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 2019

HIGHLIGHTS

- Operating revenue of RMB91,829.3 million, an increase of 10.5% from 2018
- Gross profit margin from principal business of 26.5%, a decrease of 0.2 percentage point from 2018
- Net profit of RMB5,178.1 million, an increase of 20.9% from 2018
- Net profit attributable to the shareholders of the parent company of RMB3,693.6 million, an increase of 13.3% from 2018
- Core net profit attributable to the shareholders of the parent company (excluding the after tax net fair value gains on investment property) of RMB3,146.0 million, an increase of RMB267.3 million or 9.3% from 2018
- Basic earnings per share attributable to the shareholders of the parent company was RMB0.35, an increase of RMB0.04 from 2018
- The Board recommended a final dividend of RMB0.12 per share (before tax) for the year ended 31 December 2019

* *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 2019 (the "**Reporting Period**") together with the comparative figures for the year of 2018. 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 RMB3,693.6 million, representing an increase of approximately 13.3% over the last year; basic earnings per share was approximately RMB0.35 (for the year ended 31 December 2018: RMB0.31), representing an increase of approximately 12.9% over the last year; total equity attributable to the shareholders of the parent company was approximately RMB61,131.2 million as at the end of the Reporting Period, representing an increase of approximately RMB3,465.7 million from the beginning of the Reporting Period.

DIVIDEND

The Board recommended a final dividend of RMB0.12 per share (before tax) for the Reporting Period (for the year ended 31 December 2018: RMB0.055 per share (before tax)), subject to approval by the shareholders at the forthcoming annual general meeting to be held on 19 May 2020 (Tuesday) (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 17 July 2020 (Friday) to the holders of H shares (the "**H Shares**") whose names appear on the register of members on 2 June 2020 (Tuesday) (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 depositary 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

	Notes	**For the year ended 31 December 2019 Audited**	For the year ended 31 December 2018 Audited
Operating revenue	*5*	**91,829,311,097.05**	83,116,733,092.15
Less: Operating costs	*6*	**67,402,240,134.58**	60,720,721,116.68
Tax and surcharges		**3,405,479,644.18**	3,151,475,912.48
Selling expenses	*7*	**3,076,483,834.81**	2,915,690,243.38
Administrative expenses	*8*	**7,056,088,671.56**	7,155,497,049.68
Research and development expenses	*9*	**232,888,822.88**	154,340,576.16
Finance costs	*10*	**3,397,042,746.61**	3,047,478,342.17
Including: Interest expenses		***6,836,733,107.83***	*6,676,289,245.63*
Interest income		***712,519,742.58***	*269,724,243.63*
Add: Other gains	*11*	**738,078,540.73**	769,376,627.47
Investment gains	*12*	**259,882,805.24**	629,155,191.67
Including: Gains from investment in associates and joint ventures		***388,081,883.98***	*371,432,235.92*
Derecognition gains on financial assets measured at amortized cost ("-" indicating loss)		***(443,184,451.58)***	–
Gains from changes in fair value	*13*	**759,365,787.90**	476,516,247.71
Credit impairment losses ("-" indicating loss)	*14*	**(467,906,969.95)**	(377,815,478.90)
Asset impairment losses ("-" indicating loss)	*15*	**(642,657,903.94)**	(827,770,147.15)
Gains / (losses) on disposal of assets		**39,433,482.23**	(72,270,242.82)
Operating profit		**7,945,282,984.64**	6,568,722,049.58
Add: Non-operating revenue	*5*	**522,575,890.90**	391,860,471.10
Less: Non-operating expenses	*6*	**534,038,828.15**	515,947,776.94
Total profit		**7,933,820,047.39**	6,444,634,743.74
Less: Income tax expenses	*16*	**2,755,672,377.61**	2,163,209,508.92
Net profit		**5,178,147,669.78**	4,281,425,234.82
Classified by continuity of operations			
Net profit from continuing operations		**5,178,147,669.78**	4,281,425,234.82
Classified by attribution of ownership			
Net profit attributable to the shareholders of the parent company		**3,693,582,654.45**	3,260,449,276.97
Minority interests		**1,484,565,015.33**	1,020,975,957.85

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Unit: RMB

	Note	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Net other comprehensive income after tax		**34,203,076.54**	(183,560,942.69)
Net other comprehensive income after tax attributable to shareholders of the parent company		**25,316,592.01**	(47,258,838.29)
Other comprehensive income not allowed to be reclassified into profit or loss			
Changes arising from re-measurement of defined benefit plans		**23,445,873.00**	(16,710,741.00)
Changes in fair value of other equity instruments		**(2,472,685.22)**	(29,595,877.63)
Other comprehensive income to be reclassified into profit or loss			
Other comprehensive income that may be reclassified to profit or loss under equity method		**–**	(4,136,231.56)
Exchange differences on foreign currency translation		**4,343,404.23**	3,184,011.90
Net other comprehensive income after deducting impact of income tax		**25,316,592.01**	(47,258,838.29)
Net other comprehensive income after tax attributable to minority interests		**8,886,484.53**	(136,302,104.40)
Total comprehensive income		**5,212,350,746.32**	4,097,864,292.13
Including: Total comprehensive income attributable to the shareholders of the parent company		***3,718,899,246.46***	*3,213,190,438.68*
Total comprehensive income attributable to minority interests		***1,493,451,499.86***	*884,673,853.45*
Earnings per share	*17*		
Basic earnings per share (RMB/share)		**0.35**	0.31
Diluted earnings per share (RMB/share)		**0.35**	0.31

CONSOLIDATED BALANCE SHEET

Unit: RMB

	Notes	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Assets			
Current Assets			
Cash and bank balances		**21,325,042,578.37**	18,774,468,260.66
Financial assets held for trading		**1,015,278,286.73**	1,034,558,112.73
Bills receivable	*19*	**5,202,609,351.30**	10,720,555,717.69
Accounts receivable	*20*	**8,001,473,532.63**	7,440,085,450.85
Receivables financing		**501,846,392.39**	505,226,096.81
Prepayments		**1,524,225,471.45**	2,008,371,750.64
Other receivables		**9,067,357,777.42**	9,941,619,578.19
Inventories	*21*	**121,531,025,336.50**	114,912,793,681.36
Contract assets		**42,952,083.21**	–
Assets held for sale		**–**	109,534,153.31
Other current assets		**6,284,046,698.11**	3,710,725,422.82
Total current assets		**174,495,857,508.11**	169,157,938,225.06
Non-current assets			
Debt investments		**206,933,697.53**	–
Long-term receivables		**1,021,971,024.22**	802,351,921.55
Long-term equity investments		**3,988,531,537.26**	3,036,757,009.85
Investment in other equity instruments		**382,047,682.07**	396,187,115.71
Other non-current financial assets		**–**	214,980,000.00
Investment properties		**29,632,244,749.53**	21,327,245,245.17
Fixed assets		**44,512,207,458.24**	44,692,772,001.56
Construction in progress		**2,279,231,800.75**	2,929,675,428.99
Right-of-use assets		**589,176,549.64**	–
Intangible assets		**16,625,761,408.49**	16,691,754,296.12
Goodwill		**2,591,468,983.05**	2,740,287,649.80
Long-term deferred expenditures		**1,276,284,193.48**	1,242,705,854.17
Deferred income tax assets		**3,988,640,507.00**	3,454,590,218.09
Other non-current assets		**533,398,608.96**	1,588,846,733.06
Total non-current assets		**107,627,898,200.22**	99,118,153,474.07
Total assets		**282,123,755,708.33**	268,276,091,699.13

CONSOLIDATED BALANCE SHEET (CONTINUED)

Unit: RMB

	Notes	**As at 31 December 2019 Audited**	As at 31 December 2018 Audited
Liabilities and equity attributable to shareholders			
Current liabilities			
Short-term loans	*22*	**37,217,682,474.50**	39,880,392,209.57
Bills payable	*23*	**1,976,142,322.65**	2,080,749,336.98
Accounts payable	*24*	**17,701,948,542.45**	18,357,615,866.65
Receipts in advance		**334,666,882.90**	317,903,204.75
Contract liabilities		**24,557,147,374.24**	23,715,168,353.77
Wages payable		**490,892,896.45**	393,840,303.30
Tax payable		**2,515,633,050.02**	2,527,195,602.24
Other payables		**8,517,423,661.65**	8,352,595,483.33
Liabilities held for sale		**–**	40,291,356.83
Non-current liabilities due within one year		**20,319,530,862.57**	18,543,864,543.14
Short-term financing bonds	*25*	**3,298,801,089.25**	6,500,000,000.00
Other current liabilities		**10,776,488,930.30**	8,492,714,136.95
Total current liabilities		**127,706,358,086.98**	129,202,330,397.51
Non-current liabilities			
Long-term loans	*26*	**35,787,401,022.47**	30,506,054,265.70
Bonds payable	*25*	**27,460,996,718.14**	20,231,089,289.70
Lease liabilities		**317,196,853.52**	–
Long-term payables		**17,818,306.88**	315,856,652.08
Long-term wages payable		**647,490,892.12**	674,179,502.11
Accrued liabilities		**803,168,068.27**	606,650,918.54
Deferred income		**837,416,381.95**	888,404,866.72
Deferred income tax liabilities		**5,992,070,007.93**	5,960,849,194.26
Other non-current liabilities		**22,488,938.80**	676,174,065.29
Total non-current liabilities		**71,886,047,190.08**	59,859,258,754.40
Total liabilities		**199,592,405,277.06**	189,061,589,151.91

CONSOLIDATED BALANCE SHEET (CONTINUED)

Unit: RMB

	As at 31 December 2019 Audited	As at 31 December 2018 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**	14,962,000,000.00
Including: Perpetual bonds	***14,962,000,000.00***	*14,962,000,000.00*
Capital reserve	**6,434,307,002.11**	5,273,970,842.54
Other comprehensive income	**232,267,913.04**	206,951,321.03
Specific reserve	**32,250,174.13**	20,124,124.94
Surplus reserve	**1,926,994,968.55**	1,537,434,040.24
General risk reserve	**359,957,564.90**	340,792,201.29
Retained earnings	**26,505,650,840.60**	24,646,427,835.84
Total equity attributable to the shareholders of the parent company	**61,131,199,597.33**	57,665,471,499.88
Minority interests	**21,400,150,833.94**	21,549,031,047.34
Total equity attributable to shareholders	**82,531,350,431.27**	79,214,502,547.22
Total liabilities and equity attributable to shareholders	**282,123,755,708.33**	268,276,091,699.13

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.

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

Change in Accounting Policy

New Lease Standard

In 2018, the Ministry of Finance issued the amended "Accounting Standards for Business Enterprises No. 21-Leasing" (the "**New Lease Standard**") which adopted the single model similar to that used for the current accounting treatment for finance lease and required the lessee to recognize right-of-use assets and lease liabilities for all leases other than short-term and low-value assets leases and recognize depreciation and interest expenses separately. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly amended lease standard, did not adjust information for the comparable period, and retrospectively adjusted retained earnings at the beginning of 2019 based on the difference between the New Lease Standard and the current lease standard on the date of initial implementation in accordance with the transitional requirements:

(1) For the finance leases prior to the date of initial implementation, the Group measures the right-of-use assets and lease liabilities separately based on the original book value of the finance lease assets and the finance lease payments payable;

(2) For operating leases prior to the date of initial implementation, the Group measures lease liabilities based on the present value of the remaining lease payments discounted at the incremental borrowing rate on the date of initial implementation; and except certain major operating lease, measures the right-of-use assets on a lease-by-lease basis according to the amount equal to the lease liabilities with necessary adjustments based on the prepaid rent. As for certain major operating lease, assuming that the New Lease Standard is adopted from the starting date of the lease term, lease liabilities are recognized and right-of-use assets are measured using the book value at the date of initial implementation discounted at the incremental borrowing rate of the Group as the lessee.

(3) The Group conducts impairment test on the right-of-use assets and carries out corresponding accounting treatment.

For operating leases prior to the date of initial implementation of which the lease assets are low-value assets, or operating leases that will be completed within 12 months, the Group adopts simplified treatment and does not recognize the right-of-use assets and lease liabilities.

