforcements (Beijing) Co., Ltd.	Beijing	Complete non-standard control of concrete and pumping	276,000.00	20.00	–
Beijing Sinobaide Technology Co., Ltd.	Beijing	Design and production of equipment	10,000.00	–	23.00
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Chengde	Technology research and testing for comprehensive utilization of solid waste, etc.	46,000.00	–	34.78
Tangshan Conch Profiles Co., Ltd.	Tangshan	Manufacture and sales of architectural profiles	160,000.00	40.00	–
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Beijing	Education technology promotion services, etc.	10,000.00	–	30.00
Beijing Chenyu Real Estate Development Co., Ltd.	Beijing	Property development and operation, etc.	200,000.00	–	49.00
Toto Machinery (Beijing) Company Limited	Beijing	Production of sanitary ceramics, etc.	USD24,000	20.00	–
Beijing Toto Co., Ltd.	Beijing	Production of sanitary ceramics, ect.	USD15,000	30.00	–
SINJI TRADING PTE LTD	Singapore	Wholesale and sales of metal and metallic mineral, etc.	SGD800,000	–	40.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in joint ventures and associates *(continued)*

	Place of registration/ principal business	Business nature	Registered capital RMB'000	Percentage of shareholding (%)	
				Direct	Indirect
Associates (continued)					
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	Tangshan	Property development and operation, etc.	10,000.00	–	40.00
Changchun Light Rail Jidong Concrete Co., Ltd.	Changchun	Manufacture and sales of commercial concrete, etc.	10,000.00	–	49.00
Jidong Cement Fufeng Transportation Co., Ltd.	Baoji	Automobile transportation, etc.	16,000.00	–	23.75
Jilin Changjitu Investment Co., Ltd.	Jilin	Service industry, etc.	500,000.00	–	30.00
Jilin Cement (Group) Co., Ltd.	Jilin	Manufacture and sales of clinker, cement, etc.	50,000.00	–	28.60
Tianjin Gangbei Concrete Industry Co., Ltd.	Tianjin	Manufacture of cement, ready-mixed concrete and concrete products, etc.	20,000.00	–	30.00
Tianjin Wankeyou Energy Saving Technology Co., Ltd.	Tianjin	Sales of insulation materials and ancillary products of building exterior walls, etc.	9,600.00	–	35.00
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Tianjin	Undertaking the construction of various types of projects, etc.	100,000.00	–	30.00
Tianjin Yaopi Glass Co., Ltd.	Tianjin	Manufacture and sale of various types of plate glass, etc.	736,166.00	–	22.75
Tianjin Binhai Jiantai Investment Co., Ltd.	Tianjin	Investments in high-tech industry, etc.	156,250.00	–	48.00
Beijing Innovation Industry Investment Co., Ltd.	Beijing	Investment management, asset management, etc.	2,000,000.00	10.00	–
Liaoning Yunding Cement Group Co., Ltd. (遼寧雲鼎水泥集團股份有限公司)	Shenyang	Production and sales of cement clinker	32,990.00	–	3.47

The Group adopts the equity method for interests in joint ventures and associates.

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:

	January to June 2020	2019
Joint ventures		
Total carrying amount of investments	1,518,347,032.58	1,763,994,864.84
Total amount calculated based on shareholding		
Net Profit	176,545,733.59	407,907,584.40
Total comprehensive income	150,076,978.14	407,907,584.40
Associates		
Total carrying amount of investments	2,303,134,167.77	2,224,536,672.42
Total amount calculated based on shareholding		
Net loss	(18,052,857.51)	(19,825,700.43)
Total comprehensive income	(18,052,857.51)	(19,825,700.43)

Notes to Unaudited Interim Financial Statements

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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:

Financial assets

30 June 2020

	Financial assets at fair value through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Cash and bank balances	-	33,241,536,646.77	-	33,241,536,646.77
Financial assets held for trading	1,019,907,801.08	-	-	1,019,907,801.08
Bills receivable	-	631,065,293.97	-	631,065,293.97
Accounts receivable	-	8,644,064,329.10	-	8,644,064,329.10
Receivables financing	-	-	3,907,669,819.53	3,907,669,819.53
Other receivables	-	7,105,522,475.95	-	7,105,522,475.95
Debt investments	-	782,487,853.43	-	782,487,853.43
Long-term receivables	-	810,282,362.23	-	810,282,362.23
Investment in other equity instruments	-	-	351,710,927.94	351,710,927.94
	<u>1,019,907,801.08</u>	<u>51,214,958,961.45</u>	<u>4,259,380,747.47</u>	<u>56,494,247,510.00</u>

Notes to Unaudited Interim Financial Statements

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

Financial assets (continued)

31 December 2019

	Financial assets at fair value through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Cash and bank balances	–	21,325,042,578.37	–	21,325,042,578.37
Financial assets held for trading	1,015,278,286.73	–	–	1,015,278,286.73
Bills receivable	–	5,202,609,351.30	–	5,202,609,351.30
Accounts receivable	–	8,001,473,532.63	–	8,001,473,532.63
Receivables financing	–	–	501,846,392.39	501,846,392.39
Other receivables	–	7,636,127,559.99	–	7,636,127,559.99
Debt investments	–	206,933,697.53	–	206,933,697.53
Long-term receivables	–	1,021,971,024.22	–	1,021,971,024.22
Investment in other equity instruments	–	–	382,047,682.07	382,047,682.07
	<u>1,015,278,286.73</u>	<u>43,394,157,744.04</u>	<u>883,894,074.46</u>	<u>45,293,330,105.23</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

Financial liabilities

	30 June 2020	31 December 2019
	Financial liabilities at amortised costs	Financial liabilities at amortised costs
Short-term loans	35,045,118,750.00	37,217,682,474.50
Bills payable	1,743,516,966.36	1,976,142,322.65
Accounts payable	16,572,152,922.36	17,701,948,542.45
Other payables	10,059,665,550.22	7,913,766,387.50
Non-current liabilities due within one year	18,783,090,079.78	20,319,530,862.57
Long-term borrowings	37,639,595,784.47	35,787,401,022.47
Bonds payable	29,651,078,179.40	27,460,996,718.14
Short-term financing bonds payable	4,396,868,375.88	3,298,801,089.25
Long-term payables	19,712,220.69	17,818,306.88
Lease liabilities	334,356,667.15	317,196,853.52
	154,245,155,496.31	152,011,284,579.93

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets

Financial assets transferred but not yet fully derecognised

As at 30 June 2020, the Group endorsed bank acceptance bills and commercial acceptance bills with a carrying amount of RMB190,084,328.78 and RMB268,206,705.90 respectively (31 December 2019: RMB473,681,992.67 and RMB430,996,203.28) to its suppliers for settlement of accounts payable, and discounted bank acceptance bills with a carrying amount of RMB26,128,750.00 respectively (31 December 2019: bank acceptance bills of RMB92,052,474.50) to the banks. As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognise them and the settled accounts payable or short-term loans associated therewith in full. As the Group is of the opinion that the Group has retained substantially all their risks and rewards, including default risk relating thereto, the Group has continued to recognise them in full and the settled accounts payable or short-term borrowings associated therewith. After the endorsement or discount, the Group no longer reserves the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third parties. As at 30 June 2020, the carrying amount of accounts payable settled or short-term loans secured by the Group through these financial assets amounted to RMB458,291,034.68 and RMB26,128,750.00 respectively (31 December 2019: RMB904,678,195.95 and RMB92,052,474.50).

Transferred financial assets fully derecognised but with continuing involvement

As at 30 June 2020, the carrying amount of bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks by the Group was RMB8,209,632,941.44 (31 December 2019: RMB11,120,570,111.16, including the portion included in bills receivable and receivables financings). As at 30 June 2020, 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.

From January to June 2020, no gains or losses were recognised on their dates of transfer by the Group. No income or expenses were recognised for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in derecognised financial assets. Endorsements were incurred basically evenly during the period.

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For the six months ended 30 June 2020

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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, borrowings and bonds payables, bills receivable and accounts receivable and bills payable and accounts payable, etc. Risks related to these financial instruments and the Group's risk management policies adopted to reduce such risks are described as follows.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who request to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant.

