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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

HIGHLIGHTS

- Operating revenue of RMB83,116.7 million, an increase of 30.5% from 2017
- Gross profit margin from principal business of 26.7%, an increase of 1.9 percentage points from 2017
- Net profit of RMB4,281.4 million, an increase of 45.1% from 2017
- Net profit attributable to the shareholders of the parent company of RMB3,260.4 million, an increase of 14.9% from 2017
- Core net profit attributable to the shareholders of the parent company (excluding the after tax net fair value gains on investment property) of RMB2,878.7 million, an increase of RMB639.7 million or 28.6% from 2017
- Basic earnings per share attributable to the shareholders of the parent company was RMB0.31
- The Board proposed a final dividend of RMB0.055 per share (before tax) for the year ended 31 December 2018

* For identification purposes only

ANNUAL RESULTS

The board of directors (the “**Board**”) of BBMG Corporation* (the “**Company**” or “**BBMG**”) is pleased to present the audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 (the “**Reporting Period**”) together with the comparative figures for the year of 2017. These results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

RESULTS OF OPERATIONS

During the Reporting Period, the Group achieved a net profit attributable to shareholders of the parent company of approximately RMB3,260.4 million, representing an increase of approximately 14.9% over the last year; basic earnings per share was approximately RMB0.31 (for the year ended 31 December 2017: RMB0.27), representing an increase of approximately 14.8% over the last year; total equity attributable to the shareholders of the parent company was approximately RMB57,665.5 million as at the end of the Reporting Period, representing an increase of approximately RMB6,502.6 million from the beginning of the Reporting Period.

DIVIDEND

The Board recommended a final dividend of RMB0.055 per share (before tax) for the Reporting Period (for the year ended 31 December 2017: RMB0.048 per share (before tax)), subject to approval by the shareholders at the forthcoming annual general meeting to be held on 15 May 2019 (Wednesday) (the “**AGM**”).

Subject to and upon the approval of the shareholders at the forthcoming AGM, the final dividend for the Reporting Period is expected to be distributed on or around 15 July 2019 (Monday) to the holders of H shares (the “**H Shares**”) whose names appear on the register of members on 29 May 2019 (Wednesday) (the “**Record Date**”). According to the Law on Enterprise Income Tax of the People’s Republic of China and its implementing rules which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders whose names appear on the Company’s H share register of members. Any H Shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, shall be deemed as shares held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the enterprise income tax. The Company will not withhold individual income tax in respect of the dividends payable to any natural person shareholders whose names appear on the Company’s H share register of members on the Record Date.

The Company will withhold payment of the enterprise income tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on what has been registered on the Company's H share register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding of enterprise income tax.

Profit Distribution for Investors of Northbound Trading

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

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

Profit Distribution for Investors of Southbound Trading

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

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB.

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

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

CONSOLIDATED INCOME STATEMENT

Unit: RMB

		For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
	Notes		
Operating revenue	5	83,116,733,092.15	63,678,330,931.54
Less: Operating costs	6	60,720,721,116.68	47,635,012,016.74
Tax and surcharges		3,151,475,912.48	1,840,188,001.03
Selling expenses	7	2,915,690,243.38	2,607,289,133.93
Administrative expenses	8	7,155,497,049.68	6,146,129,273.18
Research and development expenses	9	154,340,576.16	79,494,788.80
Finance costs	10	3,047,478,342.17	2,675,587,642.88
Including: Interest expenses		6,676,289,245.63	4,592,817,700.50
Interest income		269,724,243.63	268,266,762.81
Asset impairment losses	11	827,770,147.15	535,024,339.55
Credit impairment losses	12	377,815,478.90	—
Add: Other gains	13	769,376,627.47	689,837,617.01
Investment gains	14	629,155,191.67	336,837,296.54
Including: Gains from investment in associates and joint ventures		371,432,235.92	188,732,130.32
Gains from changes in fair value	15	476,516,247.71	721,380,105.57
(Losses)/gains on disposal of assets		(72,270,242.82)	65,845,881.95
Operating profit		6,568,722,049.58	3,973,506,636.50
Add: Non-operating revenue	5	391,860,471.10	500,608,948.73
Less: Non-operating expenses	6	515,947,776.94	416,971,876.24
Total profit		6,444,634,743.74	4,057,143,708.99
Less: Income tax expenses	16	2,163,209,508.92	1,106,794,986.53
Net profit		4,281,425,234.82	2,950,348,722.46
Including: Net profit from continuing operations		4,281,425,234.82	2,950,348,722.46
Net profit from discontinued operations		—	—
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		3,260,449,276.97	2,836,664,933.59
Minority interests		1,020,975,957.85	113,683,788.87
Earnings per share	17		
Basic earnings per share (RMB/share)		0.31	0.27
Diluted earnings per share (RMB/share)		0.31	0.27

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Net other comprehensive income after tax	(183,560,942.69)	23,693,091.52
Net other comprehensive income after tax attributable to shareholders of the parent company	(47,258,838.29)	22,370,457.67
Other comprehensive income not allowed to be reclassified into profit or loss		
Changes arising from re-measurement of defined benefit plans	(16,710,741.00)	41,897,925.00
Changes in fair value of other equity instruments	(29,595,877.63)	—
Other comprehensive income to be reclassified into profit or loss		
Exchange differences on foreign currency translation	3,184,011.90	(9,930,872.94)
Changes in fair value of available-for-sale financial assets	—	(2,550,691.68)
Other comprehensive income that may be reclassified to profit or loss under equity method	(4,136,231.56)	3,148,459.03
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	(47,258,838.29)	22,370,457.67
Net other comprehensive income after tax attributable to minority interests	(136,302,104.40)	1,322,633.85
Total comprehensive income	<u>4,097,864,292.13</u>	<u>2,974,041,813.98</u>
<i>Including: Total comprehensive income attributable to the shareholders of the parent company</i>	<u>3,213,190,438.68</u>	<u>2,859,035,391.26</u>
<i>Total comprehensive income attributable to minority interests</i>	<u>884,673,853.45</u>	<u>115,006,422.72</u>

CONSOLIDATED BALANCE SHEET

Unit: RMB

	Note	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Assets			
Current Assets			
Cash and bank balances		18,774,468,260.66	17,903,847,144.72
Financial assets held for trading		1,034,558,112.73	–
Financial assets at fair value through profit or loss		–	46,226,108.99
Bills receivable and accounts receivable	19	18,665,867,265.35	15,867,845,894.72
Prepayments		2,008,371,750.64	1,792,354,290.47
Other receivables		9,941,619,578.19	5,890,424,799.29
Inventories		114,912,793,681.36	98,649,716,753.63
Assets held for sale		109,534,153.31	–
Other current assets		<u>3,710,725,422.82</u>	<u>3,438,847,412.19</u>
Total current assets		<u>169,157,938,225.06</u>	<u>143,589,262,404.01</u>
Non-current assets			
Available-for-sale financial assets		–	2,897,887,864.39
Long-term receivables		802,351,921.55	485,377,872.64
Long-term equity investments		3,036,757,009.85	2,174,939,257.51
Investment in other equity instruments		396,187,115.71	–
Other non-current financial assets		214,980,000.00	–
Investment properties		21,327,245,245.17	15,440,453,467.02
Fixed assets		44,692,772,001.56	45,895,321,483.24
Construction in progress		2,929,675,428.99	2,981,062,425.11
Intangible assets		16,691,754,296.12	10,857,085,997.78
Goodwill		2,740,287,649.80	2,740,287,649.80
Long-term deferred expenditures		1,242,705,854.17	1,134,362,027.11
Deferred income tax assets		3,454,590,218.09	2,952,009,690.68
Other non-current assets		<u>1,588,846,733.06</u>	<u>1,059,431,952.41</u>
Total non-current assets		<u>99,118,153,474.07</u>	<u>88,618,219,687.69</u>
Total assets		<u>268,276,091,699.13</u>	<u>232,207,482,091.70</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

Unit: RMB

		As at	As at
	Notes	31 December 2018	31 December 2017
		Audited	Audited
Liabilities and equity attributable to shareholders			
Current liabilities			
Short-term loans	20	39,880,392,209.57	34,375,200,000.00
Bills payable and accounts payable	21	20,438,365,203.63	17,205,078,515.28
Receipts in advance		317,903,204.75	27,340,492,780.84
Contract liabilities		23,715,168,353.77	—
Wages payable		393,840,303.30	365,587,130.76
Tax payable		2,527,195,602.24	1,769,260,167.61
Other payables		8,352,595,483.33	9,075,247,809.85
Liabilities held for sale		40,291,356.83	—
Non-current liabilities due within one year		18,543,864,543.14	11,491,439,775.59
Short-term financing bonds	22	6,500,000,000.00	2,769,698,081.12
Other current liabilities		8,492,714,136.95	6,042,357,010.03
Total current liabilities		129,202,330,397.51	110,434,361,271.08
Non-current liabilities			
Long-term loans	23	30,506,054,265.70	25,671,030,000.00
Bonds payable	22	20,231,089,289.70	18,154,840,828.51
Long-term payables		315,856,652.08	920,769,354.18
Long-term wages payable		674,179,502.11	654,032,290.50
Accrued liabilities		606,650,918.54	464,935,400.17
Deferred income		888,404,866.72	855,519,940.14
Deferred income tax liabilities		5,960,849,194.26	4,473,726,257.58
Other non-current liabilities		676,174,065.29	660,456,831.52
Total non-current liabilities		59,859,258,754.40	51,855,310,902.60
Total liabilities		189,061,589,151.91	162,289,672,173.68

CONSOLIDATED BALANCE SHEET (CONTINUED)*Unit: RMB*

	As at 31 December 2018 Audited	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	14,962,000,000.00	9,972,000,000.00
<i>Including: Perpetual bonds</i>	14,962,000,000.00	9,972,000,000.00
Capital reserve	5,273,970,842.54	5,820,202,037.98
Other comprehensive income	206,951,321.03	254,210,159.32
Specific reserve	20,124,124.94	12,989,928.59
Surplus reserve	1,537,434,040.24	1,368,019,010.35
General risk reserve	340,792,201.29	299,478,851.25
Retained earnings	<u>24,646,427,835.84</u>	<u>22,758,176,658.95</u>
 Total equity attributable to the shareholders of the parent company	 57,665,471,499.88	 51,162,847,780.44
Minority interests	<u>21,549,031,047.34</u>	<u>18,754,962,137.58</u>
 Total equity attributable to shareholders	 <u>79,214,502,547.22</u>	 <u>69,917,809,918.02</u>
 Total liabilities and equity attributable to shareholders	 <u>268,276,091,699.13</u>	 <u>232,207,482,091.70</u>

NOTES:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are presented on a going concern basis. The consolidation scope of consolidated financial statements was determined on the basis of control.

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

2. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES FOR BUSINESS ENTERPRISES

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

Accounting policies applicable from 1 January 2018

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 1 January 2018	Carrying amount	RMB	
		Assuming implementing the original standard	Impact on adopting the New Revenue Standard
Bills receivable and accounts receivable	15,065,293,755.04	15,867,845,894.72	(802,552,139.68)
Long-term receivables	1,186,951,841.33	485,377,872.64	701,573,968.69
Inventories	99,497,005,659.34	98,649,716,753.63	847,288,905.71
Other current assets	3,081,287,303.90	3,438,847,412.19	(357,560,108.29)
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	26,785,393,699.49	—	26,785,393,699.49
Other current liabilities	6,875,159,587.50	6,042,357,010.03	832,802,577.47
Deferred income tax liabilities	4,499,421,069.69	4,473,726,257.58	25,694,812.11
Accrued liabilities	492,059,836.37	464,935,400.17	27,124,436.20
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 year are as follows:

Consolidated Balance Sheet

As at 31 December 2018	Carrying amount	RMB	
		Assuming implementing the original standard	Impact on adopting the New Revenue Standard
Bills receivable and accounts receivable	18,665,867,265.35	19,332,793,769.61	(666,926,504.26)
Long-term receivables	802,351,921.55	244,019,189.23	558,332,732.32
Inventories	114,912,793,681.36	114,018,067,624.53	894,726,056.83
Other current assets	3,710,725,422.82	3,981,647,233.45	(270,921,810.63)
Deferred income tax assets	3,454,590,218.09	3,426,487,813.46	28,102,404.63
Receipts in advance	317,903,204.75	24,214,728,757.79	(23,896,825,553.04)
Contract liabilities	23,715,168,353.77	—	23,715,168,353.77
Other current liabilities	8,492,714,136.95	7,697,764,315.98	794,949,820.97
Deferred income tax liabilities	5,960,849,194.26	5,945,063,408.77	15,785,785.49
Accrued liabilities	606,650,918.54	590,627,609.67	16,023,308.87
Retained earnings	24,646,427,835.84	24,727,015,907.80	(80,588,071.96)
Minority interests	21,549,031,047.34	21,570,231,812.55	(21,200,765.21)

Consolidated Income Statement

2018	Carrying amount	RMB	
		Assuming implementing the original standard	Impact on adopting the New Revenue Standard
Operating revenue	83,116,733,092.15	82,076,026,788.94	1,040,706,303.21
Operating costs	60,720,721,116.68	59,765,095,336.58	955,625,780.10
Selling expenses	2,915,690,243.38	2,884,365,538.88	31,324,704.50
Finance costs	3,047,478,342.17	2,967,687,433.92	79,790,908.25
Income tax expenses	2,163,209,508.92	2,154,232,727.75	8,976,781.17

The New Revenue Standard had no material impact on the Company's financial statements on the date of initial adoption and for the year 2018.