For the minimum lease payments not made for the significant operating leases as disclosed in the 2018 financial statements, the adjustment of the difference between the present value discounted at the incremental borrowing rate as at 1 January 2019 of the Group as the lessee and the lease liabilities included in the consolidated balance sheet as at 1 January 2019 is as follows:

Unit: RMB

Minimum lease payments for significant operating leases as at 31 December 2018	1,074,063,817.13
Less: minimum lease payments subject to simplified treatment	36,163,097.43
Including: Lease with remaining lease term of less than 12 months	*34,623,246.03*
Low-value asset lease with remaining lease term of more than 12 months	*1,539,851.40*
Add: Not recognized but reasonably determined increase in the lease payments due to the exercise of the option to renew the lease as at 31 December 2018	211,590,407.22
Weighted average incremental borrowing rate	5.14%
Present value of the operating lease payments as at 1 January 2019	1,116,600,498.79
Add: Finance leases payments payable as at 31 December 2018	13,468,876.97
Lease liabilities as at 1 January 2019	1,130,069,375.76

The impact of the implementation of the New Lease Standard on the consolidated balance sheet items as at 1 January 2019 is as follows:

Consolidated balance sheet

Unit: RMB

	Carrying amount	**Assuming under the original standard**	**Impact**
Right-of-use assets	1,154,078,494.31	–	1,154,078,494.31
Fixed assets	44,667,521,680.58	44,692,772,001.56	(25,250,320.98)
Long-term deferred expenditures	1,117,784,329.34	1,242,705,854.17	(124,921,524.83)
Long-term payables	299,949,336.99	315,856,652.08	(15,907,315.09)
Lease liabilities due within one year	172,134,210.97	–	172,134,210.97
Lease liabilities	957,935,164.79	–	957,935,164.79
Retained earnings	24,607,271,890.46	24,646,427,835.84	(39,155,945.38)
Minority interests	21,477,931,580.55	21,549,031,047.34	(71,099,466.79)

The impact of the implementation of the New Lease Standard on the consolidated financial statements for 31 December 2019 is as follows:

Consolidated Balance Sheet

Unit: RMB

	Carrying amount	**Assuming under the original standard**	**Impact**
Prepayments	1,524,225,471.45	1,537,737,295.16	(13,511,823.71)
Other receivables	9,067,357,777.42	9,067,490,877.42	(133,100.00)
Other current assets	6,284,046,698.11	6,285,563,367.47	(1,516,669.36)
Fixed assets	44,512,207,458.24	44,528,669,601.48	(16,462,143.24)
Right-of-use assets	589,176,549.64	–	589,176,549.64
Long-term deferred expenditures	1,276,284,193.48	1,436,013,915.60	(159,729,722.12)
Accounts payable	17,701,948,542.45	17,702,979,736.42	(1,031,193.97)
Other payables	8,517,423,661.65	8,517,615,565.36	(191,903.71)
Non-current liabilities due within one year	20,319,530,862.57	20,210,022,686.65	109,508,175.92
Lease liabilities	317,196,853.52	–	317,196,853.52
Long-term payables	17,818,306.88	31,287,183.85	(13,468,876.97)
Retained earnings	26,505,650,840.60	26,514,978,468.47	(9,327,627.87)
Minority interests	21,400,150,833.94	21,405,013,169.65	(4,862,335.71)

Consolidated Income Statement

Unit: RMB

	Carrying amount	Assuming under the original standard	Impact
Operating costs	67,402,240,134.58	67,438,394,422.80	(36,154,288.22)
Finance costs	3,397,042,746.61	3,362,014,208.57	35,028,538.04
Selling expenses	3,076,483,834.81	3,082,415,913.77	(5,932,078.96)
Administrative expenses	7,056,088,671.56	7,067,160,275.20	(11,071,603.64)
Non-operating revenue	522,575,890.90	444,639,875.10	77,936,015.80

The Company

On the date of initial implementation and during 2019, the New Lease Standard has no significant impact on the Company's financial statements.

In addition, starting from the date of initial implementation, the Group will include the cash paid for the repayment of principal and interest of lease liabilities under the cash outflow from the financing activities in the cash flow statement. The short-term lease payments and lease payments for low-value asset for which simplified treatment is adopted and the variable lease payments that are not included in the measurement of lease liabilities are still included under cash outflow from operating activities.

Change in the presentation of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)) and the Notice on Revising and Issuing Format of Consolidated Financial Statements (2019)(Cai Kuai [2019] No. 6) (《關於修訂印發合併財務報表格式（2019版）的通知》(財會[2019]16號)), in the balance sheet, the "bills receivable and accounts receivable" shall be split into "bills receivable", "accounts receivable", the "receivables financing", the "bills payable and accounts payable" shall be split into "bills payable" and "accounts payable"; in the income statement, in addition to the expensed expenditures incurred during the research and development process, the "research and development expenses" shall also include the amortization of intangible assets developed by the Group as previously presented in the "administrative expenses". The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the consolidation, the net profit of the Company and the interests of the shareholders.

Below is the effect of the new presentation of financial statements on the consolidated balance sheet as at 1 January 2019:

Unit: RMB

	Carrying amount	**Assuming implementing the original standard**	**Impact on amounts**
Bills receivable and accounts receivable	18,665,867,265.35	(18,665,867,265.35)	–
Bills receivable	–	10,720,555,717.69	10,720,555,717.69
Accounts receivable	–	7,440,085,450.85	7,440,085,450.85
Receivables financing	–	505,226,096.81	505,226,096.81
	18,665,867,265.35	–	18,665,867,265.35

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 2019 and their financial performance and cash flows for 2019.

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 2019

	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	40,596,553,417.73	24,498,816,331.59	22,190,751,212.69	4,543,190,135.04	-	-	91,829,311,097.05
Revenue from inter-segment transactions	1,232,748,739.60	2,179,611,418.41	-	811,101,639.97	-	(4,223,461,797.98)	-
	41,829,302,157.33	26,678,427,750.00	22,190,751,212.69	5,354,291,775.01	-	(4,223,461,797.98)	91,829,311,097.05
Gains/(losses) on investment in joint ventures and associates	376,762,482.66	24,406,187.94	(230.82)	(13,086,555.80)	-	-	388,081,883.98
Losses from impairment of assets	483,278,805.88	131,134,751.56	(1,754,891.35)	29,999,237.85	-	-	642,657,903.94
Losses on credit impairment	222,749,107.96	319,839,751.53	762,760.02	(75,444,649.56)	-	-	467,906,969.95
Depreciation and amortisation	786,616,361.92	268,954,805.31	45,365,270.13	281,300,453.30	85,476,845.19	-	4,467,713,735.85
Total profits/(losses)	5,483,611,811.33	(1,149,095,057.32)	3,396,936,049.14	2,047,020,534.49	(1,841,987,149.42)	(2,666,140.83)	7,933,820,047.39
Income tax expense	1,324,061,434.39	84,223,312.22	953,604,349.84	854,946,603.72	(460,496,787.35)	(666,535.21)	2,755,672,377.61
Total assets	81,070,517,884.87	14,109,126,858.19	143,937,289,841.84	91,267,880,110.43	1,783,137,260.29	(50,044,196,247.29)	282,123,755,708.33
Total liabilities	44,744,914,691.92	10,467,396,033.06	123,914,643,139.59	50,443,413,837.62	20,009,356,799.53	(49,987,319,224.66)	199,592,405,277.06
Other disclosure							
Long-term equity investment in joint ventures and associates	2,190,218,086.28	(5,305,654.90)	983,374,194.03	820,244,911.85	-	-	3,988,531,537.26
Increase in other non-current assets (excluding long-term equity investments)	3,283,118,150.87	1,219,077,074.00	60,021,601.56	7,099,792,542.37	-	-	11,662,009,368.80

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)	–
	39,996,618,362.54	21,192,160,647.14	22,240,207,534.48	3,930,820,331.26	–	(4,243,073,783.27)	83,116,733,092.15
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 (excluding long-term equity investments)	4,364,528,255.51	1,541,107,793.13	35,612,130.47	9,879,629,777.97	–	–	15,820,877,957.08

Geographical information

Unit: RMB

Operating revenue

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Asia	**91,592,678,583.02**	82,901,774,716.23
Europe	**180,604,927.59**	72,367,340.49
Africa	**31,582,804.82**	30,684,480.77
Others	**24,444,781.62**	111,906,554.66
	91,829,311,097.05	83,116,733,092.15

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 2019, 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 2018: Nil).

5. OPERATING REVENUE AND NON-OPERATING REVENUE

Unit: RMB

Operating revenue is presented as follows:

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Operating revenue from principal business	**90,935,860,015.15**	82,397,424,970.14
Operating revenue from other business	**893,451,081.90**	719,308,122.01
	91,829,311,097.05	83,116,733,092.15

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Income from contracts with customers	**89,580,358,684.47**	81,460,171,982.90
Rental income	**1,976,602,651.71**	1,387,969,898.65
Including: Rental income from investment properties	***1,777,881,775.95***	*1,177,306,391.53*
Other rental income	***198,720,875.76***	*210,663,507.12*
Interest income	**272,349,760.87**	268,591,210.60
	91,829,311,097.05	83,116,733,092.15

Non-operating revenue is presented as follows:

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Net income from fines	**139,783,448.15**	89,311,388.60
Relocation compensation/government grants	**111,663,451.47**	162,768,716.76
Unpayable amounts	**118,600,989.34**	64,992,893.98
Others	**152,528,001.94**	74,787,471.76
	522,575,890.90	391,860,471.10

6. OPERATING COSTS AND NON-OPERATING EXPENSES

Unit: RMB

Operating costs are presented as follows:

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Operating costs from principal business	**66,853,646,561.76**	60,393,762,973.39
Operating costs from other business	**548,593,572.82**	326,958,143.29
	67,402,240,134.58	60,720,721,116.68

Non-operating expenses are presented as follows:

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Losses on disposal of non-current assets	**143,523,231.54**	75,518,346.18
Including: Losses on disposal of fixed assets	***142,147,754.65***	*75,278,159.30*
Loss on disposal of other non current assets	***1,375,476.89***	*240,186.88*
Abnormal losses	**7,937,317.21**	52,934,217.29
Expenses on charity donation	**34,373,605.55**	984,505.00
Losses on compensation, penalties and fines	**312,617,568.37**	175,016,499.09
Other expenses	**35,587,105.48**	211,494,209.38
	534,038,828.15	515,947,776.94

7. SELLING EXPENSES

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Employee remunerations	**979,339,136.12**	880,655,928.70
Office expenses	**361,559,228.47**	251,984,873.08
Lease fee	**72,042,739.79**	134,522,095.39
Agency intermediary fee	**419,911,565.97**	431,527,611.38
Advertisement fee	**322,474,958.37**	344,374,803.42
Transportation expenses	**860,511,142.06**	815,165,809.84
Others	**60,645,064.03**	57,459,121.57
	3,076,483,834.81	2,915,690,243.38

8. ADMINISTRATIVE EXPENSES

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Employee remunerations	**2,800,165,692.88**	2,760,126,708.05
Office expenses	**1,130,399,958.32**	1,112,193,130.07
Utilities	**86,869,188.26**	88,528,561.35
Intermediary service fees	**339,585,155.54**	382,411,849.53
Leasing expenses	**75,649,865.17**	121,349,670.16
Sewage and afforestation fees	**57,517,915.36**	70,230,207.33
Loss on shut down	**799,239,796.44**	792,989,324.94
Others	**1,766,661,099.59**	1,827,667,598.25
	7,056,088,671.56	7,155,497,049.68

The above-mentioned intermediary service fees included the fee of RMB5,800,000 (including tax) (for the year end 31 December 2018: RMB5,200,000) 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. RESEARCH AND DEVELOPMENT EXPENSES

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Employee remunerations	**126,743,571.86**	81,024,416.65
Material and equipment cost	**33,144,983.17**	50,538,433.69
Travel expenses	**4,180,367.53**	4,901,059.37
Others	**68,819,900.32**	17,876,666.45
	232,888,822.88	154,340,576.16

10. FINANCE COSTS

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Interest expense	**6,836,733,107.83**	6,676,289,245.63
Including: Interests on bank loans and other loans to be fully repaid within 5 years	***6,753,197,751.10***	*6,635,830,758.31*
Interests on bank loans and other loans to be repaid over 5 years	***50,557,239.47***	*40,458,487.32*
Interests expense on lease liabilities	***32,978,117.26***	–
Less: Interest income	**712,519,742.58**	269,724,243.63
Less: Amount of interest capitalized *(Note)*	**2,966,468,446.68**	3,607,912,380.20
Exchange (gains)/losses	**(89,812.42)**	47,420,627.99
Handling charges	**138,841,337.86**	126,939,441.92
Others	**100,546,302.60**	74,465,650.46
	3,397,042,746.61	3,047,478,342.17

Note: For the year ended 31 December 2019, the amount of capitalised borrowing costs has included construction in progress of RMB28,516,793.52 (for the year ended 31 December 2018: RMB13,070,277.66) and costs for properties under development of RMB2,937,951,653.16 (for the year ended 31 December 2018: RMB3,594,842,102.54).

The following sets out the breakdown of interest income:

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Cash and bank balances	**237,415,806.87**	203,330,712.58
Long-term receivables	**149,408,177.14**	52,060,377.57
Other debt investments	**325,695,758.57**	14,333,153.48
Total	**712,519,742.58**	269,724,243.63

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

11. OTHER GAINS

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited	Related to assets/gains
Refunds of VAT	**577,918,676.86**	595,274,443.74	Related to gains
Income from other subsidies	**158,559,863.87**	162,538,112.07	Related to assets/gains
Grants on sale of heat	**1,600,000.00**	3,187,959.04	Related to gains
	738,078,540.73	769,376,627.47	

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

12. INVESTMENT GAINS

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Gains from long-term equity investments under equity method	**388,081,883.97**	371,432,235.92
Investment gains from disposal of long-term equity investments	**13,872,102.30**	88,513,125.88
Investment gains from holding financial assets held for trading	**759,000.00**	130,786,598.62
Dividend gains from holding other equity instruments	**570,951.93**	–
Investment gains from disposal of financial asset held for trading	**283,724,406.29**	–
Investment gains from holding financial assets measured at amortized cost	**6,933,705.75**	24,407,626.67
Dividend income	**–**	6,198,333.20
Gains on re-measurement of equity interests in the acquiree held before the date of acquisition at fair value	**9,248,144.36**	–
Derecognition losses on financial assets measured at amortized cost	**(443,184,451.58)**	–
Others	**(122,937.78)**	7,817,271.38
	259,882,805.24	629,155,191.67

There were no significant restrictions on the repatriation of investment gains of the Group as of 31 December 2019. In 2019, a net loss from listed share investment among the Group's investment gains amounted to RMB20,146,588.49 (2018: net gain of RMB6,146,686.40).

