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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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

FINANCIAL HIGHLIGHTS

- Operating revenue of RMB35,365.4 million, increased by 20.0% from the interim period of 2017
- Gross profit margin from principal business of 27.4%, increased by 1.0 percentage points from the interim period of 2017
- Net profit of RMB2,927.7 million, increased by 64.3% from the interim period of 2017
- Net profit attributable to shareholders of the parent company of RMB2,410.2 million, increased by 30.5% from the interim period of 2017
- Core net profit attributable to the shareholders of the parent company (excluding the after tax net gains on the fair value of investment properties) of RMB2,207.6 million, increased by RMB554.3 million or 33.5% from the interim period of 2017
- Basic earnings per share attributable to the shareholders of the parent company was RMB0.23

The board of directors (the “**Board**”) of BBMG Corporation (the “**Company**” or “**BBMG**”) is pleased to announce the unaudited interim financial results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2018 (the “**Reporting Period**”), prepared in accordance with the China Accounting Standards for Business Enterprises, together with the comparative figures for the corresponding period of 2017. These interim financial results have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and Ernst & Young Hua Ming LLP, the auditor of the Company.

* For identification purposes only

RESULTS OF OPERATIONS

During the Reporting Period, the Group achieved a net profit attributable to shareholders of the parent company of approximately RMB2,410.2 million, representing an increase of approximately 30.5% over the corresponding period last year; basic earnings per share was approximately RMB0.23 (for the six months ended 30 June 2017: RMB0.17), representing an increase of approximately RMB0.06 per share over the corresponding period last year; total equity attributable to the shareholders of the parent company was approximately RMB54,291.9 million at the end of the Reporting Period, representing an increase of approximately RMB3,129.1 million from the beginning of the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

UNAUDITED CONSOLIDATED INCOME STATEMENT

Unit: RMB

	Notes	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Operating revenue	3	35,365,393,255.98	29,465,846,282.85
Less: Operating costs	4	25,534,771,580.22	21,479,871,148.31
Business tax and surcharges		1,053,708,401.15	973,940,364.57
Selling expenses	5	1,163,665,343.18	1,162,126,683.93
Administrative expenses	6	3,093,590,089.13	2,671,044,112.24
Research and development expenses		63,250,262.45	22,652,599.26
Finance costs	7	1,363,946,668.03	1,332,763,468.39
Including: Interest income		119,554,528.16	102,242,372.45
Interest expense		1,293,674,299.22	1,302,028,970.59
Asset impairment losses	8	14,133,583.21	146,941,218.69
Credit impairment losses	9	(43,476,415.85)	—
Add: Other gains		297,746,941.54	255,474,156.38
Investment gains		232,457,732.29	271,046,580.10
Including: Share of gains of associates and joint ventures		139,008,136.74	52,810,274.02
Gains from changes of fair value	10	273,123,778.84	126,425,614.70
Gains/(losses) on disposal of assets		18,831,201.79	(11,132,655.85)
Operating profit		3,943,963,398.92	2,318,320,382.79
Add: Non-operating revenue	3	88,381,624.69	123,912,550.58
Less: Non-operating expenses	4	108,945,005.24	14,547,290.44
Total profit		3,923,400,018.37	2,427,685,642.93
Less: Income tax expenses	11	995,656,787.76	645,662,574.87
Net profit		2,927,743,230.61	1,782,023,068.06
Including: Net profit from continuing operations		2,927,743,230.61	1,782,023,068.06
Net profit from discontinued operations		—	—
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		2,410,206,116.06	1,846,371,188.87
Minority interests		517,537,114.55	(64,348,120.81)
Earnings per share	12		
Basic earnings per share (RMB/share)		0.23	0.17
Diluted earnings per share (RMB/share)		0.23	0.17

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to shareholders of the parent company		
Other comprehensive income not allowed to be reclassified into profit or loss		
Changes arising from re-measurement of defined benefit plans	(18,855,736.00)	29,061,622.00
Changes in fair value of investment in other equity instruments	(21,675,850.45)	—
Other comprehensive income to be reclassified into profit or loss		
Other comprehensive income to be reclassified into profit or loss under the equity method	(685,072.50)	(1,102,557.87)
Exchange differences on foreign currency translation	(3,171,275.05)	(661,099.26)
Changes in fair value of available-for-sale financial assets	—	(5,235,630.29)
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	—	(10,194,361.74)
Net other comprehensive income after deducting impact of income tax	(44,387,934.00)	11,867,972.84
Net other comprehensive income after tax attributable to minority interests	(105,857,435.12)	(28,641,350.50)
Total comprehensive income	<u>2,777,497,861.49</u>	<u>1,765,249,690.40</u>
Including:		
<i>Total comprehensive income attributable to the shareholders of the parent company</i>	<u>2,365,818,182.06</u>	<u>1,858,239,161.71</u>
<i>Total comprehensive income attributable to minority interests</i>	<u>411,679,679.43</u>	<u>(92,989,471.31)</u>

UNAUDITED CONSOLIDATED BALANCE SHEET

Unit: RMB

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

	<i>Note</i>	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Liabilities and equity attributable to shareholders			
Current liabilities			
Short-term loans	15	38,136,520,000.00	34,375,200,000.00
Bills payable and accounts payable	16	17,556,199,802.79	17,205,078,515.28
Receipt in advance		191,670,784.18	27,340,492,780.84
Contract liabilities		22,491,291,593.07	—
Wages payable		248,324,132.00	365,587,130.76
Tax payable		2,622,900,071.05	1,769,260,167.61
Other payables		8,917,468,574.76	9,075,247,809.85
Liabilities held for sale		40,283,885.12	—
Non-current liabilities due within one year		13,049,262,905.72	11,491,439,775.59
Short-term financing bonds	17	5,500,000,000.00	2,769,698,081.12
Other current liabilities		6,031,872,448.10	6,042,357,010.03
Total current liabilities		<u>114,785,794,196.79</u>	<u>110,434,361,271.08</u>
Non-current liabilities			
Long-term loans	18	29,135,269,349.97	25,671,030,000.00
Bonds payable	17	19,971,170,605.73	18,154,840,828.51
Long-term payables		615,533,763.80	920,769,354.18
Long-term wages payable		682,147,912.50	654,032,290.50
Accrued liabilities		535,517,819.93	464,935,400.17
Deferred income		862,084,079.92	855,519,940.14
Deferred income tax liabilities		5,946,878,811.68	4,473,726,257.58
Other non-current liabilities		5,280,094,029.40	660,456,831.52
Total non-current liabilities		<u>63,028,696,372.93</u>	<u>51,855,310,902.60</u>
Total liabilities		<u>177,814,490,569.72</u>	<u>162,289,672,173.68</u>

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

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS, MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The financial statements are presented on a going concern basis.

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

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 useful lives and residual values of fixed assets, classification between investment properties and inventories, classification between investment properties and fixed assets, the recognition and allocation of development costs on properties under construction, etc.

The interim financial statements are in compliance with the requirements of Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting, and truly and completely reflect the financial position of the Company and the Group as at 30 June 2018 and the results of operations and cash flow for the six months ended 30 June 2018. Save for change in accounting policy stated below, the accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the financial statements for the previous year which were prepared in accordance with Accounting Standards for Business Enterprises.