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 adoption, 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

1 January 2018	Recognition and measurement standards for financial instruments before amendment		Recognition and measurement standards for financial instruments after amendment	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Bills receivables and accounts receivables	At amortised cost(loans and receivables)	15,065,293,755.04	At amortised cost	15,254,140,090.78
Long-term receivables	At amortised cost(loans and receivables)	1,186,951,841.33	At amortised cost	1,164,859,634.57
Other receivables	At amortised cost(loans and receivables)	5,890,424,799.29	At amortised cost	5,838,085,078.24
Equity investment	Measured at fair value through other comprehensive income (assets available for sale)	2,309,736,754.00	Measured at fair value through profit or loss (as per the requirements of the standard)	1,730,252,400.00
			Measured at fair value through other comprehensive income (designated)	579,484,354.00
Wealth management products	Measured at fair value through other comprehensive income (assets available for sale)	588,151,110.39	Measured at fair value through profit or loss (as per the requirements of the standard)	588,151,110.39

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:

The Group

	Provision for loss made according to the original financial instruments standard		Provision for loss made according to the New Financial Instruments Standard	
		Reclassification	Remeasurement	
Bill receivable and accounts receivable, and 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

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:

The Group

	Provision for loss made according to the original financial instruments standard 31 December 2017	Reclassification	Remeasurement	<i>RMB</i> Provision for loss made according to the New Financial Instruments Standard 1 January 2018
Financial assets measured at amortised costs				
Bills receivable and accounts receivable				
Balance presented according to original financial instruments standard	15,065,293,755.04			
Remeasurement: provision for expected credit loss			166,754,128.98	
Reclassification: provision for the long-term portion of expected credit loss		22,092,206.76		
Balance presented according to New Financial Instruments Standard				15,254,140,090.78
Long-term receivables				
Balance presented according to original financial instruments standard	1,186,951,841.33			
Reclassification		(22,092,206.76)		
Balance presented according to New Financial Instruments Standard				1,164,859,634.57
Other receivables				
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)		

The Group (Continued)

	Provision for loss made according to the original financial instruments standard 31 December 2017	Reclassification	Remeasurement	<i>RMB</i> Provision for loss made according to the New Financial Instruments Standard 1 January 2018
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 Investment in other equity instrument Balance presented according to original financial instruments standard	—			
Reclassification			579,484,354.00	
Balance presented according to New Financial Instruments Standard				579,484,354.00
Financial assets measured at fair value through profit or loss Balance presented according to original financial instruments standard	46,226,108.99			
Reclassification		2,318,403,510.39		
Balance presented according to New Financial Instruments Standard				2,364,629,619.38

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.

3. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements are prepared in accordance with the requirements of Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for 2018.

4. OPERATING SEGMENT INFORMATION

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

- (a) the cement and ready-mixed concrete segment engages in the manufacture and sale of cement and concrete;
- (b) the modern building materials and commerce and logistics segment engages in the manufacture, sale, commerce and logistics of building materials and furniture;
- (c) the property development segment engages in property development and sales;
- (d) the property investment and management segment invests in properties for their potential rental income and/or for capital appreciation, and provides management and security services to residential and commercial properties.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit, and other than the exclusion of overheads attributable to the headquarters, the indicator is consistent with the Group's total profit.

Segment assets and segment liabilities exclude unallocated assets and liabilities of the headquarters as these assets and liabilities are under the unified management of the Group.

Pricing for transfer between operating segments is agreed upon by both parties of transactions with reference to the fair price quoted from transactions with third parties.

Unit: RMB

For the year ended 31 December 2018

	Cement and Ready-mixed Concrete Segment	Modern Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Corporate Assets/ Liabilities/ Expenses	Elimination on Consolidation	Total
Revenue from external transactions	36,954,168,073.35	20,272,619,855.61	22,240,207,534.48	3,649,737,628.71	-	-	83,116,733,092.15
Revenue from inter-segment transactions	3,042,450,289.19	919,540,791.53	-	281,082,702.55	-	(4,243,073,783.27)	-
	<u>39,996,618,362.54</u>	<u>21,192,160,647.14</u>	<u>22,240,207,534.48</u>	<u>3,930,820,331.26</u>	<u>-</u>	<u>(4,243,073,783.27)</u>	<u>83,116,733,092.15</u>
Gains/(losses) on investment in joint ventures and associates	280,753,752.70	35,906,985.03	(1,617,410.16)	56,388,908.35	-	-	371,432,235.92
Losses from impairment of assets	409,463,189.74	7,634,604.95	312,652,501.83	93,376,937.92	-	4,642,912.71	827,770,147.15
Losses on credit impairment	307,572,518.64	108,659,261.56	6,863,302.57	(41,427,817.27)	-	(3,851,786.60)	377,815,478.90
Depreciation and amortisation	3,633,819,431.95	269,539,187.04	37,600,384.79	468,243,842.88	21,935,468.71	-	4,431,138,315.37
Total profits/(losses)	3,284,405,950.92	(181,155,121.22)	2,850,574,587.30	1,526,717,107.48	(1,214,132,202.81)	178,224,422.07	6,444,634,743.74
Income tax expense	1,317,638,292.69	55,077,491.30	711,370,008.09	338,100,662.02	(303,533,050.70)	44,556,105.52	2,163,209,508.92
Total assets	90,020,977,682.66	13,073,641,075.39	126,217,983,770.22	75,216,846,451.08	253,521,912.16	(36,506,879,192.38)	268,276,091,699.13
Total liabilities	56,687,010,497.90	7,840,255,519.75	107,713,680,246.23	37,821,504,149.35	18,356,392,308.19	(39,357,253,569.51)	189,061,589,151.91
Other disclosure							
Long-term equity investment in joint ventures and associates	1,842,554,554.51	732,387,452.93	27,874,424.85	433,940,577.56	-	-	3,036,757,009.85
Increase in other non-current assets	4,364,528,255.51	1,541,107,793.13	35,612,130.47	9,879,629,777.97	-	-	15,820,877,957.08

For the year ended 31 December 2017

	Cement and Ready-mixed Concrete Segment	Modern Building Materials and Commerce and Logistics Segment	Property Development Segment	Property Investment and Management Segment	Unallocated Corporate Assets/ Liabilities/ Expenses	Elimination on Consolidation	Total
Revenues from external transactions	28,960,330,461.88	14,921,162,158.63	16,163,520,138.61	3,633,318,172.42	-	-	63,678,330,931.54
Revenues from inter-segment transactions	<u>2,530,719,008.29</u>	<u>258,772,457.05</u>	<u>-</u>	<u>210,487,993.80</u>	<u>-</u>	<u>(2,999,979,459.14)</u>	<u>-</u>
	<u>31,491,049,470.17</u>	<u>15,179,934,615.68</u>	<u>16,163,520,138.61</u>	<u>3,843,806,166.22</u>	<u>-</u>	<u>(2,999,979,459.14)</u>	<u>63,678,330,931.54</u>
Gains/(losses) on investment in joint ventures and associates	198,686,654.60	(5,934,613.03)	1,861.94	(4,021,773.19)	-	-	188,732,130.32
Losses from impairment of assets	308,673,492.20	68,694,515.13	12,262,784.54	145,393,547.68	-	-	535,024,339.55
Depreciation and amortisation	3,742,859,665.01	144,043,150.24	68,403,473.56	319,727,459.38	10,249,414.70	-	4,285,283,162.89
Total profits	1,028,121,249.82	(22,468,487.35)	1,686,445,546.34	2,858,020,732.02	(1,029,768,053.60)	(463,207,278.24)	4,057,143,708.99
Income tax expense	394,643,879.73	23,027,402.61	415,053,592.11	647,313,945.04	(257,442,013.40)	(115,801,819.56)	1,106,794,986.53
Total assets	82,843,342,233.04	11,412,616,717.32	111,783,957,010.86	59,891,492,481.98	1,696,827,136.68	(35,420,753,488.18)	232,207,482,091.70
Total liabilities	53,862,201,289.69	7,329,085,418.67	98,459,852,618.77	21,054,295,769.25	19,423,351,973.64	(37,839,114,896.34)	162,289,672,173.68
Other disclosure							
Long-term equity investment in joint ventures and associates	1,739,696,385.53	203,678,337.47	4,991,835.01	226,572,699.50	-	-	2,174,939,257.51
Increase in other non-current assets (excluding long-term equity investments)	3,054,251,210.69	685,890,418.34	136,804,842.40	571,188,240.45	-	-	4,448,134,711.88

Geographical information

Unit: RMB

Operating revenue

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Asia	82,901,774,716.23	63,633,235,486.65
Europe	72,367,340.49	38,439,493.38
North America	111,218,627.34	3,677,722.20
Others	<u>31,372,408.09</u>	<u>2,978,229.31</u>
	<u>83,116,733,092.15</u>	<u>63,678,330,931.54</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 year ended 31 December 2018, no operating revenue from any one single customer of the Group accounted for more than 10% of the Group's revenue (for the year ended 31 December 2017: Nil).

5. OPERATING REVENUE AND NON-OPERATING REVENUE

Unit: RMB

Operating revenue is presented as follows:

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Operating revenue from principal business	82,397,424,970.14	62,646,084,271.12
Operating revenue from other business	<u>719,308,122.01</u>	<u>1,032,246,660.42</u>
	<u>83,116,733,092.15</u>	<u>63,678,330,931.54</u>
	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Sale of products	40,676,526,764.41	32,148,187,255.64
Bulk commodity trade	13,825,473,639.79	8,943,201,342.95
Sale of properties	22,141,838,086.29	16,151,135,156.01
Rental income	1,387,969,898.65	1,404,610,174.93
<i>Including: Rental income from investment properties</i>	<i>1,177,306,391.53</i>	<i>1,187,090,427.20</i>
<i>Other rental income</i>	<i>210,663,507.12</i>	<i>217,519,747.73</i>
Property management	909,195,410.74	857,584,626.14
Hotel management	500,524,216.84	418,399,427.21
Income from decoration	570,566,273.00	876,910,392.65
Disposal of solid waste	961,738,057.20	629,074,388.58
Revenue from services	267,058,173.16	180,797,908.00
Interest Income	268,591,210.60	391,766,281.69
Others	<u>1,607,251,361.47</u>	<u>1,676,663,977.74</u>
	<u>83,116,733,092.15</u>	<u>63,678,330,931.54</u>

Non-operating revenue is presented as follows:

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Gains from debt restructuring	19,627,104.80	10,852,933.95
Net income from fines	89,311,388.60	37,135,728.16
Government grants not related to daily activities	162,768,716.76	359,044,197.95
Unpayable amounts	64,992,893.98	11,722,548.61
Others	55,160,366.96	81,853,540.06
	391,860,471.10	500,608,948.73

6. OPERATING COSTS AND NON-OPERATING EXPENSES

Unit: RMB

Operating costs are presented as follows:

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Operating costs from principal business	60,393,762,973.39	47,112,576,141.08
Operating costs from other business	326,958,143.29	522,435,875.66
	60,720,721,116.68	47,635,012,016.74

Non-operating expenses are presented as follows:

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Losses on disposal of non-current assets	75,518,346.18	252,280,038.03
Including: Losses on disposal of fixed assets	75,278,159.30	22,330,040.45
Loss on disposal of intangible assets	240,186.88	229,949,997.58
Abnormal losses	52,934,217.29	445,699.76
Losses on debt restructuring	1,955,558.32	50,000.00
Expenses on charity donation	984,505.00	8,155,715.50
Losses on compensation, penalties and fines	175,016,499.09	53,072,070.71
Other expenses	209,538,651.06	102,968,352.24
	515,947,776.94	416,971,876.24

7. SELLING EXPENSES

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Employee remuneration	880,655,928.70	761,817,038.84
Transportation expenses	815,165,809.84	725,398,925.52
Advertisement fee	344,374,803.42	365,219,880.75
Agency intermediary fee	431,527,611.38	359,321,173.20
Office and service expenses	251,984,873.08	215,120,459.17
Lease fee	134,522,095.39	143,667,982.72
Others	57,459,121.57	36,743,673.73
	<u>2,915,690,243.38</u>	<u>2,607,289,133.93</u>

8. ADMINISTRATIVE EXPENSES

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Employee remunerations	2,760,126,708.05	2,511,285,247.57
Office expenses	1,112,193,130.07	1,020,506,232.33
Loss on shut down	792,989,324.94	670,523,582.94
Lease fee	121,349,670.16	155,726,731.66
Utilities	88,528,561.35	84,524,919.02
Intermediary service fees	382,411,849.53	224,246,753.28
Sewage and afforestation fees	70,230,207.33	135,165,014.79
Others	1,827,667,598.25	1,344,150,791.59
	<u>7,155,497,049.68</u>	<u>6,146,129,273.18</u>

The above-mentioned intermediary service fees included the fee of RMB5,200,000 (including tax) (for the year end 31 December 2017: RMB4,710,000) paid to Ernst & Young Hua Ming LLP for the audit of the consolidated financial statements of the Group, and the fees for the audit of the annual financial statements of members of the Group and other assurance services.

9. R&D EXPENSES

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Employee remunerations	81,024,416.65	43,418,552.50
Material and equipment cost	50,538,433.69	20,319,972.27
Travel expenses	4,901,059.37	2,725,713.49
Others	17,876,666.45	13,030,550.54
	<u>154,340,576.16</u>	<u>79,494,788.80</u>

10. FINANCE COSTS

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Interest expense	6,676,289,245.63	4,592,817,700.50
Including: Interests on bank loans and other loans to be fully repaid within 5 years	6,635,830,758.31	4,583,088,212.83
Interests on bank loans and other loans to be repaid over 5 years	40,458,487.32	9,729,487.67
Less: Interest income	269,724,243.63	268,266,762.83
Less: Amount of interest capitalized (Note)	3,607,912,380.20	1,857,171,229.33
Exchange gains	47,420,627.99	(29,384,560.62)
Handling charges	126,939,441.92	92,781,942.67
Others	74,465,650.46	144,810,552.47
	<u>3,047,478,342.17</u>	<u>2,675,587,642.88</u>

Note: For the year ended 31 December 2018, the amount of capitalised borrowing costs has included construction in progress of RMB13,070,277.66 (for the year ended 31 December 2017: RMB86,331,737.21) and costs for properties under development of RMB3,594,842,102.54 (for the year ended 31 December 2017: RMB1,770,839,492.12).

The following sets out the breakdown of interest income:

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Cash and bank balances	203,330,712.58	253,221,517.53
Long-term receivables	52,060,377.57	—
Other debt investments	14,333,153.48	15,045,245.28
Total	<u>269,724,243.63</u>	<u>268,266,762.81</u>

The above interest income has no interest income arising from impaired financial assets.