13. GAINS FROM CHANGES IN FAIR VALUE

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Financial assets at fair value through profit or loss	**29,316,032.41**	(32,417,372.24)
Investment properties measured at fair value	**730,049,755.49**	508,933,619.95
	759,365,787.90	476,516,247.71

14. CREDIT IMPAIRMENT LOSSES

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Bad debt losses on bills receivable	**75,094,859.97**	65,855,058.00
Bad debt losses on accounts receivable	**325,580,289.24**	66,320,528.73
Bad debt losses on other accounts receivable	**76,574,988.60**	252,477,198.03
Bad debt losses on long-term accounts receivable	**(10,075,432.43)**	(6,837,305.86)
Losses on impairment for contract assets	**732,264.57**	–
	467,906,969.95	377,815,478.90

15. ASSET IMPAIRMENT LOSSES

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Losses on decline in value of inventory	**155,530,616.35**	376,176,703.19
Losses on impairment for fixed assets	**274,124,544.97**	370,651,402.65
Losses on impairment for construction in progress	**3,682,030.38**	56,147,247.34
Losses on impairment for intangible assets	**50,059,859.26**	6,389,961.93
Losses on impairment for goodwill	**150,000,000.00**	–
Others	**9,260,852.98**	18,404,832.04
	642,657,903.94	827,770,147.15

16. INCOME TAX EXPENSES

Unit: RMB

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Current income tax expense	**3,236,391,368.60**	2,593,086,938.71
Deferred income tax expense	**(480,718,990.99)**	(429,877,429.79)
	2,755,672,377.61	2,163,209,508.92

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

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Total profit	**7,933,820,047.39**	6,444,634,743.74
Income tax expense at the statutory income tax rate	**1,983,455,011.85**	1,611,158,685.94
Effect of different tax rates applicable to some subsidiaries	**(104,377,569.77)**	(46,473,012.58)
Adjustments on the current income tax of previous periods	**22,443,797.43**	(7,053,843.69)
Share of profits and losses of joint ventures and associates	**(66,360,611.06)**	(92,858,058.98)
Income not subject to tax	**(15,777,403.25)**	(1,549,583.30)
Expenses not deductible	**126,499,001.90**	96,317,516.63
Deductible temporary difference and deductible losses not recognized	**809,790,150.51**	603,667,804.90
Income tax expense at the effective tax rate of the Group	**2,755,672,377.61**	2,163,209,508.92

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 2019 Audited	For the year ended 31 December 2018 Audited
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company *(RMB)*	**3,693,582,654.45**	3,260,449,276.97
Shares		
Weighted average number of ordinary shares in issue of the Company	**10,677,771,134.00**	10,677,771,134.00
Basic earnings per share	**0.35**	0.31

The Company did not have potentially dilutive ordinary shares.

18. DIVIDEND

	For the year ended 31 December 2019 ***RMB'000***	For the year ended 31 December 2018 *RMB'000*
Proposed final dividend – RMB0.12 per share before tax (for the year ended 31 December 2018: RMB0.055 per share before tax)	**1,281,333**	587,277

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

Unit: RMB

	At 31 December 2019 Audited	At 31 December 2018 Audited
Bank acceptance bills	**4,518,509,076.65**	9,514,351,643.03
Commercial acceptance bills	**825,050,192.62**	1,272,059,132.66
	5,343,559,269.27	10,786,410,775.69
Less: Provision for bad debts of bills receivables	**140,949,917.97**	65,855,058.00
	5,202,609,351.30	10,720,555,717.69

As at 31 December 2019, bills receivable of RMB92,052,474.50 (31 December 2018: RMB129,872,209.57) were used for discounting of short-term loan.

For the year ended 31 December 2019, the movements in provision for bad debts of bills receivables are as follows:

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Balance at the beginning of the Reporting Period	**65,855,058.00**	–
Provision for the Reporting Period	**75,094,859.97**	65,855,058.00
Balance at the end of the Reporting Period	**140,949,917.97**	65,855,058.00

20. ACCOUNTS RECEIVABLE

Unit: RMB

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

An aging analysis of the accounts receivable is as follows:

	At 31 December 2019 Audited	At 31 December 2018 Audited
Within 1 year (inclusive of 1 year)	**6,025,933,817.48**	5,875,572,619.57
1 to 2 years (inclusive of 2 years)	**1,812,861,436.65**	1,399,257,206.82
2 to 3 years (inclusive of 3 years)	**875,311,528.23**	831,428,398.76
3 to 4 years (inclusive of 4 years)	**482,639,054.25**	560,230,050.44
4 to 5 years (inclusive of 5 years)	**456,696,773.03**	376,422,298.49
Over 5 years	**968,507,647.38**	820,700,395.22
	10,621,950,257.02	9,863,610,969.30
Less: Provision for bad debts of accounts receivable	**2,620,476,724.39**	2,423,525,518.45
	8,001,473,532.63	7,440,085,450.85

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

	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Balance at the beginning of the year	**2,423,525,518.45**	2,231,874,010.93
Provision for the year	**376,975,737.13**	68,999,649.21
Transferred in upon acquisition of subsidiaries	**15,437,643.47**	168,686,325.27
Reversal for the year	**(51,395,447.89)**	(2,679,120.48)
Write-off for the year	**(24,878,817.44)**	(10,080,941.31)
Removed from upon disposal of subsidiaries	**(38,992,282.51)**	(33,171,288.40)
Transferred to held for sale	**–**	(103,116.77)
Other transfer out	**(80,195,626.82)**	–
Balance at the end of the year	**2,620,476,724.39**	2,423,525,518.45

	31 December 2019			
	Balance of carrying amount	**Proportion (%)**	**Provision for bad debts amount**	**Proportion (%)**
Subject to separate provision for bad debts	**1,010,803,184.21**	**9.52**	**612,293,506.18**	**60.57**
Provision for bad debts by credit risk characteristics group	**9,611,147,072.81**	**90.48**	**2,008,183,218.21**	**20.89**
	10,621,950,257.02	**100.00**	**2,620,476,724.39**	**24.57**

	31 December 2018			
	Balance of carrying amount	Proportion (%)	Provision for bad debts amount	Proportion (%)
Subject to separate provision for bad debts	1,015,810,002.46	10.30	407,164,476.35	40.08
Provision for bad debts by credit risk characteristics group	8,847,800,966.84	89.70	2,016,361,042.10	22.79
	9,863,610,969.30	100.00	2,423,525,518.45	24.57

21. INVENTORIES

Unit: RMB

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

	As at 31 December 2018		
	Balance of carrying amount	Provision for decline in value	Carrying value
Raw materials	2,042,210,001.97	111,744,448.57	1,930,465,553.40
Items in production	920,704,467.26	26,892,195.65	893,812,271.61
Finished goods	2,798,863,930.37	62,487,076.76	2,736,376,853.61
Turnover materials	20,916,607.52	81,472.31	20,835,135.21
Development costs	96,699,933,733.25	7,169,850.12	96,692,763,883.13
Products under development	13,045,110,219.65	470,289,422.94	12,574,820,796.71
Contract performance cost	74,705,027.12	10,985,839.43	63,719,187.69
	115,602,443,987.14	689,650,305.78	114,912,793,681.36

Changes in provision for decline in value of inventories are as follows:

2019

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

2018

		Changes during the year			
	Opening balance	Provision for the year	Removed from upon disposal of subsidiaries	Write-off	Closing balance
Raw materials	100,513,654.18	28,093,555.65	7,965,733.09	8,897,028.17	111,744,448.57
Items in production	46,209,849.70	233,296.54	–	19,550,950.59	26,892,195.65
Finished goods	54,331,308.71	22,826,268.67	–	14,670,500.62	62,487,076.76
Turnover materials	81,472.31	–	–	–	81,472.31
Contract performance cost	–	10,985,839.43	–	–	10,985,839.43
Development costs	15,632,660.41	–	–	8,462,810.29	7,169,850.12
Products under development	182,077,333.06	314,037,742.90	–	25,825,653.02	470,289,422.94
	398,846,278.37	376,176,703.19	7,965,733.09	77,406,942.69	689,650,305.78

As at 31 December 2019, the balance of development costs included the capitalised borrowing costs of RMB6,443,373,626.99 (31 December 2018: RMB5,093,549,898.63). The capitalised borrowing costs amounted to RMB2,937,951,653.16 in aggregate in 2019 (2018: RMB3,594,842,102.54), and the rate of interest capitalisation was 4.00% (2018: 4.76%).

22. SHORT-TERM LOANS

Unit: RMB

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Guaranteed loans *(Note)*	**1,669,000,000.00**	1,900,000,000.00
Credit loans	**35,456,630,000.00**	36,942,270,000.00
Mortgaged loans	**–**	675,000,000.00
Pledged loans	**92,052,474.50**	363,122,209.57
	37,217,682,474.50	39,880,392,209.57

Note: As at 31 December 2019, all guaranteed loans were guaranteed by entities within the Group.

As at 31 December 2019, the interest rates of the above loans were 3.96-7.00% per annum (as at 31 December 2018: 3.48%-7.00%).

As at 31 December 2019, the Group had no overdue borrowings.

23. BILLS PAYABLE

Unit: RMB

	At 31 December 2019 Audited	At 31 December 2018 Audited
Bank acceptance bills	**1,958,755,385.87**	1,974,216,957.31
Commercial acceptance bills	**17,386,936.78**	106,532,379.67
	1,976,142,322.65	2,080,749,336.98

As at 31 December 2019, the Group had no outstanding bills payable that were due (31 December 2018: Nil).

24. ACCOUNTS PAYABLE

Unit: RMB

Accounts payable bear no interest and are generally settled within 30-360 days. An aging analysis of accounts payable based on the invoice date is as follows:

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Within 1 year (including 1 year)	**14,362,144,476.30**	14,843,680,448.83
1 to 2 years (including 2 years)	**1,648,614,458.46**	2,342,046,547.01
2 to 3 years (including 3 years)	**828,401,100.74**	426,530,426.20
Over 3 years	**862,788,506.95**	745,358,444.61
	17,701,948,542.45	18,357,615,866.65

25. SHORT-TERM FINANCING BONDS AND BONDS PAYABLE

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Short-term financing bonds	**3,298,801,089.25**	6,500,000,000.00
Corporate bonds	**23,401,835,819.73**	20,159,323,960.77
Medium-term notes	**11,000,000,000.00**	8,000,000,000.00
Debt financing plan	**–**	500,000,000.00
Closing balance as at the end of the year	**34,401,835,819.73**	28,659,323,960.77
Less: Bonds payable due within one year	**6,940,839,101.59**	8,428,234,671.07
Non-current portion	**27,460,996,718.14**	20,231,089,289.70
Analysis of maturity of bonds payable:		
Within 1 year (inclusive of 1 year)	**6,940,839,101.58**	8,428,234,671.07
1 to 2 years (inclusive of 2 years)	**7,186,009,296.88**	500,000,000.00
2 to 5 years (inclusive of 5 years)	**18,779,591,863.34**	19,731,089,289.70
Over 5 years	**1,495,395,557.93**	–
	34,401,835,819.73	28,659,323,960.77

As at 31 December 2019, the short-term financing bonds above would be due within one year.

1) Pursuant to the document Zhong Shi Xie Zhu [2014] No. MTN316 issued by the National Association of Financial Market Institutional Investors ("NAFMII"), 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 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%.

2) 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%. In accordance with the issuer's option to raise the coupon rate stipulated in Prospectus of BBMG in Relation to the Public Issuance of 2016 Corporate Bonds (Tranche 1) (for Qualified Investors) (《北京金隅股份有限公司公開發行2016年公司債券(第一期)募集說明書(面向合格投資者)》), the Company raised the coupon rate of the bonds for the current period to 3.9% for the next two years (i.e. from 14 March 2019 to 13 March 2021). 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%.

3) Pursuant to the document (Fa Gai Cai Jin [2012] No. 2810) issued by National Development and Reform Commission, Jidong Group issued the first tranche of corporate bonds for 2012 on 13 September 2012 (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%.

4) Pursuant to the document (Zheng Jian Xu Ke [2011] No. 1179) issued by China Securities Regulatory Commission, Jidong Cement issued corporate bonds of no more than RMB2,500,000,000 to the public, including "2011 Jidong 01" and "2011 Jidong 02". On 30 August 2011, it issued 2011 Jidong 01, 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 RMB418,315,330.01 (exclusive of interests) due on 20 March 2020.

5) 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.

6) 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%.

7) 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.

8) 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.

9) 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. 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.

10) 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, Jidong Cement 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%.

11) 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 National Association of Financial Market Institutional Investors ("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%.

12) 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%.

13) 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%.

14) 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 third year; and the Company issued its first tranche of corporate bonds (type two) for 2018 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.

15) 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%.