As the counterparties of cash and bank balances and bank acceptance bills receivable are reputable banks and other financial institutions, these financial instruments have lower credit risk.

The credit risk of the Group's other financial assets, which comprise other receivables, long-term receivables and other non-current financial assets, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. Contingencies.

The maximum credit risk exposure of the Group on each balance sheet date is the total amount charged to customers less the amount after deducing impairment provision.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over the balances of accounts receivable.

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

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:

- (1) 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;
- (2) Qualitative criteria mainly comprises of the circumstances that significant adverse change in debtor's operation or financial status and being listed on the watch-list, etc.

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) 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;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk *(continued)*

Definition of credit-impaired asset (continued)

- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various financing means, such as bank borrowings, perpetual bonds, bonds payable and short-term financing bonds payable.

The liquidity of the Group is primarily dependent on adequate cash inflows from operations to meet its debt obligations as they fall due and external financing to meet its committed future capital expenditure. With respect to future capital commitment and other financing requirements, the Group's bank credit facilities granted by various domestic banks amounted to RMB174.831 billion as at 30 June 2020, of which approximately RMB94.240 billion remained unused.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk (continued)

The table below summarises the maturity analysis of financial liabilities based on the undiscounted contractual cash flows:

As at 30 June 2020

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable	1,743,516,966.36	-	-	-	1,743,516,966.36
Accounts payables	16,572,152,922.36	-	-	-	16,572,152,922.36
Other payables	10,059,665,550.22	-	-	-	10,059,665,550.22
Long-term payables	39,567,383.08	-	-	19,712,220.69	59,279,603.77
Short-term loans	35,712,789,394.05	-	-	-	35,712,789,394.05
Long-term loans	10,567,286,633.93	14,411,863,116.84	14,363,980,396.62	16,039,171,953.39	55,382,302,100.78
Short-term financing bonds payable	4,449,496,222.22	-	-	-	4,449,496,222.22
Bonds payable	11,502,772,465.00	2,558,890,000.00	24,575,150,000.00	7,995,150,000.00	46,631,962,465.00
Lease liabilities	213,737,021.57	97,346,262.19	140,788,928.09	100,899,920.73	552,772,132.58
	<u>90,860,984,558.79</u>	<u>17,068,099,379.03</u>	<u>39,079,919,324.71</u>	<u>24,154,934,094.81</u>	<u>171,163,937,357.34</u>

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For the six months ended 30 June 2020

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk (continued)

As at 31 December 2019

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bills payable	1,976,142,322.65	–	–	–	1,976,142,322.65
Accounts payables	17,701,948,542.45	–	–	–	17,701,948,542.45
Other payables	7,913,766,387.50	–	–	–	7,913,766,387.50
Long-term payables	39,567,383.08	7,556,101.88	–	10,262,205.00	57,385,689.96
Short-term loans	37,225,539,829.39	–	–	–	37,225,539,829.39
Long-term loans	13,248,627,751.40	9,584,887,308.67	13,304,893,096.27	12,971,215,195.90	49,109,623,352.24
Short-term financing bonds payable	3,332,030,611.11	–	–	–	3,332,030,611.11
Bonds payable	7,417,923,877.71	8,382,138,465.00	20,898,480,833.33	1,562,576,250.00	38,261,119,426.04
Lease liabilities	123,067,596.23	97,142,312.07	170,773,016.39	136,568,493.08	527,551,417.77
	<u>88,978,614,301.52</u>	<u>18,071,724,187.62</u>	<u>34,374,146,945.99</u>	<u>14,680,622,143.98</u>	<u>156,105,107,579.11</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 by maintaining an appropriate mix of fixed- and floating-rate debts.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

The table below demonstrates the sensitivity analysis of interest rate risk that reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

January to June 2020

	Increase in basis points	Decrease in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Decrease in total shareholders' equity
RMB	100	(41,021,081.09)	–	(41,021,081.09)

January to June 2019

	Increase in basis points	Decrease in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Decrease in total shareholders' equity
RMB	100	(12,775,053.68)	–	(12,775,053.68)

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk *(continued)*

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk mainly arises from certain financial assets and financial liabilities held by the Group that are principally denominated in USD, HKD, MNT and TZS.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of USD and HKD against RMB, with all other variables held constant, with respect to the impact on net profit or loss and net other comprehensive income after tax.

January to June 2020

	Increase in exchange rate	Increase in net profit or loss	Increase in net other comprehensive income after tax	Increase in total shareholders' equity
USD appreciation against RMB	1%	3,682,609.57	–	3,682,609.57
HKD appreciation against RMB	1%	9,087.87	2,211,904.91	2,220,992.78

January to June 2019

	Increase in exchange rate	Increase in net profit or loss	Increase in net other comprehensive income after tax	Increase in total shareholders' equity
USD appreciation against RMB	1%	17,384,481.54	–	17,384,481.54
HKD appreciation against RMB	1%	7,954.44	36,324,152.39	36,332,106.83

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. During January to June 2020 and the year 2019, there was no change in the capital management objectives, policies or procedures.

The Group controls its capital using debt ratio, which is calculated by dividing total liabilities by total assets. As at the balance sheet date, the debt ratio of the Group was as follows:

	30 June 2020	31 December 2019
Total liabilities	203,474,849,001.34	199,592,405,277.06
Total assets	<u>296,474,156,516.79</u>	<u>282,123,755,708.33</u>
Debt ratio	<u>68.63%</u>	<u>70.75%</u>

Notes to Unaudited Interim Financial Statements

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RMB

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

Hierarchies of fair value

	Input used for the measurement of fair value as at 30 June 2020			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held for trading	12,978,900.00	1,006,928,901.08	–	1,019,907,801.08
Receivables financing	–	3,907,669,819.53	–	3,907,669,819.53
Investment in other equity instruments	315,683,690.88	–	36,027,237.06	351,710,927.94
Investment properties	–	941,460,660.00	27,089,989,663.35	28,031,450,323.35
	328,662,590.88	5,856,059,380.61	27,126,016,900.41	33,310,738,871.90

	Input used for the measurement of fair value as at 31 December 2019			Total
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held for trading	14,243,900.00	1,001,034,386.73	–	1,015,278,286.73
Receivables financing	–	501,846,392.39	–	501,846,392.39
Investment in other equity instruments	346,058,753.92	–	35,988,928.15	382,047,682.07
Investment properties	–	943,498,270.00	26,596,109,404.53	27,539,607,674.53
	360,302,653.92	2,446,379,049.12	26,632,098,332.68	29,438,780,035.72

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Assets and liabilities disclosed at fair value

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, bills receivable, accounts receivable, receivables financing, other receivables, short-term loans, short-term financing bonds payable, bills payable and accounts payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short residual term of these instruments.

The Group's finance team is led by the manager of the finance and capital department, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the values of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief financial officer. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value:

The fair values of long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 30 June 2020, the Group's exposure to non-performance risk associated with the long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables is assessed as insignificant.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Assets and liabilities disclosed at fair value *(continued)*

Hierarchies of fair value

	Input used for the measurement of fair value			Total
	as at 30 June 2020			
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Debt investments	–	–	782,487,853.43	782,487,853.43
Long-term receivables	–	–	810,282,362.23	810,282,362.23
Long-term loans	–	–	37,639,595,784.47	37,639,595,784.47
Bonds payable	–	–	29,651,078,179.40	29,651,078,179.40
Lease liabilities	–	–	334,356,667.15	334,356,667.15
Long-term payables	–	–	19,712,220.69	19,712,220.69
	–	–	69,237,513,067.37	69,237,513,067.37

	Input used for the measurement of fair value			Total
	as at 31 December 2019			
	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Debt investments	–	–	206,933,697.53	206,933,697.53
Long-term receivables	–	–	1,021,971,024.22	1,021,971,024.22
Long-term loans	–	–	35,787,401,022.47	35,787,401,022.47
Bonds payable	–	–	27,460,996,718.14	27,460,996,718.14
Lease liabilities	–	–	317,196,853.52	317,196,853.52
Long-term payables	–	–	17,818,306.88	17,818,306.88
	–	–	64,812,317,622.76	64,812,317,622.76

The fair values of listed equity instruments are determined on the basis of market prices. The fair values of investments in unlisted available-for-sale equity instruments have been estimated using a market multiple approach.