Change in Accounting Policy

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

The New Revenue Standard

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

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

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

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

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

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

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

Consolidated Balance Sheet

As at 31 December 2017	Carrying amount under the New Revenue Standard	Assuming implementing the original standard	Impact on adopting the New Revenue Standard
Bills receivable and accounts receivable	15,065,293,754.04	15,867,845,894.72	(802,552,139.68)
Long-term receivables	1,186,951,841.33	485,377,872.64	701,573,968.69
Inventories	99,497,005,659.34	98,649,716,753.63	847,288,905.71
Other non-current assets	1,162,211,200.86	1,059,431,952.41	102,779,248.45
Deferred income tax assets	2,999,963,491.58	2,952,009,690.68	47,953,800.90
Receipts in advance	172,958,649.26	27,340,492,780.84	(27,167,534,131.58)
Contract liabilities	19,449,250,034.98	–	19,449,250,034.98
Other non-current liabilities	9,289,742,430.25	660,456,831.52	8,629,285,598.73
Deferred income tax liabilities	4,499,421,069.69	4,473,726,257.58	25,694,812.11
Accrued liabilities	492,059,836.36	464,935,400.17	27,124,436.19
Retained earnings	22,732,463,426.79	22,758,176,658.95	(25,713,232.16)
Minority interests	18,713,898,403.38	18,754,962,137.58	(41,063,734.20)

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

Consolidated Balance Sheet

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

Income Statement

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

The New Financial Instruments Standard

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

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

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

The Group

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

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

	Carrying amount according to the original financial instruments standard as at 31 December 2017	Reclassification	Remeasurement	Carrying amount according to the New Financial Instruments Standard as at 1 January 2018
Financial assets measured at amortised costs				
<i>Bills receivable and accounts receivable</i>				
Balance presented according to original financial instruments standard	15,065,293,755.04			
Remeasurement: provision for expected credit loss			166,754,128.98	
Reclassification: provision for expected credit loss		22,092,206.76		
Balance presented according to New Financial Instruments Standard				15,254,140,090.78
<i>Long-term receivables</i>				
Balance presented according to original financial instruments standard	1,186,951,841.33			
Reclassification				
Balance presented according to New Financial Instruments Standard		(22,092,206.76)		1,164,859,634.57
<i>Other receivables</i>				
Balance presented according to original financial instruments standard	5,890,424,799.29			
Remeasurement: provision for expected credit loss			(52,339,721.05)	
Balance presented according to New Financial Instruments Standard				5,838,085,078.24
Total financial assets measured at amortised costs	22,142,670,395.66			22,257,084,803.59
Available-for-sale financial assets				
Balance presented according to original financial instruments standard	2,897,887,864.39			
Less: Transfer to financial assets measured at fair value through other comprehensive income– equity instruments (New Financial Instruments Standard)		(579,484,354.00)		
Less: Transfer to financial assets measured at fair value through profit or loss (New Financial Instruments Standard)		(2,318,403,510.39)		
Balance presented according to New Financial Instruments Standard				–
Financial assets measured at fair value through other comprehensive income				
<i>Investment in other equity instruments</i>				
Amount presented according to original financial instruments standard	–			
Reclassification			579,484,354.00	
Amount presented according to New Financial Instruments Standard				579,484,354.00
Financial assets measured at fair value through profit or loss				
Amount presented according to original financial instruments standard	46,226,108.99			
Reclassification		2,318,403,510.39		
Amount presented according to New Financial Instruments Standard				2,364,629,619.38

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

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

Presentation of financial statement

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

2. OPERATING SEGMENT INFORMATION

Operating segments

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (1) the cement and ready-mixed concrete segment engages in the manufacture and sale of cement and concrete;
- (2) the modern 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; and
- (4) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

The management manages the results of each operating segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the profits of reportable segment. 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 liabilities exclude unallocated assets and liabilities attributable to headquarters as these assets and liabilities are under integrated management by the Group.

The prices for transfers between operating segments are determined with reference to the fair prices adopted for transactions with third parties and by negotiation between the parties.

For the six months ended 30 June 2018 (Unaudited)

Unit: RMB

	Cement and Ready-mixed Concrete Segment	Modern Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/ Liabilities/ Expenses of Headquarters	Elimination on Consolidation	Total
Revenues from external transactions	14,578,159,711.49	8,896,428,439.01	9,974,060,860.17	1,916,744,245.31	-	-	35,365,393,255.98
Revenues from inter-segment transactions	<u>1,300,566,673.17</u>	<u>185,810,428.94</u>	<u>3,402,021.89</u>	<u>132,703,635.32</u>	<u>-</u>	<u>(1,622,482,759.32)</u>	<u>-</u>
	<u>15,878,726,384.66</u>	<u>9,082,238,867.95</u>	<u>9,977,462,882.06</u>	<u>2,049,447,880.63</u>	<u>-</u>	<u>(1,622,482,759.32)</u>	<u>35,365,393,255.98</u>
Gains/(losses) on investments in joint ventures and associates	121,078,335.58	19,534,118.87	1,292.10	(1,605,609.81)	-	-	139,008,136.74
Asset impairment losses	(55,219,996.86)	(5,801,610.83)	864,114.05	(24,465,204.92)	-	98,756,281.77	14,133,583.21
Credit impairment loss	48,160,858.31	12,756,662.75	5,018,016.80	(10,655,671.94)	-	(98,756,281.77)	(43,476,415.85)
Depreciation expenses and amortization expenses	1,853,886,670.18	99,403,303.76	15,195,701.13	118,228,511.12	13,119,734.00	-	2,099,833,920.20
Total profit/(loss)	1,446,778,327.58	35,105,458.82	1,981,748,903.27	104,632,014.61	(483,694,863.83)	838,830,177.92	3,923,400,018.37
Income tax expenses	369,278,953.02	21,326,812.91	469,668,241.66	46,598,951.65	(120,923,715.96)	209,707,544.48	995,656,787.76
Total assets	85,333,130,737.39	16,545,709,517.00	120,110,967,639.35	75,706,215,046.93	2,395,295,478.55	(45,937,454,975.72)	254,153,863,443.50
Total liabilities	54,749,841,576.78	13,363,415,017.28	104,233,790,491.75	30,697,322,327.93	24,595,681,181.26	(49,825,560,025.28)	177,814,490,569.72
Other disclosure							
Long-term equity investment in joint ventures and associates	1,694,376,222.13	415,900,952.58	4,992,899.49	386,511,858.68	-	-	2,501,781,932.88
Increase in other non-current assets (excluding long-term equity investments)	2,596,158,690.12	987,733,794.73	30,192,519.62	6,108,918,157.65	-	-	9,723,003,162.12

For the six months ended 30 June 2017 (Unaudited)

Unit: RMB

	Cement and Ready-mixed Concrete Segment	Modern Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Assets/ Liabilities/ Expenses of Headquarters	Elimination on Consolidation	Total
Revenues from external transactions	13,285,651,855.35	6,975,794,012.28	7,334,205,335.26	1,870,195,079.96	-	-	29,465,846,282.85
Revenues from inter-segment transactions	<u>849,224,989.22</u>	<u>134,587,915.09</u>	<u>-</u>	<u>244,187,534.18</u>	<u>-</u>	<u>(1,228,000,438.49)</u>	<u>-</u>
	<u>14,134,876,844.57</u>	<u>7,110,381,927.37</u>	<u>7,334,205,335.26</u>	<u>2,114,382,614.14</u>	<u>-</u>	<u>(1,228,000,438.49)</u>	<u>29,465,846,282.85</u>
Gains/(losses) on investments in joint ventures and associates	69,549,449.99	(15,144,905.75)	1,652.47	(1,595,922.69)	-	-	52,810,274.02
Asset impairment losses	178,674,698.23	(686,436.20)	(38,635,237.49)	7,588,194.15	-	-	146,941,218.69
Depreciation expenses and amortization expenses	1,817,917,633.25	68,164,523.30	57,991,306.48	146,959,302.87	10,249,414.70	-	2,101,282,180.60
Total profit/(loss)	244,840,747.37	31,871,416.97	1,419,920,497.17	1,176,589,113.71	(532,788,631.55)	87,252,499.26	2,427,685,642.93
Income tax expenses	162,230,716.82	16,788,250.43	337,564,064.69	240,463,576.01	(133,197,157.89)	21,813,124.81	645,662,574.87
As at 30 June 2017							
Total assets	82,636,431,050.73	10,888,804,447.07	102,329,517,211.59	47,226,735,731.36	2,431,402,819.14	(21,542,009,981.81)	223,970,881,278.08
Total liabilities	53,934,668,373.08	6,634,231,556.96	88,097,959,009.34	19,760,943,308.29	17,517,777,278.99	(25,984,706,429.91)	159,960,873,096.75
Other disclosure							
Long-term equity investment in joint ventures and associates	1,629,316,560.67	194,694,554.58	4,991,625.54	219,690,903.02	-	-	2,048,693,643.81
Increase in other non-current assets (excluding long-term equity investments)	1,228,121,783.38	207,158,684.99	120,806,983.81	405,494,917.59	-	-	1,961,582,369.77

Geographical information

Operating revenue	For the six months ended 30 June 2018 RMB (Unaudited)	For the six months ended 30 June 2017 RMB (Unaudited)
The People's Republic of China (the "PRC")	34,808,047,239.08	28,440,547,737.24
Singapore	311,073,668.58	74,751,041.07
South Africa	24,342,180.85	17,655,810.39
Japan	62,339.72	121,524,543.94
Other countries or regions	221,867,827.75	811,367,150.21
	<u>35,365,393,255.98</u>	<u>29,465,846,282.85</u>

Revenues from external transactions are attributable to the geographic locations where the customers are located.