16) Pursuant to the document Zheng Jian Xu Ke [2018] No. 884 issued by the China Securities Regulatory Commission, the Company issued corporate bonds (classified to two types) with par value of no more than RMB5,000,000,000 to qualified investors by way of public issuance on 9 January 2019. Type one amounted to RMB500,000,000 in total with a term of 5 years and a coupon rate of 3.73%. The issuer has an option to adjust the coupon rate and the investors have a sale back option at the end of the third year; and type two amounted to RMB1,500,000,000 in total with a term of 7 years and a coupon rate of 4.07%. The issuer has an option to adjust the coupon rate and the investors have a sale back option at the end of the fifth year.

17) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. SCP16) issued by the NAFMII, Jidong Cement successfully issued the first tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 22 February 2019 with a term of 270 days. The interest commencement date was 22 February 2019 and the actual amount issued totalled RMB800,000,000 with a coupon rate of 3.30%; Jidong Cement successfully issued the second tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 26 July 2019 with a term of 270 days. The interest commencement date was 26 July 2019 and the actual amount issued totalled RMB800,000,000 with a coupon rate of 3.34%; Jidong Cement successfully issued the third tranche of ultrashort financing bonds for 2019 of Tangshan Jidong Cement Co., Ltd. on 25 September 2019 with a term of 270 days. The interest commencement date was 25 September 2019 and the actual amount issued totalled RMB500,000,000 with a coupon rate of 3.30%.

18) Pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP300) (《接受註冊通知書》(中市協注[2017]SCP300號)) issued by the NAFMII, the Company successfully issued the first tranche of super short term financing bonds for 2019 from 20 February 2019 to 21 February 2019 for a term of 216 days. The interest commencement date was 22 February 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.04%.

19) Upon consideration and approval by the 16th meeting of the 4th session of the Board held on 29 March 2017 and the 2016 annual general meeting of the Company held on 17 May 2017, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. 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 of BBMG Corporation for 2019 on 11 March 2019. The interest commencement date was 11 March 2019 and the actual amount issued totalled RMB2,500,000,000 with a coupon rate of 4.35%.

20) 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 2018 of Tangshan Jidong Cement Co., Ltd. (Shen Zheng Han [2018] No. 810) (《關於唐山冀東水泥股份有限公司2018非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2018]810號)) issued by the Shenzhen Stock Exchange, Jidong Cement issued the first tranche of corporate bonds by way of non-public issuance on 20 March 2019 with a term of 5 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 third year. The interest commencement date was 19 March 2019 and the actual amount issued totalled RMB1,200,000,000. The bonds bear an interest rate of 4.97%; Jidong Cement issued the second tranche of corporate bonds by way of non-public issuance on 29 October 2019 with a term of 5 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 third year. The interest commencement date was 28 October 2019 and the actual amount issued totalled RMB1,500,000,000. The bonds bear an interest rate of 4.20%.

21) Upon consideration and approval by the 34th meeting of the 4th session of the Board held on 29 August 2018 and the second 2018 extraordinary general meeting held on 16 October 2018, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF 16) issued by the NAFMII, the Company successfully issued the second tranche of medium term notes for 2019 on 9 August 2019. The interest commencement date was 9 August 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 3.94%; the Company successfully issued the third tranche of medium term notes for 2019 on 14 November 2019. The interest commencement date was 14 November 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 4.13%.

22) Upon consideration and approval by the 34th meeting of the 4th session of the Board held on 29 August 2018 and the second 2018 extraordinary general meeting of the Company held on 16 October 2018, and pursuant to the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2019] No. DF 16) issued by the NAFMII, the Company successfully issued the second tranche of ultrashort financing bonds on 15 October 2019 with a term of 177 days. The interest commencement date was 15 October 2019 and the actual amount issued totalled RMB2,000,000,000 with a coupon rate of 2.80%.

26. LONG-TERM LOANS

Unit: RMB

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Guaranteed loans *(Note)*	**14,220,056,660.00**	10,484,580,000.00
Credit loans	**15,247,569,349.97**	14,071,789,349.97
Mortgaged loans	**14,079,691,214.48**	12,388,040,000.00
Pledged loans	**5,444,700,000.00**	3,027,493,199.13
Pledged/mortgaged and guaranteed loans	**25,000,000.00**	–
Closing amount	**49,017,017,224.45**	39,971,902,549.10
Less: Long-term loans due within one year	**13,229,616,201.98**	9,465,848,283.40
	35,787,401,022.47	30,506,054,265.70

Note: As at 31 December 2019, the guaranteed loans of the Group were guaranteed by entities within the Group.

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Within 1 year	**13,229,616,201.98**	9,465,848,283.40
1 to 2 years	**9,569,842,858.00**	12,078,352,584.27
2 to 5 years	**13,291,071,702.00**	10,517,464,831.46
Over 5 years	**12,926,486,462.47**	7,910,236,849.97
	49,017,017,224.45	39,971,902,549.10

As at 31 December 2019, the above loans bore an interest rate of 1.2%-10.34%% (31 December 2018: 1.2%-10.34%) per annum.

27. NET CURRENT ASSETS

Unit: RMB

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Current assets	**174,495,857,508.11**	169,157,938,225.06
Less: Current liabilities	**127,706,358,086.98**	129,202,330,397.51
Net current assets	**46,789,499,421.13**	39,955,607,827.55

28. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Total assets	**282,123,755,708.33**	268,276,091,699.13
Less: Current liabilities	**127,706,358,086.98**	129,202,330,397.51
Total assets less current liabilities	**154,417,397,621.35**	139,073,761,301.62

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors, I am pleased to present to you the annual results of the Company for the twelve months ended December 31, 2019, and the operating results of the Company during the said period for your review.

Review

The year 2019 marks the 70th anniversary of the founding of new China and the 10th anniversary of the listing of BBMG. BBMG adhered to the keynote of making progress while maintaining stability, focused on its principal businesses to deepen reform and stimulate vitality, made innovation-driven development, and improved quality and efficiency. The overall economic indicators hit a new record high, the core competitiveness has been further improved, and the momentum of high-quality sustainable development is stronger. Over the past year, the asset restructuring between BBMG and Tangshan Jidong Cement Co., Ltd. has been completed, and the three-year strategic restructuring of BBMG and Jidong has ended successfully. This restructuring is a major measure taken by BBMG to comply with the policy direction of synergetic development of Beijing, Tianjin and Hebei, the largest restructuring implemented through market-oriented approach in China's cement industry, and also an important practice of promoting supply-side structural reform in industries with overcapacity. The completion of the restructuring has cleared the way for the refinancing and sustainable and healthy development of BBMG and Jidong Cement in the capital market. Leveraging its brand and industrial chain advantages, the Company achieved information sharing, resource complementation, coordination and interaction between all segments and upstream and downstream enterprises. This highlights the integration advantages, forms a winning edge in market competition, and expands space and strengthens resources for further development of the Company. The Company continued to deepen the reform of internal system and mechanism in accordance with the development strategy of "highlighting the principal businesses and strengthening the specialized businesses" and the management and control principle of "flat, professional, regional and digital", and the level of standardization, systematicness and scientificity of overall management and control has been significantly improved. During the Reporting Period, the operating revenue was RMB91,829.3 million on a cumulative basis, representing a year-on-year increase of 10.5%; net profit attributable to the shareholders of the parent company amounted to RMB3,693.6 million, representing a year-on-year increase of 13.3%; basic earnings per share attributable to the shareholders of the parent company amounted to RMB0.35, representing a year-on-year increase of 12.9%.

Prospect

The year 2020 is the last year of building a well-off society in an all-round way and the "13th Five-Year" plan. To lay a solid foundation for a good start of the "14th Five-Year" plan, it is both a decisive period and a crucial period. Despite the impact of the COVID-19 epidemic, the fundamentals of China's economy having a positive long-term trend remain unchanged, and the basic characteristics of good economic resilience, great potential and plenty of room for maneuver remain unchanged as well. The Company will focus on development, adhere to high-standard development, sustainable development, innovation-driven development, cooperative development and development according to objective laws. We will continue to strengthen, optimize and expand the principal businesses and promote high-quality development to a new level. The cement and ready-mixed concrete segment will follow the strategic position of "building a world-class cement industry group which is modern, professional and large in scale", aim at achieving high-quality development, enhance the strategic initiative, accelerate the optimization and upgrading, remedy shortcomings, practice skills, enhance the core competitiveness and continue to strengthen, optimize and expand itself. The modern building materials and commerce and logistics segment will actively explore the industrialized development model, strengthen its own characteristics by integrating technologies and products, make full use of the industrial chain and product advantages of the Company, realize the "industrialized" development, and create a synergetic competitive advantage. On this basis, the Company will use technology and channel resources to explore the development path of light-asset expansion to achieve development and growth. The property development segment will actively respond to market changes and increase sales revenue collection; further activate urban natural resources and solidly promote the expansion of self-owned land; improve the level of project operation and management, and further accelerate the implementation of the project on the basis of strict implementation of the operation plan. The property investment and management segment will benchmark itself against the leading enterprises in the industry, adhere to high standards and high position, further strengthen management and improve services, increase innovation in operation mode, management approach and development path, highlight its own characteristics, strengthen and expand as soon as possible; accelerate the sale of scattered assets, and improve the ability and service quality of the residential property management.

Summary of Financial Information

	2019 *RMB'000*	2018 *RMB'000*	Change
Operating revenue	**91,829,311**	83,116,733	10.5%
Operating revenue from principal business	**90,935,860**	82,397,425	10.4%
Gross profit from principal business	**24,082,213**	22,003,662	9.4%
Gross profit margin from principal business	**26.5%**	26.7%	a decrease of 0.2 percentage point
Net profit attributable to the shareholders of the parent company	**3,693,583**	3,260,449	13.3%
Basic earnings per share attributable to the shareholders of the parent company	**RMB0.35**	RMB0.31	12.9%
Cash and bank balances	**21,325,043**	18,774,468	13.6%
Current assets	**174,495,858**	169,157,938	3.2%
Current liabilities	**127,706,358**	129,202,330	-1.2%
Net current assets	**46,789,500**	39,955,608	17.1%
Non-current assets	**107,627,898**	99,118,153	8.6%
Non-current liabilities	**71,886,047**	59,859,259	20.1%
Total assets	**282,123,756**	268,276,092	5.2%
Equity attributable to the shareholders of the parent company	**61,131,200**	57,665,471	6.0%
Debt ratio (total liabilities to total assets) (%)	**70.7**	70.5	an increase of 0.2 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 60.0 million cubic meters while the production capacity of aggregates and grinding aids and admixtures amounted to approximately 41.0 million tonnes and approximately 0.34 million tonnes respectively. Its annual capacity for disposal of various solid wastes was nearly 1.90 million tonnes. The Company will insist to promote market expansion and strategic resources consolidation simultaneously, and has had a total of about 1,640.0 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. In 2019, the modern building materials business actively carried out industrial layout centring around the coordinated and high-quality development of Beijing-Tianjin-Hebei, completing the construction of three industrial bases, namely Tangshan Caofeidian Stone Wool, Tangshan Caofeidian Wood Industry, and Tangshan Yutian Prefabricated Parts Base, further enhancing the modern building materials industry chain. The Company's modern building materials products and construction and installation services were widely used in the construction of key hotspot projects in Beijing, Tianjin and Hebei, such as the sub-town centre and supporting facilities in Beijing, Citizen Service Centre in Xiong'an New District, the Winter Olympic Stadium, and Universal Studios Beijing, fully demonstrating advantages of BBMG's modern building materials business in brand, quality and industrial chain and enhancing systematic application and coordinated marketing of the product. 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 segment 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 affordable housing units. Based on continuous consolidation of core business strengths, the Company is making efforts on nurturing new segment formats and seeking coordinated development with Beijing, Tianjin and Hebei based on the functions of non-capital cities and actively researches and explores urban renovation. The Company has successfully established its presence in various sectors such as industrial properties and technology and innovation related properties, bringing new development opportunities for the Company.

4. ***Property investment and management business:***

The Company is one of the largest investors and managers of investment properties in Beijing with the most diversified businesses, holding approximately 1.78 million sq.m. of investment properties such as high-end office buildings, commercial and industrial parks in Beijing and Tianjin (of which 0.97 million sq.m. are high-end investment properties in core areas in Beijing) and managing nearly 13.5 million sq.m. of properties (including residential communities and commercial units at low floors) in Beijing and Tianjin.

(II) Description of major industries

1. Cement Industry

In 2019, fixed-asset investments in China (excluding agricultural households) reached RMB55,147.8 billion, representing a year-on-year growth of 5.4%. Among them, infrastructure investment increased by 3.8% and investment in real estate development increased by 9.9%. Infrastructure investment grew steadily, and real estate investment and newly started constructions were resilient, supporting the steady and moderate growth of cement demand throughout the year. According to the 2019 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 2.35 billion tonnes, representing a year-on-year increase of 4.9%. The central government persevered in the tough battle against pollution. As an important regulated area, the cement and related industries continued to be affected by environmental protection policies such staggered production, emergency staggering, energy conservation and emission reduction, comprehensive treatment of mines, and staggered transportation. As a result, the production capacity of enterprises in certain regions was restricted, and the excess capacity were reduced. The national average cement price mostly continued the general trend in 2018, and remained at a high level. This, coupled with a series of policies and measures to reduce taxes and charges and support the development of the real economy, drove the continuous growth of profits of the cement industry.