11. ASSET IMPAIRMENT LOSSES

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2018 Audited
Losses on bad debts (applicable for 2017 only)	—	188,535,698.82
Losses on decline in value of inventory	376,176,703.19	104,070,933.70
Losses on impairment of fixed assets	370,651,402.65	182,149,063.71
Losses on impairment of construction in progress	56,147,247.34	29,548,536.87
Losses on impairment of intangible assets	6,389,961.93	19,132,118.06
Losses on impairment of goodwill	—	9,482,871.64
Others	18,404,832.04	2,105,116.75
	<u>827,770,147.15</u>	<u>535,024,339.55</u>

12. LOSSES ON CREDIT IMPAIRMENT

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2018 Audited
Losses on bad debts of bills receivable and accounts receivable	132,175,586.73	—
Losses on bad debts of other receivables	252,477,198.03	—
Losses on bad debts of long-term receivables	(6,837,305.86)	—
	<u>377,815,478.90</u>	<u>—</u>

13. OTHER GAINS

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2018 Audited	Related to assets/gains
Refunds of VAT	595,274,443.74	480,707,517.88	Related to gains
Income from relocation compensation	8,376,112.62	18,889,096.35	Related to assets/gains
Income from other subsidies	162,538,112.07	182,183,499.37	Related to assets/assets
Grants of sale of heat	3,187,959.04	8,057,503.41	Related to assets/gains
	<u>769,376,627.47</u>	<u>689,837,617.01</u>	

The refunds of VAT, government subsidies related to relocation and reconstruction and government subsidies related to operation were included in “Other gains” and the relocation compensation unrelated to the reconstruction were included in “Non-operating income” by the Group

14. INVESTMENT GAINS

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2018 Audited
Gains from long-term equity investments under equity method	371,432,235.92	188,732,130.32
Investment gains from disposal of subsidiaries	31,478,629.84	154,210,544.33
Investment gains from disposal of associates and joint ventures	57,034,496.04	–
Investment gains from financial assets held for trading	130,786,598.62	686,895.00
Investment gains from holding available-for-sale financial assets	–	119,550,039.01
Investment gains from holding financial assets measured at amortized cost	24,407,626.67	–
Dividend income	6,198,333.20	–
Investment losses from disposal of financial asset at fair value through profit or loss	–	(264,060,888.31)
Investment gains from disposal of available for-sale financial assets	–	120,475,483.75
Gains on re-measurement of equity interests in the acquiree held before the date of acquisition at fair value	–	14,563,139.38
Others	<u>7,817,271.38</u>	<u>2,679,953.06</u>
	<u>629,155,191.67</u>	<u>336,837,296.54</u>

There were no significant restrictions on the repatriation of investment income of the Group as of 31 December 2018. In 2018, a net gain from listed share investment among the Group’s investment income amounted to RMB6,146,686.40 (at 31 December 2017: net loss from listed share investment among the gains or losses from fair value changes and investment income of the Group amounted to RMB55,877,981.68).

15. GAINS FROM CHANGES IN FAIR VALUE

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2018 Audited
Financial liabilities at fair value through profit or loss	(32,417,372.24)	207,496,011.63
Investment properties measured at fair value	<u>508,933,619.95</u>	<u>513,884,093.94</u>
	<u><u>476,516,247.71</u></u>	<u><u>721,380,105.57</u></u>

16. INCOME TAX EXPENSE

Unit: RMB

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Current income tax expense	2,593,086,938.71	1,698,313,080.37
Deferred income tax expense	<u>(429,877,429.79)</u>	<u>(591,518,093.84)</u>
	<u><u>2,163,209,508.92</u></u>	<u><u>1,106,794,986.53</u></u>

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

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Total profit	6,444,634,743.74	4,057,143,708.99
Income tax expense at the statutory income tax rate of 25% (Note)	1,611,158,685.94	1,014,285,927.25
Tax effect of different tax rates of some subsidiaries	(46,473,012.58)	(37,926,359.22)
Share of profits and losses of joint ventures and associates	(92,858,058.98)	(59,108,920.95)
Expenses not deductible	(1,549,583.30)	–
Income not subject to tax	96,317,516.63	20,913,677.14
Adjustments on the current income tax of previous periods	(7,053,843.69)	(90,081,126.17)
Deductible temporary difference and deductible losses not recognized	<u>603,667,804.90</u>	<u>258,711,788.48</u>
Income tax expense at the effective tax rate of the Group	<u><u>2,163,209,508.92</u></u>	<u><u>1,106,794,986.53</u></u>

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

17. EARNINGS PER SHARE

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

The calculation of basic earnings per share is as follows:

	For the year ended 31 December 2018 Audited	For the year ended 31 December 2017 Audited
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company (<i>RMB</i>)	<u>3,260,449,276.97</u>	<u>2,836,664,933.59</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>10,677,771,134</u>	<u>10,677,771,134</u>
Basic earnings per share	<u>0.31</u>	<u>0.27</u>

The Company did not have potentially dilutive ordinary shares.

18. DIVIDEND

	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2017 <i>RMB'000</i>
Proposed final dividend – RMB0.055 per share before tax (for the year ended 31 December 2017: RMB0.048 per share before tax)	<u>587,277</u>	<u>512,533</u>

The proposed final dividend for the Reporting Period is calculated based on the total number of shares in issue, including both A Shares and H Shares, as at the date of this announcement and is subject to the approval of the Company's shareholders at the forthcoming AGM.

19. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE

Unit: RMB

		At 31 December 2018 Audited	At 31 December 2017 Audited
Bills receivables	Note (1)	11,291,636,872.50	8,181,663,835.79
Accounts receivable	Note (2)	9,863,610,969.30	10,106,902,405.60
		21,155,247,841.80	18,288,566,241.39
Less: Provision for bad debts		2,489,380,576.45	2,420,720,346.67
		<u>18,665,867,265.35</u>	<u>15,867,845,894.72</u>

Note (1)

Bills receivables

		At 31 December 2018 Audited	At 31 December 2017 Audited
Bank acceptance bills		10,019,577,739.84	6,902,433,880.50
Commercial acceptance bills		1,272,059,132.66	1,279,229,955.29
		11,291,636,872.50	8,181,663,835.79
Less: Provision for bad debts of bills receivables		65,855,058.00	—
		<u>11,225,781,814.50</u>	<u>8,181,663,835.79</u>

For the year ended 31 December 2018, the movements in provision for bad debts of bills receivables are as follows:

	For the year ended 31 December 2018 Audited
Provision for the year and closing balance	<u>65,855,058.00</u>

Note (2)

Accounts receivable

An aging analysis of the accounts receivable is as follows:

	At 31 December 2018	At 31 December 2017
	Audited	Audited
Within 1 year (inclusive of 1 year)	5,875,572,619.57	5,594,236,704.72
1 to 2 years (inclusive of 2 years)	1,399,257,206.82	1,893,391,337.30
2 to 3 years (inclusive of 3 years)	831,428,398.76	998,531,700.06
3 to 4 years (inclusive of 4 years)	560,230,050.44	667,986,707.04
4 to 5 years (inclusive of 5 years)	376,422,298.49	387,965,394.02
Over 5 years	820,700,395.22	564,790,562.46
	9,863,610,969.30	10,106,902,405.60
Less: Provision for bad debts of accounts receivable	2,423,525,518.45	2,420,720,346.67
	<u>7,440,085,450.85</u>	<u>7,686,182,058.93</u>

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

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

	For the year ended	For the year ended
	31 December 2018	31 December 2017
	Audited	Audited
Balance 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	2,231,874,010.93	2,250,876,050.03
Provision for the year	68,999,649.21	204,900,642.18
Transferred in upon acquisition of subsidiaries	168,686,325.27	42,894.45
Reversal for the year	(2,679,120.48)	(10,283,943.72)
Write-off for the year	(10,080,941.31)	(24,815,296.27)
Removed from upon disposal of subsidiaries	(33,171,288.40)	—
Transferred to held for sale	(103,116.77)	—
Closing balance	<u>2,423,525,518.45</u>	<u>2,420,720,346.67</u>

20. SHORT-TERM LOANS

Unit: RMB

	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Guaranteed loans (<i>Note</i>)	1,900,000,000.00	1,840,000,000.00
Credit loans	36,942,270,000.00	32,029,900,000.00
Mortgaged loans	675,000,000.00	—
Pledged loans	363,122,209.57	505,300,000.00
	<u>39,880,392,209.57</u>	<u>34,375,200,000.00</u>

Note 1: As at 31 December 2018, among guaranteed loans, RMB50,000,000.00 were guaranteed by third parties, and the remaining were guaranteed by entities within the Group.

As at 31 December 2018, the interest rates of the above loans were 3.48%-7.00% per annum (as at 31 December 2017: 3.30%-8.40%).

As at 31 December 2018, the Group had no overdue borrowings.

21. BILLS PAYABLE AND ACCOUNTS PAYABLE

Unit: RMB

	At 31 December 2018 Audited	At 31 December 2017 Audited
Bills payable	2,080,749,336.98	1,457,987,393.20
Bank acceptance bills	1,974,216,957.31	1,448,906,903.71
Commercial acceptance bills	106,532,379.67	9,080,489.49
Accounts payable	18,357,615,866.65	15,747,091,122.08
	<u>20,438,365,203.63</u>	<u>17,205,078,515.28</u>

As at 31 December 2018, the Group had no outstanding bills payable that were due and all bills payable by the Group would be due within 12 months.

Accounts payable bear no interest and are generally settled within 90 days. An aging analysis of bills payable and accounts payable based on the invoice date is as follows:

	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Within 1 year (including 1 year)	16,924,429,785.81	14,872,129,418.17
1 to 2 years (including 2 years)	2,342,046,547.01	1,199,775,599.39
2 to 3 years (including 3 years)	426,530,426.20	551,774,237.03
Over 3 years	<u>745,358,444.61</u>	<u>581,399,260.69</u>
	<u>20,438,365,203.63</u>	<u>17,205,078,515.28</u>

22. SHORT-TERM FINANCING BONDS AND BONDS PAYABLE

Unit: RMB

	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Short-term financing bonds	<u>6,500,000,000.00</u>	<u>2,769,698,081.12</u>
Corporate bonds	20,159,323,960.77	15,230,995,736.64
Medium-term notes	8,000,000,000.00	5,000,000,000.00
Private placement bonds	-	5,798,475,000.00
Debt financing plan	<u>500,000,000.00</u>	<u>500,000,000.00</u>
Closing balance as at the end of the year	28,659,323,960.77	26,529,470,736.64
Less: Bonds payable due within one year	<u>8,428,234,671.07</u>	<u>8,374,629,908.13</u>
Non-current portion	<u>20,231,089,289.70</u>	<u>18,154,840,828.51</u>
Analysis of maturity of bonds payable:		
Within 1 year (inclusive of 1 year)	8,428,234,671.07	8,374,629,908.13
1 to 2 years (inclusive of 2 years)	500,000,000.00	9,420,108,004.27
2 to 5 years (inclusive of 5 years)	<u>19,731,089,289.70</u>	<u>8,734,732,824.24</u>
	<u>28,659,323,960.77</u>	<u>26,529,470,736.64</u>

As at 31 December 2018, 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, totalling 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, totalling 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, totalling 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, totalling 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, totalling 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, totalling RMB500,000,000 with a term of 3 years and a coupon rate of 5.15%.
- 4) 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, totalling RMB3,200,000,000 with a term of 5 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, totalling RMB1,800,000,000 with a term of 7 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. issued the first tranche of corporate bonds for 2012 on 13 September 2012 (hereinafter referred to as “12 Jidong Development Bond”), totalling 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, totalling 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 RMB416,817,322.70 (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, totalling 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, totalling 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, totalling 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, totalling 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) 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 and the expiry date will be in 2022. 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) 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) 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 [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued its first tranche of corporate bonds (type one) for 2018 on 13 July 2018, totalling RMB1,500,000,000 with a term of 5 years and a coupon rate of 4.7%. 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; and the Company issued its first tranche of corporate bonds (type two) for 2016 on 13 July 2018, totalling RMB1,500,000,000 with a term of 7 years and a coupon rate of 5.00%. The issuer has an option to adjust the coupon rate and the investors have a sell back option at the end of the fifth year.
- 18) Pursuant to the Notice of Acceptance of Registration issued by the NAFMII, the Company successfully issued the third tranche of medium term notes for 2018 on 9 August 2018. The interest commencement date was 13 August 2018 and the amount issued totalled RMB2,500,000,000 with a term of 5 years and a coupon rate of 4.70%.
- 19) 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%. 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, totalling RMB1,000,000,000 with a term of 270 days and a coupon rate of 5.1%. The maturity date is 18 March 2018.

- 20) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the NAFMII, the Company successfully issued the 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%.
- 21) 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%.
- 22) 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%.
- 23) 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 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%.
- 24) 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 during 16 July 2018 to 17 July 2018 for a term of 270 days. The interest commencement date was 18 July 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.39%.
- 25) 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 15 November 2018 for a term of 210 days. The interest commencement date was 16 November 2018 and the actual amount issued totalled RMB1,000,000,000 with a coupon rate of 4.39%.
- 26) 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 10 December 2018 for a term of 197 days. The interest commencement date was 11 December 2018 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.59%.

23. LONG-TERM LOANS

Unit: RMB

	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Mortgaged loans	12,388,040,000.00	6,704,237,997.00
Guaranteed loans	10,484,580,000.00	6,507,360,000.00
Credit loans	14,071,789,349.97	11,921,470,000.00
Pledged loans	3,027,493,199.13	2,940,000,000.00
Closing balance	39,971,902,549.10	28,073,067,997.00
Less: Long-term loans due within one year	9,465,848,283.40	2,402,037,997.00
Non-current portion	<u>30,506,054,265.70</u>	<u>25,671,030,000.00</u>
	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Within 1 year (including 1 year)	9,465,848,283.40	2,402,037,997.00
1 to 2 years (including 2 years)	12,078,352,584.27	5,347,800,000.00
2 to 3 years (including 3 years)	6,429,762,584.27	12,323,760,000.00
3 to 4 years (including 4 years)	708,952,247.19	680,000,000.00
4 to 5 years (including 5 years)	3,378,750,000.00	800,000,000.00
Over 5 years	7,910,236,849.97	6,519,470,000.00
	<u>39,971,902,549.10</u>	<u>28,073,067,997.00</u>

As at 31 December 2018, the above loans bore an interest rate of 1.2%-10.34% (31 December 2017: 1.2%-10.34%) per annum.

24. NET CURRENT ASSETS

Unit: RMB

	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Current assets	169,157,938,225.06	143,589,262,404.01
Less: Current liabilities	<u>129,202,330,397.51</u>	<u>110,434,361,271.08</u>
Net current assets	<u>39,955,607,827.55</u>	<u>33,154,901,132.93</u>

25. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

	As at 31 December 2018 Audited	As at 31 December 2017 Audited
Total assets	268,276,091,699.13	232,207,482,091.70
Less: Current liabilities	<u>129,202,330,397.51</u>	<u>110,434,361,271.08</u>
Total assets less current liabilities	<u>139,073,761,301.62</u>	<u>121,773,120,820.62</u>

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual results of the Company for the twelve months ended 31 December 2018, and the operating results of the Company during the said period for your review.

Review

In 2018, faced with a complex and ever-changing external environment and the heavy tasks of reform and development, BBMG adhered to the general work principle of seeking progress while maintaining stability, upheld the new development philosophy, and made constant efforts in improving the operation quality and economic benefits to achieve significant growth in main economic indicators. During the year, the Company successfully participated in the mixed-ownership reform of Tianjin Building Materials Group (Holding) Company Limited and obtained its controlling interests, thereby achieving synergetic development of the building material business in the Beijing, Tianjin and Hebei and reinforcing strategic resource reserve required for development. The asset restructuring plan of BBMG and Tangshan Jidong Cement Co., Ltd. was unconditionally approved by China Securities Regulatory Commission, further disentangling the internal property rights and management relations, providing a solid foundation for the high-quality development of the Company and the cement business. Pursuing the strategy of “highlighting principal businesses and strengthening specialized businesses” and based on the principle of “flat, professional, regional and digital” management, the Group has established a system where responsibilities and powers are more unified, further increasing management and control efficiency. During the Reporting Period, the operating revenue was RMB83,116.7 million on a cumulative basis, representing a year-on-year increase of 30.5%; net profit attributable to the shareholders of the parent company amounted to RMB3,260.4 million, representing a year-on-year increase of 14.9%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.31, representing a year-on-year increase of 14.8%.