Major non-current assets of the Group are located in the PRC.

Information about major customers

For the six months ended 30 June 2018 and the six months ended 30 June 2017, none of sales income arising from any single customer of the Group exceeds 10% of the Group's total revenues.

3. OPERATING REVENUE AND NON-OPERATING REVENUE

Unit: RMB

Operating revenue is presented as follows:

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Operating revenue from principal business	34,998,521,382.42	28,778,106,439.91
Operating revenue from other business	366,871,873.56	687,739,842.94
	<u>35,365,393,255.98</u>	<u>29,465,846,282.85</u>

Operating revenue from principal business is presented as follows:

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Sale of products	16,691,762,445.41	14,703,815,505.97
Bulk commodity trade	5,798,692,112.10	4,295,423,070.67
Sale of properties	9,955,463,235.75	7,346,395,932.14
Rental income from investment properties	646,537,184.55	646,855,908.42
Property management	435,264,429.59	397,505,348.07
Hotel management	212,893,202.89	202,153,741.55
Income from decoration	322,286,697.74	428,100,134.10
Disposal of solid waste	453,942,695.63	280,268,621.47
Others	481,679,378.76	477,588,177.52
	<u>34,998,521,382.42</u>	<u>28,778,106,439.91</u>

Operating revenue by product is presented as follows:

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

Non-operating revenue is presented as follows:

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Gains from debt restructuring	13,576,256.77	10,650,578.99
Net income from fines	22,928,047.87	10,821,773.69
Relocation compensation/government grants	1,634,830.25	35,147,805.28
Unpayable amounts	11,292,107.94	10,199,797.08
Others	38,950,381.86	57,092,595.54
	<u>88,381,624.69</u>	<u>123,912,550.58</u>

4. OPERATING COSTS AND NON-OPERATING EXPENSES

Unit: RMB

Operating cost is presented as follows:

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Operating costs for principal business	25,391,549,752.00	21,179,573,587.19
Operating costs for other business	143,221,828.22	300,297,561.12
	25,534,771,580.22	21,479,871,148.31

Operating costs for principal business by product:

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Sale of products	11,497,460,937.86	10,781,304,651.52
Bulk commodity trade	5,756,570,676.88	4,191,989,825.53
Sale of properties	6,816,228,978.21	4,965,631,414.32
Rental income from investment properties	59,384,760.16	41,253,781.27
Property management	327,777,514.10	289,830,873.44
Hotel management	110,845,647.24	103,199,401.73
Income from decoration	282,307,744.27	416,644,859.52
Disposal of solid waste	238,700,814.34	190,804,433.37
Others	302,272,678.94	198,914,346.49
	25,391,549,752.00	21,179,573,587.19

Non-operating expenses are presented as follows:

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Losses on disposal of non-current assets	41,333,767.02	4,554,937.22
<i>Including: Losses on disposal of fixed assets</i>	41,321,148.53	4,537,356.07
<i>Loss on disposal of intangible assets</i>	–	8,156.95
<i>Other losses on non-current assets</i>	12,618.49	9,424.20
Abnormal losses	–	4,922.64
Losses on debt restructuring	1,313,442.84	387,092.98
Expenses on charity donation	100,000.03	17,708.76
Expenses on compensation, penalties and fines	46,815,569.79	5,682,850.36
Others	19,382,225.56	3,899,778.48
	<u>108,945,005.24</u>	<u>14,547,290.44</u>

5. SELLING EXPENSES

Unit: RMB

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

6. ADMINISTRATIVE EXPENSES

Unit: RMB

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

7. FINANCE COSTS

Unit: RMB

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

Note: The amount of capitalized interest has been included in construction in progress of RMB11,706,877.68 and costs for properties under development of RMB1,116,161,798.05 (for the six months ended 30 June 2017: the amount of capitalised interest included in the balances of construction in progress of RMB45,683,124.92 and costs of properties under development of RMB914,934,789.81).

The breakdown of interest income was as follows:

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

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

8. ASSET IMPAIRMENT LOSSES

Unit: RMB

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

9. CREDIT IMPAIRMENT LOSSES

Unit: RMB

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

10. GAINS FROM CHANGES IN FAIR VALUE

Unit: RMB

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

11. INCOME TAX EXPENSES

Unit: RMB

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Current income tax expenses	1,082,588,352.32	772,280,210.87
Deferred income tax expenses	<u>(86,931,564.56)</u>	<u>(126,617,636.00)</u>
	<u>995,656,787.76</u>	<u>645,662,574.87</u>

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

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

Note 1: Income tax of the Group shall be calculated based on the estimated taxable income obtained from China and the applicable tax rate. Taxes of taxable income arising from other regions shall be calculated based on the applicable tax rate pursuant to the existing laws, interpretations, announcements and practices in the jurisdiction where the Group operates.

12. BASIC EARNINGS PER SHARE

The basic earnings per share is calculated based on the net profit of the current period attributable to the ordinary shareholders of the Company divided by the weighted average number of issued ordinary shares during the period. The number of newly issued ordinary shares is calculated and determined from the date of consideration receivable according to specific terms of the issuance agreement.

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
Earnings		
Net profit for the current period attributable to ordinary shareholders of the Company (RMB)	<u>2,410,206,116.06</u>	<u>1,846,371,188.87</u>
Shares		
Weighted average number of issued ordinary shares of the Company	<u>10,677,771,134.00</u>	<u>10,677,771,134.00</u>
Basic earnings per share	<u>0.23</u>	<u>0.17</u>

The Company did not have potentially dilutive ordinary shares.

13. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend (for the six months ended 30 June 2017: Nil).

14. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE

Unit: RMB

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Bills receivable	7,837,252,103.41	8,181,663,835.79
Including: Bank acceptance bills	6,781,791,199.53	6,902,433,880.50
Commercial acceptance bills	1,055,460,903.88	1,279,229,955.29
Accounts receivable	<u>11,027,714,532.05</u>	<u>10,106,902,405.60</u>
	18,864,966,635.46	18,288,566,241.39
Less: Provision for bad debts	<u>2,440,158,501.89</u>	<u>2,420,720,346.67</u>
	<u>16,424,808,133.57</u>	<u>15,867,845,894.72</u>

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

The credit period of accounts receivable is usually one month to six months. The accounts receivable are non-interest bearing.

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

Unit: RMB

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

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

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

15. SHORT-TERM LOANS

Unit: RMB

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Guaranteed loans (<i>Note 1</i>)	2,392,500,000.00	1,840,000,000.00
Credit loans	34,414,970,000.00	32,029,900,000.00
Mortgaged loans	513,000,000.00	—
Pledged loans (<i>Note 2</i>)	816,050,000.00	505,300,000.00
	38,136,520,000.00	34,375,200,000.00

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

Note 2: As at 30 June 2018, pledged loans of the Group included loans of RMB777,000,000.00 secured by equity interests with a carrying amount of RMB269,299,741.71, loans of RMB 33,250,000.00 secured by deposit certificates and loans of RMB5,800,000.00 by discounting the bills receivable of the Group's subsidiaries.