2. Property Development Industry

In 2019, regulation and control over the real estate industry was not loosened. Focus continued to be laid on the policy of "houses are for living, not for speculation" and the prevention of systemic risks. It was clearly stated that "real estate shall not be used as a means to stimulate the economy in the short term". The targeted supervision of funds in the real estate industry remained tight throughout the year. Policies were implemented based on city, region, and situation. The transaction cycle of new houses was gradually extended. The land market had cooled down as a whole. At the same time, the growth rate of investments in real estate development were in double digits for most of the year, maintaining resilient growth.

According to the data of the National Bureau of Statistics, in 2019, the investment in real estate development in China stood at RMB13,219.4 billion, representing an increase of 9.9% over the previous year and 0.4 percentage point. Investment in residential properties was RMB9,707.1 billion, representing an increase of 13.9% over last year. Investment in residential properties accounted for 73.4% of aggregate investment in real estate development, an increase of 2.6 percentage points over last year. The construction sites for corporate use of real estate developers stood at 8,938.21 million sq.m., representing an increase of 8.7% over last year, among which, 6,276.73 million sq.m. were area of construction sites for residential properties, representing an increase of 10.1% over last year. The area of nearly started construction of real estates was 2,271.54 million sq.m., increasing by 8.5% over last year. The area of completed real estate stood at 959.42 million sq.m., increasing by 2.6% over last year. Of this, area of completed residential properties was 680.11 million sq.m., increasing by 3.0% over last year. In 2019, land area acquired by real estate developers was 258.22 million sq.m., decreasing by 11.4% over last year. Area of sold commodity housing was 1,715.58 million sq.m., decreasing by 0.1% over last year. Area of sold residential properties, office and properties for commercial operation increased by 1.5% over last year, decreased by 14.7% and decreased by 15.0% from last year respectively. Sales of commodity housing amounted to RMB15,972.5 billion, increasing by 6.5% over last year, a decrease of 5.7 percentage points from last year. Of this, sales of residential properties, office and properties for commercial operation increased by 10.3% over last year, decreased by 15.1% and 16.5% from last year respectively. As at the end of 2019, area of commodity housing for sales was 498.21 million sq.m., a decrease of 25.93 million square meters as compared with the end of last year.

Summary of Business Information

		2019	2018	Change
1.	***Cement and Ready-mixed Concrete Segment***			
	Sales volume:			
	Cement (in thousand tonnes)	**96,398.8**	96,638.5	-0.2%
	Concrete (in thousand cubic meters)	**17,498.6**	16,036.0	9.1%
2.	***Modern Building Materials and Commerce and Logistics Segment***			
	Sales volume:			
	Stone wool boards (in thousand tonnes)	**66.0**	57.3	15.2%
3.	***Property Development Segment***			
	Booked GFA (in thousand sq.m.)	**1,012.6**	1,009.3	0.3%
	Presales (sales) GFA (in thousand sq.m.)	**1,174.7**	1,114.1	5.4%
4.	***Property Investment and Management Segment***			
	Total GFA of investment properties (in thousand sq.m.)	**1,781.9**	1,352.4	31.8%

In 2019, the Company adhered to the general tone of striving for growth while maintaining stability. We focused on the main businesses to deepen the reform and stimulate vitality, and improved quality and efficiency driven by innovation. Our overall economic indicators hit record high, and our core competitiveness was further enhanced. The momentum of high-quality, sustainable development became even stronger.

During the Reporting Period, the Company recorded operating revenue of RMB91,829.3 million, of which operating revenue from its principal business amounted to RMB90,935.9 million, representing a year-on-year increase of 10.4%; total profit amounted to RMB7,933.8 million, representing a year-on-year increase of 23.1%; net profit amounted to RMB5,178.1 million, representing a year-on-year increase of 20.9%; and net profit attributable to the shareholders of the parent company amounted to RMB3,693.6 million, representing a year-on-year increase of 13.3%.

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, and precisely promoted the upgrade of the "Excellence Cultivation" plan, thereby significantly improving our profitability and the quality of operations, 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, improved the balance between supply and demand, and increased the reserve of mine resources.

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 achieved improvement in the quality and performance rate of contracts. Using information technology, the Company improved the level of intelligent manufacturing, accelerated the construction IT-based standardized sites, optimized work flows, and strengthened lean management.

The cement and ready-mixed concrete segment recorded operating revenue from its principal business of RMB41,382.8 million during the Reporting Period, a year-on-year increase of 5.8%. Gross profit from its principal business amounted to RMB13,163.4 million, a year-on-year increase of 12.0%. The consolidated sales volume of cement and clinker reached 96.40 million tonnes (excluding joint ventures and associates), almost at the same level as compared with that of last year, among which the sales volume of cement and clinker were 84.73 million tonnes and 11.67 million tonnes, respectively. The aggregate gross profit margin for cement and clinker was 37.0%, a year-on-year increase of 1.0 percentage point. Sales volume of concrete totalled 17.5 million cubic meters, a year-on-year increase of 9.1%, while the gross profit margin for concrete was 7.3%, a year-on-year decrease of 3.2 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. We comprehensively improved the basic management capabilities of the segment, thereby further improving the profitability, market competitiveness and industry status of the enterprises. We strengthened the basic control over marketing activities, established sales cost reduction and control mechanism, and actively developed large customers. We strengthened integrated product sales and provided customers with comprehensive solutions. In accordance with the requirements of "ensuring quality, quantity and timeliness", the Company provided green, energy-saving and environmentally-friendly building materials and premium services for key projects such as Beijing Municipal Sub-centre, Xiong'an New District, Daxing International Airport, and Winter Olympic Stadium.

During the Reporting Period, the modern building materials and commerce and logistics segment recorded operating revenue from its principal business of RMB26,476.6 million, a year-on-year increase of 33.6%, while the gross profit from its principal business amounted to RMB1,283.0 million, a year-on-year increase of 5.5%.

3. Property Development Segment

The Company built a professional team to actively respond to market changes, improve professional management capabilities and project operation efficiency, and effectively prevent and control systemic risks. Adopting the strategy of "quick sales and quick payment collection", we took proactive measures in a depressed market environment, extended marketing efforts to low-tier markets, formulated optimization measures, strengthened organizational implementation, and guaranteed cash flow security.

In 2019, the Company successfully acquired 4 parcels of land, all of which were located in the core cities, adding approximately 0.33 million sq.m. to its land reserve and providing strong support to the sustainable development of the property development segment.

No.	Project (land lot) name	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-Date)	Percentage of interest
1	Plot 1820-618A and other plots at Anning Zhuang, Qinghe, Haidian District, Beijing	Haidian District, Beijing	Residential (R2), land used for community comprehensive service facilities, etc.	68,982	141,907	3,890.0	Tender	2019-01-24	100%
2	Plot 1814-630 and other plots at East Side of Jiancaicheng Zhonglu, XiSan Qi, Haidian District, Beijing	Haidian District, Beijing	Residential (R2), sports land, and child care land	21,216	31,629	760.0	Tender	2019-01-24	100%
3	Plot JG0702-R21-03 at Jianqiao Ecological Park Unit, Jianggan District, Hangzhou	Jianggan District, Hangzhou	Residential (R2) (with auxiliary public buildings)	41,761	83,522	2,009.54	Listing	2019-09-12	100%
4	Plot JG0601-R21-03 at Jianqiao Unit, Jianggan District, Hangzhou	Jianggan District, Hangzhou	Residential (R2) (with auxiliary public buildings)	33,655	74,041	1,749.23	Listing	2019-09-24	100%
Total				**165,614**	**331,099**	**8,408.77**			

During the Reporting Period, the property development segment recorded revenue from its principal business of RMB22,207.5 million, a year-on-year increase of 0.3%, and the gross profit from its principal business was RMB7,539.4 million, a year-on-year increase of 7.1%. The booked GFA increased slightly year-on-year to 1,012,582.0 sq.m. for the year, among which booked GFA of commodity housing amounted to 885,819.0 sq.m., representing a year-on-year increase of 2.3%, while booked GFA of affordable housing amounted to 126,763.0 sq.m., representing a year-on-year decrease of 11.7%. The aggregated contracted sales area of the Company was 1,174,662.8 sq.m., representing a year-on-year increase of 5.4%, among which contracted sales area of commodity housing increased slightly year-on-year to 1,013,536.8 sq.m. The contracted sales area of affordable housing amounted to 161,126.0 sq.m., representing a year-on-year increase of 54.0%. As at the end of the Reporting Period, the Company had a land reserve totaling approximately 7,992,500 sq.m.

4. Property Investment and Management Segment

The Company centred on Beijing's functional positioning to charter innovative development path. Our office area has increased, our operations of new leases, expanded leases, and renewed leases were stable, and our occupancy rates and rent levels remained stable. The overall business operation was stable, and the brand influence was gradually established. BBMG Holiday Inn Express (金隅智選假日酒店) successfully completed the reception for the "World Horticultural Exposition". BBMB Crown Plaza Hotel (金隅皇冠假日酒店) completed the structural cap ahead of schedule. BBMG Intelligent Manufacturing Workshop completed engineering transformation, becoming the innovation hub of Beijing's intelligent manufacturing industry. BBMG High-Tech Industrial Park achieved remarkable benefits from the transformation and upgrade.

During the Reporting Period, the property investment and management segment recorded operating revenue from its principal business of RMB5,026.4 million, representing a year-on-year increase of 18.7%, and gross profit from its principal business was RMB2,733.8 million, representing a year-on-year increase of 13.2%. As at the end of the Reporting Period, the Company held approximately 1,781,900 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 82.0% and a consolidated average rental unit price of approximately RMB5.7/sq.m./day. The high-end investment properties held in core areas in Beijing totaled 970,000 sq.m., with a consolidated average occupancy rate of 84.0% and a consolidated average rental unit price of approximately RMB9.1/sq.m./day.

RENTAL OPERATIONS OF THE MAJOR INVESTMENT PROPERTIES OF THE GROUP AS AT 31 DECEMBER 2019

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	108.2	3,285.7	11.9	92%	30,367
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	141.0	3,431.3	8.7	96%	24,336
Phase 3 of Global Trade Center	North Third Ring Road, Beijing	57.5	1,224.4	8.4	91%	21,296
Tengda Plaza	West Second Ring Road, Beijing	67.9	1,817.4	9.9	83%	26,785
Jin Yu Building	West Second Ring Road, Beijing	41.2	1,212.4	12.0	84%	29,403
Jianda Building/Building Materials Trading Tower	East Second Ring Road, Beijing	43.0	1,182.8	5.8	90%	27,507
Dacheng Building	East Second Ring Road, Beijing	41.4	1,180.8	11.3	72%	28,498
Pan Bohai Jin'an Plaza	Hexi District, Tianjin	302.0	2,436.0	2.3	96%	8,035
Pangu Plaza Building 5	North Forth Ring Road, Beijing	137.0	5,344.1	12.3	55%	39,008
Phase 1 of Logistics Park Project	South Sixth Ring Road, Beijing	122.0	872.0	2.3	63%	7,148
Phase 1 of Intelligent Manufacturing Plant	North Fifth Ring Road, Beijing	75.4	613.0	5.7	87%	8,134
Subtotal		1,136.6	22,599.9			19,876
Other properties	Beijing Municipality	645.3	7,032.3			10,906
Total		1,781.9	29,632.2	5.7	82%	16,627

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	41,382.8	28,219.4	31.8%	5.8	3.1	Increase of 1.8 percentage points
Modern Building Materials and Commerce and Logistics	26,476.6	25,193.5	4.8%	33.6	35.5	Decrease of 1.3 percentage points
Property Development	22,207.5	14,668.1	33.9%	0.3	-2.9	Increase of 2.2 percentage points
Property Investment and Management	5,026.4	2,292.6	54.4%	18.7	26.0	Decrease of 2.6 percentage points
Eliminations	(4,157.4)	(3,519.9)	-	-	-	–
Total	90,935.9	66,853.6	26.5%	10.4	10.7	Decrease of 0.2 percentage point

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 increased by approximately RMB221.1 million year-on-year to RMB730.0 million, accounting for 9.2% of the profits before tax.

3. Expenses during the Reporting Period

(1) Selling expenses were RMB3,076.5 million, an increase of RMB160.8 million or 5.5% year-on-year. Such increase was mainly due to the year-on-year increase in office expenses and employee remuneration of the Group during the Reporting Period.

(2) Administrative expenses were RMB7,056.1 million, a decrease of RMB99.4 million or 1.4% year-on-year. Such decrease was mainly due to the year-on-year decrease in the fees for agency intermediaries and leasing expenses of the Group during the Reporting Period.

(3) Finance costs were RMB3,397.0 million, an increase of RMB349.6 million or 11.5% year-on-year. Such increase was mainly due to the increase in the size of financing of the Group during the Reporting Period.

4. Cash flows

During the Reporting Period, a net increase of RMB1,807.5 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 inflows generated from operating activities of RMB9,521.7 million, representing the year-on-year increase in cash inflows of RMB14,564.3 million, 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 outflows generated from investment activities of RMB6,781.6 million, representing a decrease in outflows of RMB1,602.3 million year-on-year, which was mainly attributable to year-on-year decrease in outflows for investments during the Reporting Period; (iii) the net cash outflows generated from financing activities of RMB946.7 million (financing activities generated net cash inflows of RMB14,079.9 million for the same period in 2018), such change was mainly attributable to the year-on-year decrease in addition of interest bearing liabilities during the Reporting Period; and (iv) the exchange realignment of RMB14.1 million.