Notes to Unaudited Interim Financial Statements

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IX. DISCLOSURE OF FAIR VALUE *(continued)*

3. Valuation of fair value

The following table sets forth the changes in Level 2 and Level 3 fair value of the investment properties of the Group for the six months ended 30 June 2020:

	Commercial properties Level 2	Commercial properties Level 3
Value as at 1 January 2020	943,498,270.00	26,596,109,404.53
Transfer from construction in progress	–	251,403,841.07
Transfer out during the period	–	(7,000,000.00)
Changes in fair value	<u>(2,037,610.00)</u>	<u>249,476,417.75</u>
Value as at 30 June 2020	<u>941,460,660.00</u>	<u>27,089,989,663.35</u>

Details of removed from investment properties are set out in Note V. 15.

During the six months ended 30 June 2020, there was no change between different fair value levels of investment properties of the Group.

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 2020:

Valuation method	Significant unobservable inputs	Range of variation
Income approach	Unit rental (RMB/sq.m./day)	0.36-23.51
	Return on investment within the lease term	2%-8%
	Return on investment outside the lease term	2.5%-8.5%

For Level 3 fair value measurement under income approach, term and reversion approach in particular, the rental income derived from the existing tenancies with due allowance for the reversionary potential of the property is capitalised at the capitalisation rate. The estimated net leased income is capitalized over the remaining term of lease of the investment property at an appropriate market yield expected by investors for the type of properties to calculate the fair value of investment properties.

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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 restructuring or merger of assets of enterprises	35,000,000.00	44.93	44.93

BSCOMC is the parent company of the Company, and the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality is the ultimate controlling party of the Company.

2. Subsidiaries

For details on the subsidiaries, please refer to Note VII. 1. Interests in the subsidiaries.

3. Joint ventures and associates

For details on the joint ventures and associates, please refer to Note V. 13.

Notes to Unaudited Interim Financial Statements

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

4. Other related parties

	Relationship with related parties
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	Associates
Beijing XinYuan Concrete Co., Ltd.	Associates
Fuxin Jidong Xianghe Concrete Co., Ltd.	Associates
Tianjin Shengxiang Plastic Business Management Co., Ltd.	Associates
Xianyang Jidong High-New Concrete Co., Ltd.	Associates
Zhangjiakou Xingpai Youshiji Building Materials Co., Ltd. (張家口星牌優時吉建築材料有限公司)	Associates
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Joint venture
Beijing BBMG Assets Management Co., Ltd.	Other related parties
Beijing Dacheng Real Estate Development Co., Ltd.	Other related parties
Beijing Jianmao Property Management Co., Ltd.	Other related parties
Mamba Cement Company (Pty) Ltd (RF)	Subsidiary of a joint venture
Tianjin Binhai New Area Daxin Investment Co., Ltd.	Subsidiary of an associate

Notes: Beijing BBMG Assets Management Co., Ltd., Beijing Dacheng Real Estate Development Co., Ltd. and Beijing Jianmao Property Management Co., Ltd. ceased to be the related parties of the Group since 1 August 2019 due to the change of key management personnel.

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

(1) Transactions concerning goods and services with related parties

Purchase of goods and receipt of services from related parties

	Type of goods or services	January to June 2020	January to June 2019
Transactions with joint ventures and associates			
Tangshan Conch Profiles Co., Ltd.	Purchase of raw materials	4,925,131.98	–
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	Purchase of raw materials	4,146,198.07	–
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	Receipt of services	3,076,716.07	631,224.40
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Receipt of services	2,339,449.54	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Purchase of raw materials	1,362,387.81	4,817,197.26
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Receipt of services	1,214,087.57	429,704.26
Beijing Sinobaide Technology Co., Ltd.	Receipt of services	786,447.00	–
Jidong Cement Fufeng Transportation Co., Ltd.	Receipt of services	630,081.29	1,544,608.00
Jilin Cement (Group) Co., Ltd.	Purchase of raw materials	83,433.19	–
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Purchase of raw materials	62,614.80	763,217.24
Anshan Jidong Cement Co., Ltd.	Purchase of raw materials	–	12,521,105.99
Tianjin Yaopi Glass Co., Ltd.	Purchase of commodities	–	114,705.32
Zehnder (China) Indoor Climate Co., Ltd.	Purchase of commodities	–	56,248.26
		18,626,547.32	20,878,010.73
Transactions with other related parties			
Beijing Jianmao Property Management Co., Ltd.	Receipt of services	–	1,044,000.00
		18,626,547.32	21,922,010.73

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties *(continued)*

Sale of goods and rendering of services to related parties

	Type of goods or services	January to June 2020	January to June 2019
Transactions with joint ventures and associates			
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Sale of goods	123,343,756.41	99,057,257.01
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	Sale of goods/ rendering of services	106,421,629.47	90,889,068.54
Anshan Jidong Cement Co., Ltd.	Sale of goods/ rendering of services	28,219,761.56	28,365,569.33
Mamba Cement Company (Pty) Ltd (RF)	Sale of goods/ rendering of services	7,924,957.91	212,487.39
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	Sale of goods/ rendering of services	669,995.74	18,339,824.43
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Sale of goods/ rendering of services	26,548.67	4,233,380.00
Beijing Youth Camp Jinyu Fengshan Education Technology Co., Ltd.	Sale of goods/ rendering of services	–	75,000.00
Beijing Xinyuan Concrete Co., Ltd.	Sale of goods	–	266,400.00
Jilin Cement (Group) Co., Ltd.	Sale of goods/ rendering of services	–	208,810,943.42
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Sale of goods/ rendering of services	–	1,862,579.46
Jidong Cement Fufeng Transportation Co., Ltd.	Sale of goods	–	4,839,898.28
OCV Reinforcements (Beijing) Co., Ltd.	Rendering of services	–	7,656,314.09
Tangshan Conch Profiles Co., Ltd.	Rendering of services	–	31,598.25
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Sale of goods	–	445,114.09
Changchun Light Rail Jidong Concrete Co., Ltd.	Sale of goods	–	2,677,044.97
		266,606,649.76	467,762,479.26

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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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)*

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.

(2) Leases with related parties

As lessor

Name of the lessee	Category of leased assets	January to June 2020 Rental income	January to June 2019 Rental income
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	Building	5,091,473.19	4,503,234.53
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Plant	–	95,238.10
Zhangjiakou Xingpai Youshiji Building Materials Co., Ltd. (張家口星牌優時吉建築材料有限公司)	Building	–	583,765.15
Beijing Dacheng Real Estate Development Co., Ltd.	Building	–	2,645,558.58
		5,091,473.19	7,827,796.36

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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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 (continued)*

As lessee

Name of the lessor	Category of leased assets	January to June 2020 Leasing expenses	January to June 2019 Leasing expenses
Tianjin Binhai New Area Daxin Investment Co., Ltd.	Building	–	28,571,428.57
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	Building	19,115.04	–
Jidong Cement Fufeng Transportation Co., Ltd.	Building	37,168.12	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	Building	387,817.11	–
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	Building	200,000.00	–
		644,100.27	28,571,428.57

The rentals from the assets leased out to or leased from related parties by the Group are negotiated and determined by making reference to market price, and carried out according to the agreed terms entered into between the Group and related parties.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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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

January to June 2019

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	600,000,000.00	20 April 2017	19 April 2022	No
Beijing BBMG Assets Management Co., Ltd.	BBMG GEM	200,000,000.00	27 May 2017	26 May 2022	No
		800,000,000.00			

The above-mentioned guarantees were provided in respect of borrowings for the Group at nil consideration.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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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 *(continued)*

Guarantees provided to related parties

January to June 2020

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	12 November 2019	11 November 2020	No
Jidong Cement	Anshan Jidong Cement	18,000,000.00	17 December 2019	16 December 2020	No
Jidong Cement	Anshan Jidong Cement	14,000,000.00	18 December 2019	17 December 2020	No
		<u>52,000,000.00</u>			

January to June 2019

Guarantor	Guaranteed party	Amount guaranteed	Starting date	Maturity date	Completion of performance of guarantee or not
Jidong Cement	Anshan Jidong Cement	18,000,000.00	17 December 2018	16 December 2019	No
Jidong Cement	Anshan Jidong Cement	14,000,000.00	17 December 2018	16 December 2019	No
Jidong Cement	Anshan Jidong Cement	20,000,000.00	30 October 2018	29 October 2019	No
		<u>52,000,000.00</u>			