As at 30 June 2018, the interest rates of the above short-term loans were 2.80%-7.50% per annum (as at 31 December 2017: 3.30%-8.40%).

All short-term loans would be due within one year. As at 30 June 2018, the Group had no outstanding loans that were due.

16. BILLS PAYABLE AND ACCOUNTS PAYABLE

Unit: RMB

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

As at the balance sheet date, the Group had no outstanding bills payable that were due and the bills payable of the Group would be due within six months.

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

An aging analysis of bills payable and accounts payable based on invoice date is as follows:

Unit: RMB

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

17. SHORT-TERM FINANCING BONDS PAYABLE AND BONDS PAYABLE

Unit: RMB

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Corporate bonds	18,239,119,030.33	15,230,995,736.64
Medium-term notes	7,000,000,000.00	5,000,000,000.00
Private placement bonds	500,000,000.00	5,798,475,000.00
Debt financing plan	500,000,000.00	500,000,000.00
Balance at the end of the period/year	26,239,119,030.33	26,529,470,736.64
<i>Including: Bonds payable within one year</i>	<u>6,267,948,424.60</u>	<u>8,374,629,908.13</u>
Non-current portion	<u>19,971,170,605.73</u>	<u>18,154,840,828.51</u>
Analysis of maturity of bonds payable:		
Current or within one year	6,267,948,424.60	8,374,629,908.13
Over one year but not more than two years	6,732,856,872.66	9,420,108,004.27
Over two years but not more than five years	13,238,313,733.07	8,734,732,824.24
	<u>26,239,119,030.33</u>	<u>26,529,470,736.64</u>
Current portion:		
Short-term financing bonds	<u>5,500,000,000.00</u>	<u>2,769,698,081.12</u>

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

- 1) Pursuant to the document Zhong Shi Xie Zhu [2013] No. MTN279 issued by the National Association of Financial Market Institutional Investors (“NAFMII”), the Company issued its first tranche of medium-term notes for 2013 on 14 October 2013, totaling RMB1,500,000,000 with a term of 5 years and a coupon rate of 5.8%.
- 2) Pursuant to the document Zhong Shi Xie Zhu [2014] No. MTN316 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of medium-term notes for 2014 on 15 October 2014, totaling RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.35%; and the Company issued its second tranche of medium-term notes for 2014 on 17 November 2014, totaling RMB1,500,000,000 with a term of 5 years and a coupon rate of 5.3%.
- 3) Pursuant to the document Zhong Shi Xie Zhu [2014] No. PPN570 issued by the National Association of Financial Market Institutional Investors, the Company issued its first tranche of private placement notes for 2015 on 5 February 2015, totaling RMB2,000,000,000 with a term of 3 years and a coupon rate of 5.50%; the Company issued its second tranche of private placement notes for 2015 on 19 March 2015, totaling RMB2,500,000,000 with a term of 3 years and a coupon rate of 5.46%; and the Company issued its third tranche of private placement notes for 2015 on 20 July 2015, totaling RMB500,000,000 with a term of 3 years and a coupon rate of 5.15%.
- 4) Upon consideration and approval by the 27th meeting of the 3rd session of the Board held on 12 October 2015 and the 2015 second extraordinary general meeting of the Company held on 27 November 2015, the Company intended to issue corporate bonds of no more than RMB5,000,000,000. Pursuant to the document [2016] No. 35 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2016 on 14 March 2016, totaling RMB3,200,000,000 with a term of 3 years and a coupon rate of 3.12%; and the Company issued its first tranche of corporate bonds (type two) for 2016 on 14 March 2016, totaling RMB1,800,000,000 with a term of 5 years and a coupon rate of 3.5%.
- 5) Pursuant to the document (Fa Gai Cai Jin [2012] No. 2810) issued by National Development and Reform Commission, Jidong Development Group Co., Ltd. (hereinafter referred to as “**Jidong Development Group**”) issued the first tranche of corporate bonds for 2012 on 13 September 2012 (hereinafter referred to as “12 Jidong Development Bond”), totaling RMB800,000,000 with a term of 7 years and a coupon rate of 6.3%.
- 6) Pursuant to the approval document (Zhong Shi Xie Zhu [2015] No. PPN73) issued by the National Association of Financial Market Institutional Investors, Tangshan Jidong Concrete Co., Ltd. could conduct non-public placement financing of no more than RMB1,500,000,000. The amount of the first tranche of non-public placement debt financing instruments for 2014-2016 is RMB300,000,000 with a term of 3 years and a coupon rate of 7.00%. The maturity date is 4 May 2018. The amount of the second tranche of non-public placement debt financing instruments for 2014-2016 is RMB500,000,000 with a term of 3 years and a coupon rate of 6.80%. The maturity date is 3 June 2018.

- 7) Pursuant to the document (Zheng Jian Xu Ke [2011] No. 1179) issued by China Securities Regulatory Commission, Tangshan Jidong Cement Co., Ltd. (hereinafter referred to as “**Jidong Cement**”) issued corporate bonds of no more than RMB2,500,000,000 to the public, including “2011 Jidong 01” and “2011 Jidong 02”. On 30 August 2011, it issued 2011 Jidong 01, totaling RMB1,600,000,000 with a coupon rate of 6.28% and an effective interest rate of 6.46%. The term of the bonds is 7 years (with the issuer’s option to raise the coupon rate after the end of the fifth year and the investors’ entitlement to sell back the bonds). The sale back amount as announced on 30 August 2016 is RMB522,000,000, with the remaining amount of RMB1,078,000,000 due on 30 August 2018. On 20 March 2012, it issued 2011 Jidong 02 in an amount of RMB900,000,000 with a coupon rate of 5.58% and an effective interest rate of 5.76%. The term of the bonds is 8 years (with the issuer’s option to raise the coupon rate after the end of the fifth year and the investors’ entitlement to sell back the bonds). The total sale back amount as announced on 17 March 2017 is RMB481,305,000.00 (exclusive of interests) with the remaining amount of RMB416,099,328.12 (exclusive of interests) due on 20 March 2020.
- 8) Pursuant to the document (Zheng Jian Xu Ke [2012] No. 1000) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB1,250,000,000 to the public. On 15 October 2012, it issued 2012 Jidong 02 Bonds in an amount of RMB450,000,000 with a term of 7 years, a coupon rate of 5.90% and an effective interest rate of 6.02%. The maturity date is 15 October 2019. On 15 October 2012, it issued 2012 Jidong 03 Bonds in an amount of RMB800,000,000 with a term of 10 years, a coupon rate of 6.00% and an effective interest rate of 6.09%. The maturity date is 15 October 2022.
- 9) Upon consideration and approval by the 4th meeting of the 4th session of the Board held on 23 March 2016 and the 2015 annual general meeting of the Company held on 18 May 2016, the Company intended to issue corporate bonds of no more than RMB4,000,000,000. Pursuant to the document [2017] No. 46 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2017 on 19 May 2017, totaling RMB3,500,000,000 with a term of 5 years and a coupon rate of 5.2%; and the Company issued its first tranche of corporate bonds (type two) for 2017 on 19 May 2017, totaling RMB500,000,000 with a term of 7 years and a coupon rate of 5.38%.
- 10) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type one) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,250,000,000 with a term of 2 years. The bonds bear an annual coupon rate of 5.20% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.
- 11) Pursuant to the relevant requirements for bonds listing on the Shanghai Stock Exchange, the Company issued the first tranche of corporate bonds (type two) of BBMG Corporation for 2017 on the Shanghai Stock Exchange to qualified investors by way of non-public issuance from 13 July 2017, totaling RMB1,750,000,000 with a term of 3 years. The bonds bear an annual interest rate of 5.30% and adopt simple interest for accrual of annual interest; no compound interest will be accrued.