Core Competence Analysis

The Company is a leading building material enterprise in Beijing, Tianjin and Hebei Province in environmental protection, energy-saving and emission reduction and recycling development, and contributes to the ecological civilization. During the Reporting Period, the Company proactively followed the policy orientation of the coordinated development of Beijing-Tianjin-Hebei and the supply-side structural reform to tap the general trend and seize historical strategic opportunities. In March 2019, the second round of asset injection for BBMG Jidong assets reorganization was successfully completed, enabling the Company to unify the property rights and administration authority of the cement business and further enhance the control and competitiveness in the Beijing-Tianjin-Hebei cement market. In October 2019, Tianjin Building Materials Group and Jidong Development Group, both controlled by the Company, jointly invested in industrial projects to promote the Company's inter-sector business coordination and effectively revitalize state-owned assets, and consolidate the Company's leading position in the building material sector of Beijing, Tianjin and Hebei. In December 2019, the project in Caofeidian Wood Industry Innovation Base with an annual output of 250,000 cubic meters of density boards and 250,000 cubic meters of particleboard was put into operation and the Company's first pre-fabricated building component production base was put into operation in Tangshan, which consolidated the foundation for the industrialization of the modern material manufacturing industry, helping the Company to actively develop into an international first-class comprehensive service provider of building materials.

The Company is one of the top 500 enterprises, top 200 most cost-effective enterprises and top 100 most profitable enterprises in China, showing greater momentum of high-quality sustainable development.

The core competitiveness of the Company is detailed as follows:

1. COMPETITIVE EDGE IN THE INDUSTRIAL CHAIN:

The Company has developed a vertically integrated all industrial chain. On the back of its advantages in new green building materials manufacturing and equipment manufacturing industry, the Company expanded into the area of real estate development, and focused on business development and industrial upgrading and developed modern service industries such as trade, services, high-end property management, operation of technical innovation industry parks, and human resource. 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 new 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 in a systematic, industrialized, and specialized manner. Leveraging various resources and advantages accumulated in the process of "going abroad" by the new green building materials manufacturing industry, our real estate business increases the reserve of urban land resources, optimizes the business layout, explores and pioneers 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. Information sharing, complementary resources, and coordinated interaction between various business segments and upstream and downstream enterprises underline the advantages of integration and create market competitive edge.

2. COMPETITIVE EDGE IN TECHNOLOGY INNOVATION:

The Company implemented strategies such as innovation-driven and green development. Focusing on the high-end of the industry and the fore-front of the industry, guided by the market and policies, and centring on the five major categories of green environmental protection, green building materials, green buildings, green manufacturing and new materials, we have carried out in-depth innovation of BBMG's characteristic "high-grade, precise and advanced" new technologies, new products, and new process, and obtained a number of industry leading scientific and technological results. As a result, the Company's technological innovation capabilities and core competitiveness continued to improve.

We increased the disposal capacity of garbage fly ash by more than 10% with the total disposal capacity of 70,000 t/a, which provided technical support for the new industrialized fly ash disposal lines with annual disposal capacity of 50,000 t/a to be established in each of Beijing BBMG Liushui Environment Protection Technology Co., Ltd. and Beijing BBMG Beishui Environmental Protection Technology Co., Ltd. in 2020. This promoted the in-depth transformation of Liushui and Beishui enterprises in Beijing and solved the urgent problem of a severe lack of facilities to reduce and dispose of Beijing's garbage fly ash in a non-hazardous manner and turn it into a resource. It became an indispensable environmental protection facility in Beijing, contributing to the accelerated construction of Beijing's ecological civilization. We improved the medium temperature and medium dust SCR denitration pilot test system, conducted a pilot test of powdered rare earth reducing agent denitration ultra-low emission technology, and developed the staged combustion + SNCR + SCR composite denitration plan by comparing the nitrogen oxide emission levels, thereby achieving the industry-leading goal of ultra-low emissions of nitrogen oxides and ammonia escape with the minimum investment and operating costs. We completed the assembly of industrial interior parts in the Dachang Experiment Factory achieving standardization, generalization and serialization of parts. We carried out research on PC component production process technology and series product optimization, and developed a set of design drawings. We carried out large-scale production and application of steel slag ultra-fine powder, which laid the foundation for the large-scale utilization of a large amount of steel slag waste stored in the Beijing-Tianjin-Hebei region.

In 2019, the Group obtained 265 national patents (of which 32 were invention patents), won 2 provincial and ministerial government science and technology advancement awards, 6 national industrial association science and technology awards, and was granted RMB14.524 million of related government science and technology funds. The Company directed the publication and implementation of 8 national and industrial standards. Eleven of its subsidiaries were named high-tech enterprises. Nine of its technological innovation platforms were named provincial-level enterprise technology centers and similar titles. The Company was approved for the 2019 Green Manufacturing System Solution Provider project organised by the Ministry of Industry and Information Technology and the Ministry of Finance. Meanwhile, the Company conducted more than 30 various academic exchange activities with universities and research institutes at home and abroad, focusing on industrial transformation and upgrade and high-quality development. The Company's technological innovation capabilities and industry influence continued to increase.

3. COMPETITIVE EDGE IN SUSTAINABLE DEVELOPMENT OF GREEN OPERATIONS:

The Company practiced in depth the development concept that "Lucid waters and lush mountains are invaluable assets", conscientiously implemented the state's decision and plan for ecological civilization construction, considered the strengthening of environmental protection as an important means of the Company for transforming the development model, creating benefits, and fulfilling social responsibilities, strove to overcome the severe and complex economic situation and the profound impact of national industrial policy regulation, took solid steps to promote its work on environmental protection, and persistently promoted high-quality development of the Company with high-standard management.

The Company advocated the innovation and the application of results in energy saving and emission reduction. In terms of treatment of industrial solid waste and domestic waste using cement kilns, the Company accelerated project construction and maximized the advantages of the cement industry to make greater contributions to energy conservation and emission reduction, truly helping governments cleanse the urban environment. In 2019, the environmental protection sector recorded revenue of RMB1.49 billion, representing a year-on-year increase of 30%.

As at the end of 2019, 25 subsidiaries of the Company had carried out the solid waste disposal business, 13 of which carried out hazardous waste disposal with a disposal capacity of 501,700 tonnes/year, 13 of which carried out domestic sludge disposal with a disposal capacity is 830,200 tonnes/year, and 4 of which carried out domestic garbage disposal with a disposal capacity of 556,700 tonnes/year.

Fifteen subsidiaries newly obtained the environmental impact assessment approval for the projects of disposal using cement kilns with the total disposal scale under environmental impact assessment reaching 1.445 million tonnes/year, of which the scale of hazardous waste under environmental impact assessment reached 550,000 tonnes/year. The number and disposal capacity of new environmental impact assessments hit record high. Environmental protection projects covered Beijing, Tianjin, Hebei, Shanxi, Shaanxi, and Northeast China, serving more than 5,000 clients.

Through stable operation control, the Company's pollutant emission level was better than the national emission control requirements. Pollutant emission concentrations in Beijing, Tianjin, Hebei, Fenwei Plain, and other key regions were significantly lower than the emission limits specified by the state. In some regions the most stringent national standards for nitrogen oxide emissions from cement kiln tailings were implemented. The limits under these standards were only 1/8 of the limits specified by the state. We pushed forward energy-saving, consumption-reduction, cost-reduction and efficiency-improving technical transformation and technical measures projects with technological upgrade and equipment upgrade at the core, achieving remarkable results. In 2019, we implemented 66 energy-saving technological transformation projects, involving an amount of RMB234.46 million. Five comparable comprehensive energy consumption indicators of the Company had improved year-on-year, four of which reached an advanced level under national standards. All of the energy consumption indicators for each step improved year-on-year.

To help enterprises achieve scientific development, the Company has always vigorously promoted clean production as a new pollution prevention measure and environmental protection concept. Since the start of the clean production audit, the enterprises have completed multiple rounds of audits and acceptances. By implementing the clean production scheme, all subsidiaries have achieved the purpose of "energy saving, consumption reduction, pollution reduction, and efficiency enhancement", achieving the alignment of economic, social and environmental benefits of industrial production. In 2019, a total of 11 enterprises applied for the fourth batch of green factories, 9 of which passed the provincial assessment and were recommended to the central government for review; ultimately, 4 enterprises were selected into the fourth batch of "National Team" of green factory directories. As at the end of 2019, a total of 10 cement enterprises of the Company were selected into the national green factory directory.

The Company has always responded to the state's call for creating green mines. We arranged for our subsidiaries to compile green mine construction and implementation plans based on their actual conditions and adhered to "one policy for one mine", thereby comprehensively promoting the construction of green mines based on the actual situation. Currently, 3 enterprises are pilot organizations of national green mines, and 3 enterprises are provincial green mines. In 2019, we comprehensively pushed forward the construction of green mines, and actively mobilized the enterprises to the carry out the selection and inclusion of green mines in accordance with the Notice on the Selection of Green Mines for 2019 issued by the Ministry of Natural Resources. A total of 13 enterprises passed the green mine selection as of 2019.

4. COMPETITIVE EDGE IN INDUSTRY-FINANCE INTEGRATION:

Seizing the favorable window as the interest rates declined in 2019, the Company innovated financing methods, endeavored to broaden financing channels, and strengthened cooperation with financial institutions, so as to reduce the financing cost of the Company's interest-bearing liabilities, and support the development of Company's main business. Throughout the year, financing from external sources increased by RMB8.2 billion, and financing costs decreased by 75 basis points. We completed the registration of the Group's RMB40 billion two-year multi-type debt financing instruments (DFI) and RMB8 billion corporate bonds in the interbank bond market. We optimized the capital structure and kept the Company's asset-liability ratio at approximately 70%. The Company's issuer credit rating remained AAA, laying a solid foundation for the Company to control and reduce financing costs and maintain liquidity security. BBMG Finance gave full play to the treasury management function of the Company, facilitated the match of the supply and demand of funds within the Company, and strengthened the centralized management of funds. The comprehensive fund collection rate reached 72%, 21% higher than that at the end of the previous year, greatly improving the efficiency of fund use and reducing the Company's total capital operating costs.

5. COMPETITIVE EDGE IN CORPORATE CULTURE AND BRANDING:

The core value of BBMG's corporate culture is based on the pragmatic working culture of "work with aspiration, competence, efficiency, success and prudence", the human spirits of "eight specials", the development philosophy of "integration, communion, mutual benefit and prosperity", and the corporate spirits of "three emphasis and one endeavor". We united our minds and efforts and forged ahead. 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 cadres and employees within the system. It aims to help employees realize their dreams, and is the driving force and cornerstone of BBMG's business. "BBMG" has been consecutively honored as a well-known trademark in Beijing. It ranked 66th on the list of the 2019 (16th) China's 500 Most Valuable Brands, won the ninth Beijing Influence Selection "Beijing-Tianjin-Hebei Coordinated Development" award, was named Top 100 Chinese Listed Enterprise and won Golden Quality (金質量) "Corporate Governance". 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. The internal and external environment has become more severe and complicated due to the multiplied impact of the epidemic worldwide.

From the perspective of external environment, the international environment remains complex. The spread of the epidemic further increased the uncertainty of the global economy.

From the perspective of internal environment, China is in the critical period of transforming its development mode, optimizing its economic structure and transforming its growth momentum. The COVID-19 epidemic significantly affects the economy and society of China. The economic operation is facing new downward pressure.

China has persisted in preventing and resolving risks in its promotion of high-quality development. In 2020, it is expected that the government will issue more targeted response policies and measures to strengthen counter-cyclical regulation, so as to further deepen reforms and expand opening-up, better stimulate market vitality, expand domestic demand, increase momentum, and achieve economic and social development goals and tasks for the year, while minimizing the impact of the epidemic.

2. ***The building material industry falls first then raises and the real estate industry is under much pressure***

In recent years, the building material industry took supply-side structural reform as the main line, centered on quality and efficiency, further consolidated the achievements in eliminating excess capacity, improved the economic efficiency significantly, and gradually optimized the industrial structure, achieving overall good performances in the operation of the industry. The growth of investment in the building materials industry was mainly in new building materials, energy saving and environmental protection, and technological improvement.

2020 is the year when a moderately prosperous society will be built in all aspects and the 13th Five-Year Plan will end. Priority will be given to "stability" for national economy. With respect to infrastructure, as an important measure to offset the impact of the epidemic, the state will further increase investment in infrastructure and key areas and projects, promptly remedy shortcomings in related fields such as emergency medical infrastructure, and accelerate the implementation of projects suspended due to the epidemic. As such, the growth rate of infrastructure investment is expected to pick up. With respect to real estate, the central government has made it clear that it will not use real estate as a means to stimulate the economy in the short term. Real estate regulation will focus on "stability". Therefore, the growth rate of real estate investment may decline, but will still remain resilient. The above two factors will strongly support and drive cement demand. Some segments will increase their market demand for green building materials products and new material. Meanwhile, new businesses and new model will promote and accelerate the transformation of traditional production mode and circulation mode of the industry, bringing greater potential and influence to the development of the whole building materials industry in the future.