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) Lending to/borrowing from related parties

Borrowings

January to June 2020

	Amount of lending/ borrowing	Interest rate of lending/ borrowing (%)	Commencement date	Maturity date
BSCOMC	40,000,000.00	3.48	30 July 2019	29 July 2020
BSCOMC	8,300,000.00	3.48	22 November 2019	22 November 2020
BSCOMC	40,000,000.00	3.48	22 November 2019	21 November 2020
BSCOMC	51,300,000.00	3.48	22 November 2019	21 November 2020
BSCOMC	20,550,000.00	3.48	12 October 2019	12 October 2020
BSCOMC	12,000,000.00	3.48	27 December 2019	27 December 2020
BSCOMC	<u>110,000,000.00</u>	3.48	28 June 2020	27 June 2021
	<u>282,150,000.00</u>			

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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)*

Borrowings (continued)

January to June 2019

	Amount of lending/ borrowing	Interest rate of lending/ borrowing (%)	Commencement date	Maturity date
Beijing BBMG Assets Management Co., Ltd.	81,000,000.00	4.35	30 January 2019	25 January 2020

Lending:

During the six months ended 30 June 2020, the outstanding lending to Beijing Chenyu Real Estate Development Co., Ltd. amounted to RMB2,715,022,880.28 at an interest rate of 6.50% per annum (2019: RMB2,718,779,938.43 at an annual interest rate of 6.50%).

During the six months ended 30 June 2020, there was no new lending to Cross Point Trading 274 (Pty) Ltd (RF). During the six months ended 30 June 2020, the outstanding lending amounted to RMB189,566,920.72 at an annual interest rate of 7.25%-9.75% (2019: RMB218,837,214.27 at an annual interest rate of 9-10.5%).

During the six months ended 30 June 2020, there was no new lending to Mamba Cement Company (Pty) Ltd (RF). During the six months ended 30 June 2020, the outstanding lending amounted to RMB85,052,101.72 at an annual interest rate of 7.25%-10.00% (2019: RMB98,463,113.00 at an annual interest rate of 9%-10.5%).

During the six months ended 30 June 2020, the Group's outstanding lending to STAR-USG Building Materials Co., Ltd. was RMB64,417,380.00 at an annual interest rate of 4.35% (31 December 2019: an annual interest rate of 4.35%).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) *Lending to/borrowing from related parties (continued)*

Interest income from lending:

	January to June 2020	January to June 2019
STAR-USG Building Materials Co., Ltd.	1,585,617.44	698,541.31
Beijing Chenyu Real Estate Development Co., Ltd.	91,196,034.42	314,568,491.60
Cross Point Trading 274 (Pty) Ltd (RF)	8,284,548.26	8,993,133.64
Mamba Cement Company (Pty) Ltd (RF)	3,685,150.36	3,999,819.91
	104,751,350.48	328,259,986.46

Interest expenses from borrowing:

	January to June 2020	January to June 2019
Beijing BBMG Assets Management Co., Ltd.	–	2,489,408.33
Beijing Dacheng Real Estate Development Co., Ltd.	–	5,497,916.67
BSCOMC	2,509,254.00	2,641,194.33
	2,509,254.00	10,628,519.33

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties

Bills receivable	30 June 2020	31 December 2019
Due from associates		
Jidong Cement Fufeng Transportation Co., Ltd.	–	2,700,000.00
Jilin Cement (Group) Co., Ltd.	–	200,000.00
	–	2,900,000.00
Due from joint ventures		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	4,951,000.00	16,337,972.66
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	2,546,000.00	8,792,000.00
Anshan Jidong Cement Co., Ltd.	360,209.29	3,320,418.58
	7,857,209.29	28,450,391.24
	7,857,209.29	31,350,391.24

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Accounts receivable	30 June 2020	31 December 2019
Due from associates		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	12,409,969.63	12,783,060.19
Tianjin Gangbei Concrete Industry Co., Ltd.	10,606,551.29	10,606,551.29
Beijing Gaoqiang Concrete Co., Ltd.	6,422,413.91	–
Changchun Light Rail Jidong Concrete Co., Ltd.	5,506,203.52	2,650.00
Tangshan Hangdao Marine Heavy Industry Co., Ltd.	4,230,282.84	4,230,282.84
Beijing Xinyuan Concrete Co., Ltd.	1,306,417.15	1,306,417.15
Jidong Cement Fufeng Transportation Co., Ltd.	571,853.15	426,756.44
Tianjin Shubulok Cement Block Co., Ltd. (天津舒布洛克水泥砌块有限公司)	259,718.28	–
Zehnder (China) Indoor Climate Co., Ltd.	199,995.00	–
OCV Reinforcements (Beijing) Co., Ltd.	34,450.00	2,180.00
Xianyang Jidong High-New Concrete Co., Ltd.	10,000.00	10,000.00
Fuxin Jidong Xianghe Concrete Co., Ltd.	2,000.00	2,000.00
	41,559,854.77	29,369,897.91
Due from joint ventures		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	21,725,513.04	7,997,539.76
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	21,480,739.78	9,808,864.39
Mamba Cement Company (Pty) Ltd (RF)	8,796,714.93	2,154,341.81
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	6,515,280.43	4,380,708.90
Anshan Jidong Cement Co., Ltd.	6,309,700.15	2,570,692.18
STAR-USG Building Materials Co., Ltd.	1,001,980.00	–
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	222,174.56	222,174.56
	66,052,102.89	27,134,321.60
	107,611,957.66	56,504,219.51

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Accounts receivable financing	30 June 2020	31 December 2019
Due from associates		
Jidong Cement Fufeng Transportation Co., Ltd.	<u>700,000.00</u>	–
Due from joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	11,057,700.00	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	10,546,455.12	–
Anshan Jidong Cement Co., Ltd.	1,000,002.79	–
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	<u>300,000.00</u>	–
	<u>22,904,157.91</u>	–
	<u>23,604,157.91</u>	–
Prepayments	30 June 2020	31 December 2019
Prepayments to associates		
Zehnder (China) Indoor Climate Co., Ltd.	1,387,535.76	880,677.17
Tianjin Yaopi Glass Co., Ltd.	<u>195,869.35</u>	<u>195,869.35</u>
	<u>1,583,405.11</u>	1,076,546.52
Prepayments to joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	3,581,384.80	3,581,384.80
Anshan Jidong Cement Co., Ltd.	2,292,790.34	1,923,031.53
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	807,835.74	167,726.09
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	<u>287,835.16</u>	<u>167,618.90</u>
	<u>6,969,846.04</u>	5,839,761.32
	<u>8,553,251.15</u>	<u>6,916,307.84</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Other receivables	30 June 2020	31 December 2019
Due from associates		
Beijing Chenyu Real Estate Development Co., Ltd.	2,715,022,880.28	2,607,821,533.18
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	451,036,416.07	450,900,606.98
Beijing Xinyuan Concrete Co., Ltd.	97,546,481.69	97,630,638.43
Fuxin Jidong Xianghe Concrete Co., Ltd.	84,298,723.45	84,298,723.45
Tianjin Binhai New Area Daxin Investment Co., Ltd.	28,152,625.36	28,152,625.36
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	10,353,000.00	11,537,617.00
Changchun Light Rail Jidong Concrete Co., Ltd.	5,832,934.84	5,840,137.34
Beijing Sinobaide Technology Co., Ltd.	690,000.00	690,000.00
Beijing Toto Co., Ltd.	85,120.54	85,120.54
Zehnder (China) Indoor Climate Co., Ltd.	–	9,500.00
Jilin Cement (Group) Co., Ltd.	–	2,627.43
	<u>3,393,018,182.23</u>	<u>3,286,969,129.71</u>
Due from joint ventures		
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	64,417,380.00	81,419,303.40
BBMG Landao Commercial Operation Management Co., Ltd.	2,437,152.50	1,162,500.00
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	180,000.00	–
Tangshan Caofeidian Dunshi New Building Material Co., Ltd.	50,000.00	50,000.00
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	–	22,000.00
	<u>67,084,532.50</u>	<u>82,653,803.40</u>
	<u>3,460,102,714.73</u>	<u>3,369,622,933.11</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Long-term receivables	30 June 2020	31 December 2019
Due from an associate		
Beijing Chenyu Real Estate Development Co., Ltd.	–	110,958,405.25
Due from joint ventures		
Cross Point Trading 274 (Pty) Ltd (RF)	190,048,769.84	218,837,214.27
Mamba Cement Company (Pty) Ltd (RF)	85,052,101.72	98,463,113.70
	275,100,871.56	317,300,327.97
	275,100,871.56	428,258,733.22