- 12) Upon consideration and approval by the 18th meeting of the 4th session of the Board held on 26 April 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the document Debt Financing Plan [2017] No. 0192 issued by Beijing Financial Assets Exchange Limited, the Company successfully issued the first tranche of debt financing plan for 2017 on 17 November 2017 for a term of 2 years. The interest commencement date was 17 November 2017. The actual listing amount totalled RMB500,000,000 with a coupon rate of 5.50%. The interests are calculated at fixed rate and allocated based on actual number of days.
- 13) Upon consideration and approval by the 13th meeting of the 7th session of the Board held on 13 December 2015 and the 2015 second extraordinary general meeting of the Company held on 30 December 2015, and pursuant to the No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Issuance of Corporate Bonds for 2016 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2016] No. 471) (《關於唐山冀東水泥股份有限公司2016年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2016]471號)) issued by the Shenzhen Stock Exchange, the Company issued the first tranche of corporate bonds by way of non-public issuance on 3 July 2017 with a term of 3 years, of which the issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the second year. The interest commencement date was 30 June 2017 and the actual amount issued totalled RMB500,000,000. The bonds bear an interest rate of 5.98%.
- 14) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. MTN512) (《接受註冊通知書》(中市協注[2017]MTN512號)) issued by the NAFMII, the Company successfully issued the first tranche of medium term notes for 2018 of BBMG Corporation on 22 January 2018. The amount issued totalled RMB2,000,000,000 with a term of 5 years and a coupon rate of 5.85%.
- 15) The Company successfully issued the first tranche of debt financing plan for 2018 named “18BBMGZR001 (18京金隅ZR001)” on 27 February 2018 for a term of 2+3 years. The interest commencement date was 27 February 2018 and expiry date will be 27 February 2023. The actual listing amount totalled RMB500,000,000 with a coupon rate of 5.80%.
- 16) The Company successfully issued the second tranche of debt financing plan for 2018 named “18BBMGZR0 (18京金隅ZR0)” on 25 June 2018 for a term of 3 years. The expiry date will be 25 June 2021. The actual listing amount totalled RMB2,500,000,000 and the listing price was 6.30% with a coupon rate of 6.30%.
- 17) Pursuant to the document Zhong Shi Xie Zhu [2015] No. SCP[174] issued by the NAFMII, it was agreed that Jidong Cement issued its first tranche of ultrashort financing bonds for 2017 in open market on 21 June 2017, totaling RMB1,000,000,000 with a term of 270 days and a coupon rate of 5.1%. The maturity date is 18 March 2018.

- 18) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the NAFMII, the Company successfully issued the third tranche on 28 September 2017 ultrashort financing bonds for a term of 270 days. The interest commencement date was 29 September 2017 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.90%.
- 19) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the National Association of Financial Market Institutional Investors, the Company successfully issued the first tranche of super short term financing bonds for 2018 on 29 January 2018 for a term of 180 days. The interest commencement date was 29 January 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 5.30%.
- 20) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the National Association of Financial Market Institutional Investors, the Company successfully issued the second tranche of super short term financing bonds for 2018 on 5 March 2018 for a term of 180 days. The interest commencement date was 5 March 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 5.13%.
- 21) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the National Association of Financial Market Institutional Investors, the Company successfully issued the third tranche of super short term financing bonds for 2018 on 20 April 2018 for a term of 270 days. The interest commencement date was 23 April 2018 and the actual amount issued totalled RMB1,500,000,000 with a coupon rate of 4.59%.

18. LONG-TERM LOANS

Unit: RMB

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
An analysis on maturity of long-term loans as at the balance sheet date is as follows:		
Within 1 year (inclusive)	6,122,471,290.77	2,402,037,997.00
1 to 2 years (inclusive)	7,233,870,000.00	5,347,800,000.00
2 to 3 years (inclusive)	9,702,800,000.00	12,323,760,000.00
3 to 4 years (inclusive)	3,418,750,000.00	680,000,000.00
4 to 5 years (inclusive)	223,750,000.00	800,000,000.00
Over 5 years	8,556,099,349.97	6,519,470,000.00
	35,257,740,640.74	28,073,067,997.00

As at 30 June 2018, the above loans bore interest rates of 1.2%-10.50% (as at 31 December 2017: 1.20%-10.34%) per annum.

19. NET CURRENT ASSETS

Unit: RMB

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current assets	153,871,113,874.16	143,589,262,404.01
Less: current liabilities	114,785,794,196.79	110,434,361,271.08
Net current assets	39,085,319,677.37	33,154,901,132.93

20. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Total assets	254,153,863,443.50	232,207,482,091.70
Less: current liabilities	<u>114,785,794,196.79</u>	<u>110,434,361,271.08</u>
Total assets less current liabilities	<u><u>139,368,069,246.71</u></u>	<u><u>121,773,120,820.62</u></u>

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present to you the interim results of the Company for the six months ended 30 June 2018, and report on the operating results of the Company during the said period.

Review

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

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

Prospects

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

Pursuing the development strategy of “highlighting principal businesses and strengthening specialized businesses”, the Company will take initiative in participating in significant national policies, such as synergetic development of Beijing, Tianjin and Hebei Province and the supply-side structural reform and facilitate the “Four Centers” development of Beijing. In respect of the cement and ready-mixed concrete segment and modern building materials and commerce and logistics segment, the Company will ensure the guaranteed supply of building materials for key projects such as sub-town center in Beijing,

Xiong'an New Area, new capital airport, and venues for Winter Olympics, with a view to promoting a wide use of BBMG's modern, environmentally friendly, green and energy-saving building materials in key projects with high level of market attention, extensive influence and brand popularity. At the same time, the Company will fully leverage the geographical advantages of Tianjin to consolidate and enhance the building materials and commerce and logistics business. For the property development segment and property investment and management segment, the Company will timely examine the new policies to capture new market trends so as to enhance its operating ability and nurture competitive advantages. By seizing the opportunity of accelerating the transfer of non-capital functions, the Company will further develop and utilize the self-owned land resources located in Beijing, Tianjin and Hebei Province and develop new industries and new segment formats that meet the respective local positioning of functions for the purpose of the formation and constant optimization of an industrial layout highly aligned with the national strategy of "synergistic development of Beijing, Tianjin and Hebei Province".

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(I) Principal business and business model of the Company

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

1. Cement and ready-mixed concrete business: The Company is the third largest cement enterprise in the country. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic regions, and continued to expand the coverage of its network, mainly with presence in 13 provinces (municipalities and autonomous regions), including Beijing, Tianjin and Hebei Province, Shaanxi, Shanxi, Inner Mongolia, Northeastern region, Chongqing, Shandong, Henan and Hunan. The production capacity of clinker amounted to approximately 110.0 million tonnes; the production capacity of cement amounted to approximately 170.0 million tonnes; the production capacity of ready-mixed concrete and ready-mixed mortar amounted to approximately 72.0 million cubic meters and approximately 2.25 million tonnes, respectively; while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 38.5 million tonnes and approximately 0.34 million tonnes, respectively. On this basis, the Company effectively demonstrated the internal synergetic mechanism with cement production and ready-mixed concrete development providing support to each other. The industry layout of ready-mixed concrete in key regions and markets will be consolidated on the basis of concrete group as the platform, aiming to

take a leading position in the north of the country among its industrial peers and become one of the largest professional enterprises engaging in the production of concrete products in the PRC. Meanwhile, the Company will insist on promoting market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,700.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