China's economy has great resilience and potential, and its overall long-term trend for the growth will not change. The impact of the epidemic is short-term and generally controllable. Giving full play to the institutional advantages, the Chinese government will do a good job in epidemic prevention and control and economic and social development, unswervingly implement the new development philosophy, deepen supply-side structural reform, fight the "three tough battles", do a good job in the "six stability" work (keep employment, the financial sector, foreign trade, foreign and domestic investments, and expectations stable) in an all-round way, give full play to the enthusiasm, initiative and creativity of all parties, minimize the impact of the epidemic, strive to achieve the objectives and tasks of economic and social development throughout the year, achieve the objectives and tasks of building a moderately prosperous society in all aspects, fight the decisive battle against poverty, and complete the"13th Five-Year Plan" on a high note.

(2) The Company's Development Strategy

2020 is the year when the Company's "13th Five-Year Plan" is closed and the 14th Five-Year Plan is planned to be formulated. We must lay a good foundation for a good start to the "14th Five-Year Plan". It is both a decisive period and a crucial period, with milestones and symbolic significance. We should firmly establish a new concept of development, adhere to the theme of development, implement the requirements of high-quality development, seek progress while maintaining stability, and strive to achieve development with higher quality, better benefits and better structure.

First, adhere to high standards of development. To build a more stable core competitiveness, we should gain benefits from the cutting edge of the industry, the high value end and the front end of the industry. Efforts should be made to make up for the "high-grade, precision and advanced" industrial elements and shortcomings, enhance comparative advantages, and create a "high-grade, precision and advanced" industrial system with BBMG characteristics.

Second, adhere to sustainable development. Strengthen strategic thinking, seize the "window period" of opportunities, advance and retreat in an orderly way, realize strategic transformation and upgrading, and seek new development in the future. Strengthen strategic reserves to provide good resource guarantee for the long-term sustainable development of the enterprise. Strengthen the awareness of risks and stick to the principle of keeping steady.

Third, adhere to innovation-driven development. We should continue to digest and absorb the achievements of the existing reforms and adjustments, continue to push forward the deepening of reforms, optimize and perfect the management and control mode, and enhance our competitive advantages to adapt to future development. We should strengthen management innovation, system innovation, scientific and technological innovation, as well as system and mechanism innovation, and continue to implement the "1+7+X" organizational control structure reform, making the reform a new momentum for high-quality development.

Fourth, insist on the principle of refraining from doing some things in order to accomplish other things. Focus on the main business, consolidate the advantages of professional development, improve the efficiency of resource allocation, and improve the total factor productivity and core competitiveness.

Fifth, adhere to cooperative development. Take the initiative to strengthen external cooperation, introduce advanced technological achievements and useful management experience, to form a new pattern of "powerful combination" that promotes and brings out the best in each other among the Group.

The Company's development strategy for various sectors in 2020:

The cement industry should, under the strategic positioning of "a world-class cement industry group which is modern,professional and large in scale", promote the coordinated and orderly development of cement, environmental protection, mines, aggregates, admixtures and other industries, enhance the synergy advantages among industries, and enhance the market competitive advantages of industries. Pursue high-standard development, continuously improve profitability, make breakthroughs in key areas related to the sustained and healthy development of the enterprise, such as market integration, industrial layout, acquisition of mineral resources, warrant handling, etc., and pursue industry-leading core competitiveness. Continuously improve the level of technical management, speed up the pace of "cultivating excellence" and realize connotative development; carry out self-revolution, make up the short board, establish a modern enterprise image according to the requirements of the modern enterprise system, give full play to the leading and exemplary role of "leading enterprise" in the industry, and promote the overall high-quality development of the industry.

The modern building materials business should focus on industrialization development, actively explore the development mode of "new materials + industrialization" and achieve breakthroughs. We should strengthen our own characteristics through the integration of technology and products, make full use of the advantages of the Company's industrial chain and internal product chain, focus on industrial chain cooperation, and realize industrial synergy advantages and aggregation effects. Make use of our own technology and channel advantages to explore the development path of light asset expansion so as to realize development and growth. The equipment manufacturing industry should focus on its main business and around the stage development idea of "giving priority to heavy building materials and equipment, supplemented by engineering metallurgical machinery and equipment", fully release the production capacity of the equipment manufacturing base, expand the market share, effectively improve the operation quality, create the operation profit and improve the profit level. We should effectively prevent and control trade control risks and realize stable operation and sound development. Promote the development of trade business, innovate modern trade and exhibition business formats, and do a good job in realizing modern commercial service.

Property development business should scientifically study and assess the industry situation and policy environment to accurately grasp the enterprise operation rules and market rhythm under the completely competitive market environment. Adhere to the principle of "good water flows quickly" and grasp the sales to promote the collection of money. We should further revitalize the city's mineral resources and push forward the expansion of our own land; Continue to strengthen control and improve the operation level; Enhance the internal competition mechanism; Clear management and control positioning, optimize resource allocation, effectively enhance the brand reputation and core competitiveness of BBMG Real Estate.

The investment property business should aim at leading enterprises in the industry, scientifically plan the positioning for the enterprise, focus on the construction of the "four centers" in the capital, adhere to high standards and levels, strengthen management, improve services, intensify innovation in operating model, management approach, and development path, so as to quickly grow bigger and stronger. We will expedite sales of scattered assets and improve the property management capability and service quality in communities.

(3) Business Plan

2020 is the last year for fully building a well-off society and implementing the "13th Five-Year Plan", and a crucial year for formulating the "14th Five-Year Plan" to promote high-quality development. Presently and in the period to come, the general trend of stability with moderate growth and long-term improvement of the Chinese economy will remain unchanged. Faced with the new situation, new requirements, and new tasks, the Board of the Company will adhere to the general tone of striving for growth while maintaining stability, uphold the new development concept, coordinate the tasks of reform, development, and stability, focus on improving the quality and efficiency of the economy, fully complete various annual tasks, continue to make our main business stronger and better, and ensure high-quality and sustainable development.

(4) Possible risks

1. Risk of epidemic impact

The sudden outbreak of the COVID-19 epidemic has greatly affected most industries in China. During the epidemic, project suspensions led to stagnate cement demand, and the restriction on people's movement led to a decline in real estate sales. As of early March 2020, although there are signs that China is bringing the epidemic under control and production and living are returning to normal, the epidemic has escalated overseas. In the context of global integration, its impact on China's economy is still unclear.

Countermeasures: The impact is short-lived and temporary, and will not affect the fundamentals of China's long-term positive economic growth. We will make full use of the Company's industrial chain advantages, take advantage of policies issued by the state to counter the epidemic, and capitalize on the rebounding economic growth and expanded infrastructure needs after the epidemic to promote the growth of cement and other building materials businesses. At the same time, we will expand our mind, increase marketing efforts and speed up sales of inventory real estate projects, improve the project operation quality, to ensure the fulfillment of economic goals for the year.

2. Policy risk

Guided by the principle that "houses are for living, not for speculation," the long-term administrative mechanism for the real estate industry has graduated from the pilot stage to the full implementation stage, and the local governments have greater power to implement city-specific policies. Also, real estate is a capital-intensive industry where monetary and fiscal policies have a significant impact on the purchasing power of residents and the financing environment of housing enterprises. At present, the overcapacity in the cement industry has not been fundamentally resolved. Policies on de-capacity, staggered production and environmental protection will be further implemented and tightened, and the process of eliminating outdated capacity will be further accelerated.

Countermeasures: The real estate business will scientifically study and assess the market to improve its ability to respond to changes in the external environment; it will strengthen the presence in cities, accurately position its products and improve product power and operation capabilities to establish regional advantages and accelerate collection of sales proceeds. Cement companies will focus on supply-side structural reform to improve quality and efficiency and enhance regional market control. They will continue to strengthen cooperation in the industry and build up a community, guide and drive industry integration, transformation and upgrading, and maintain good market order. They will also seize the rebounding growth of the market after the epidemic to further increase market share.

3. Risk of capital operation

The People's Bank of China strengthened financial supervision in 2019 and achieved certain results in deleveraging. However, China's macro leverage ratio is still on the high side and the risk of local debts is rising. Affected by the epidemic, the manufacturing industry and the real estate industry will face greater pressure, especially the cash flow pressure of the real estate industry will increase and the liquidity risk will increase, which brings great challenges to the Company's financing and liquidity management as a whole.

Countermeasures: The Company will innovate financing methods and extensively expand financing channels to raise funds at low cost. We will strengthen process control to improve the efficiency of real estate project operations. We will study and assess market conditions and prudently acquire land to prudently operate real estate business.

4. *Market competition risk*

After the acquisition of Jidong Cement, the market order was improved in the regions where the majority of the Company's cement business is located. However, the overcapacity issue in the cement industry has not been fundamentally solved. The staggered production only solves the problem of output in the region and does not solve the problem of overcapacity fundamentally. Some small and medium-sized enterprises do not strictly comply with the industry policies, reduce staggered production time and increase output. Even some enterprises that have stopped production for a long time have resumed production. The increase in output makes the contradiction between production and marketing increasingly surplus, and the market environment is not optimistic. In the meantime, due to the unbalanced regional development, the gap between the strong in the south and the weak in the north persists in terms of demand and benefit level. The concentration of the real estate industry is accelerating, and the trend of "the big gets bigger, the strong gets stronger" is more notable.

Countermeasures: The cement business actively adapt to the market environment of the industry and strengthen regional policies. It will make full use of the Company's scale advantages and regional advantages to realize the overall allocation of resources and enhance the Company's product supply capacity; improve the level of operation control in an all-round way; optimize the layout of cement industry and expand the regional market share; strengthen and expand the environmental protection industry, extend the industrial chain, coordinate the development of environmental protection, aggregate, mining and other industries, increase technological R&D and innovation, reduce production costs, and continuously enhance the Company's market competitiveness. The real estate business will underscore its unique characteristics, revitalizes resources, increases the conversion of self-owned industrial land, and improves project returns.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's total assets amounted to RMB282,123.8 million, an increase of 5.2% from the beginning of the Reporting Period, of which liabilities amounted to RMB199,592.4 million, minority interests amounted to RMB21,400.2 million and total equity attributable to the shareholders of the parent company amounted to RMB61,131.2 million. Total equity attributable to shareholders amounted to RMB82,531.4 million, an increase of 4.2% from the beginning of the Reporting Period. As at 31 December 2019, the Group's net current assets were RMB46,789.5 million, an increase of RMB6,833.9 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2019 was 70.7%, an increase of 0.2 percentage point from the beginning of the Reporting Period.

As at 31 December 2019, the Group's cash and bank balances amounted to RMB21,325.0 million, an increase of RMB2,550.6 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 2019, the Group's interest-bearing bank borrowings amounted to RMB86,234.7 million (as at 31 December 2018: RMB79,852.3 million) and bore fixed interest rates. Of these borrowings, approximately RMB50,477.3 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB1,101.1 million from the beginning of the Reporting Period. Approximately RMB35,787.4 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB5,281.3 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 RMB267,950.0 million and drew down borrowings of RMB141,913.0 million in Mainland China. The remaining credit facilities was RMB126,037.0 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 2019, 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 2019

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 (including unpaid intermediary fee of RMB4,504,100.00) 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覆) (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 2019, RMB4,556,322,329.76 of the proceeds was actually used for the proceeds-financed projects, RMB600,000,000.00 of the proceeds was used to permanently replenish the working capital, and RMB2,256,288,600.00 of proceeds has changed use, and used as the payment of intermediary fee, bank charges, and other fees. The balance of the proceeds (including interest income) was RMB8,589,527.45.

The Company’s financed projects have all been completed. Given that the balance of the proceeds is interest income and is less than 5% of the net proceeds, the Company decided to directly use the balance of the proceeds to permanently supplement the working capital in accordance with the Administrative Measures for Proceeds of Companies Listed on the Shanghai Stock Exchange and other relevant regulations. As at 31 December 2019, the balance of the proceeds in the amount of RMB8,589,527.45 had all been transferred to the Company's own fund account to supplement working capital. The balance of the special account for remaining proceeds is RMB0.

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 2019, 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 2019, 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	0.00
2	Industrial and Commercial Bank of China Limited, Beijing Hepingli Branch	0200203319020196563	The Company	0.00
3	Industrial and Commercial Bank of China Limited, Shijingshan Branch	0200013419200040504	Beijing Aerated Concrete Co., Ltd.	0.00
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, Nanjing Xinglong Road Branch	10109201040009981	BBMG Nanjing Real Estate Development Co., Ltd.	0.00
Total				0.00

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 2019" 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 2019.

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

The Company had no changes of the proceeds-financed projects in 2019.

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 2019

Ernst & Young Hua Ming LLP is of the view that: the special report special on deposit and actual use of proceeds prepared 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 Regulations on 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 2019.