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Accounts payable	30 June 2020	31 December 2019
Due to associates		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	44,917,556.19	150,000.00
Hebei Ruisuo Solid Waste Engineering Technology Research Institute Co., Ltd.	6,167,005.08	2,229,605.11
Tangshan Conch Profiles Co., Ltd.	417,628.95	–
Beijing Xinyuan Concrete Co., Ltd.	96,015.25	96,015.25
Zehnder (China) Indoor Climate Co., Ltd.	96,000.00	96,000.00
Jidong Cement Fufeng Transportation Co., Ltd.	83,357.30	17,428.53
Beijing Sinobaide Technology Co., Ltd.	–	307,067.88
Beijing Chenyu Real Estate Development Co., Ltd.	–	9,158.17
OCV Reinforcements (Beijing) Co., Ltd.	–	3,800.00
	51,777,562.77	2,909,074.94
Due to joint ventures		
Anshan Jidong Cement Co., Ltd.	6,167,951.56	6,167,951.56
Jidong Heidelberg (Shaanxi) Logistics Co., Ltd.	2,026,681.29	844,212.06
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	3,641.09	1,365,228.70
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	1,916.14	–
	8,200,190.08	8,377,392.32
	59,977,752.85	11,286,467.26

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Contract liabilities	30 June 2020	31 December 2019
Associates		
Beijing Gaoqiang Concrete Co., Ltd.	8,112,934.71	8,112,934.71
OCV Reinforcements (Beijing) Co., Ltd.	5,400.00	5,400.00
Jidong Cement Fufeng Transportation Co., Ltd.	3,000.00	–
	<u>8,121,334.71</u>	<u>8,118,334.71</u>
Joint ventures		
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	4,602,097.17	1,330,747.86
Anshan Jidong Cement Co., Ltd.	3,420,844.33	1,615,149.25
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	2,497,996.81	367,364.85
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	3,000.00	–
Jidong Cement Fufeng Transportation Co., Ltd.	–	3,000.00
	<u>10,523,938.31</u>	<u>3,316,261.96</u>
	<u>18,645,273.02</u>	<u>11,434,596.67</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Other payables	30 June 2020	31 December 2019
Due to associates		
Tianjin Xingye Longxiang Construction Engineering Co., Ltd.	28,274,250.42	52,237,279.00
Tianjin Shengxiang Plastic Business Management Co., Ltd.	4,643,323.95	4,916,172.95
Tianjin Gangbei Concrete Co., Ltd.	1,400,000.00	1,400,000.00
Zhongfang Huarui (Tangshan) Real Estate Co., Ltd.	527,000.00	–
OCV Reinforcements (Beijing) Co., Ltd.	129,200.00	159,200.00
Beijing Xinyuan Concrete Co., Ltd.	2,200.25	2,200.25
Xianyang Jidong High-New Concrete Co., Ltd.	282.12	282.12
Tangshan Conch Profiles Co., Ltd.	–	2,967.00
	34,976,256.74	58,718,101.32
Due to joint ventures		
Jidong Heidelberg (Fufeng) Cement Co., Ltd.	149,643.52	–
Jidong Heidelberg (Jingyang) Cement Co., Ltd.	133,439.03	47,499.00
	283,082.55	47,499.00
	35,259,339.29	58,765,600.32
Short-term loans		
Beijing BBMG Assets Management Co., Ltd.	–	81,000,000.00
BSCOMC	282,150,000.00	282,150,000.00
	282,150,000.00	363,150,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from and payables to related parties *(continued)*

Except for the balances of short-term loans and of due from STAR-USG Building Materials Co., Ltd. and Beijing Chenyu Real Estate Development Co., Ltd. in other receivables, and of due from Cross Point Trading 274 (Pty) Ltd (RF) and Mamba Cement Company (Pty) Ltd (RF) in long-term receivables, other amounts due from and due to related parties are interest free, unsecured and have no fixed terms of repayment.

7. Transactions with other related parties

As at 30 June 2020, upon approval of the Board of the Company, the Company donated RMB10,000,000.00 to BBMG Foundation, and Tangshan Jidong Cement Co., Ltd. donated RMB5,000,000.00 to BBMG Foundation.

The Group is of the view that the above related party transactions did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

8. Remuneration for key management personnel

	January to June 2020	January to June 2019
Remuneration for key management personnel	1,921,303.68	2,183,555.92

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XI. CONTINGENCIES

		30 June 2020	31 December 2019
Provision of guarantee on housing mortgage to third parties	Note 1	9,982,539,898.52	8,583,893,305.90
Provision of guarantee on loans and others to third parties	Note 2	980,000,000.00	1,000,000,000.00
		10,962,539,898.52	9,583,893,305.90

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

Note 2: Jidong Group, a subsidiary of the Group, provided guarantee with joint obligations on the borrowings of RMB980,000,000.00 for Tangshan Culture & Tourism Investment Group Co., Ltd. (唐山市文化旅遊投資集團有限公司). The Guarantee will expire on 21 May 2029.

XII. COMMITMENTS

		30 June 2020	31 December 2019
Asset acquisition or construction contracts entered into but not completed		890,103,758.72	149,181,143.13
Property development contracts entered into and being executed or will be executed		11,871,761,172.98	2,638,777,513.45
		12,761,864,931.70	2,787,958,656.58

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIII. OTHER SIGNIFICANT MATTERS

1. Lease

(1) As lessor

Operating leases

According to the lease contracts entered into with lessees, the minimum lease receipts under non-cancellable leases are as follows:

	30 June 2020	31 December 2019
Within 1 year (inclusive of 1 year)	317,805,289.75	473,682,439.35
1 to 2 years (inclusive of 2 years)	233,468,094.22	346,714,675.07
2 to 3 years (inclusive of 3 years)	212,883,669.67	308,103,367.60
3 to 4 years (inclusive of 4 years)	201,836,378.79	297,978,941.97
4 to 5 years (inclusive of 5 years)	184,769,666.49	228,728,028.12
Over 5 years	703,021,654.99	999,506,395.46
	<u>1,853,784,753.91</u>	<u>2,654,713,847.57</u>

Please refer to Note V. 15 and 16 for details of investment properties and fixed assets leased under operating leases.

(2) As lessee

Supplementary information on lease expenses

The Group adopted simplified treatment on short-term leases and leases of low-value assets, and did not recognize the right-of-use assets and lease liabilities. The short-term leases, low-value assets and variable lease payments not included in the measurement of lease liabilities are included in the expenses in the current period as follows:

	January to June 2020	January to June 2019
Short-term lease expenses	32,652,218.05	34,623,246.03
Low-value lease expenses (other than short-term leases)	1,511,844.97	1,539,851.40
	<u>34,164,063.02</u>	<u>36,163,097.43</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIII. OTHER SIGNIFICANT MATTERS *(continued)*

1. Lease *(continued)*

(2) As lessee *(continued)*

Renewal option and termination option

From January to June 2020, the Group recognized decrease in lease liabilities of RMB16,848,516.76 (from January to June 2019: an increase of RMB126,196,830.41), which was due to changes in lease term resulting from changes in the evaluation results or actual exercise of the renewal option or termination option.