2. Modern building materials and commerce and logistics business: The Company is one of the largest building materials manufacturers in China, the largest building materials manufacturer and one of the leaders in the building materials industry in Pan Bohai Economic Rim in Beijing. It provides major products and services, namely furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics, among which, the production and sales of BBMG's aerated products ranked second in the industry, BBMG's production capacity of fire retardant paint and comprehensive strength ranked top 3 in the country. Tiantan Furniture is the leading enterprise in the furniture industry in China. The production capacity of the single production line of mineral wool boards of STAR-USG Building Materials ranked number one in the world, which is also the largest production line in Asia and ranked number one in China in terms of sales to mid- to high-end channels. With strenuous efforts made in implementation of structural adjustment and industrial upgrade, the Company invested in the construction of BBMG Modern Industrial Park in Dachang, Hebei, and completed the planned upgrade of Doudian Circular Economic Park in Fangshan, Beijing, thereby basically forming the centralized production model in the industrial parks and gradually achieved industrial synergy. The Company took the initiative to be the major supplier for the construction materials required by the construction of the subtown center project in Beijing. Production and supply of BBMG's aerated products, BBMG coating, BBMG star stone wool, Jinhaiyan Glass Wool, mineral wool boards of STAR-USG Building Materials, Alavus doors and windows, Tiantan Furniture and sanitary agency products have been timely and duly completed up to quality standard. New building materials including BBMG aerated panel and mineral wool boards of STAR-USG Building Materials facilitated the development of the Xiong'an New Area. The product supply for the public service center of Xiong'an, the first construction project of Xiong'an New Area, has been completed. New building materials products including BBMG star stone wool, Jinhaiyan Glass Wool, mineral wool boards of STAR-USG Building Materials and BBMG fire retardant paint have facilitated the construction of the renovation project in respect of Qingdao Olympic Sailing Centre, the main venue of the SCO Summit in Qingdao. This has enhanced the image of the Company's modern building materials products in the market and made improvement to the aspects such as product quality, organisational security as well as management standard. As long as risks are under control, the Company will continuously enhance the development of commerce and logistics industry and proactively explore the developed marketing modes of e-commerce.

3. Property development business sector: The Company is one of the top property developers in Beijing in terms of comprehensive strength with an area under construction of 8 million sq.m. during the year. The Company has made its presence in 15 cities including Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, Nanjing, Chengdu, Hefei and Haikou and developed more than 130 property projects with a total gross floor area of approximately 30 million sq.m, developing a nationwide business presence “from Beijing to three major economic rims, namely Beijing, Tianjin and Hebei, Yangtze River Delta and Chengdu-Chongqing region”, with a comprehensive development strength covering property projects of multiple categories. As a large state-owned enterprise under Beijing municipality, the Company has been in the leading position in construction of affordable housing in Beijing for years with a total gross floor area of more than 7 million sq.m. of planned and completed affordable housing, providing over 70,000 housing units. Based on continuous consolidation of core business strengths, the Company is making efforts on nurturing new segment formats and seeking coordinated development with Beijing, Tianjin and Hebei based on the functions of non-capital cities and is actively committed to the development and use of urban mineral resources. The Company has successfully established its presence in various sectors such as featured towns, industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.
4. Property investment and management business: The Company is one of the largest investors and managers of investment properties in Beijing, holding approximately 1.2 million sq.m. of high-end office buildings (including a total area of approximately 0.72 million sq.m. of investment properties held in the core area of Beijing) and managing approximately 12.0 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing. The Company has been leading the industry in Beijing and even the PRC for years in areas including specialized techniques, brand awareness, occupancy rate and revenue. Meanwhile, the resort and leisure business, with Fengshan Hot Spring Resort and Badaling Hot Spring Resort as key projects, has built up its scale and gained sound reputation in the society.

(II) Description of major industries

1. Cement Industry

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

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

2. *Property Development Industry*

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

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

Summary of Financial Information

Unit: RMB'000

	For the six months ended 30 June		
	2018 (Unaudited)	2017 (Unaudited)	Change
Operating revenue	35,365,393	29,465,846	20.0%
Operating revenue from principal business	34,998,521	28,778,106	21.6%
Gross profit from principal business	9,606,972	7,598,533	26.4%
Gross profit margin from principal business (%)	27.4	26.4	an increase of 1.0 percentage point
Total profit	3,923,400	2,427,686	61.6%
Net profit	2,927,743	1,782,023	64.3%
Net profit attributable to the shareholders of the parent company	2,410,206	1,846,371	30.5%
Basic earnings per share attributable to the shareholders of the parent company (RMB)	0.23	0.17	35.3%
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)	Change
Cash and bank balances	17,680,691	17,903,847	-1.2%
Current assets	153,871,114	143,589,262	7.2%
Current liabilities	114,785,794	110,434,361	3.9%
Net current assets	39,085,320	33,154,901	17.9%
Non-current assets	100,282,750	88,618,220	13.2%
Non-current liabilities	63,028,696	51,855,311	21.5%
Total assets	254,153,863	232,207,482	9.5%
Equity attributable to the shareholders of the parent company	54,291,936	51,162,848	6.1%
Debt ratio (total liabilities to total assets) (%)	69.96	69.89	an increase of 0.07 percentage point

Summary of Business Information

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

DISCUSSION AND ANALYSIS ON OPERATIONS

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

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

(1) *Cement and Ready-mixed Concrete Segment*

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

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

(2) *Modern Building Materials and Commerce and Logistics Segment*

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

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

(3) *Property Development Segment*

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

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

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

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

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

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

(4) *Property Investment and Management Segment*

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

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

Investment properties held by the Group as at 30 June 2018

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

Analysis of Income Statement and Cash Flows Items

1. *Gains from changes in fair value of investment properties*

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

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

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

2. *Selling expenses, administrative expenses and finance costs*

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

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

3. Cash flows

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

CORE COMPETITIVENESS ANALYSIS

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

The core competitiveness of the Company is detailed as follows:

1. Competitive Edge in the Industrial Chain:

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

2. Competitive Edge in Technological Innovation:

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

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

3. Competitive Edge in Sustainable Development of Green Operations:

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

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

4. Competitive Edge in Industry-Finance Integration:

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

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

5. Competitive Edge in Corporate Culture and Branding:

Endeavoring to promote the excellent BBMG culture oriented with the core components such as the pragmatic working culture of “work with aspiration, competence, efficiency, success and prudence”, the human spirits of “eight specials”, the development philosophy of “integration, communion, mutual benefit and prosperity” and the BBMG’s concept of “three emphasis and one endeavor” to meet all challenges, the Company will seize every opportunity, make steady progress, respond with the business trends, seek business growth pragmatically and aim for excellency. The Company will continue to strive for the ambition of positioning itself as a world-class business group and one of the world’s top 500 enterprises. Under the philosophy and system of BBMG’s culture, the career goal and humanity spirit shared by all our staff are highly synchronized, which has become a strong spiritual driver to encourage our staff at all levels to accomplish goals and make dedication in their own positions. “BBMG” brand has been consecutively honored as a well-known trademark in Beijing and ranked 67th on the list of the 2018 (15th) China’s 500 Most Valuable Brands. The superior brand awareness and prestige has created a sound cultural atmosphere and intelligence support for BBMG to achieve a new round of leap-forward development in full swing.

POSSIBLE RISKS FACED BY THE COMPANY

1. Risks in Policies

The development of cement and property sectors is directly subject to macroeconomic development and the state's macro-control policies. With the impact of the escalating Sino-US trade friction, more uncertainties exist in the macro economy, which will also affect the relevant businesses of the Company to a certain extent. Transformation and upgrade as well as sustainable development in accordance with supply-side structural reform requirements remain the main theme for cement companies, given the continuous excessive production capacity across the cement industry and the heightened control of governments over overcapacity and environmental pollution. Before the long-term mechanisms conducive to healthy development of the real estate industry become mature, regulatory policies for the real estate industry, especially at regional levels, will be further differentiated and diversified.

Solution: The Company will enhance the interpretation, analysis and judgment of the national macroeconomic policies in response to national policies, and closely monitor US trade policies toward the PRC to adjust the relevant import and export businesses, strengthen the exchange rate management and strictly control the foreign exchange risk. Leveraging fully on the advantages in scale, region and brand, the Company will sharpen its core competence and minimize the risks brought by macroeconomic policies through actively adapting to the "new normal", making use of market trends, further raising the awareness in opportunity identification, synergy among industries and development and incrementally enhancing the abilities in institutional innovation, system innovation, technology innovation and management innovation.