IX. Review opinions of the sponsor

Upon review, First Capital Investment Banking Co., Ltd. is of the view that: in 2019, the Group 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 2019

Unit: RMB0'000

Total proceeds	749,504.00	Total proceeds invested in the year	4,014.72
Change in use of total proceeds	225,628.86	Total accumulated proceeds used for investment	741,261.09
Proportion of change in use of total proceeds	30%		

Committed investment project	Changed project	Total committed investment from proceeds	Total investment after adjustment	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)	Difference between accumulated investment amount and committed investment amount as of the end of the year (3)=(2)-(1)	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 (Note 6)	Achieve the intended results or not	Significant changes in project feasibility	Reason for failure to reach the scheduled progress
Engineering project of BBMG International Logistics Park		97,953.00	97,953.00	97,953.00	2,359.42	97,953.00	–	100.00%	Completed	11,182.72	–	No	–
Production line project with an annual production	Replenishment of working capital	181,551.00	90,000.00	90,000.00	–	90,000.00	–	100.00%	Completed	132,160.65	–	No	–
capacity of 0.8 million pieces of furniture *(Note 1)*		–	89,520.59	89,520.59	–	89,520.59	–	100.00%		–	–	No	–
Chaoyang District Chaoyang North Road (former	Replenishment of working capital	90,000.00	46,014.42	46,014.42	–	46,014.42	–	100.00%	Completed	331,270.01	–	No	–
Star Building Materials Product Factory) B01, B02 and B03 secondary residential, secondary and primary school and nursery project *(Note 2)*			37,773.08	37,773.08	–	37,773.08	–	100.00%		–	–	No	–
Chaoyang District, Dongba Dandian secondary	Replenishment of working capital	170,000.00	75,666.90	75,666.90	–	75,666.90	–	100.00%	Completed	640,738.15	–	No	–
residential and primary school project *(Note 3)*			94,333.10	94,333.10	–	94,333.10	–	100.00%		–	–	No	–
BBMG Zhongbei Town residential project	Replenishment of working capital	50,000.00	45,997.91	45,997.91	–	45,997.91	–	100.00%	Completed	216,722.26	–	No	–
(Note 4)			4,002.09	4,002.09	–	4,002.09	–	100.00%		–	–	No	–
Nanjing City Jianye District Xinglong Street North A2 project		100,000.00	100,000.00	100,000.00	1,655.30	100,000.00	–	100.00%	Completed	651,447.36	–	No	–
Sub-total		689,504.00	681,261.09	681,261.09	4,014.72	681,261.09	–	100.00%		1,983,521.15			
Replenishment of working capital *(Note 5)*		60,000.00	60,000.00	60,000.00	–	60,000.00	–	100.00%		–			
Total		749,504.00	741,261.09	741,261.09	4,014.72	741,261.09	–	100.00%		1,983,521.15			

Note 1: 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 the Company.

Note 2: 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 3: 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 4: 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 5: 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 6: Results achieved refers to the accumulated carrying value of the revenue recognised.

DISCLOSEABLE TRANSACTIONS DURING THE REPORTING PERIOD

(1) On 9 January 2019, the Company entered into (i) a asset acquisition agreement ("**Asset Acquisition Agreement**"); (ii)) a registered capital increase agreement ("**Registered Capital Increase Agreement**") of BBMG Jidong Cement (Tangshan) Co., Ltd. (the "**JV Company**"); and (iii) a termination agreement of the equity entrustment agreement ("**Termination Agreement**") with Tangshan Jidong Cement Co., Ltd. ("**Jidong Cement**").

Pursuant to the Asset Acquisition Agreement, the Company has agreed to sell and Jidong Cement has agreed to purchase the entire equity interest in each of the target companies for a total consideration of RM1,536,867,900, and has obtained the approval of the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") therefor.

In order to resolve the issues of competing business between the Company and Jidong Cement and to fulfill the obligations of the Company under the Non-Competition Agreement and in accordance with the Registered Capital Increase Agreement relating to the JV Company, 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 companies whereas Jidong Cement will contribute by way of injecting five companies together with a cash payment of RMB2,481,749,700. The way to which contribution to be made by the Company and Jidong Cement has been approved by the SASAC.

Pursuant to the equity entrustment agreement entered into between the Company and Jidong Cement on 28 December 2017 (the "**Equity Entrustment Agreement**"), the Company and Jidong Cement have agreed to terminate the Equity Entrustment Agreement. 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 above Asset Acquisition Agreement, Registered Capital Increase Agreement of the JV Company and Termination Agreements (together the "**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 Agreements further resolve the issue of competing business between the Company and Jidong Cement. The 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 Agreements have all been completed as of March 2019. For details of the Agreements, please refer to the announcement of the Company dated 9 January 2019.

(2) On 20 August 2019, Beijing Yu Cheng Property Limited* (北京鈺珵置業有限公司), an indirect wholly-owned subsidiary of the Company, has successfully bid a property named Building 5, No. 27 Courtyard, Bei Si Huan Middle Road, Chaoyang District, Beijing City* (北京市朝陽區北四環中路27號院5號樓) and located at Bei Si Huan Middle Road, Chaoyang District, Beijing City* (北京市朝陽區北四環中路) (with property ownership certificate number 1122115) (X京房權證朝字第1122115號) (the "**Property**") by way of internet auction through Alibaba Judicial Auction* (淘寶網司法拍賣網絡平台) published by the Beijing Third Intermediate People's Court* (北京市第三中級人民法院) at a consideration of RMB5,187,364,186 and obtained the internet auction confirmation on the same day. The Vendor of the Property was Beijing Pangu Shi Investment Limited* (北京盤古氏投資有限公司), who and its ultimate beneficial owner(s) are Independent Third Parties. The Property is located at Bei Si Huan Middle Road, Chaoyang District, Beijing City* (北京市朝陽區北四環中路), which belongs to an Asia Olympic business circle in Beijing. The Property has 39 above ground floors and 5 underground floors and has a building area of approximately 139,356.25 sq.m. (of which the area above ground is 108,734.65 sq.m. and the area underground is 30,621.77 sq.m.) with a remaining term of use of 37 years. The Group has settled the bidding price by internal resources of the Group. The acquisition of the Property was on normal commercial terms and is in accordance with the Company's development strategy regarding its property investment and management business and will bring synergies to the Group's property investment and management business and further enhance the competitive advantage of the Group's property investment and management business with reasonable business value, which is in the interest of the Company and its Shareholders as a whole. For details of the acquisition of the Property, please refer to the announcements of the Company dated 20 August 2019 and 8 October 2019.

(3) On 8 October 2019, the Company entered into the Sale and Purchase Agreement ("**Sale and Purchase Agreement**") with Jidong Cement, pursuant to which, the Company has agreed to transfer its 49% equity interests held in Beijing BBMG Mangrove ("**Beijing BBMG Mangrove**") to Jidong Cement at a total consideration of RMB1,721,464,500. Jidong Cement will settle the consideration by way of cash to the Company. Prior to the Sale and Purchase Agreement transaction, the Company and the JV Company held 49% and 51% of Beijing BBMG Mangrove, respectively. Therefore, Beijing BBMG Mangrove was a direct non-wholly owned subsidiary of the Company. Beijing BBMG Mangrove is principally engaged in the collection, storage and processing of poisonous and hazardous wastes. Upon completion of the Sale and Purchase Agreement transaction, the Company ceases to owns any direct equity interest in Beijing BBMG Mangrove, and Beijing BBMG Mangrove will become an indirect non-wholly owned subsidiary of the Company.

The Sale and Purchase Agreement will be beneficial to the Company in terms of further refining its internal organization structure and will provide an opportunity for the Company to continue to cooperate with Jidong Cement through the JV Company on various aspects and will be a win-win situation to both the Company and Jidong Cement. The transactions under the Sale and Purchase Agreement is not expected to have any material adverse effect on the Company's operating results.

For details of the Sale and Purchase Agreements please refer to the announcement of the Company dated 8 October 2019.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES

Save as disclosed above under the section headed "Discloseable Transactions During the Reporting Period" in relation to 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 2019, certain of the Group's inventories, fixed assets, investment properties, land use rights and equity interest amounting to RMB50,603.4 million in aggregate (as at 31 December 2018: RMB45,891.8 million) were pledged to secure short-term and long-term loans of the Group, which accounted for approximately 17.9% of the total assets of the Group (as at 31 December 2018: 17.1%).

CONTINGENCIES

Unit: RMB

		As at 31 December 2019	As at 31 December 2018
Provision of guarantee on housing mortgage to third parties	*Note 1*	**8,583,893,305.90**	6,447,501,029.54
Provision of guarantee on loans and others to third parties	*Note 2*	**1,000,000,000.00**	2,630,000,000.00
		9,583,893,305.90	9,077,501,029.54

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. The guarantee 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: Jidong Group, a subsidiary of the Group, provided guarantees with joint obligations on the borrowings of RMB1,000,000,000.00 for Tangshan Culture & Tourism Investment Group Co., Ltd. (唐山市文化旅遊投資集團有限公司). The guarantee will expire on 21 May 2029.

COMMITMENTS

Unit: RMB

	As at 31 December 2019	As at 31 December 2018
Contracted but not provided for:		
Capital commitments	**149,181,143.13**	128,498,574.97
Property development contracts	**2,638,777,513.45**	16,240,929,685.55
	2,787,958,656.58	16,369,428,260.52

The significant commitments made by the Group as at 31 December 2018 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

No significant events after the balance sheet date were required to be disclosed.

Since the outbreak of the novel coronavirus pneumonia epidemic (the "**epidemic**") in January 2020, Mainland China has adopted measures to prevent and control the epidemic. While maintaining our efforts in epidemic prevention and control, the Group has stepped up efforts to resume work and production and strive to minimize the impact of the epidemic on the production and operation results of enterprises. The Group expects that the epidemic and the prevention and control measures therefor have had certain temporary impacts on the Group's production and operation. The degree of subsequent impacts will depend on the progress of the epidemic prevention and control, the duration of the epidemic, and the implementation of local prevention and control policies. The Group pays close attention to the epidemic situation and evaluates its impact on our future financial position and operating results. As of the approval date of these financial statements, the evaluation is still in progress.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 49,189 employees in total (as at 31 December 2018: 52,498 employees). During the Reporting Period, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately RMB6,467.7 million (for the year ended 31 December 2018: RMB6,194.7 million), representing an increase of approximately 4.4%.

In order to meet the needs of the Company for strategic development and accelerate the establishment of a wage determination and normal growth mechanism that is aligned with the labor market and linked to the economic efficiency and labor productivity of the Company, and in accordance with the requirements that employees' salaries shall be based on the industry in which the enterprise operates, region, position, contribution, and the corresponding system and mechanism of the enterprise, the Company further improved the employee compensation and benefits system by constructing a compensation system that is in line with the rules of the market and reflects the management characteristics of the Company. 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 in a timely manner, 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

To further improve the talent team, implement the strategy of "building a strong enterprise with talents", build a high-quality talent team that meets the requirements of reform and development, and promote high-quality development, the Company has innovated the talent training mechanism. In 2019, the Company officially establish the BBMG University to conduct talent training at all levels, making it a "Huangpu Military Academy" for the Company's talent training in order to constantly improve the overall quality of our talent team. At the same time, the Company and its member organisations at all levels have formed a standardized, professional and unified staff education and training system.

In 2019, we organized 6,692 training sessions with 187,100 employees trained on an accumulative basis. The training courses include theoretical reading classes for leader and cadres, rotation training classes for grass-roots branch party secretaries, training courses for grassroots party cadres, advanced seminars for key technological employees, advanced seminars for key financial employees, advanced seminars for key legal affairs employees, senior seminars for security directors, training course chief employees, "Golden Eagle" talent training course, "Golden Talent" induction training course, waste disposal training, welder skill training, elevator emergency drill, aerial work and limited space operation training, wood-based panel technology, BIM integration training and many other aspects.

EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (AS AT 31 DECEMBER 2019)

Number of incumbent employees of the parent company	126
Number of incumbent employees of major subsidiaries	49,063
Total number of incumbent employees	49,189

Professional Structure

Category	Number of employees
Production staff	25,376
Sales staff	5,471
Technical staff	10,533
Financial staff	1,661
Administrative staff	5,269
Others	879
Total	49,189

Education Level

Category	Number of employees
Master’s degree and above	1,081
Bachelor’s degree	11,652
Junior college	11,640
Technical secondary school and below	24,816
Total	49,189

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 2019, 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	Beneficial owner	214,351,000	9.17	2.01
H Shares	FMR LLC	Interest of corporation controlled by the substantial shareholder	165,062,901	7.06	1.55
H Shares	Prime Capital Management Company Limited	Investment manager	163,366,755	6.99	1.53
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	139,485,840	5.96	1.31
H Shares	Fidelity Investment Trust	Beneficial owner	117,593,500	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）).

Short positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of issued share capital *(%)*	Percentage of total issued share capital *(%)*
H Shares	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	683,000	0.03	0.01

Save as disclosed above, as at 31 December 2019, 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 2019, 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	Number of A Shares held	Number of H Shares held	Percentage of the issued share capital of the Company
Jiang Deyi	Beneficial owner	63,000	–	0.00%
Wu Dong	Beneficial owner	60,000	–	0.00%

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

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 2019, 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

The Company did not make amendments to the articles of association of the Company during the Reporting Period.

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.

During the Reporting Period, there was no change in the composition of the Board.

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 31 March 2020, 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.bbmg.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.bbmg.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 20 April 2020 (Monday) to 19 May 2020 (Tuesday), 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 19 May 2020 (Tuesday), 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 17 April 2020 (Friday).

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 28 May 2020 (Thursday) to 2 June 2020 (Tuesday), 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 27 May 2020 (Wednesday).

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
31 March 2020

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.