Prospects

The year 2019 marks the 70th anniversary of founding of the People's Republic of China. It is a critical year for comprehensively building a moderately prosperous society and achieving the first Centenary Goal, and the 10th anniversary of BBMG's listing. In the coming year, the global economy will continue to be exposed to risks and uncertainties. China's economy will experience alarming changes in an otherwise stable economic environment and face considerable downward pressure. However, the generally stable and positive momentum will not change fundamentally. The economy is in and will remain in an important period of strategic opportunities for a long time. The Company will continue to make core basic industries stronger, better and larger to ensure that the Company as a whole develops in a high-quality manner. In respect of the **cement and ready-mixed concrete segment**, the Company will seize the rare strategic opportunities of the industry and the growth in profitability of the Company to accelerate the absorption of the consolidating and restructuring effects, implement the requirements for the management and control reform of the Company, and make intensified efforts to carry out essential work based on our strategic position of "building a world-class cement industry group which is modern, professional and large in scale", so as to comprehensively enhance operation management and control and continuously strengthen our core competitiveness. Meanwhile, giving full play to the leading and demonstrative effect of our role as the "leading company" in the industry, the Company will take the initiative to direct the industry rules and market order, thereby continuously strengthening our industry influence and control over the market to drive the high-quality development of the industry as a whole. In respect of the **modern building materials and commerce and logistics segment**, the Company will enhance its core businesses and promote technological innovation to provide high-quality, green and energy-saving new building material products that are marketable and meet customers' needs. We will leverage our technological advantages and manufacturing supply chain resources to create a product integration and combination system with unique characteristics, with an aim to explore a new model of holistic and industrialized development. In respect of the **property development segment**, the Company will further improve its abilities in policy research and prediction and in seizing opportunities, and will demonstrate strong capability, high efficiency, and high profitability in project development and project operation. In addition to improving our market-oriented operation capabilities, we must integrate our resources in line with the local policies of the areas where the Group operates to achieve coordinated and synergetic development of the segment. As for the **property investment and management segment**, the Company will sort out existing resources to systematically plan the classification, disposal and use of resources. For advantageous resources that meet the development requirements of the capital, we will accelerate their transformation and upgrade to attract high-quality customers or high-end businesses. We will continue to improve the professional level of property management, implement differentiated management based on property types, and optimize the cost performance of property services, so as to form positive interaction with the property development segment.

Summary of Financial Information

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	Change
Operating revenue	83,116,733	63,678,331	30.5%
Operating revenue from principal business	82,397,425	62,646,084	31.5%
Gross profit from principal business	22,003,719	15,533,508	41.7%
Gross profit margin from principal business	26.7%	24.8%	an increase of 1.9 percentage point
Net profit attributable to the shareholders of the parent company	3,260,449	2,836,665	14.9%
Basic earnings per share attributable to the shareholders of the parent company	RMB0.31	RMB0.27	14.8%
Cash and banks balances	18,774,468	17,903,847	4.9%
Current assets	169,157,938	143,589,262	17.8%
Current liabilities	129,202,330	110,434,361	17.0%
Net current assets	39,955,608	33,154,901	20.5%
Non-current assets	99,118,153	88,618,220	11.8%
Non-current liabilities	59,859,259	51,855,311	15.4%
Total assets	268,276,092	232,207,482	15.5%
Equity attributable to the shareholders of the parent company	57,665,471	51,162,848	12.7%
Debt ratio (total liabilities to total assets) (%)	70.5	69.9	an increase of 0.6 percentage point

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

1. *Cement and ready-mixed concrete business:*

The Company is the third largest cement industrial group in China with strong scale advantage and market dominance within the region, and is the leader of low-carbon, green, and environmentally-friendly development, energy saving and emission reduction, and circular economy in the cement industry in China. The cement business continued to adopt Beijing, Tianjin and Hebei as its core strategic region, and continued to expand the coverage of its network, mainly with presence in 13 provinces (municipalities and autonomous regions), including Beijing, Tianjin 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. With cement as its core product, the Company extends to related products and services through an internal synergetic mechanism. Currently, the production capacity of ready-mixed concrete amounted to approximately 65.0 million cubic meters 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. Its annual capacity for disposal of hazardous waste and various solid wastes exceeded 1.3 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,800.0 million tonnes of limestone reserve in Beijing, Tianjin and Hebei.

2. *Modern building materials and commerce and logistics business:*

The Company is the leader in building materials industry in China and one of the largest suppliers of green, environmentally-friendly, and energy-saving building materials in Pan Bohai region. Its major products and services include furniture and woods, wall body and insulation materials, decorative and fitting materials, and building materials and commerce and logistics. After acquiring the controlling interests in Tianjin Building Materials Group in 2018, it further consolidated its leading position in the building materials industry in Pan Bohai Economic Rim. The Company took the initiative to be the major supplier for the construction materials required by the construction of the sub-town center project in Beijing. Products including BBMG aerated panel, BBMG star stone wool and BBMG mortar won the bid of the construction of the public service center of Xiong'an, the first construction project of Xiong'an New Area. 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, organisation security as well as management level. As long as risks are under control, the Company will continuously enhance the development of commerce and logistics industry and proactively explore developed marketing modes of e-commerce.

3. *Property development business:*

The Company is one of the top property developers in Beijing in terms of overall strength with an 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 the largest investor and manager of investment properties in Beijing holding approximately 1.35 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which 0.72 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.0 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin.

(II) Description of major industries

1. *Cement Industry*

In 2018, fixed-asset investments in the PRC (excluding agricultural households) reached RMB63,563.6 billion, representing a year-on-year growth of 5.9%, and a drop of 1.3 percentage points in growth rate compared with 2017. Among these investments, investment in infrastructure (excluding electricity, heat, gas and water production and supply) increased by 3.8%, representing a significantly lower growth rate, while investment in real estate hovered at 9.5%. On the other hand, driven by associations and large enterprises, the effects of industry self-discipline improved significantly, contracting supply contracted and driving low inventory in most regions, thereby easing the imbalance between supply and demand. According to the 2018 Statistical Communique on the National Economic and Social Development of the People's Republic of China published by the National Bureau of Statistics, the national cement production was 2.21 billion tonnes, representing a year-on-year decrease of 5.3%. In respect of price, cement prices remained at a high level throughout 2018. In the first three quarters, the overall price was stable at high levels, mostly between RMB400-430/tonne. In the fourth quarter, the price began to take off, with the national average price reaching RMB464/tonne in December. As a result of the continued high cement prices in 2018, the profit of the cement industry hit an all-time high in 2018.

2. *Property Development Industry*

In 2018, the regulation of the real estate market with policies entered a new stage, continuing to suppress irrational demand on the one hand, and focusing on adjusting the medium- and long-term supply structure on the other hand. The intensity of regulation remained unwavering. The local governments in a number of cities took primary responsibilities and issued a flurry of policies to step up the intensity of regulation. With the continuous tightening of regulation and control policy on the real estate market, steady development of the long-term mechanism and the strengthening of financial supervision, the scale of new homes in cities under intensified regulation continued to shrink against the backdrop of stringent regulatory policies such as restrictions on purchases and loans, and restrictions prices of pre-sales.

According to the data of the National Bureau of Statistics, in 2018, the investment in real estate development in China stood at RMB12,026.4 billion, representing an increase of 9.5% over the previous year, among which, investment in residential properties was RMB8,519.2 billion, up by 13.4%, representing an increase of 4 percentage points over last year. Investment in residential properties accounted for 70.8% of aggregate investment in real estate development. The construction sites for corporate use of real estate developers stood at 8,223.00 million sq.m., representing an increase of 5.2% over last year, among which, 5,699.87 million sq.m. were area of construction sites for residential properties, representing an increase of 6.3%. The area of nearly started construction of real estates was 2,093.42 million sq.m., increasing by 17.2%. The area of completed real estate

stood at 935.50 million sq.m., decreasing by 7.8%. Of this, area of completed residential properties was 660.16 million sq.m., down by 8.1%. In 2018, land area acquired by real estate developers was 291.42 million sq.m., increasing by 14.2% over last year. Area of sold commodity housing was 1,716.54 million sq.m., increasing by 1.3% over last year. Area of sold residential properties, office and properties for commercial operation increased by 2.2%, decreased by 8.3% and decreased by 6.8% respectively. Sales of commodity housing amounted to RMB149.973 billion, up by 12.2%. Of this, sales of residential properties, office and properties for commercial operation increased by 14.7%, decreased by 2.6% and increased by 0.7% respectively. As at the end of 2018, area of commodity housing for sales was 524.14 million sq.m., a decrease of 65.1 million square meters as compared with the end of last year.

Summary of Business Information

	2018	2017	Change
1. Cement and Ready-mixed Concrete Segment			
Sales volume:			
Cement (in thousand tonnes)	107,051	102,603	4.3%
Concrete (in thousand cubic meters)	16,036	14,728	8.9%
2. Modern Building Materials and Commerce and Logistics Segment			
Sales volume:			
Stone wool boards (in thousand tonnes)	57.3	40.8	40.4%
3. Property Development Segment			
Booked GFA (in thousand sq.m.)	1,009.3	948.6	6.4%
Presales (sales) GFA (in thousand sq.m.)	1,114.1	1,377.6	-19.1%
4. Property Investment and Management Segment			
Total GFA of investment properties (in thousand sq.m.)	1,352.4	716.2	88.8%

In 2018, faced with the complex and ever-changing external environment and the arduous and burdensome reform and development tasks, BBMG adhered to the general work guideline of making progress while maintaining stability and the new development philosophy, making continuous efforts to improve management quality and economic benefits to achieve substantial growth in the main economic indicators. We achieved improvement both in corporate management and production management, taking the Company's overall development to a new level and into a new stage.

During the Reporting Period, the Company recorded operating revenue of RMB83,116.7 million, of which operating revenue from its principal business amounted to RMB82,397.4 million, representing a year-on-year increase of 31.5%; total profit amounted to RMB6,444.6 million, representing a year-on-year increase of 58.9%; net profit amounted to RMB4,281.4 million, representing a year-on-year increase of 45.1%; and net profit attributable to the shareholders of the parent company amounted to RMB3,260.4 million, representing a year-on-year increase of 14.9%.

1. Cement and Ready-mixed Concrete Segment

Based on its strategic position of “building a world-class cement industry group which is modern, professional and large in scale”, the Company enhanced its marketing, strengthened its management and control, improved its business, and strove for excellence to achieve soaring increase in profitability and leap-frog growth in economic benefits, fully demonstrating the effect of the strategic restructuring. The Company deepened strategic marketing, predicted market trends and dynamically adjusted marketing strategies to firmly took the lead in the market. We implemented our strategies precisely in line with local conditions based on the regional production capacity layout and market positioning. Within individual regions, we integrated production and sales, and among the regions, we coordinated and collaborated, treating the entire country as a “single play field” to take full advantage of our competitive advantage as a large enterprise. The Company strengthened industry synergy, leveraged restructuring advantages, led industry self-discipline, regulated industry order, and improved the balance between supply and demand. The Company optimized operation management and control and implemented monthly assessment of key operational indicators to effectively control all aspects of production and operation. The Company implemented the “Excellence Cultivation” plan to develop a group of “leading” enterprises in the industry. The Company strengthened the control over mine resources and completed the renewal of mining rights or exploration rights for a number of enterprises.

In respect of the concrete business, we focused on reform, reduced receivables, and strengthened management, centring on the core objective of “achieving profit at the operational level” to achieve the initial results of ending losses. Based on the management model of “centralized control and management, centralized marketing, and centralized procurement”, the Company strengthened control and management and achieve improvement in contract performance rate, settlement rate, and spread between purchase and sales prices. The Company implemented a “zero receivables” strategy to increase the percentage of projects with prepayments. The risk prevention and control system has been initially established and the risks of marketing and accounts receivable were reduced.

The cement and ready-mixed concrete segment recorded operating revenue from its principal business of RMB39,119.9 million during the Reporting Period, a year-on-year increase of 25.9%. Gross profit from its principal business amounted to RMB11,755.2 million, a year-on-year increase of 38.7%. The consolidated sales volume of cement and clinker reached 107.05 million tonnes, a year-on-year increase of 4.3%, among which cement sales volume amounted to 94.43 million tonnes and clinker sales volume amounted to 12.62 million tonnes, and the aggregate gross profit margin for cement and clinker was 36.0%, a year-on-year increase of 5.6 percentage points. Sales

volume of concrete totalled 16.0 million cubic meters, a year-on-year increase of 8.8%, while the gross profit margin for concrete was 10.5%, a year-on-year increase of 2.3 percentage points.

2. Modern Building Materials and Commerce and Logistics Segment

The Company optimized and adjusted the management and control model, consolidated existing businesses, developed new business, showcased industrial characteristics and achieved quality and efficiency enhancement. Enterprises in the modern building materials and commerce and logistics segment improved their profitability, market competitiveness and industry status. In accordance with the requirements of “ensuring quality, quantity and timeliness”, the Company completed the supply of building materials for the first phase of the sub-centre administrative office area, which was well received by the Beijing Municipal Sub-centre Construction Office and the participating construction entities. The Company provided a host of green, energy-saving and environmentally-friendly building materials and premium services for Beijing New Airport, Winter Olympic Games venues, Xiong’an New Area Citizen Service Centre, and the conference hall of Shanghai Cooperation Organization Summit in Qingdao.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB19,813.0 million, a year-on-year increase of 52.0%, while the gross profit from its principal business amounted to RMB1,216.3 million, a year-on-year increase of 11.0%.

3. Property Development Segment

Centring on the furtherance of reform on the management system and mechanism, we focused on building a professional team to continuously improve the efficiency of project operation, thereby building a preliminary professional management and control platform. We adhere to the unified allocation of human resources, unified standards of compensation system for urban companies, unified financing management and fund transfer, unified management and control project expansion, unified tendering and procurement platform, and unified standards of the measurement and calculation system to initially form a system and mechanism with well-defined powers and responsibilities, strong control, and orderly operation. In 2018, the front nodes of the real estate projects were significantly advanced, achieving the goal of available for sales within 12 months after land acquisition. In response to the pressure from market regulation, we proactively adjusted our strategies to strive for favorable prices and accelerate the return of funds.

In 2018, the Company successfully acquired 13 parcels of land, adding approximately 1.4 million sq.m. to its land reserve and providing strong support to the sustainable development of the property development segment.