2. Segment reporting

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has four reportable segments as follows:

- (1) the cement segment engages in the manufacture and sale of cement and concrete;
- (2) the building materials and commerce and logistics segment engages in the manufacture and sale of building materials and furniture and commerce and logistics;
- (3) the property development segment engages in property development and sales;
- (4) the property investment and management segment invests in properties for their potential rental income and/or for capital appreciation, and provides management and security services to residential and commercial properties.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and other than the exclusion of overheads attributable to the headquarters, the indicator is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the headquarters as these assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed upon by both parties of transactions with reference to the fair price quoted from transactions with third parties.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIII. OTHER SIGNIFICANT MATTERS *(continued)*

2. Segment reporting *(continued)*

Operating segments (continued)

For the six months ended 30 June 2020

	Cement segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/ Liabilities/Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	16,635,723,516.79	13,305,763,284.22	9,452,236,815.21	1,534,374,518.42	-	-	40,928,098,134.64
Revenue from inter-segment transactions	622,312,269.03	658,044,073.75	2,046,246.48	467,947,694.37	-	(1,750,350,283.63)	-
	17,258,035,785.82	13,963,807,357.97	9,454,283,061.69	2,002,322,212.79	-	(1,750,350,283.63)	40,928,098,134.64
Gains on investment in joint ventures and associates	167,224,863.93	12,303,163.01	(10,073,054.40)	(10,962,096.46)	-	-	158,492,876.08
Asset impairment losses	(9,213,331.78)	(1,497,098.71)	-	-	-	-	(10,710,430.49)
Credit impairment losses	(114,431,597.07)	(29,832,298.55)	(1,834,461.97)	(12,788,910.80)	-	222,880.00	(158,664,388.39)
Depreciation and amortisation	1,837,530,896.86	152,777,187.70	36,260,340.33	188,076,577.84	42,202,548.76	-	2,256,847,551.49
Total profit	2,014,413,206.09	(203,898,288.03)	1,490,816,097.15	788,536,657.29	(727,934,958.63)	3,287,807.88	3,365,220,521.75
Income tax expense	567,812,325.45	30,326,229.31	467,695,482.21	294,222,293.13	(181,983,739.66)	(446,034.36)	1,177,626,556.08
Total assets	79,346,877,052.07	14,216,184,293.76	140,692,493,609.06	85,009,655,133.15	3,476,279,819.98	(26,267,333,391.23)	296,474,156,516.79
Total liabilities	44,224,446,856.26	10,378,493,794.21	122,046,440,940.06	23,840,602,100.42	29,221,877,559.74	(26,237,012,249.35)	203,474,849,001.34
Long-term equity investment in joint ventures and associates	1,893,258,151.75	(57,076,587.18)	973,301,139.63	1,011,998,496.15	-	-	3,821,481,200.35
Increase in other non-current assets (excluding long-term equity investments)	1,264,925,219.76	341,330,455.32	21,913,512.23	199,739,576.18	-	-	1,827,908,763.49

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIII. OTHER SIGNIFICANT MATTERS (continued)

2. Segment reporting (continued)

Operating segments (continued)

For the six months ended 30 June 2019

	Cement segment	Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/ Liabilities/Expenses of the Headquarters	Elimination on Consolidation	Total
Revenue from external transactions	18,997,858,835.69	12,442,920,304.16	11,152,958,419.74	2,017,351,071.07	-	-	44,611,088,630.66
Revenue from inter-segment transactions	887,913,475.01	436,849,335.70	2,458,962.27	658,539,239.27	-	(1,985,761,012.25)	-
	<u>19,885,772,310.70</u>	<u>12,879,769,639.86</u>	<u>11,155,417,382.01</u>	<u>2,675,890,310.34</u>	<u>-</u>	<u>(1,985,761,012.25)</u>	<u>44,611,088,630.66</u>
Gains/(losses) on investment in joint ventures and associates	184,518,471.19	13,124,835.24	(1,847,327.52)	5,976,788.56	-	-	201,772,767.47
Asset impairment losses	(44,510,797.92)	(150,575.80)	-	(22,329,987.91)	-	-	(66,991,361.63)
Credit impairment losses	(121,610,078.32)	(74,097,103.77)	(1,256,082.31)	35,393,983.36	-	13,133,514.63	(148,435,766.41)
Depreciation and amortisation	1,910,038,804.61	133,866,049.86	23,987,469.19	226,346,165.18	42,578,496.18	-	2,336,816,985.02
Total profit/(losses)	2,747,214,507.28	(56,412,817.40)	1,986,156,437.36	1,039,914,636.36	(447,128,449.54)	(5,106,285.57)	5,264,638,028.49
Income tax expense	533,887,118.85	60,689,289.73	520,425,533.85	297,722,047.46	(111,782,112.39)	(1,276,571.39)	1,299,665,306.11
Total assets	80,370,763,301.29	15,711,955,903.94	130,153,417,814.60	86,867,998,011.22	568,778,943.77	(36,350,029,851.05)	277,322,884,123.77
Total liabilities	47,434,922,506.16	10,595,288,621.44	108,119,496,339.09	40,274,212,095.16	27,613,707,213.72	(38,334,009,792.01)	195,703,616,983.56
Other disclosure							
Long-term equity investment in joint ventures and associates	1,421,543,202.53	34,054,755.09	26,027,097.33	1,432,367,062.69	-	-	2,913,992,117.64
Increase in other non-current assets (excluding long-term equity investments)	1,646,262,544.03	628,394,590.62	19,556,546.58	119,414,498.62	-	-	2,413,628,179.85

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIII. 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. 50.

Geographic information

	January to June 2020	January to June 2019
Asia	40,876,016,801.69	44,430,840,416.36
Europe	42,539,817.23	165,101,030.79
Africa	9,541,515.72	13,777,248.41
Others	—	1,369,935.10
	<u>40,928,098,134.64</u>	<u>44,611,088,630.66</u>

Revenues from external transactions are attributable to the geographic locations where the customers are located.

Major non-current assets of the Group are located in the PRC.

Information about major customers

In 2019 and for the six months ended 30 June 2020, 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 2020

RMB

XIII. OTHER SIGNIFICANT MATTERS *(continued)*

3. Remuneration for key management personnel

Directors' and supervisors' remuneration for the period, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	January to June 2020	January to June 2019
Fees	300,000.00	300,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	656,570.00	750,090.00
Performance related bonuses	939,094.00	1,043,690.00
Pension scheme contributions	25,639.68	89,775.92
	1,921,303.68	2,183,555.92

(1) *Independent non-executive directors*

The fees paid to independent non-executive directors during the Year are as follows:

	January to June 2020	January to June 2019
Mr. Wang Guangjin	75,000.00	75,000.00
Mr. Tian Lihui	75,000.00	75,000.00
Mr. Tang Jun	75,000.00	75,000.00
Mr. Ngai Wai Fung	75,000.00	75,000.00
	300,000.00	300,000.00

No other remuneration was payable to independent non-executive directors for the period (from January to June 2019: Nil).

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIII. OTHER SIGNIFICANT MATTERS (continued)

3. Remuneration for key management personnel (continued)

(2) Executive directors, non-executive directors and supervisors January to June 2020

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Deyi *	-	116,196.00	116,196.00	3,770.40	236,162.40
Mr. Wu Dong	-	92,958.00	92,958.00	3,770.40	189,686.40
Mr. Zheng Baojin	-	92,958.00	92,958.00	3,770.40	189,686.40
	-	302,112.00	302,112.00	11,311.20	615,535.20
Non-executive directors					
Mr. Guo Yanming	-	92,958.00	92,958.00	3,770.40	189,686.40
Mr. Xue Chunlei	-	-	-	-	-
	-	92,958	92,958	3,770.4	189,686.40
Supervisors					
Mr. Zhang Guoliang	-	96,300.00	227,440.00	3,770.40	327,510.40
Mr. Zhuang Zhenguo	-	96,400.00	207,472.00	3,770.40	307,642.40
Ms. Jiang Yu	-	68,800.00	109,112.00	3,017.28	180,929.28
	-	261,500.00	544,024.00	10,558.08	816,082.08
	-	656,570.00	939,094.00	25,639.68	1,621,303.68

* Mr. Jiang Deyi is the Chairman and General Manager of the Company.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIII. OTHER SIGNIFICANT MATTERS (continued)

3. Remuneration for key management personnel (continued)

(2) Executive directors, non-executive directors and supervisors (continued)

January to June 2019

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Mr. Jiang Deyi *	-	128,204.00	128,204.00	12,192.48	268,600.48
Mr. Wu Dong	-	102,562.00	102,562.00	12,192.48	217,316.48
Mr. Zheng Baojin	-	102,562.00	102,562.00	12,192.48	217,316.48
	-	333,328.00	333,328.00	36,577.44	703,233.44
Non-executive directors					
Mr. Guo Yanming	-	102,562.00	102,562.00	12,192.48	217,316.48
Mr. Xue Chunlei	-	-	-	-	-
	-	102,562.00	102,562.00	12,192.48	217,316.48
Supervisors					
Mr. Pei Ying	-	-	-	-	-
Mr. Wang Zhicheng	-	-	-	-	-
Mr. Yu Kaijun	-	-	-	-	-
Mr. Zhang Guoliang	-	96,500.00	209,760.00	11,506.08	317,766.08
Mr. Zhuang Zhenguo	-	96,500.00	219,760.00	12,192.48	328,452.48
Ms. Jiang Yu	-	66,200.00	93,920.00	9,289.44	169,409.44
Ms. Song Lifeng *	-	55,000.00	84,360.00	8,018.00	147,378.00
	-	314,200.00	607,800.00	41,006.00	963,006.00
	-	750,090.00	1,043,690.00	89,775.92	1,883,555.92

* Mr. Jiang Deyi is the Chairman and General Manager of the Company.