2. Risks in Capital Operation

Under the background of strong financial supervision and de-leveraging, market funds continue to tighten with increasingly higher finance costs of the real economy, making it harder for corporate financing and intensifying corporate liquidity risk. Since it is in the stage of rapid development, the Company will face certain level of financial pressures to maintain daily operations and meet the needs of future development.

Solution: The Company will enhance its management on finance and capital and improve the efficiency of the use of capital. It will also promote cooperation with financial institutions, innovate our financing models and expand our financing channels with a view to ensuring the safety and stability of the capital chain of the Company. Leveraging the advantages of its finance company and the finance leasing company, capital operation of the Company will be secured as a whole.

3. Risks in Market Competition

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

During the Reporting Period, the Company entered into cooperation agreements with various banks to obtain credit facilities. As at the end of the Reporting Period, the Company was granted total bank credit facilities of RMB151,975 million and drew down borrowings of RMB73,270 million in Mainland China. Unutilized credit facilities was RMB78,705 million. As at the date of this announcement, no bonds interests of the Company for the current period had not been paid as scheduled, not been fully paid and was payable but yet to be paid. During the Reporting Period, the interests of other bonds and debt financing instrument of the Company had been fully settled as scheduled in accordance with the contract or relevant agreement and no event of default have occurred. The Company has sufficient capital for its operation. As at 30 June 2018, the Group had no future plans for material investments or capital assets.

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

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

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

As of the date of this announcement, no bonds interests of the Company for the current period had not been paid as scheduled, not been fully paid and was payable but yet to be paid.

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.

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

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

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

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

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

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

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

According to the Management Measures of Proceeds, the Company and Beijing Aerated Concrete Co., Ltd., BBMG (Dachang) Modern Industrial Park Management Co., Ltd., Beijing BBMG Tiantan Furniture Co., Ltd., BBMG GEM Real Estate Development Co., Ltd., Jinyu Ligang (Tianjin) Property Development Co., Ltd. and BBMG Nanjing Real Estate Development Co., Ltd., all being wholly-owned subsidiaries of the Company, have established designated saving accounts for the proceeds raised from the 2013 Proposed Placing and the 2015 Proposed Placing respectively. The nine designated accounts for proceeds include: Bank of Communications Co., Ltd., Beijing Municipal Branch, Industrial and Commercial Bank of China Limited, Beijing Hepingli Sub-branch, Industrial and Commercial Bank of China Limited, Shijingshan Sub-branch, China Construction Bank Corporation, Dachang Sub-branch, Industrial and Commercial Bank of China Limited, Beijing Anzhen Sub-branch, China Construction Bank Corporation, Beijing Urban Construction Development Professional Sub-branch (2 accounts), Agricultural Bank of China Limited, Tianjin Yong'an Road Sub-branch and Agricultural Bank of China Limited, Nanjing Xinglong Street Sub-branch. Upon the receipt of the proceeds from the 2013 Proposed Placing and the 2015 Proposed Placing, the Company entered into a Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (《募集資金專戶存儲三方監管協議》) with the bank and the sponsor for the joint supervision over the use of proceeds. The principal terms of the agreement are in line with the Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds Raised (Template) (《募集資金專戶存儲三方監管協議(範本)》) of the Shanghai Stock Exchange with no significant discrepancy. As of 30 June 2018, the parties to the agreement had exercised their rights and performed their obligations in accordance with the requirements of the Tri-Party Supervisory Agreement for Designated Saving Accounts of Proceeds Raised.

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

Unit: RMB

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

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

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

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

Unit: RMB0'000

Total proceeds		749,504.00						Total proceeds used for investment during the period			25,417.78		
Change in use of total proceeds		225,628.86						Total accumulated proceeds used for investment			723,494.85		
Proportion of change in use of total proceeds		30.10%											
								Difference between accumulated investment amount and committed investment amount as of the end of the period (3)=(2)-(1)					
								Investment progress as of the end of the period (%) (4)=(2)/(1)			Cumulative achieved results as at the end of the period (Note 8)		
								Date of project ready for its intended use			Achieve the intended results or not		
								Significant changes in project feasibility			Reason for failure to reach the scheduled progress		
Committed investment project	Changed project	Total committed investment from proceeds	Total investment after adjustment	Committed investment amount as of the end of the period (1)	Investment amount during the period	Accumulated investment amount as of the end of the period (2)							
Engineering project of BBMG International Logistics Park (北京金隅國際物流園工程項目) (Note 1)	-	97,953.00	97,953.00	97,953.00	8,079.06	85,324.30	(12,628.70)	87.11%	Expected to be completed in December 2018	1,682.17	-	No	-
Production line project with an annual production capacity of 0.8 million pieces of furniture (年產80萬標件傢俱生產線項目) (Note 2)	-	181,551.00	90,000.00	90,000.00	127.54	90,000.00	-	100%	Completed	32,988.47	-	No	-
	Replenishment of working capital	-	89,520.59	89,520.59	-	89,520.59	-	100.00%	-	-	-	No	-
Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project (朝陽區朝陽北路(原星牌建材製品廠)B01、B02、B03地塊二類居住、中小學合校、托幼用地項目) (Note 3)	-	90,000.00	46,014.42	46,014.42	499.00	46,014.42	-	100.00%	Completed	331,090.21	-	No	-
	Replenishment of working capital	-	37,773.08	37,773.08	-	37,773.08	-	100.00%	-	-	-	No	-
Chaoyang District, Dongba Dandian secondary residential and primary school project (朝陽區東壩單店二類居住、小學用地項目) (Note 4)	-	170,000.00	75,666.90	75,666.90	701.00	75,666.90	-	100.00%	Completed	640,073.83	-	No	-
	Replenishment of working capital	-	94,333.10	94,333.10	-	94,333.10	-	100.00%	-	-	-	No	-
BBMG Zhongbei Town residential project (金隅中北鎮住宅項目) (Note 5)	-	50,000.00	45,997.91	45,997.91	4,800.57	45,997.91	-	100.00%	Completed	210,738.01	-	No	-
	Replenishment of working capital	-	4,002.09	4,002.09	-	4,002.09	-	100.00%	-	-	-	No	-
Nanjing City Jianye District Xinglong Street North A2 project (南京市建邺區興隆大街北側A2項目) (Note 6)	-	100,000.00	100,000.00	100,000.00	11,210.61	94,862.46	(5,137.54)	94.86%	Expected to be completed in April 2019	554,682.81	-	No	-
Sub-total		689,504.00	681,261.09	681,261.09	25,417.78	663,494.85	(17,766.24)	97.39%		1,771,255.50			
Replenishment of working capital (Note 7)		60,000.00	60,000.00	60,000.00	-	60,000.00	-	100.00%		-			
Total		749,504.00	741,261.09	741,261.09	25,417.78	723,494.85	(17,766.24)	97.60%		1,771,255.50			

Note 1: Phase 1 of the engineering project of BBMG International Logistics Park has been completed, phase 2 has been basically completed and phase 3 is still under construction. It was scheduled to be completed in December 2016. Since Beijing has launched a policy in relation to orderly shift of non-capital core functions and adjusted its overall planning upon approval of the proceeds-financed project, after consideration and approval at the eighteenth meeting of the fourth session of the Board, the eleventh meeting of the fourth session of the Supervisory Board and the 2016 annual general meeting of the Company and making announcement thereof, the following adjustment will be made for the proceeds-financed project: BBMG International Logistics Park will enhance its position by proactively transforming into an advanced and international park. The completion time of the project will be extended from the end of December 2016 to the end of December 2018. As of 30 June 2018, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB126.2870 million in total.