No.	Name of projects (parcel of land)	Location	Use of land	Land area of the project (sq.m.)	Planned plot ratio area (sq.m.)	Land Price (RMB million)	Method of acquisition	Date of acquisition (Year-Month-Day)	Percentage of interest
1	Plot GX2017-16(071)(82 mus) in Zhonghe Street, Chengdu High-Tech Industrial Development Zone	Chengdu High-Tech Industrial Development Zone	Residential (R2)	54,999	109,998	1,430.00	Auction	2018-03-21	100%
2	Plot at Shuiji Technical School, Jidong Cement	Tangshan City	Commercial and financial land	12,600	18,900	41.41	Auction	2018-04-10	100%
3	Plot GX03-02-16, Ningbo High-Tech Zone	Ningbo High-Tech Zone	Residential (R2)	43,404	100,871	1,980.00	Listing	2018-04-25	100%
4	Plot JY18-18, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	36,711	58,738	318.88	Auction	2018-06-05	100%
5	Plot JY18-19, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	52,179	83,486	453.50	Auction	2018-06-05	100%
6	Plot JY18-20, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	52,539	84,062	449.06	Auction	2018-06-05	100%
7	Plot JY18-21, Jimo, Qingdao	Jimo, Qingdao	Residential (R2) and land for commercial use	48,324	77,318	426.87	Auction	2018-06-05	100%
8	Plot E-02-2, Caofeidian New City, Tangshan	Caofeidian, Tangshan	Residential (R2)	69,071	103,607	94.49	Auction	2018-08-03	100%
9	Plot 1-B, Dairy Cattle Farm, 2018G37, Jiangpu Street, Pukou District, Nanjing	Pukou District, Nanjing	Residential (R2)	44,575	71,320	1,080.00	Open auction	2018-08-22	100%
10	Plot 2018-149 Jindonglijin (listing), Jinzhong Street, Dongli District, Tianjin	Dongli District, Tianjin	Commercial, residential and land for service facilities	190,129	372,773	2,910.00	Listing	2018-08-22	100%
11	(S1802) Plot at the south of Feihe Road and east of Tongling Road, Baohe District, Hefei	Baohe District, Hefei	Residential and land for service facilities	96,602	175,800	1,596.80	Auction	2018-08-30	100%
12	Plot X89R1 at Hexi District of Beijing Economic-Technological Development Area	Beijing Economic-Technological Development Area	Residential (R2)	38,121	95,303	3,320.00	Listing	2018-10-19	100%
13	Plot 22-01 and 22-04 at Xuhang Town, Jiading District, Shanghai	Jiading District, Shanghai	Residential (R2)	40,331	72,596	1,161.53	Listing	2018-12-14	100%
Total				<u>779,585</u>	<u>1,424,772</u>	<u>15,262.54</u>			

During the Reporting Period, the property development segment recorded revenue from its principal business of RMB22,146.4 million, a year-on-year increase of 37.7%, and the gross profit from its principal business was RMB7,038.6 million, a year-on-year increase of 71.2%. The booked GFA was 1,009,310 sq.m. for the year, a year-on-year increase of 6.4%, among which booked GFA of commodity housing amounted to 865,700 sq.m., a year-on-year decrease of 8.2%, while booked GFA of affordable housing amounted to 143,600 sq.m., a year-on-year increase of 2,254.1%. The aggregated contracted sales area of the Company was 1,114,050 sq.m., a year-on-year decrease of 19.1%, among which contracted sales area of commodity housing amounted to 1,009,420 sq.m., a year-on-year decrease of 1.7%, and contracted sales area of affordable housing amounted to 104,630 sq.m., a year-on-year decrease of 70.2%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 8,749,700 sq.m.

4. Property Investment and Management Segment

The Company centred on Beijing's functional positioning to charter innovative development path. In respect of office building projects, the Company has intensified marketing efforts, implemented new service systems and leasing strategies to continuously increase rent levels, achieving a occupancy rate of 90.8%. In respect of commercial projects, the operating income grew steadily with an occupancy rate of 99.8%; the first commercial management output project, Lecheng Shopping Centre, successfully completed the business solicitation. Sheraton Hotel achieved record occupancy rate and average room rates. BBMG Intelligent Manufacturing Workshop focused on high-end, premium, and advanced industries and brought in high-quality customers including Chinese Academy of Sciences and Baidu. The occupancy rate of Phase I of BBMG High-Tech Industrial Park was 90%.

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB4,233.4 million, a year-on-year increase of 27.7%, and gross profit from its principal business was RMB2,414.2 million, a year-on-year increase of 22.2%. As at the end of the Reporting Period, the Company held approximately 1,350,000 sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin, with a consolidated average occupancy rate of approximately 88% and a consolidated average rental unit price of approximately RMB4.9/sq.m./day. The high-end investment properties held in core areas in Beijing totaled 0.72 million sq.m., with a consolidated average occupancy rate of reaching approximately 93% and a consolidated average rental unit price of approximately RMB8.7/sq.m./day.

**RENTAL OPERATIONS OF THE MAJOR INVESTMENT PROPERTIES OF THE GROUP
AS AT 31 DECEMBER 2018**

Property Name	Location	Gross area (thousand sq.m.)	Fair value (RMB million)	Rental unit price (RMB/sq.m./day)	Average occupancy rate (Note 1)	Unit fair value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	108.0	3,233.9	11.5	89%	29,943
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	141.0	3,411.4	8.8	93%	24,194
Phase 3 of Global Trade Center	North Third Ring Road, Beijing	57.0	1,216.7	8.4	91%	21,346
Tengda Plaza	West Second Ring Road, Beijing	68.0	1,763.5	10.1	93%	25,934
Jin Yu Building	West Second Ring Road, Beijing	41.0	1,166.2	10.6	86%	28,444
Jianda Building/Building Materials Trading Tower	East Second Ring Road, Beijing	43.0	1,243.1	5.7	97%	28,909
Dacheng Building	East Second Ring Road, Beijing	41.0	1,132.8	11.5	93%	27,629
Pan Bohai Jin'an Plaza	Hexi District, Tianjin	302.0	2,436.7	2.3	98%	8,069
Subtotal		<u>801.0</u>	<u>15,604.3</u>			19,481
Other properties	Beijing Municipality	<u>551.4</u>	<u>5,723.0</u>			10,380
Total		<u><u>1,352.4</u></u>	<u><u>21,327.3</u></u>	<u><u>4.9</u></u>	<u><u>88%</u></u>	<u><u>15,770</u></u>

Note 1: The rental unit price in the table above includes the property management fee of RMB1/sq.m./day.

Note 2: The Group leased its investment properties under operating lease arrangements, with most of the leases which were negotiated for terms ranging from 1 to 19 years.

ANALYSIS OF BUSINESS AND FINANCIAL POSITION FOR THE REPORTING PERIOD

1. Principal business operations

Unit: RMB million

	Revenue from principal business	Cost of sales from principal business	Gross profit margin from principal business (%)	Increase or decrease in revenue from principal business compared with last year (%)	Increase or decrease in cost of sales from principal business compared with last year (%)	Increase or decrease in gross profit margin from principal business compared with last year
Cement and Ready-mixed Concrete	39,119.9	27,364.7	30.0	25.9	21.1	Increase of 2.8 percentage points
Modern Building Materials and Commerce and Logistics	19,813.0	18,596.6	6.1	52.0	55.8	Decrease of 2.3 percentage points
Property Development	22,146.4	15,107.9	31.8	37.7	26.2	Increase of 6.2 percentage points
Property Investment and Management	4,233.4	1,819.3	57.0	27.7	35.8	Decrease of 2.6 percentage points
Eliminations	(2,915.3)	(2,494.7)	—	—	—	—
Total	82,397.4	60,393.8	26.7	31.5	28.2	Increase of 1.9 percentage points

2. Investment properties measured at fair value

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

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

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

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

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

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

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group decreased by approximately RMB5.0 million year-on-year to RMB508.9 million, accounting for 7.9% of the profits before tax. The fair value gains on investment properties during the Reporting Period were mainly due to an upward revision to the fair value of the investment properties of the Group by the valuer given the overall surge in rental of commercial properties in the open market in Beijing during the Reporting Period.

3. Expenses during the Reporting Period

- (1) Selling expenses were RMB2,915.7 million, an increase of RMB308.4 million or 11.8% year-on-year. Such increase was mainly due to the year-on-year increase in employee remuneration, transportation expenses, and agency intermediary fee during the Reporting Period.
- (2) Administrative expenses were RMB7,155.5 million, an increase of RMB1,009.4 million or 16.4% year-on-year. Such increase was mainly due to the year-on-year increase of maintenance expenses, employee remuneration, intermediary service fee, and losses from suspension of production during the Reporting Period.
- (3) Finance costs were RMB3,047.5 million, an increase of RMB371.9 million or 13.9% year-on-year. Such increase was mainly due to the increase in the size of financing during the Reporting Period.

4. Cash flows

During the Reporting Period, a net increase of RMB606.0 million in cash and cash equivalents was recognized in consolidated financial statements of the Company. Such increase was the net result of (i) the net cash outflow generated from operating activities of RMB5,042.6 million, representing the year-on-year decrease in outflow of RMB6,811.9 million year-on-year, which was attributable to the year-on-year decrease in the expenditures on land reserve of property development segment of the Company; (ii) the net cash outflow generated from investment activities of RMB8,383.9 million, representing an increase in outflow of RMB7,684.3 million year-on-year, which was mainly attributable to the acquisition of Tianjin Building Materials Group (Holding) Co., Ltd. (“**Tianjin Building Materials**”) during the Reporting Period; (iii) the net cash inflow generated from financing activities of RMB14,079.9 million, an increase in inflow of RMB6,751.9 million year-on-year, while the increase in the net cash flow was mainly attributable to the increase in the size of financing during the Reporting Period; and (iv) the exchange realignment of RMB47.4 million.

CORE COMPETENCE ANALYSIS

The Company has been a pioneer in environmental protection, energy conservation, emission reduction and recyclable economy. It has the third largest cement production capacity in China and is a top-tier building materials maker in China and a leader in green building materials industry in Bohai Economic Rim. The Company is also one of the top 100 real estate developers in China. By present, the Group has a nationwide presence with a particular focus in Beijing, Tianjin, Hebei Province, Yangtze River Delta and Chengdu-Chongqing Economic Region. The Company is capable of developing various types of real estate projects, and is one of the largest holders and managers of investment properties in Beijing. It ranked No.188 among China's top 500 companies and outperformed most peers in terms of scale, economic benefits and core competitiveness. The Company's core business segments have experienced strong growth and synergetic development by extending their principal businesses to more than 23 provinces, cities and regions in the PRC as well as many overseas cities. Following the orientation of the policies in relation to synergetic development of Beijing, Tianjin and Hebei Province and the structural reform of the supply front, the asset restructuring plan between BBMG and Jidong Group was approved by CSRC in April 2018. Going forward, BBMG Jidong Cement will become the only cement business platform of the Company. Such restructuring has streamlined the Company's internal management structure and will promote quality development of the Group's businesses. In May 2018, the Company acquired a controlling stake in Tianjin Building Materials Group. Such acquisition will strengthen the Company's presence, enable the synergetic development of businesses in Beijing, Tianjin and Hebei Province, and enhance the resources required for further business development.

The core competitiveness of the Company is detailed as follows:

1 Competitive Edge in the Industrial Chain:

The Company has developed a unique vertically integrated core industrial chain. Through various restructuring and M&As, the Company has grown into a large state-owned industrial group that is listed on both A-share and H-share markets, and has core operating activities in manufacture, trade and services of green building materials, real estate development and operation, and property management. On the back of its advantages in manufacturing of building materials and related equipment, the Company expanded into the area of real estate development. The strong demand from real estate development projects has boosted the Company's green building materials businesses and other related businesses such as architectural designing, decoration and property management services. On the other hand, our strong brand, technical advantages and expertise in green building materials manufacturing, property operation and property management services translated into higher quality, better brand image and stronger sales of our real estate development projects. Moreover, our green building materials business has amassed various resources and advantages in the process of "going abroad". Such resources and advantages have helped our real estate business optimize the business layout, explore and pioneer market of the target regions. Our different business segments support and promote the development of each other with significant synergistic effect and overwhelming advantages as a whole. Competitive design scale centralizing on the industrial chain, coordination among and integration of different segments have been cumulating.

2 Competitive Edge in Technology Innovation:

The Company made RMB1.3 billion investment in technology R&D in 2018, covering 28 major science and technology projects in 7 areas including wastes treatment, green building materials, green manufacturing, among others. The Company's subsidiaries have undertaken 8 government-sponsored scientific research projects, and have achieved the milestones as required by the government. The outcome of our projects under the government-funded 863 Program has all been accepted. We also developed new green technologies and products that meet the government's requirements concerning high-grade, precision and advanced industrial products. These efforts strengthened our core competency and solidified our leadership position in technology.

In 2018, the Company recorded RMB4.22 billion revenue from sales of new products. Our ultra-low energy consumption building technology has been used in China's first role model of small energy-efficient flat, and achieved over 92% savings in energy. The Company also built China's first role model cement production line that can simultaneously process 300 tonnes of domestic wastes and 200 tonnes of municipal sludge per day, which marks a breakthrough in urban waste treatment at cement kilns.

In 2018, the Company obtained 247 national patents (of which 33 were invention patents), and played a leading role in formulating 25 national, industrial and local standards. The JLMS-54.4 Vertical Cement Roller Mill developed by Tangshan Jidong Equipment and Engineering Co., Ltd. was awarded the Third Prize for Technological Advancement in Hebei Province. The Preparation Technology and Industrial Production Methods for Phosphogypsum – Modified Calcium Sulfate Whisker developed by BBMG Central Academy was awarded the First Technological Prize by Sichuan Department of Environmental Protection. The Applied and Commercialized Technology for Preparing and Adjusting Performance of Dry-Mixed Mortar that was developed by BBMG Academia Sinica and BBMG Mortar Co., Ltd. was awarded the First Technological Prize by China Building Materials Federation. The Research and Application of Recycling Technology for Fly Ash from Burning of Domestic Wastes developed by BBMG Academia Sinica and Beijing BBMG Liushui Environmental Protection Technology Co., Ltd. (**“BBMG Liushui Environmental Protection”**) was awarded the First Technological Prize by China Association of Circular Economy. Zanzhuang BBMG Cement Co., Ltd. (**“Zanzhuang Cement”**) and other four companies were recognized as High-Tech Companies. Hebei BBMG Dingxin Cement Co., Ltd. was recognized as a Role Model for Technological Innovation in Hebei Province. Xingtai BBMG Yongning Cement Co., Ltd. (**“Xingtai Yongning”**) was awarded the title of Hebei provincial hazardous waste processing technology research center. The wearproof and plastic products of Tongda Refractory Technology Co., Ltd. were awarded certificates for new technology and new products in Beijing. These accolades reflected the Company's growing technological impact.