* Ms. Song Lifeng was transferred to another position in May 2019 and her salary was paid till May.

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

	30 June 2020	31 December 2019
Interests receivable	3,279,891,365.30	2,823,010,176.24
Dividends receivable	3,865,608,574.41	1,210,008,522.92
Due from subsidiaries	70,833,632,136.93	67,638,851,137.31
Due from associates and joint ventures	2,839,613,693.78	2,745,552,948.53
Other current account	323,085,270.35	218,040,900.66
	81,141,831,040.77	74,635,463,685.66
Less: Provision for bad debts of other receivables	23,606,351.62	23,606,351.62
	81,118,224,689.15	74,611,857,334.04

An aging analysis of other receivables is as follows:

	30 June 2020	31 December 2019
Within 1 year (inclusive of 1 year)	32,569,066,495.00	30,325,255,793.47
1 to 2 years (inclusive of 2 years)	21,804,052,295.09	19,282,756,717.59
2 to 3 years (inclusive of 3 years)	26,551,649,483.70	24,660,015,132.38
3 to 4 years (inclusive of 4 years)	45,112,869.01	193,166,486.78
4 to 5 years (inclusive of 5 years)	11,676,295.36	50,998,001.96
Over 5 years	160,273,602.61	123,271,553.48
	81,141,831,040.77	74,635,463,685.66
Less: Provision for bad debts of other receivables	23,606,351.62	23,606,351.62
	81,118,224,689.15	74,611,857,334.04

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

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

	30 June 2020	31 December 2019
Balance at the beginning of the period/year	23,606,351.62	21,049,616.08
Transferred in from absorption of subsidiaries for the period/year	—	<u>2,556,735.54</u>
Balance at the end of the period/year	<u>23,606,351.62</u>	<u>23,606,351.62</u>

As at 30 June 2020, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	<u>33,656,640.00</u>	<u>9,113,985.00</u>	<u>27.08</u>	Partly uncollectible

As at 31 December 2019, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Balance of carrying amount	Provision for bad debts	Percentage of provision (%)	Reasons
First	<u>33,656,640.00</u>	<u>9,113,985.00</u>	<u>27.08</u>	Partly uncollectible

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

As at 30 June 2020, the top five of other receivables were as follows:

	Closing balance	Percentage of proportion (%)	Nature	Aging
First	6,344,190,800.00	7.82	Amounts due from subsidiaries	Within 1 year; 1-2 years
Second	5,342,364,186.00	6.58	Amounts due from subsidiaries	Within 1 year
Third	4,375,000,000.00	5.39	Amounts due from subsidiaries	2-3 years
Fourth	3,837,100,000.00	4.73	Amounts due from subsidiaries	1-2 years; 2-3 years
Fifth	3,825,660,000.00	4.71	Amounts due from subsidiaries	1-2 years; 2-3 years
	<u>23,724,314,986.00</u>	<u>29.23</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

1. Other receivables (continued)

As at 31 December 2019, the top five of other receivables were as follows:

	Closing balance	Percentage of proportion (%)	Nature	Aging
First	5,342,364,186.00	7.15	Amounts due from subsidiaries	Within 1 year
Second	4,375,000,000.00	5.85	Amounts due from subsidiaries	2-3 years
Third	4,289,500,800.00	5.74	Amounts due from subsidiaries	Within 1 year
Fourth	3,964,650,000.00	5.30	Amounts due from subsidiaries	1-2 years
Fifth	3,847,100,000.00	5.15	Amounts due from subsidiaries	1-2 years; 2-3 years
	<u>21,818,614,986.00</u>	<u>29.19</u>		

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIV NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments

30 June 2020

Cost method

	Investment cost	Opening balance	Increase/decrease for the period	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the period
Beijing BBMG Qianjing Environmental Protection Technology Co., Ltd.	67,600,000.00	67,600,000.00	-	67,600,000.00	67.00	67.00	-
Beijing BBMG Mining Co., Ltd.	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00	100.00	-
Beijing Chinafarge Cement Co., Ltd.	464,740,918.29	464,740,918.29	-	464,740,918.29	95.70	95.70	-
Beijing Woodworking Factory Co., Ltd.	54,556,261.17	54,556,261.16	-	54,556,261.16	100.00	100.00	-
Tongda Refractory Technology Co., Ltd.	537,421,261.73	498,030,444.48	39,390,817.25	537,421,261.73	92.83	100.00	15,000,000.00
BBMG New Building Materials Industrialization Group Co., Ltd.	3,428,029,200.49	3,428,029,200.49	80,000,000.00	3,508,029,200.49	100.00	100.00	-
Beijing Aerated Concrete Co., Ltd.	166,166,021.38	166,166,021.38	-	166,166,021.38	68.00	68.00	1,861,500.00
Beijing BBMG Coating Co., Ltd.	95,421,200.61	95,421,200.61	-	95,421,200.61	100.00	100.00	7,000,000.00
Beijing Building Materials Academy Co., Ltd.	194,167,784.68	194,167,784.68	-	194,167,784.68	100.00	100.00	-
Beijing Dynea Chemical Industry Co., Ltd.	95,358,791.69	95,358,791.69	-	95,358,791.69	100.00	100.00	-
BBMG GEM Real Estate Development Co., Ltd.	6,165,138,411.45	6,165,138,411.45	-	6,165,138,411.45	100.00	100.00	1,375,000,000.00
Krono (Beijing) Woods Co., Ltd.	287,445,693.34	287,445,693.34	-	287,445,693.34	30.00	30.00	-
BBMG Property Management Co., Ltd.	2,746,329,327.93	2,746,329,327.93	-	2,746,329,327.93	100.00	100.00	-
Beijing BBMG Property Development Group Co., Ltd.	6,608,721,838.38	6,608,721,838.38	-	6,608,721,838.38	100.00	100.00	786,000,000.00
Beijing Yanshui Asset Management Co., Ltd.	32,707,342.45	32,707,342.45	-	32,707,342.45	100.00	100.00	37,000,000.00

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments (continued)

30 June 2020 (continued)

Cost method (continued)