Note 2: Production line project with an annual production capacity of 0.8 million pieces of furniture has been completed, and the remaining balance in relation to certain construction, procurement and installation that is required to settle will be paid by the Company separately. The difference between committed investment before and after fund raising of the project was due to the deduction of issuance expense of RMB20.3041 million, as well as the change in use of proceeds of RMB895.2059 million. In 2015, the committed investment proceeds for the production line project with an annual production capacity of 0.8 million pieces of furniture changed to RMB900 million. Such change was resolved and announced at the 2014 annual general meeting of BBMG Corporation.

Note 3: Chaoyang District Chaoyang North Road (former Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project has been completed. The difference between committed investment before and after fund raising was due to the deduction of issuance expense of RMB62.1250 million. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. Accordingly, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB377.7308 million to permanently replenish the working capital.

Note 4: Chaoyang District, Dongba Dandian secondary residential and primary school project has been completed. During the implementation of project construction, the Company strictly followed the relevant requirements in relation to the use of proceeds and the proceeds raised were used prudently. Since the project was established at an earlier time, a significant amount of investment has been made by using self-financing funds at the preliminary stage. However, the proceeds can only be used to replace the investment made after the date of the resolution on non-public issuance of Shares by the 17th meeting of the third session of the Board of the Company. In addition, during the course of project construction, due to reasons such as further optimization of proposal design, decrease in market price of building materials such as reinforced concrete to a level lower than the estimated value, and application of unused self-financing funds towards early repayment of interest-bearing liabilities upon the receipt of proceeds, the cost of construction has decreased. Taking into account of the above factors, this proceeds-financed project has an outstanding balance of proceed. After consideration and approval at the 30th meeting of the fourth session of the Board, the 18th meeting of the fourth session of the Supervisory Board and the 2017 annual general meeting of the Company, the Company closed the project and applied the remaining balance of the proceeds of RMB943.3310 million to permanently replenish the working capital.

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

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

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

Note 8: Results achieved was calculated based on revenue.

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

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

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

According to the “resolution for considering the temporary supplement of working capital by certain idle proceeds” considered and passed at the eighteenth meeting of the third session of the Board of the Company, the Company agreed to use RMB2,200 million from the idle proceeds as temporary replenishment of working capital. The above idle proceeds used for temporary replenishment of working capital has a term of not more than 12 months from the date on which the Board of the Company considered and approved the use. The independent directors, supervisory board and sponsors of the

Company have expressed their consent opinions towards this proposal, and the Company has made an announcement within 2 days upon conclusion of the Board meeting. As of 18 March 2016, the monies had been returned in full to the designated account for proceeds.

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

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

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

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

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

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

CHANGE OF THE PROCEEDS-FINANCED PROJECTS

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

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

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

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

DISCLOSEABLE TRANSACTIONS DURING THE REPORTING PERIOD

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

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

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

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

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

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

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

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

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

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

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

COMMITMENTS

Unit: RMB

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

CONTINGENCIES

Unit: RMB

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

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

Note 2: As at 30 June 2018, Jidong Development Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB1,040,000,000.00 for Tangshan Nanhu Eco-City Development and Construction Investment Co., Ltd. (唐山市南湖生態城開發建設投資有限責任公司). The guarantee will expire on 21 May 2029. Tianjin Building Materials (Holding) Co., Ltd. (天津市建築材料集團(控股)有限公司), a subsidiary of the Group, provided guarantees on the borrowings of RMB50,000,000.00 for Tianjin Longhong Composite Materials Co., Ltd. (天津市龍泓複合材料有限公司), the borrowings of RMB515,000,000.00 for Tianjin Yishang Group Co., Ltd. (天津一商集團有限公司) and the borrowings of RMB1,426,500,000.00 for Datong Coal Mine Group Co., Ltd. (大同煤礦集團有限責任公司). These guarantees will expire on 24 September 2018, 4 March 2019 and 13 December 2019, respectively.

PLEDGE OF ASSETS

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

EMPLOYEES

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

RISK MANAGEMENT

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

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

Long positions:

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

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

Note 2: The Beijing SCOM Center is interested in 43,115,900 A Shares of the Company through its 83.4262% direct equity interest in Beijing Jingguorui State-owned Assets Reform and Development Fund (Limited Partnership)* (北京京國瑞國企改革發展基金(有限合夥)) and 93.32% indirect equity interest in Beijing Jingguofa Equity Investment Fund (Limited Partnership)* (北京京國發股權投資基金(有限合夥)), which is directly held by Jingguorui State-owned Assets Reform and Development Fund (Limited Partnership)* (北京京國瑞國企改革發展基金(有限合夥)) .

Short positions:

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

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

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

CORPORATE GOVERNANCE CODE

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

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

As the gratuitous transfer (the “**Gratuitous Transfer**”) of state-owned A shares of the Company from BBMG Group Company Limited (being the original controlling shareholder and is presently renamed as BBMG Assets Management Co., Ltd.) to Beijing SCOM Center was completed on 29 December 2016, Beijing SCOM Center has become the controlling shareholder of the Company through the Gratuitous Transfer. Hence, in accordance with the requirements to deepen the comprehensive reformation of state-owned enterprises and to promote the realization of the overall development strategic objective and extend the social brand awareness of “BBMG Group”, in order to streamline the management structural mechanism for the Company and BBMG Group Company Limited and enhance the operational efficiency and economic momentum of the Company, in accordance to the requirements of the relevant laws, administrative regulations and listing rules of the listing markets of the Company, the Company changed its Chinese name from “北京金隅股份有限公司” to “北京金隅集團股份有限公司” according to the proposal of Beijing SCOM Center, the controlling shareholder of the Company, and based on the Company’s strategic positioning for future development with an emphasis on its core competitive advantages. The Board considers that the proposed change of the Chinese name of the Company is in the interests of the Company and the shareholders of the Company (the “**Shareholders**”) as a whole. Meanwhile, in order to align with the change of the Chinese name of the Company, the Company has proposed to change the Company’s Chinese stock short name from “金隅股份” to “金隅集團” upon completion of the change of the Company’s Chinese name. The ordinary resolution in relation to the proposed change of the Company’s Chinese name and Chinese stock short name was passed at the 2017 second extraordinary general meeting (the “**2017 Second Extraordinary General Meeting**”) held on 15 December 2017. The Company has received the new business license of the Company issued by the Beijing Administration for Industry and Commerce on 19 December 2017. The change of the Company’s Chinese name has become effective from 19 December 2017. On 9 January 2018, the Company received from the Companies Registry of Hong Kong the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company reflecting the change of Chinese name of the Company. The change of the Company’s Chinese stock short name took effect on 19 January 2018. For details of the change of the Company’s Chinese name and Chinese stock short name, please refer to the announcements of the Company dated 27 October 2017, 15 December 2017, 22 December 2017 and 15 January 2018 and the circular of the Company dated 30 October 2017.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

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 announcement, the Board comprises four executive Directors, two non-executive Directors and four independent non-executive Directors. It has a strong independence element in its composition.

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

AUDIT COMMITTEE

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

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

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE

The electronic version of this announcement will be published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.bbmng.com.cn/listco>). The 2018 interim financial report of the Company for the six months ended 30 June 2018 prepared in accordance with the China Accounting Standards for Business Enterprises, which contains the applicable information required under Appendix 16 to the Listing Rules, will be despatched to the Shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course. The PRC domestic interim results report for the six months ended 30 June 2018 and its abstract will be released on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and the website of the Company (<http://www.bbmng.com.cn/listco>) around the same time as this interim results announcement.

By order of the Board
BBMG Corporation*
Jiang Deyi
Chairman

Beijing, the PRC, 29 August 2018

As at the date of this announcement, the executive Directors of the Company are Jiang Deyi, Zeng Jin, Wu Dong and Zheng Baojin; the non-executive Directors of the Company are Guo Yanming and Yu Zhongfu; and the independent non-executive Directors of the Company are Wang Guangjin, Tian Lihui, Tang Jun and Ngai Wai Fung.

* *For identification purposes only*