3 Competitive Edge in Sustainable Development of Green Operations:

The Company has fully leveraged its industrial advantages to serve Beijing's cause of building "four centers". It has helped Beijing government cleanse the urban environment. Moreover, the Company has accelerated its pace towards transformation and upgrading and embarking on a sustainable path for green development. In 2018, the second phase of the fly ash disposal project in BBMG Liushui Environmental Protection was commissioned, and reached full capacity. Zanhuan Cement's self-developed facilities for domestic waste treatment reached the designed capacity of treating 300 tonnes of wastes. Tianjin Zhenxing Cement Co., Ltd.'s facilities for treating polluted soil of cement kiln treated 1,500 tonnes of polluted soil per day, which marked a breakthrough in polluted soil treatment technology at cement kiln. The hazardous waste treatment projects of Laishui Jidong Cement, Jilin BBMG Donghuan Environmental Protection Technology Co., Ltd. and Chengde BBMG Cement Co., Ltd. were given official approvals. The sludge treatment project of Jidong Cement Luan County Co., Ltd. and hazardous waste treatment project of Xingtai Yongning were completed. Until now, 22 subsidiaries of the Company are equipped with waste treatment facilities in operation, including 11 companies with hazardous waste treatment facilities (with a total annual treatment capacity of 455,000 tonnes), and 11 companies with domestic, sludge and other ordinary solid waste treatment facilities (with a total annual treatment capacity of 850,000 tonnes). In 2018, the Company treated 277,000 tonnes of hazardous wastes, 220,000 tonnes of sludge, 131,000 tonnes of domestic wastes and 320,000 tonnes of polluted soil, up 112%, 369%, 269% and 487% year-on-year, marking a substantial increase in the capacity of hazardous waste disposal.

In 2018, the Company invested RMB1.14 billion in environmental protection and pollution treatment, and carried out special projects to rectify wrong practices that damage environment and endanger safety. 800 wrong practices were rectified. The Company also amended and promulgated Rules governing Environmental Protection, Environmental Standardization Assessment System and Tentative Rules governing the Hazardous Waste Treatment in Cement Kiln. The Company instilled the concept of ecological civilization into its employees' mindset, promoted building of environmental standards and insisted on low-carbon, green and sustainable development. By doing this, the Company made full use of and generated maximum economic benefits from its resources, and contributed to urban development, environmental safety and social harmony.

In 2018, Tangshan Jidong Qixin Cement Co., Ltd. continued to treat the pollution in its mines based on the green mine construction plan, and was granted the title of "Province-Level Green Mine" by Hebei Province. Xingtai Yongning was granted the title of "Role Model in Labor Competition" by Xingtai Federation of Trade Unions for its "Pioneering Activity in Air Pollution Treatment and Contribution to Green Development". Jidong Heidelberg (Fufeng) Cement Co., Ltd., Jidong Heidelberg (Jingyang) Cement Co., Ltd. and Zanhuan Cement were granted the title of "Green Factory". In 2018, 31 subsidiaries of the Company carried out clean production assessment, and all companies are progressing to meet requirements of the assessment. Until now, 13 companies, including Linli Jidong Cement Co., Ltd. have passed the assessment. When generating satisfactory economic benefits, the Company is also building a good image and taking responsibilities as a state-owned company.

4 Competitive Edge in Industry-Finance Integration:

The capital market is facing many uncertainties due to strengthened financial regulation and the deleveraging process. The funding costs remained high. To better promote its principal businesses, the Company has further promoted its cooperation with financial institutions, innovated the financing management model and explored the new financing channels. In 2018, BBMG Corporation maintained its AAA credit rating, which ensured the Company's access to financing at bond market. BBMG Finance Co., Ltd. ("BBMG Finance") and BBMG Finance Lease Co., Ltd. ("BBMG Finance Lease") have constructed a platform to boost the Company's efficiency in capital use, widen the Company's financing channels and prevent capital risks. The platform enables organic industry-finance integration, and lays sound foundation for the Company's healthy and sustainable development.

In 2018, the external financing of the Company recorded a net increase of RMB23.1 billion, among which: The Company registered RMB5 billion corporate bond credit line in Shanghai Stock Exchange and issued RMB3 billion corporate bond; the Company raised its credit line at Ping An Asset Management Co., Ltd. to RMB15 billion, and borrowed another RMB1.8 billion from Ping An Asset Management Co., Ltd., the Company issued RMB22 billion debt financing instruments (including RMB3 billion corporate bond); the Company commenced its asset securitization business and raised RMB2.42 billion; the Company borrowed another RMB2.1 billion long-term loan for property operation; BBMG Finance Lease lent RMB1.55 billion to the Company. On the premise of ensuring the security of capital chain and effective control over gearing ratio, the Company has optimized and adjusted the term and structure of its liabilities.

5 Competitive Edge in Corporate Culture and Branding:

The core value of BBMG's corporate culture is based on the pragmatic working culture of "work with aspiration, competence, efficiency, success and prudence", the human spirits of "eight specials", the development philosophy of "integration, communion, mutual benefit and prosperity", and the corporate spirits of "three emphasis and one endeavor". BBMG has continuously expedited the reform, driven its business through innovation and managed its business in an innovative way, thereby achieving quality growth. The culture of BBMG is built based on experiences of numerous BBMG's employees. It aims to help employees realize their dreams, and is the driving force and cornerstone of BBMG's business. "BBMG" has been consecutively honored as a well-known trademark in Beijing 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 force.

DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(1) Industry Pattern and Trend

1 Domestic and overseas environments remain complex and challenging, and economy faces downward pressure.

In terms of international environment, the global economic situation is complicated and geopolitical risks remain high. In 2019, the external environment is unbalanced and troubled by many uncertainties. In particular, the global economic growth and international trade growth have shown signs of slowing down. Trade frictions and policy uncertainties continue to pose significant risks. Economies around the world are exposed to amplified vulnerability against the backdrop of uncertainties. The downside risks to global economic growth have increased, but overall, the economic recovery is still continuing.

In terms of the domestic environment, the economic development is facing complex changes in international environment and internal conditions. The longstanding structural problems in China remain prominent. The hidden risks are exposed. The economic performance is stable but is subject to concerns. First and foremost, the Sino-US economy and trade friction remain the greatest uncertainty threatening the export condition, and may weaken the marginal driving effects of international demands. Its impacts on China's division of labour in the global industrial chain and the expectations and confidence of some enterprises cannot be ignored. Moreover, domestic demands are expected to decline. With the traditional pillar industries such as real estate and automobiles entering the adjustment period, the new driving forces are still weaker than the traditional pillar industries despite the accelerated pace of replacing old growth drivers with new ones. Affected slower income growth, rising household debt burden, and declining willingness to spend on consumer durables, the overall consumption growth is relatively sluggish.

On the whole, the risks and challenges brought about by the changes in the long-term and short-term, internal and external factors have increased significantly in China, and the endogenous growth momentum needs to be further enhanced. However, given the many favourable factors for China's economy to maintain steady development in the future, the economic growth has tremendous potential and resilience. The supply-side structural reform has been further advanced, the reform and opening up has been pushed further, the emerging industries are flourishing, the employment situation is stable, domestic demands increasingly fuel economic growth, and the effects of macroeconomic policies are gradually manifesting. The economic growth rate is expected to remain in a stable range for the year.

2 *Building materials industry fares well and the real estate market comes under pressure.*

The structural reform of the supply front was further advanced in the building materials industry in 2018. The efforts to cut overcapacity continued to bear fruits, and generated even more economic benefits. The industrial structure was gradually optimized, and the building materials industry generally fared well. However, the overcapacity problem in cement and sheet glass industries are yet to be solved. Lots of factories were just suspended and they may resume production at any time. The structural contradiction at the supply front remains the principal contradiction.

Building materials industry's total output increased moderately. In 2018, the added value of the building materials industry increased 4.3% year-on-year, with production volume of main products continuing to grow. Cement output declined 5.3% year-on-year to 2.21 billion tonnes. Output of commercial concrete increased 12.4% year-on-year. Building materials prices climbed steadily. Average price of building materials increased 10.5% year-on-year in 2018, recording growth for the second consecutive year. The industry's profitability further improved. In 2018, the above-scale companies in the building materials industry recorded a total revenue of RMB4.8 trillion, representing an increase of 15% year-on-year, and total profits increased 43% year-on-year to RMB431.7 billion. The cement sector recorded a total revenue of RMB882.3 billion, representing an increase of 25% year-on-year, and total profit increased 114% to RMB154.6 billion. Fixed asset investment in the cement industry continued to grow, which was mainly driven by technological upgrade and environmental protection projects. Very few new production capacities were built. The building materials industry underwent gradual structural optimization. Large building materials companies continued with their acquisition and restructuring activities, which increased the industry concentration. The top 10 cement companies (groups) accounted for 64% of total clinker capacities in China, representing an increase of 12 percentage points from 2015.

The real estate market will come under pressure in 2019. Real estate companies will continue to face complicated real estate policies. The glut in third and fourth-tier cities is expected to be worsened by the adjustment in shanty town renovation policies and increases supplies. In general, we expect the real estate sales growth to slow down and prices to stabilize in 2019, while growth in newly started constructions and real estate investments will be moderate or low. As for the demand, the property cooling measures will weigh on residential property sales, but we expect the downside is limited as China is still in the process of urbanization. Real estate companies will put brakes on their investments due to the lower sales and slower cash inflow from property sales. On the other hand, the massive land sales acquired by real estate companies during the past two years will ensure that newly started constructions and real estate investment will continue to grow.

In general, we will continue to face lots of external instabilities and uncertainties, and the domestic economy will face a growing downward pressure. However, 2019 will be the 70th anniversary of PRC, and the central government will roll out a series of stimulus measures and beef up implementation of the “six stabilization” policies. The RMB2 trillion tax cut and other policies of optimizing the business environment will drive quality development of China’s manufacturing industries and help create a strong domestic market. As the regional strategic development has entered the construction stage, raised debt limits of local governments fuel infrastructure construction and improve weak links, and new technologies for infrastructure construction represented by artificial intelligence and industrial internet are launched to facility the transition from old to new drivers, the economy is expected to generally remain stable.

(2) The Company's Development Strategy

We will further promote the structural reform of the supply front, and facilitate the synergetic development of Beijing, Tianjin and Hebei Province. In addition, we will further reform ourselves and innovate, optimize our management and enhance our operating quality and efficiency. We will strive to create values, focus on our main businesses, be pragmatic, transform ourselves, and seek further business development. We will pursue quality growth and value maximization, and strive to build BBMG into a world-renowned and leading building materials group in China. We will work hard to become a world-class company with long-lasting successes.

Promoting quality growth will be a priority of BBMG at the late stage of the “13th Five-Year Plan”, and in the more distant future. We will focus on building the new industrial system, management system and momentum system that drive future quality growth. We will also facilitate the synergetic development of Beijing, Tianjin and Hebei Province, and further strengthen our talent pool and company culture, thereby realizing quality growth of BBMG.

Development Strategy for the Company's businesses in 2019:

The cement business upholds the strategic positioning of “building a world-class cement group which is modern, professional and large in scale”. It will seize the strategic opportunities and leverage its strong profits to accelerate the synergy creation from its M&A and restructurings and enhance its operation and management. It will promote synergetic development of mining, aggregates and additive businesses, and strengthen its core competency. As the industry leader, it will set example for other cement companies and promote quality growth of the whole industry. The concrete business will accelerate its paces in solving its problems and properly dispose of the nonperforming assets. It shall transform its businesses and overcome shortfalls to become a strong modern company.

The modern building materials business shall strengthen its basic management and core businesses, beef up technological innovation, enhance its value-added services, and provide eco-friendly and energy-efficient new building materials that can well meet customer needs. It shall integrate resources to build a characteristic product portfolio and explore new business model for commercialization. The equipment manufacturing business shall precisely position itself and provide solid support to building materials and metallurgy businesses, thereby becoming a self-sustaining segment. The trade business shall always prioritize risk control and further improve its risk control mechanism. It shall expand businesses and lending after thorough study and keep risks under control.

The property development business shall enhance its ability of studying, forecasting and reacting to real estate policies, as well as actively seizing good development opportunities. It needs to strengthen its efficiency and performance in foraying into new cities, developing and operating projects, and generating high returns. It shall actively adapt to real estate policies of local markets, make full use of its land resources and realize synergetic development.

Property investment and management business will be given more priority. We will categorize our existing resources and map out different management plans for different properties. The property investment and management arm will target high-end customers and merchants, boost its expertise and services, and create synergies with the property development business.

(3) Business Plan

2019 will be an important year for the Company in implementation of the “13th Five-Year Plan”. The year will also be the 10th anniversary of the Company’s IPO. The Board of the Company will adhere to the keynote of making progress while maintaining stability, seize important strategic opportunities, stick to the new development concept, persist with reform and innovation, solidify our confidence, drive business through innovation and ensure fulfillment of our annual goals. We will work hard to boost our core businesses, and achieve quality business development.

(4) Possible risks

1 Risks in Policies

The development of cement and property sectors is directly subject to macroeconomic development and macroeconomic control policies. The China-US trade tension will also impact the Company’s businesses. The overcapacity issue in the cement industry remains unsolved. Staggering production will continue, and regulators will step up efforts in implementing other environmental protection policies. Cement companies will continue to actively respond to the structural reform of the supply front, enhance quality and efficiency, and strive for high quality business development. Property curb will remain tight, and more new policies will be introduced. The government’s curb on property industry is reaching the harshest level ever. In the meanwhile, China’s economy remains stable but is also undergoing changes. The external environment is complicated and challenging, and we are facing more economic uncertainties.

Solution: The Company will enhance the interpretation, analysis and judgment of the national macroeconomic policies, and actively respond to national policies. The Company will also pay close attention to the US trade policies toward China, and make adjustments in its importation and exportation accordingly. The Company will make use of market trends, raise the awareness in opportunity identification, synergy among industry segments and development, and incrementally enhance the abilities in institutional innovation, system innovation, technology innovation and management innovation. Leveraging fully on the advantages in scale, region and brand, the Company will sharpen its core competence, promote quality business development minimize the risks brought by macroeconomic policies.

2 *Risks in Capital Operation*

The capital market is facing many uncertainties due to strengthened financial regulation and the deleveraging. The funding costs remained high. As a result, businesses are having more difficulties in obtaining loans and face higher liquidity risks. 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, improve the efficiency in the use of capital, and promote its cooperation with financial institutions. It will also innovate our financing channels and explore new financing channels with a view to ensuring the safety and stability of the capital chain of the Company. Leveraging the advantages of BBMG Finance and BBMG Finance Lease, cash flow of the Company will be secured as a whole.