	Investment cost	Opening balance	Increase/decrease for the period	Closing balance	Percentage of shareholding (%)	Percentage of voting right (%)	Cash dividends for the period
BBMG Hong Kong Limited	288,057,387.91	288,057,387.91	-	288,057,387.91	100.00	100.00	61,000,000.00
Beijing BBMG Innovation and Technology Incubator Co., Ltd.	1,000,000,048.47	1,000,000,048.47	-	1,000,000,048.47	100.00	100.00	-
BBMG Finance Co., Ltd.	3,000,000,000.00	3,000,000,000.00	-	3,000,000,000.00	100.00	100.00	283,000,000.00
BBMG Finance Lease Co., Ltd.	393,876,000.00	393,876,000.00	-	393,876,000.00	30.00	30.00	102,000,000.00
Jidong Development Group Co., Ltd.	5,225,000,000.00	5,225,000,000.00	-	5,225,000,000.00	55.00	55.00	-
Beijing Doors and Windows Co., Ltd.	430,370,700.00	430,370,700.00	-	430,370,700.00	100.00	100.00	6,000,000.00
BBMG Sports Culture Co., Ltd.	25,359,900.00	25,359,900.00	-	25,359,900.00	66.67	66.67	-
Tangshan Jidong Cement Co., Ltd.	1,091,264,397.20	1,091,264,397.21	-	1,091,264,397.21	23.50	23.50	47,163,301.99
Tianjin Building Materials (Holding) Co., Ltd.	5,118,176,371.21	5,118,176,371.21	-	5,118,176,371.21	55.00	55.00	-
BBMG Jidong Cement (Tangshan) Co., Ltd. (headquarters)	8,171,903,569.59	8,171,903,569.59	-	8,171,903,569.59	55.82	55.82	1,036,921,800.00
Dachang BBMG Jinhaiyan Glass Wool Co., Ltd.	80,000,000.00	80,000,000.00	(80,000,000.00)	-	100.00	100.00	-
BBMG Jidong (Tangshan) Concrete Environmental Protection Technology Group Co., Ltd.	1,419,515,156.27	1,419,515,156.27	-	1,419,515,156.27	45.00	45.00	-
Jiangsu Trust- Longyuan No.2 Assemble Fund Trust Plan (江蘇信託-龍元2號集合資金 信託計劃)	500,000,000.00	-	500,000,000.00	500,000,000.00	20.00	75.00	627,199.89
Total under cost method	47,692,327,584.24	47,152,936,766.99	539,390,817.25	47,692,327,584.24			3,758,573,801.88

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

2. Long-term equity investments (continued)

30 June 2020 (continued)

Equity method

	Opening balance	Movements during the period		Carrying amount at the end of the period
		Increase in investment	Investment profit or loss under equity method	
Joint ventures				
Xingpai Youshiji Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	44,224,382.99	–	(573,332.98)	43,651,050.01
Associates				
Zehnder (China) Indoor Climate Co., Ltd.	103,037,341.90	–	2,773,612.55	105,810,954.45
OCV Reinforcements (Beijing) Co., Ltd.	71,385,513.95	–	(604,384.80)	70,781,129.15
Beijing Gaoqiang Concrete Co., Ltd.	26,284,093.75	–	653,162.59	26,937,256.34
Tangshan Conch Profiles Co., Ltd.	183,608,805.39	–	829,741.71	184,438,547.10
Toto Machinery (Beijing) Company Limited	127,711,909.27	–	14,148,456.10	141,860,365.37
Beijing Toto Co., Ltd.	145,045,601.14	–	1,320,091.60	146,365,692.74
Beijing Innovation Industry Investment Co., Ltd.	100,436,014.35	100,000,000.00	419,882.18	200,855,896.53
Subtotal for associates	757,509,279.75	100,000,000.00	19,540,561.93	877,049,841.68
Total under equity method	801,733,662.74	100,000,000.00	18,967,228.95	920,700,891.69

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

3. Investment properties

Measured subsequently through fair value model:

30 June 2020

	Buildings
Balance at the beginning of the period	11,839,906,198.63
Changes in fair value	<u>108,463,394.70</u>
Balance at the end of the period	<u>11,948,369,593.33</u>

31 December 2019

	Buildings
Balance at the beginning of the year	10,487,725,592.87
Changes in fair value	108,500,605.76
Absorption and merge of subsidiaries	<u>1,243,680,000.00</u>
Balance at the end of the year	<u>11,839,906,198.63</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 2020 and 31 December 2019, 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 2020

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

4. Operating revenue and cost

Information by products is as follows:

	January to June 2020		January to June 2019	
	Revenue	Cost	Revenue	Cost
Rental income	431,011,590.16	38,616,807.65	514,624,607.18	40,420,413.18
Others	2,635,161.27	85,289.82	5,847,371.44	358,192.52
	433,646,751.43	38,702,097.47	520,471,978.62	40,778,605.70

5. Investment gains

	January to June 2020	January to June 2019
Gains from long-term equity investments under cost method	3,758,573,801.88	2,231,938,609.91
Gains from long-term equity investments under equity method	18,967,228.95	17,515,609.08
Investment gains from disposal of subsidiaries	—	51,144,500.00
	3,777,541,030.83	2,300,598,718.99

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

(continued)

6. Notes to items of statement of cash flows

	January to June 2020	January to June 2019
Cash received from other operating activities		
Cash received from superior units	10,653,723,491.83	13,283,442,015.71
Cash received from internal borrowings among subsidiaries	17,196,821,701.04	11,893,286,317.56
Interest income	71,941,129.26	73,922,600.41
	<u>27,922,486,322.13</u>	<u>25,250,650,933.68</u>
Cash paid for other operating activities		
Cash paid to subordinate units	10,330,719,000.00	12,425,783,005.25
Current accounts of subsidiaries	18,809,047,849.35	10,052,158,658.80
Expenses of the headquarters	195,148,091.88	154,453,205.97
	<u>29,334,914,941.23</u>	<u>22,632,394,870.02</u>

Notes to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

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XIV. 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:

	January to June 2020	January to June 2019
Net profit	3,520,517,842.02	2,296,223,194.75
Add: Depreciation of fixed assets	34,838,855.65	35,433,800.61
Amortisation of intangible assets	7,363,693.11	7,144,695.57
Amortisation of long-term deferred expenses	544,310.72	–
Losses on retirement of fixed assets	48,424.00	–
Gains from changes in fair value	(108,463,394.70)	(50,872,789.63)
Finance costs	2,259,753,186.92	2,166,974,284.54
Investment gains	(3,777,541,030.83)	(2,300,598,718.99)
Decrease in deferred tax assets	–	14,551,866.30
Increase in deferred tax liabilities	27,115,848.68	1,473,197.41
(Increase)/decrease in operating receivables	(3,739,925,161.86)	1,159,924,402.61
Increase/(decrease) in operating payables	627,427,432.75	(308,841,752.90)
Net cash flows from operating activities	(1,148,319,993.54)	3,021,412,180.27

(2) Cash and cash equivalents

	30 June 2020	30 June 2019
Cash	21,204,225,870.60	12,446,526,056.37
Including: Bank deposits on demand	21,203,320,359.92	12,446,526,056.37
Other monetary fund on demand	905,510.68	–
Balance of cash and cash equivalents at the end of the period/year	21,204,225,870.60	12,446,526,056.37

Supplementary Information to Unaudited Interim Financial Statements

For the six months ended 30 June 2020

RMB

1. BREAKDOWN OF NON-RECURRING PROFIT AND LOSS ITEM

	January to June 2020
Net loss from disposal of non-current assets	(24,977,821.14)
Investment gains from disposal of subsidiaries, associates and joint ventures	30,430,655.25
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)	100,491,233.76
Capital occupancy fee from non-financial enterprises recognized through profit or loss for the current period	11,210,761.65
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	(1,265,000.00)
Reversal of provisions for impairment of receivables that are individually tested for impairment	20,946,654.52
Profit and loss from fair value change of investment properties measured subsequently through fair value model and profit and loss from changes in fair value of financial assets held for trading	247,438,807.76
Other non-operating income and expenses other than the above items	162,093,536.50
Total non-recurring profit and loss	546,368,828.30
Less: Impact of income tax	85,558,801.78
Less: Impact of minority interests	78,734,433.71
	382,075,592.81

Supplementary Information to Unaudited Interim Financial Statements (continued)

For the six months ended 30 June 2020

RMB

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

January to June 2020

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Including other equity instrument indicators:			
Net profit attributable to ordinary shareholders of the Company	2.45	0.14	0.14
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	1.84	0.11	0.11
Excluding other equity instrument indicators:			
Net profit attributable to ordinary shareholders of the Company	2.55	0.10	0.10
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	1.67	0.07	0.07

Supplementary Information to Unaudited Interim Financial Statements (continued)

For the six months ended 30 June 2020

RMB

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE *(continued)*

January to June 2019

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Including other equity instrument indicators:			
Net profit attributable to ordinary shareholders of the Company	5.13	0.29	0.29
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	3.97	0.22	0.22
Excluding other equity instrument indicators:			
Net profit attributable to ordinary shareholders of the Company	5.96	0.25	0.25
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	4.40	0.18	0.18

The Company did not have potentially dilutive ordinary shares.

In calculating the weighted average return on net assets and earnings per share excluding other equity instruments, the Company has excluded declared and undeclared dividends of perpetual bonds.

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