3 *Risks in Market Competition*

The Company conducted a strategic restructuring of Jidong Group successfully, which has further improved the order of the regional market where the cement segment of the Company operates. However, there is an excess of capacity in the industry as a whole. Many factories were just suspended and they may resume production at any time, causing impact on the market. Moreover, there is an imbalance in regional development. The market conditions in North China are better than that in South China, and the gap is widening. Companies in Northeast China and Inner Mongolia are still losing money or barely break even. Staggering production will encourage unfair competition in the market and impede self-discipline in the industry.

Solution: The Company will actively adapt to industry and market environment. It will seize the strategic opportunities to create more values, accelerate the absorption of restructuring results and enhance its operation and management. The Company will also optimize its presence in the cement industry, increase its share in regional markets, accelerate its transformation and upgrade, step up efforts in technological R&D and innovation, lower its costs and enhance its competitiveness in the market. As the industry leader, it will set example for other cement companies and help set the right market orders and industry rules, thereby enhancing its influence in the market and promoting quality growth of the whole industry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's total assets amounted to RMB268,276.1 million, an increase of 15.5% from the beginning of the Reporting Period, of which liabilities amounted to RMB189,061.6 million, minority interests amounted to RMB21,549.0 million and total equity attributable to the shareholders of the parent company amounted to RMB57,665.5 million. Total equity attributable to shareholders amounted to RMB79,214.5 million, an increase of 13.3% from the beginning of the Reporting Period. As at 31 December 2018, the Group's net current assets were RMB39,955.6 million, an increase of RMB6,800.7 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2018 was 70.5%, an increase of 0.6 percentage point from the beginning of the Reporting Period.

As at 31 December 2018, the Group's cash and bank balances amounted to RMB18,774.5 million, an increase of RMB870.6 million from the beginning of the Reporting Period. During the Reporting Period, the Group generally financed its operations with internally generated resources, short-term financing bonds, perpetual bonds, corporate bonds, medium-term notes, private bonds and banking facilities provided by its principal bankers in the PRC. As at 31 December 2018, the Group's interest-bearing bank borrowings amounted to RMB79,852.3 million (as at 31 December 2017: RMB62,448.3 million) and bore fixed interest rates. Of these borrowings, approximately RMB49,346.2 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB12,569.0 million from the beginning of the Reporting Period. Approximately RMB30,506.1 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB4,835.0 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 RMB158,900 million and drew down borrowings of RMB80,300 million in Mainland China. The remaining credit facilities was RMB78,600 million. During the Reporting Period, the Company has paid the principals and interests of borrowings in a timely manner. The Company has sufficient capital for its operations. As at 31 December 2018, the Group had no future plans for material investments or capital assets.

According to relevant Board resolutions and resolutions of the general meeting, if it is predicted that the interest and principal of the bonds cannot be repaid on time when due or if the interest and principal of the bonds cannot be repaid at the end of the period, the Company shall at least adopt the following measures:

1. No profits shall be distributed to the shareholders;
2. Significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed;
3. Salary and bonus of Directors and senior management shall be reduced or suspended;
4. The main responsible person in relation to the Company's bonds shall not be transferred.

As at the end of the Reporting Period, the Company has strictly complied with and fulfilled the above undertakings.

SPECIAL REPORT ON THE DEPOSIT AND THE ACTUAL USE OF PROCEEDS FOR 2018

The use and management of the proceeds from the 2014 and 2015 Non-Public Issuance of A Shares are as follows:

I. Basic information about the proceeds

(I) 2014 Non-Public Issuance

Pursuant to the resolution of the extraordinary general meeting of the Company held on 30 October 2013, and as approved under the Approval on the Non-Public Issuance of Shares of BBMG Corporation (關於核准北京金隅股份有限公司非公開發行股票的批復) (Zheng Jian Xu Ke [2014] No. 312) issued by China Securities Regulatory Commission (“CSRC”), the Company issued 500,903,224 RMB ordinary shares in a non-public issuance in March 2014 with a nominal value of RMB1 per share and an issue price of RMB5.58 per share. The total proceeds were RMB2,795,039,989.92 and the actual net proceeds after deducting issuance expenses of RMB20,304,100.00 were RMB2,774,735,889.92. The issuance was verified by the Capital Verification Report (An Yong Hua Ming (2014) Yan Zi No. 60667053_A02) issued by Ernst & Young Hua Ming LLP. On 24 March 2014, the above proceeds of RMB2,779,239,989.92 were remitted into the designated account for proceeds opened with the approval of the Board of the Company.

(II) 2015 Non-Public Issuance

Pursuant to the resolution of the extraordinary general meeting of the Company held on 27 May 2015, and as approved under the Approval on the Non-Public Issuance of Shares of BBMG Corporation (關於核准北京金隅股份有限公司非公開發行股票的批復) (Zheng Jian Xu Ke [2015] No. 2336) issued by CSRC, the Company issued 554,245,283 RMB ordinary shares in a non-public issuance of shares in November 2015 with a nominal value of RMB1 per share and an issue price of RMB8.48 per share. The total proceeds were RMB4,699,999,999.84 and the net proceeds after deducting issuance expenses of RMB62,124,960.00 were RMB4,637,875,039.84. The issuance was verified by the Capital Verification Report (An Yong Hua Ming (2015) Yan Zi No. 60667053_A02) issued by Ernst & Young Hua Ming LLP. On 30 November 2015, the above proceeds of RMB4,641,499,999.84 (including unpaid intermediary fee of RMB3,624,960.00) were remitted into the designated account for proceeds opened with the approval of the Board of the Company.

(III) Basic information about the use and balance of the proceeds

As at 31 December 2018, the Company has used RMB7,392,834,161.96 of the proceeds (including RMB4,516,174,950.95 of the proceeds actually used for the projects, RMB600,000,000.00 of the proceeds used to permanently replenish the working capital, RMB2,256,288,600.00 of proceeds with changed use, and intermediary fee, bank charges, and other fees paid), and obtained interest earned from deposits of RMB8,524,434.13. The balance of the proceeds was RMB36,430,261.93 (including unpaid intermediary fee of RMB3,624,960.00).

II. Management of the proceeds

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 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 System for Management 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 System for Management 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 non-public issuance 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 Branch, Industrial and Commercial Bank of China Limited, Shijingshan Branch, China Construction Bank Corporation, Dachang Sub-branch, Industrial and Commercial Bank of China Limited, Beijing Anzhen Branch, China Construction Bank Corporation, Beijing Urban Construction Development Professional Branch (2 accounts), Agricultural Bank of China Limited, Tianjin Yong'an Road Branch and Agricultural Bank of China Limited, Nanjing Xinglong Street Branch. Upon the receipt of the proceeds from A Shares, 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 31 December 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 31 December 2018, the 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	34,326.14
2	Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch	0200203319020196563	The Company	31,271,491.83
3	Industrial and Commercial Bank of China Limited, Shijingshan Branch	0200013419200040504	Beijing Aerated Concrete Co., Ltd.	3,119,957.83
4	China Construction Bank Corporation, Dachang Sub-branch	13001707748050506500	BBMG (Dachang) Modern Industrial Park Management Co., Ltd.	0.00
5	Industrial and Commercial Bank of China, Beijing Anzhen Branch	0200064819024649727	Beijing BBMG Tiantan Furniture Co., Ltd.	0.00
6	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000048	BBMG GEM Real Estate Development Co., Ltd.	0.00
7	China Construction Bank, Beijing Urban Construction Development Professional Branch	11050138360000000047	BBMG GEM Real Estate Development Co., Ltd.	0.00
8	Agricultural Bank of China Limited, Tianjin Yong'an Road Branch	02280101040015072	Jinyu Ligang (Tianjin) Property Development Co., Ltd.	0.00
9	Agricultural Bank of China Limited, Tianjin Yong'an Road Branch	10109201040009981	BBMG Nanjing Real Estate Development Co., Ltd.	2,004,486.13
Total				<u>36,430,261.93</u>

Note: The savings balance in the aforesaid designated accounts for proceeds are current savings, which includes savings interest income of RMB8,524,434.13.

III. Actual use of the proceeds

The Company strictly followed the System for Management of Proceeds when using the proceeds. The details of the actual use of proceeds in proceeds-financed projects were set out in the “Breakdown of Use of Proceeds from A Shares In 2018” attached hereto.

VI. Prepayment of the proceeds for investment projects and replacement of proceeds

The Company did not have any prepayment of proceeds for investment projects and replacement of the proceeds in 2018.

V. Use of idle proceeds for temporary replenishment of working capital

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 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 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 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” 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 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 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 October 2018, the monies had been returned in full to the designated account for proceeds.

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.

VI. Change of the proceeds-financed projects

In the first half of 2018, certain proceeds-financed projects of the Company were closed. The Company applied the remaining 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 Non-Public Issuance 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 Company has made an announcement within 2 days upon conclusion of the Board meeting.

Save as stated above, the Company had no other changes of the proceeds-financed projects in 2018.

VII. Problems in the use and disclosure of proceeds

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

VIII. Assurance from the auditor on the deposit and use of proceeds for 2018

Ernst & Young Hua Ming LLP is of the view that: the deposit and actual use of proceeds by the Company are, in all material aspects, in accordance with the Guidelines for the Supervision and Administration on Listed Companies No. 2 – Supervision and Administration Requirements for Listed Companies on the Management and Use of Proceeds (CSRC Announcement [2012] No. 44) and the Measures for the Management of Proceeds of Listed Companies on the Shanghai Stock Exchange issued by the Shanghai Stock Exchange, and in all material aspects reflect the deposit and actual use of proceeds by the Company in 2018.

IX. Review opinions of the sponsor

Upon review, the sponsor First Capital Investment Banking Co., Ltd. is of the view that: in 2018, the Company strictly implemented the rules of designated saving accounts for proceeds, effectively enforced the Tri-Party Supervisory Agreement, and promptly performed relevant information disclosure obligations; the actual use of proceeds was consistent with that disclosed by the Company; there was no essential change in the use of proceeds and damage to shareholders' interests; and there was no non-compliance in the use of proceeds.

BREAKDOWN OF USE OF PROCEEDS FROM A SHARES IN 2018

Unit: RMB0'000

Total proceeds						749,504.00	Total proceeds invested in the year							39,169.29
Change in use of total proceeds						225,628.86								
Proportion of change in use of total proceeds						30%	Total accumulated proceeds used for investment							737,246.37
Difference between accumulated														
		Total committed investment	Committed investment amount as of the end of the year (1)	Investment amount during the year	Accumulated investment amount as of the end of the year (2)	Investment progress as of the end of the year (%) (4)=(2)/(1)	Date of project ready for its intended use	Cumulative achieved results as at the end of the year	Achieve the intended results or not	Significant changes in project feasibility	Reason for failure to reach the scheduled progress			
Committed investment project	Changed project	from proceeds after adjustment												
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	18,348.34	95,593.58	(2,359.42)	97.59%	Completed	3,187.10	–	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)	Replenishment of working capital	181,551.00	90,000.00	90,000.00	127.54	90,000.00	–	100.00%	Completed	64,678.44	–	No	–	
		–	89,520.59	89,520.59	–	89,520.59	–	100.00%						
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)	Replenishment of working capital	90,000.00	46,014.42	46,014.42	499.00	46,014.42	–	100.00%	Completed	331,270.01	–	No	–	
			37,773.08	37,773.08	–	37,773.08	–	100.00%		–	–	No	–	
Chaoyang District, Donghu 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)	Replenishment of working capital	170,000.00	75,666.90	75,666.90	701.00	75,666.90	–	100.00%	Completed	640,552.83	–	No	–	
			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)	Replenishment of working capital	50,000.00	45,997.91	45,997.91	4,800.57	45,997.91	–	100.00%	Completed	214,074.11	–	No	–	
			4,002.09	4,002.09	–	4,002.09	–	100.00%						
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	14,692.84	98,344.70	(1,655.30)	98.34%	Expected to be completed in April 2019	644,279.46	–	No	–	
Sub-total		689,504.00	681,261.09	681,261.09	39,169.29	677,246.37	(4,014.72)	99.41%		1,898,041.95				
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	39,169.29	737,246.37	(4,014.72)	99.46%		1,898,041.95				

Note 1: Phase 1 of the engineering project of BBMG International Logistics Park has been completed, phase 2 and phase 3 have been basically completed. 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 31 December 2018, the expenses incurred but not yet settled and the expenses expected to be incurred but not yet settled amounted to RMB23.5942 million in total.

Note 2: Production line project with an annual production capacity of 0.8 million pieces of furniture has been completed. 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. As of the date of this special report, 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. 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 RMB16.5530 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.

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 Beijing BBMG Mangrove Environmental Protection Technology Co., Ltd. (“**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. The transfer under the Equity Transfer Agreements was completed in June 2018, upon which the shareholding percentage of the Company in BBMG Mangrove increased from 51% to 100%.

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 Antimonopoly 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. For details about the above equity transfer, please refer to the Company's announcement dated 26 July 2018.

- (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 Group (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.
- (3) On 9 January 2019, the Company entered into the asset acquisition agreement (the **"Asset Acquisition Agreement"**), the JV Company registered capital increase agreement (the **"JV Company Registered Capital Increase Agreement"**) and the termination agreement (the **"2019 Termination Agreement"**) to terminate the equity entrustment agreement dated 28 December 2017 entered into between the Company and Jidong Cement.

In order to resolve the issues of competing business between the Company and Jidong Cement, pursuant to the Asset Acquisition Agreement, the Company has agreed to sell and Jidong Cement has agreed to purchase, the entire equity interests in each of the target companies (the **"Target Companies"**) (the equity interests of which will be transferred from the Company to Jidong Cement pursuant to the Asset Acquisition Agreement). The consideration under the Asset Acquisition Agreement of RMB1,536,867,900 has been based on the valuation result of the equity interests of the Target Companies as determined by an independent valuer using 31 July 2018 as the valuation date in which the valuation has been approved by the State-owned Assets Supervision and Administration Commission (the **"SASAC"**).

In order to resolve the issues of competing business between the Company and Jidong Cement, the Company and Jidong Cement has agreed to contribute to the increase in the registered capital of the JV Company in an amount of RMB1 billion in accordance with their respective shareholding in the JV Company.

The Company will contribute by way of injecting seven injected companies (the “**Seven Injected Companies**”) whereas Jidong Cement will contribute by way of injecting five injected companies (the “**Five Injected Companies**”) together with a cash payment of RMB2,481,749,700. The contribution of the Company and Jidong Cement has been based on the valuation result of the equity interests of the Seven Injected Companies and the Five Injected Companies as determined by an independent valuer using 31 July 2018 as the valuation date in which the valuation has been approved by the SASAC. The cash payment of Jidong Cement in the amount of RMB2,481,749,700 represents the shortfall between the valuation of the Five Injected Companies and the total amount payable by Jidong Cement by reference to its 52.91% shareholding in the JV Company.

Pursuant to the 2019 Termination Agreement, The Company and Jidong Cement have agreed to terminate the equity entrustment agreement dated 28 December 2017 entered into between the Company and Jidong Cement. The Company has further agreed to pay Jidong Cement an entrustment fee calculated on a pro rata basis with reference to RMB5,000,000 as the annual entrustment fee.

The Asset Acquisition Agreement, the JV Company registered capital increase agreement and the 2019 Termination Agreement (collectively, the “**2019 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. The 2019 Agreements further resolve the issue of competing business between the Company and Jidong Cement. The 2019 Agreements further provide an opportunity for the Company to continue to cooperate with Jidong Cement on various aspects and will be a win-win situation to both the Company and Jidong Cement. The transactions under the 2019 Agreements are not expected to have any material adverse effect on the Company’s operating results. The value of contribution to the increase in registered capital of the JV Company by the Company and Jidong Cement under the JV Company Registered Capital Increase Agreement and the consideration payable by Jidong Cement to the Company under the Asset Acquisition Agreement were determined based on arm’s length negotiations between the parties and based on the valuation results of the respective equity interests of the Target Companies and Injected Companies as at 31 July 2018 by independent valuer(s) in which all such valuations have been approved by SASAC.

Upon completion of the 2019 Agreements on 25 March 2019, the Target Companies shall cease to be directly owned subsidiaries of the Company. The Injected Companies became indirectly owned subsidiaries of the Company.

For details of the 2019 Agreements, please refer to the announcements of the Company dated 9 January 2019 and 25 March 2019.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES

Save as disclosed above under the section headed “Discloseable Transactions During the Reporting Period” for the proposed establishment of the JV Company and the acquisition of all the minority interests of BBMG Mangrove 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.

CONNECTED TRANSACTION

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

PLEDGE OF ASSETS

As at 31 December 2018, certain of the Group’s inventories, accounts receivable, fixed assets, investment properties, land use rights, equity interest and bills receivable amounting to RMB45,891.8 million in aggregate (as at 31 December 2017: RMB26,024.0 million) were pledged to secure short-term and long-term loans of the Group, which accounted for approximately 17.1% of the total assets of the Group (as at 31 December 2017: 11.2%).

CONTINGENCIES

Unit: RMB

		As at 31 December 2018	As at 31 December 2017
Provision of guarantee on mortgage to third parties	<i>Note 1</i>	6,447,501,029.54	12,052,621,076.05
Provision of guarantee on loans and others to third parties	<i>Note 2</i>	<u>2,630,000,000.00</u>	<u>4,824,000,000.00</u>
		<u>9,077,501,029.54</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: In 2018, Jidong Group, a subsidiary of the Group, provided guarantee on the borrowings of RMB1,020,000,000.00 for Tangshan Nanhu Eco-City Construction Investment Development Co., Ltd. (唐山市南湖生態城開發建設投資有限責任公司). The guarantee will expire on 21 May 2029. Tianjin Building Materials Group (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 RMB390,000,000.00 for Tianjin Yishang Group Co., Ltd. (天津一商集團有限公司), the borrowings of RMB1,200,000,000.00 for Datong Coal Mine Group Co., Ltd. (大同煤礦集團有限責任公司), and borrowings of RMB20,000,000.00 for Tianjin Jianrun Steel Trading Co., Ltd. (天津建潤鋼鐵貿易有限公司). These guarantees will expire in October 2019, on 13 December 2019 and 12 March 2019, respectively.

COMMITMENTS

Unit: RMB

	As at 31 December 2018	As at 31 December 2017
Contracted but not provided for:		
Capital commitments	128,498,574.97	240,456,042.76
Property development contracts	<u>16,240,929,685.55</u>	<u>6,402,057,932.69</u>
	<u>16,369,428,260.52</u>	<u>6,642,513,975.45</u>

The significant commitments made by the Group as at 31 December 2017 had been duly performed as previously undertaken.

RISK MANAGEMENT

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the significant events after the balance sheet date of the Company, please refer to the “Discloseable Transactions During the Reporting Period” above for the details of the 2019 Agreements entered into with Jidong Cement on 9 January 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 52,498 employees in total (as at 31 December 2017: 52,321 employees). During the Reporting Period, the aggregate remuneration of the Group’s employees (including Directors’ remuneration) amounted to approximately RMB6,194.7 million (for the year ended 31 December 2017: RMB5,502.4 million), representing an increase of approximately 12.6%.

In order to adapt to the needs for the Company’s strategic development, the Company motivated the staff to continuously enhance their personal ability and performance, so as to enhance organizational performance and corporate operating results, thereby further achieving synergetic growth of the staff income and economic benefits, and strengthening the core competitiveness and creativity for the development of the Company on an ongoing basis. The Company has established a fair remuneration system with market competitiveness for employees by making continuous improvement on the same. The adaptability and effectiveness of remuneration policy towards the Company’s business development has played an active role in maintaining the sustained robust development of the Company. Given the actual situation of the Company and the varied features of business developments of its subsidiaries, with a view to executing the remuneration and benefit programme in a more flexible and efficient manner, the Company’s remuneration policy was mainly implemented in the main forms set out as follows:

Operations and management staff (including senior management of parent company and subsidiaries) receives salaries mainly on an annual basis. The Company raised the proportion of performance-based pay in the total annual remuneration, as well as implemented deferred payment for certain performance-based rewards within their tenure of service, facilitating the performance of due diligence and diligent responsibility of senior management through its policies and systems. The Company adopted a position-based salary system for its general management, technicians and production personnel, featuring salaries according to role. The Company raised the proportion of fixed income to enhance the security function of salary and guarantee the stability of staff team through a well-established position evaluation system. Meanwhile, the Company put greater efforts in performance assessment to develop a fairer and more scientific income distribution system so that all staff could be benefited from the development of the Company. Focusing on the different characteristics of our subsidiaries, the Company also proactively explored a remuneration distribution system with various allocation factors for management, sales and technical personnel in a bid to boost the enthusiasm and creativity of key talents and enhance the production efficiency by adopting piece rate for production staff. The Company proactively facilitated the trial operation of a broad band salary system and the assessment and engagement system for professional and technical personnel and core staff for enterprises with solid foundation in management and stable business development, opened up related and consistent channels for career development and remuneration adjustment, in order to give full play to boosting the enthusiasm and creativity of its staff and create a harmonious and stable working environment.

In addition, the Company has also established a sound benefit system for employees by paying comprehensive social insurance and housing fund, adopting annuity system (to supplement the pension insurance) and supplemental medical insurance. The front-line employees with exceptional performance will be awarded the honorary title of “Chief Employee” and corresponding subsidies. The Company released the high temperature subsidy and keep warm subsidy in a timely manner, and gave comprehensive protection for its staff in respect of their legal right and interest.

TRAINING SCHEME

The Company’s training program encompasses theoretical study classes for department heads and cadres in factories, backup team training for talents of three supports (supporting agriculture, education and health), training for grassroots party workers, training for directors, supervisors and senior management members, training for investor relation, training for orientation of college graduates, training for human resource managers, training regarding legal common knowledge, continuing training in internal audit and training in safety production, covering a total of 14,150 people.

The statistics of the profession composition of the employees (as at 31 December 2018)

Employee profession	Number of employees
Production personnel	27,823
Sales personnel	4,199
Technical personnel	11,024
Financial personnel	1,874
Administrative personnel	6,299
Other personnel	<u>1,279</u>
Total	<u><u>52,498</u></u>

The statistics of the education level of the employees (as at 31 December 2018)

Education level	Number of employees
Postgraduate or higher	1,364
Undergraduate	11,679
Tertiary college graduate	11,622
Secondary vocational school graduates or lower qualifications	<u>27,833</u>
Total	<u><u>52,498</u></u>

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as was known to the Directors, as at 31 December 2018, shareholders of the Company who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of issued share capital (%)	Percentage of total issued share capital (%)
A Shares	北京國有資本經營管理中心 (Beijing SCOM Center) (Note 1)	Direct beneficial owner	4,797,357,572	57.53	44.93
	北京京國發股權投資基金 (有限合夥) (Beijing Jingguofa Equity Investment Fund (Limited Partnership)) (Note 2)	Interest of corporation controlled by the substantial shareholder	43,115,900	0.52	0.40
	State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Note 1)	Held by controlled corporation	4,840,473,472	58.05	45.33
H Shares	Ouyang Jieliang	Direct beneficial owner	214,351,000	9.17	2.01
H Shares	Prime Capital Management Company Limited	Investment manager	167,306,755	7.15	1.57
H Shares	FMR LLC	Interest of corporation controlled by the substantial shareholder	117,642,624	5.03	1.10

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

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

Save as disclosed above, as at 31 December 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 OFFICER IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the interests or short positions of the Directors, supervisors or chief executive officer of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register of interests required to be kept under section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

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

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

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 unpublished inside information of the Company in relation to the purchase and sale of the securities of the Company are also required to comply with the Model Code.

As at 31 December 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 Reporting Period. 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.

CORPORATE GOVERNANCE CODE

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

During the Reporting Period, the Company had applied the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Company had applied the principles and complied with all the code provisions of the corporate governance code (the “**CG Code**”), as amended from time to time, set out in Appendix 14 to the Listing Rules during the Reporting Period as its own code on corporate governance practices. During the Reporting Period, the Company had reviewed its corporate governance documents and is of the view that the Company had fully complied with the code provisions of the CG Code.

Looking forward, the Company will continue to review its corporate governance practices and enhance its internal controls and risk management procedures to ensure their consistent application and will continue to improve the practices having regard to the latest developments.

A full description of the Company's corporate governance will be set out in the Corporate Governance section in the annual report for the Reporting Period.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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 Company proposed to make amendments (the “**2018 First Proposed Amendments**”) to the articles of association of the Company (the “**Articles of Association**”) 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》). The 2018 First Proposed Amendments were all passed at the 2017 annual general meeting held on 24 May 2018. For details of the 2018 First Proposed Amendments, please refer to the announcement of the Company dated 29 March 2018.

Pursuant to the requirements of the relevant laws, administrative regulations and listing rules of the place where the Company is listed, and according to the actual circumstances of the Company, the Company proposed to make amendments to the Articles of Association mainly by adding contents in relation to the “incorporation of party development in the Articles of Association” to the Articles of Association and inserting scope of business and optimizing the provisions for accumulative voting mechanism (the “**2018 Second Proposed Amendments**”). The 2018 Second Proposed Amendments were all passed at the 2018 second extraordinary general meeting (the “**2018 Second EGM**”) held on 16 October 2018. For details of the 2018 Second Proposed Amendments, please refer to the announcement of the Company dated 29 August 2018.

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

As the term of the fourth session of the Board has expired in 2018, a general election should be held in accordance with the Articles of Association. Certain Directors were elected or re-elected by the shareholders of the Company (“**Shareholders**”) to constitute the fifth session of the Board at the 2018 Second EGM. The term of the fifth session of the Board commenced from the conclusion of the 2018 Second EGM and will be expiring on the date of the annual general meeting of the Company for the year of 2020.

The Directors offered for re-election at the 2018 Second EGM are Mr. Jiang Deyi, Mr. Zeng Jin, Mr. Wu Dong, Mr. Zheng Baojin, Mr. Wang Guangjin, Mr. Tian Lihui, Mr. Tang Jun and Mr. Ngai Wai Fung. The non-executive Director being nominated for election at the 2018 Second EGM is Mr. Xue Chunlei. Mr. Guo Yanming fulfilled the relevant requirements to be elected democratically by the staff and workers of the Company as a Director and is therefore not subject to election at the 2018 Second EGM.

As Mr. Yu Zhongfu did not offer himself for re-election at the 2018 Second EGM upon the expiration of his term of office, Mr. Yu Zhongfu has retired as a non-executive Director on 16 October 2018.

On conclusion of the 2018 Second EGM, the fifth session of the Board is composed of executive directors of Mr. Jiang Deyi, Mr. Zeng Jin, Mr. Wu Dong, Mr. Zheng Baojin, non-executive Directors of Mr. Guo Yanming and Mr. Xue Chunlei and independent non-executive Directors of Mr. Wang Guangjin, Mr. Tian Lihui, Mr. Tang Jun and Mr. Ngai Wai Fung.

On 26 December 2018, the Board received a resignation letter from Mr. Zeng as being the executive Director, general manager and a member of the Strategic Committee of the Company with effect from 26 December 2018 because of his work re-designation.

AUDIT COMMITTEE

The Company has established the Audit Committee pursuant to the provisions of the CG Code with written terms of reference, aiming at (among other things) reviewing and supervising the Group's financial reporting procedures. The Audit Committee consists of two non-executive Directors and four independent non-executive Directors. At a meeting convened on 27 March 2019, the Audit Committee reviewed and considered the consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also recommended the Board to adopt the Group's consolidated financial statements for the Reporting Period.

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

REMUNERATION AND NOMINATION COMMITTEE

The Company has established the Remuneration and Nomination Committee with written terms of reference. The primary duties of the Remuneration and Nomination Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review the performance-based remuneration, ensure that no Director is involved in determining his own remuneration, nominate candidates to fill up any vacancy of the Board, ensure the diversity of the composition of the Board and review the qualification of the candidates. As at the date of this announcement, the Remuneration and Nomination Committee consists of five members, namely Wu Dong (executive Director), Wang Guangjin (independent non-executive Director), Tian Lihui (independent non-executive Director), Tang Jun (independent non-executive Director) and Ngai Wai Fung (independent non-executive Director). Wang Guangjin (independent non-executive Director) is the chairman of the Remuneration and Nomination Committee.

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

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This electronic version of this annual results announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bbmng.com.cn/listco>). The annual report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and will be available for review on the same websites in due course. The PRC domestic annual results report for the Reporting Period 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 annual results announcement.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members for H Shares of the Company will be closed from 16 April 2019 (Tuesday) to 15 May 2019 (Wednesday), both days inclusive, for the purpose of determining entitlements of the Shareholders the right to attend and vote at the AGM. In order to qualify for the right to attend and vote at the forthcoming AGM of the Company to be held on 15 May 2019 (Wednesday), all transfers, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 15 April 2019 (Monday).

Subject to the approval of the final dividend at the forthcoming AGM, the transfer books and register of members for H Shares of the Company will be closed from 24 May 2019 (Friday) to 29 May 2019 (Wednesday), both days inclusive, for the purpose of determining entitlements of the Shareholders the right to receive the final dividends for the Reporting Period. In order to qualify for the right to receive the final dividends for the Reporting Period, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2019 (Thursday).

APPRECIATION

Finally, on behalf of the Board, I would like to express my sincere gratitude to our shareholders for their long-standing support for the Company's development, and thank the Board and the Supervisory Board for their diligence and all employees of the Company for their hard work. In the coming year, the Company will endeavor to give back to the shareholders and the society, and build a bright future with shareholders!

By order of the Board
BBMG Corporation*
Jiang Deyi
Chairman

Beijing, the PRC
28 March 2019

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